



WE SET THE NARRATIVE

Auxly Cannabis Group Inc.

Peer Evaluation

Fair Value and Liquidation Analysis

Insider Buying and Selling Considerations

Financial Estimates Full Year 2024

William (Bill) McNarland, CFA

Head of Research

TDR Research

March 14th, 2024

www.thedalesreport.com

bmcnarland@thedalesreport.com

The Key TDR Takeaways

Company Details:

Ticker: OTC: CBWTF / TSX: XLY
Last Earnings Report: Q3 2023
Next Earnings Report 3/30/24

Valuation:

Comparative Valuation: \$0.02
DCF Valuation: \$0.02
Adjusted Blended Valuation: \$0.02

Rating: Hold

1 Year Target Price: \$0.02
Potential Return Target: 100%

Revenue Est USD

2024 FY: \$71.02
2024 Q1: \$17.76
2024 Q2: \$17.76
2024 Q3: \$17.76
2024 Q4: \$17.76

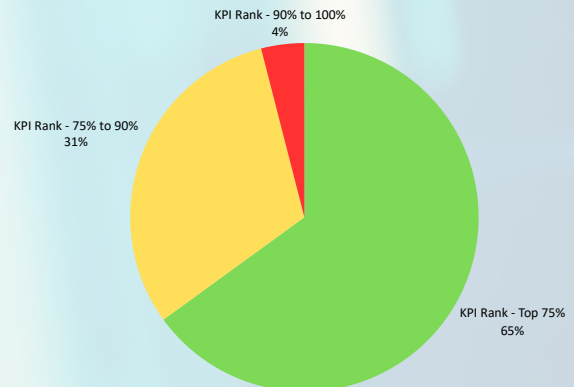
EBITDA Est: USD M

2024 FY: -\$4.98
2024 Q1: -\$1.245
2024 Q2: -\$1.245
2024 Q3: -\$1.245
2024 Q4: -\$1.245

In an analysis of Auxly against 12 competitors in the **TDR Canadian Cannabis Integrated Index**, the company ranks last (13/13) in market cap, indicating a need for market presence improvement. It also performs below average in revenue and revenue growth, ranking 9/13 and 10/13, highlighting the necessity for enhanced growth strategies. Auxly's operational efficiency requires attention, as evidenced by its rankings in COGS/Revenue, SG&A Expense Ratio, and D&A Expense, which suggest the need for improved operational strategies. However, Auxly demonstrates financial strength, with good rankings in Free Cash Flow (FCF) and Levered Free Cash Flow Trend Scores, indicating solid financial health. The company faces issues in inventory and cash conversion, with poor performance in Days Inventory Outstanding (DIO) and Days Sales Outstanding (DSO), necessitating operational improvements. Additionally, concerning scores in the Beneish M-Score and Altman Z-Score signal financial integrity and solvency risks. Despite challenges, Auxly has strengths in shareholder value and financial safety, shown by low share dilution and a high TBVPS to Share Price ratio. However, negative trends in revenue growth, gross profit, and earnings per share underline the need for strategic interventions to improve profitability and market performance.

Summary of Peer Evaluation

The company was compared to 12 Canadian cannabis producers across 24 categories and ranked against 23 categories. (CAPEX spending has no ranking). We divided these categories into three groups based on performance: the top 75% of companies received a green flag, those between 75% and 90% received a yellow flag, and the bottom 10% received a red flag. This method helps us see how the company performed in each category by the color of the flag it received. The chart to the right provides a detailed breakdown of the number of red, green, and yellow flags the company earned in these 23 rated categories.



KPI 02 - Revenue
KPI 03 - Revenue Growth
KPI 04 - COGS
KPI 05 - SGA
KPI 06 - Depreciation
KPI 09 - FCF
KPI 10 - Levered FCF
KPI 13 - DPO
KPI 14 - DSO
KPI 15 - Monthly Burn
KPI 16 - Dilution
KPI 18 - Altman Z
KPI 21 - FCF Levered Trend
KPI 23 - EV / Revenue
KPI 24 - Tangible Book



KPI 07 - R&D
KPI 08 - EBITDA
KPI 12 - DIO
KPI 17 - Beneish M
KPI 19 - Revenue Trend
KPI 20 - Gross Profit Trend
KPI 22 - EPS Trend



KPI 01 - Market Cap

TDR Canadian Cannabis Integrated Index

Aurora	Invidia
Auxly	Organigram
Avant	Rubicon
Cannara	SNDL
Canopy	Tilray
Cronos	Village Farms
Decibel	

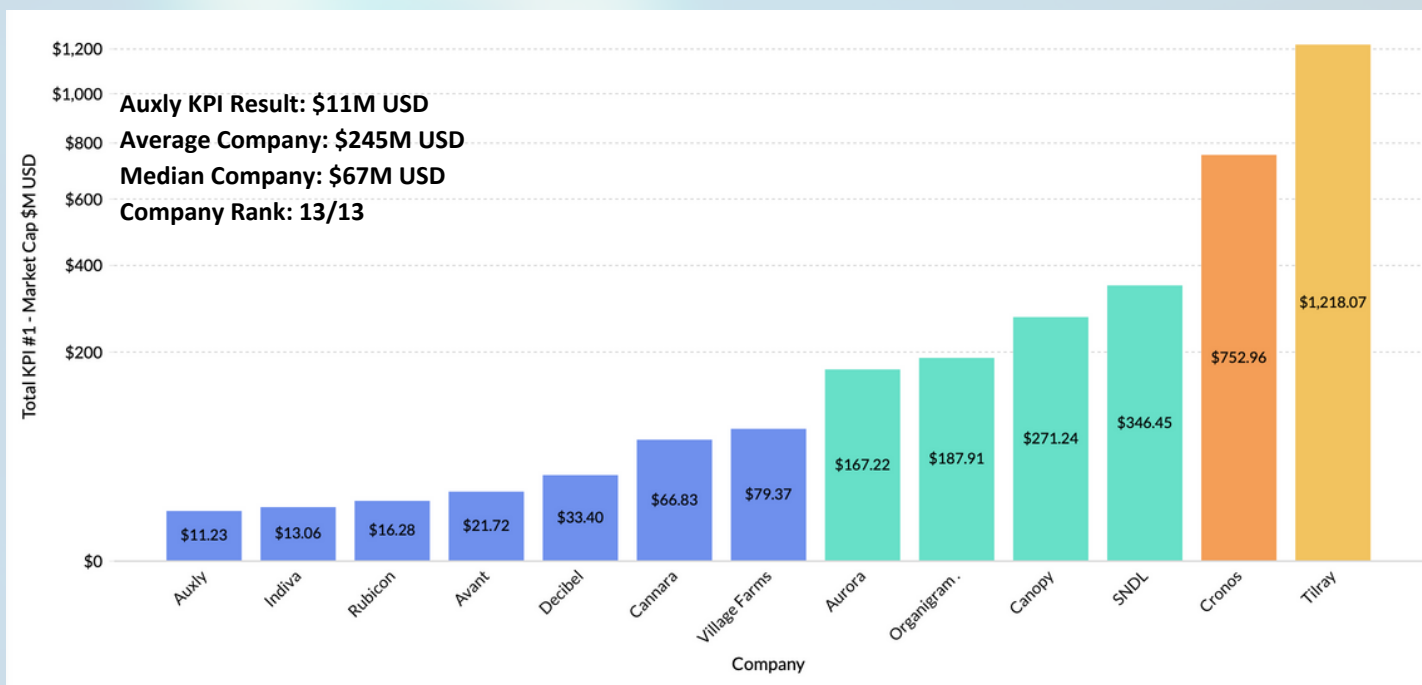
Company Description

Auxly Cannabis Group Inc. is a company in Canada that makes and sells cannabis products. They focus on products for health and fun, like vape cartridges, pre-rolls with cannabis, vape pens, flower, concentrates, chocolates, chews, oil drops, capsules, and skin products. They sell these under the brand names KOLAB PROJECT, Dosecann, BACK FORTY, and Foray. The company used to be called Cannabis Wheaton Income Corp. but changed its name in June 2018. Auxly was started in 1987 and is based in Toronto, Canada.

William (Bill) McNarland, CFA
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

KPI #1: Company Rank by Market Cap - \$USD M



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #1? - Market cap measures a company's size and value, highlighting the trade-off between stability and growth potential. Larger Market Cap has more advantages than downsides.
2. How the Company performed on this KPI #1 - Company Ranked by Market Cap? - Ranked 13/13, the company's \$11M market cap indicates growth potential but signals vulnerability.

Teaching Point: What Investors Can Learn from This KPI?

Market capitalization, or market cap, quantifies the total value of a company's outstanding shares, calculated by multiplying the current market price of one share by the total number of outstanding shares. This metric is vital for investors as it offers a clear picture of a company's size and its economic influence within its industry or the market at large. Comparing companies through market cap helps investors discern leaders and laggards within sectors, providing insights into market perceptions of a company's value and its growth potential. While larger market cap often suggests a company with more stable revenues and a significant industry presence, essential for long-term success, it's important to note that such companies may not grow as quickly as smaller, more nimble counterparts. The agility of smaller companies allows for quicker adaptation to market changes, potentially leading to faster growth. However, larger companies tend to be more resilient to market volatility, have more resources for innovation and expansion, and possess greater market influence.

How the Company Performed on This KPI

With a market capitalization of \$11M USD, the company ranks last at 13 out of 13 among its competitors. This position places it significantly below the average market cap of \$245M USD and the median of \$67M USD in its competitive set. Being at the bottom indicates the company is the smallest in terms of total market value compared to its peers. For investors, this low ranking in market cap may signal limited economic influence and potentially higher vulnerability to market fluctuations compared to larger, more established companies. However, it also suggests that the company may have more growth potential, as smaller companies can often adapt more quickly to market changes and opportunities for expansion. To improve its standing and attractiveness to investors, the company should focus on strategies that could increase its market value, such as expanding its market presence, innovating product offerings, or improving operational efficiencies. These efforts could help the company move up in the rankings, indicating a stronger market position and potential for long-term success.

William (Bill) McNarland, CFA

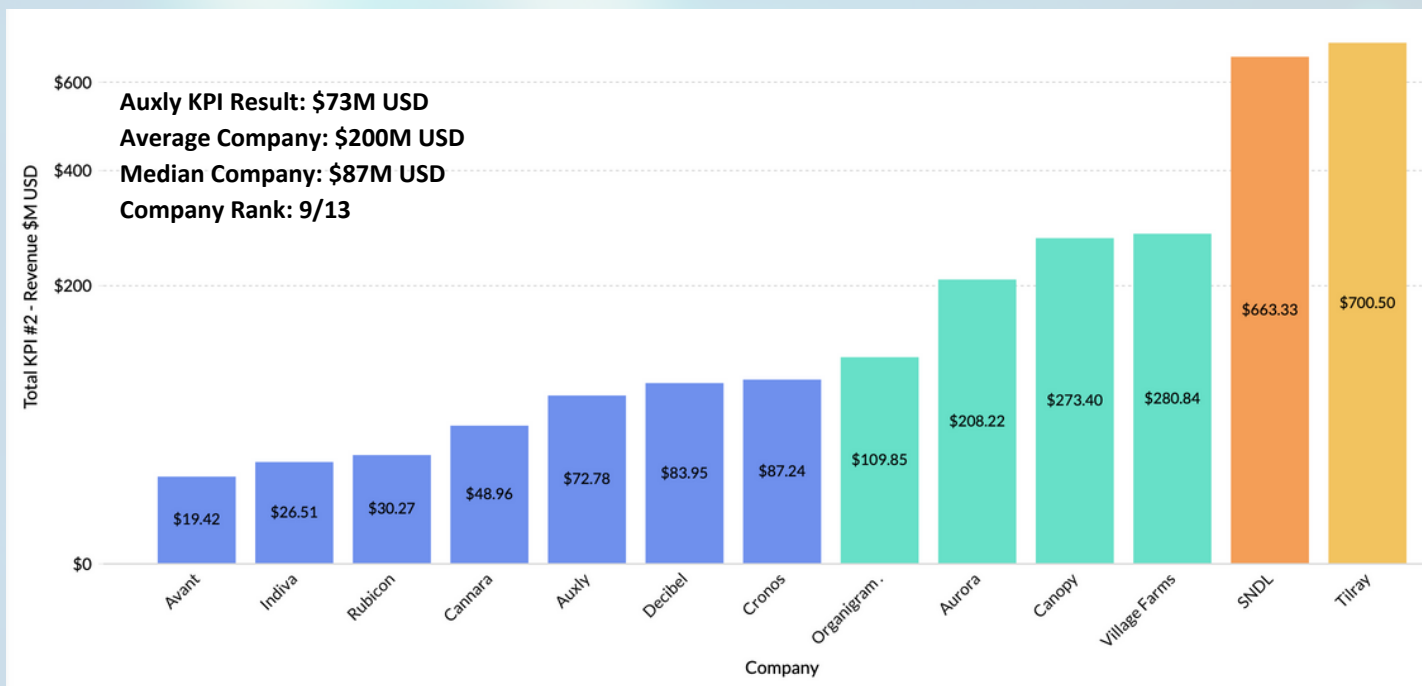
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #2: Company Rank by Revenue LTM - \$USD M



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #2? - LTM revenue ranking helps identify market leaders by comparing companies' sales performance.
2. How the Company performed on this KPI 2 - Company Ranked by Revenue LTM? - Company ranks 9/13 with \$73M revenue, below industry median and average; needs growth strategies.

Teaching Point: What Investors Can Learn from This KPI?

Company rank by revenue LTM (Last Twelve Months) is a metric that ranks companies based on their total revenue generated in the past twelve months. This ranking is important for investors analyzing stock because it provides a current snapshot of a company's size and financial health relative to its competitors. High revenue can indicate a company's ability to generate sales and maintain market share, which are critical for long-term success. This metric is especially useful in industries where market position and scale can directly influence operational efficiencies and profit margins. For investors, comparing companies by their LTM revenue helps identify leaders in the market, offering insights into which companies are successfully expanding and capturing customer demand.

How the Company Performed on This KPI

The company has generated revenue of \$73 million USD over the last twelve months, ranking 9th out of 13 among its competitors. This performance places the company below both the median revenue of \$87 million USD and the average revenue of \$200 million USD in its competitive set. The ranking indicates that while the company is not at the bottom of its industry, it falls below the midpoint in revenue generation, suggesting challenges in achieving scale, operational efficiencies, and market share. Being positioned lower than the average and median signifies that the company has room for improvement in sales and market reach. For investors, this ranking provides insight into the company's current market position and potential areas for growth. To enhance long-term success, the company should focus on strategies to increase revenue, which could improve its competitive standing and financial health.

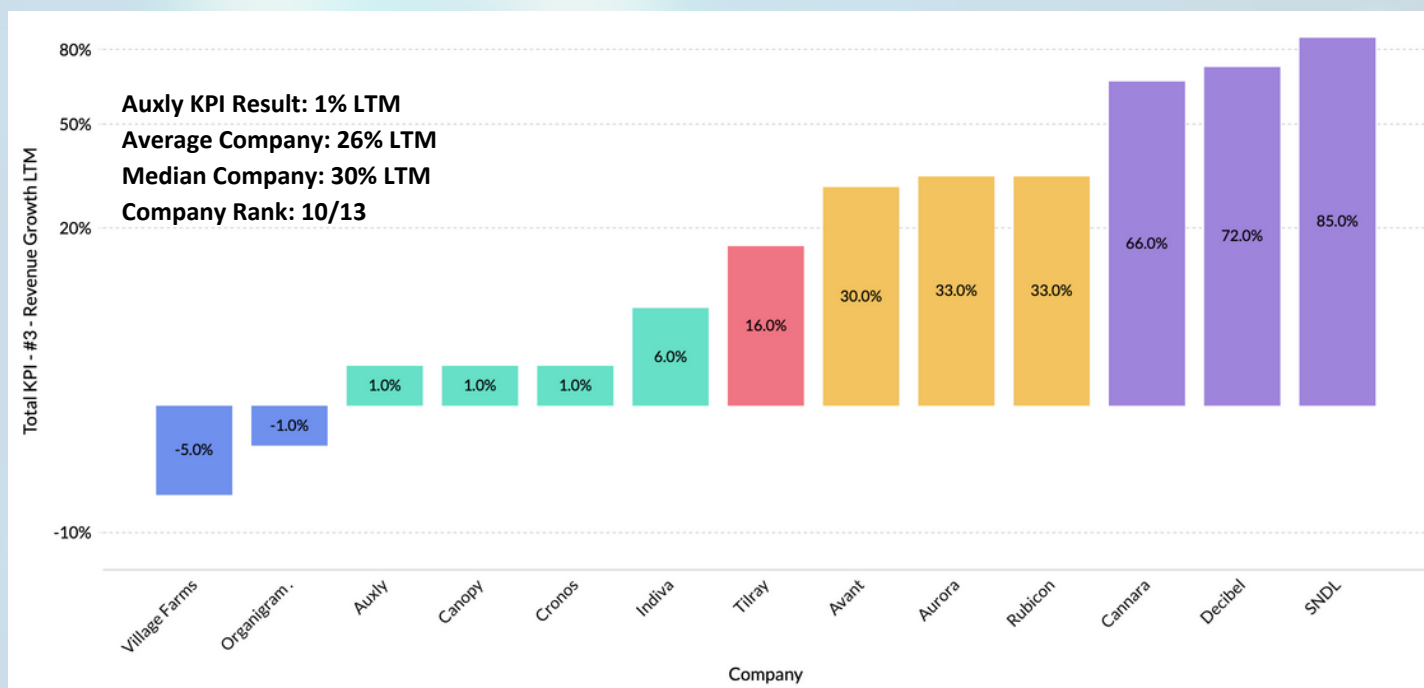
William (Bill) McNarland, CFA
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #3: Company Rank by Revenue Growth LTM - \$USD M



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #3? - Revenue growth LTM is a key indicator of a company's market performance and growth prospects.
2. How the Company performed on this KPI #3 - Company Ranked by Revenue Growth LTM? - Company's 1% revenue growth ranks 10th out of 13, below industry average, indicating slow growth and need for improvement.

Teaching Point: What Investors Can Learn from This KPI?

Revenue growth over the last twelve months (LTM) is a critical metric for investors analyzing a company's performance compared to its competitors. It indicates the percentage increase or decrease in a company's sales or revenue over a year. This measure is particularly important for assessing a company's ability to expand its business, attract more customers, and generate more sales, which are vital for long-term success. A higher revenue growth rate can signal market approval of a company's products or services, effective management, and a competitive edge in its industry. Comparing revenue growth LTM across companies allows investors to identify which ones are expanding more quickly, potentially revealing investment opportunities with strong growth prospects.

How the Company Performed on This KPI

The company's revenue growth over the last twelve months (LTM) is 1%, ranking it 10th out of 13. This positions the company significantly below the best performance of 85% LTM and also falls well short of the average growth rate of 26% LTM and the median of 30% LTM within the group. This low ranking indicates the company is growing much slower than the majority of its competitors. Such a performance is concerning as it suggests the company is struggling to expand its business, attract more customers, or increase sales compared to others in its field. For investors, this could signal a lack of market approval or ineffective management. To enhance long-term success, the company needs to identify and address the barriers hindering its revenue growth. Improving in this area is crucial for remaining competitive and ensuring sustainable growth.

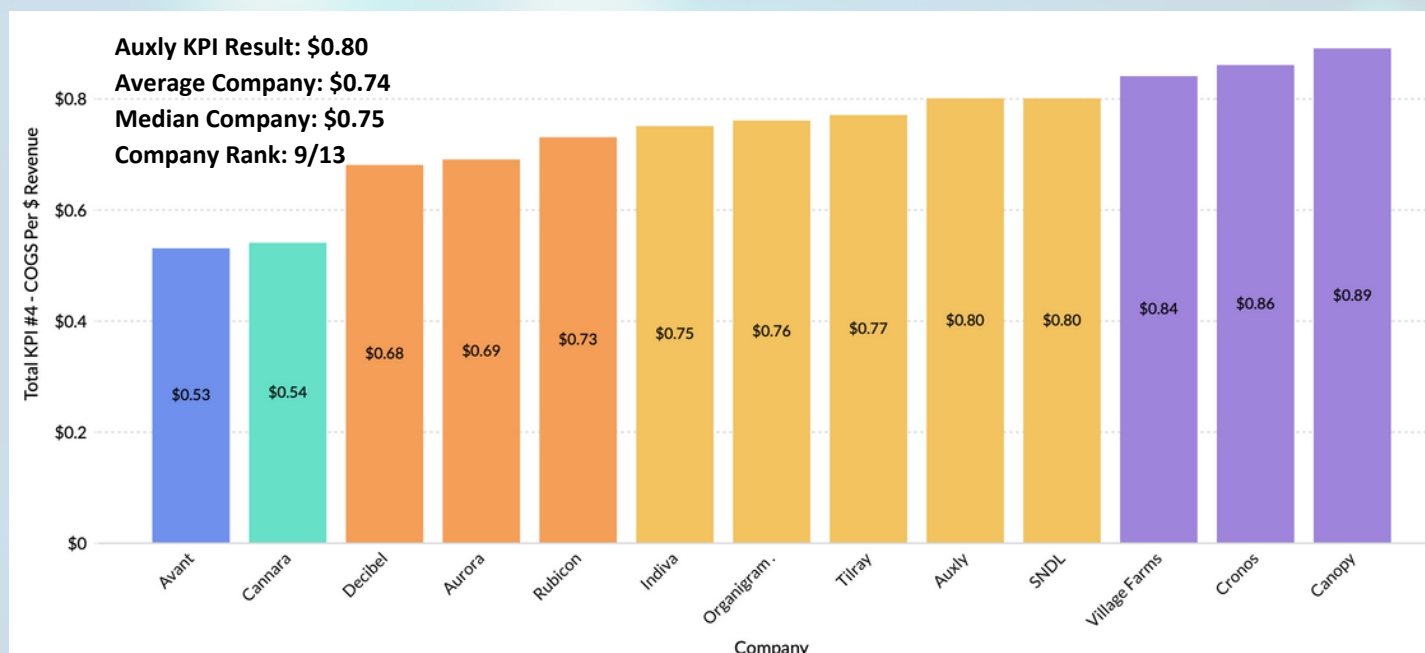
William (Bill) McNarland, CFA
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #4: Cost of Goods Sold Expense Per \$ of Revenue



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #4? - COGS expense per dollar of revenue reflects production efficiency and profitability potential.
2. How the Company performed on this KPI #4: Cost of Goods Sold Expense Per \$ of Revenue? - Company ranks 9/13 with COGS/Revenue at \$0.80, below average, indicating higher production costs and lower efficiency.

Teaching Point: What Investors Can Learn from This KPI?

The company's Cost of Goods Sold (COGS) Expense Per \$ of Revenue is \$0.80, ranking it 9th out of 13 among its competitors. This result positions the company below the industry average of \$0.74 and the median of \$0.75. This indicates that the company incurs higher costs relative to its revenue when compared to most of its competitors, which is not ideal as a lower ratio signifies higher efficiency and profitability potential. Being closer to the worst performance (\$0.89) than the best (\$0.53) in this KPI, the company's current standing reflects a need for improvement in managing production or procurement costs to enhance profitability and competitive positioning. For investors, this suggests that the company is less efficient in producing and selling its goods compared to peers, which could be a concern for long-term growth and sustainability. Improvements in cost management could help the company move towards a more favorable position, directly impacting its profit margins and investor appeal.

How the Company Performed on This KPI

With a Cost of Goods Sold (COGS) expense per dollar of revenue of \$0.80, the company ranks 9th out of 13 in its competitive set. This position, being closer to the higher end of the spectrum, indicates that the company incurs a relatively higher cost to generate a dollar of revenue compared to the average (\$0.74) and median (\$0.75) of its competitors. While not the least efficient, this standing suggests room for improvement in cost management and production efficiency. Being above the average and median hints at lower profitability margins than many of its competitors, potentially affecting its long-term success by limiting its ability to invest in growth opportunities or withstand market downturns. Improving this ratio could enhance the company's competitive position and its ability to generate sustainable growth.

William (Bill) McNarland, CFA

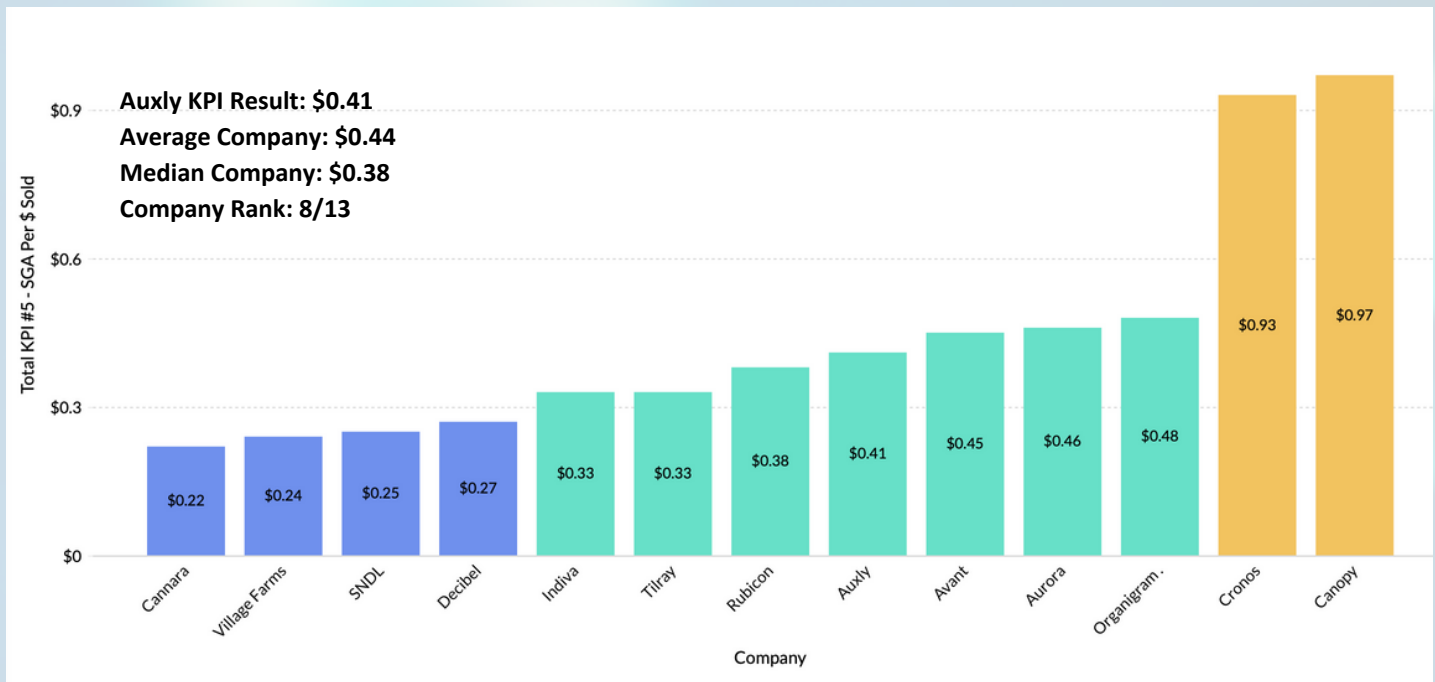
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #5: Sales/General/ Admin Expense Per \$ of Revenue



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #5? - SG&A expense per dollar of revenue assesses a company's efficiency in managing non-production costs.
2. How the Company performed on this KPI #5 - SGA Expense Per \$ Revenue? - The company ranks 8/13 in SG&A expense ratio at \$0.41, below industry average but needs improvement for higher efficiency.

Teaching Point: What Investors Can Learn from This KPI?

The Sales, General, and Administrative (SG&A) expense per dollar of revenue ratio measures the amount of SG&A expenses incurred for each dollar of revenue generated. This ratio is pivotal for assessing a company's operational efficiency and cost management in non-production areas, such as sales efforts, marketing, and overall administration. A lower ratio indicates that a company is efficiently managing its SG&A expenses relative to its revenue, suggesting potential for higher profitability. This efficiency in controlling non-production costs is vital for a company's long-term success, as it demonstrates the company's ability to allocate resources effectively while maximizing revenue. By comparing this ratio across companies, investors can identify which companies are more proficient at managing their overhead costs and, therefore, might offer better investment prospects through enhanced operational efficiency.

How the Company Performed on This KPI

The company's Sales/General/Administrative (SG&A) Expense Per \$ of Revenue stands at \$0.41, placing it 8th out of 13 in its competitive set. This indicates the company is managing its non-production costs better than the industry's worst performance of \$0.97 but is still below the best performance of \$0.22. Its SG&A ratio is below the average (\$0.44) but slightly above the median (\$0.38) within its industry. This position shows the company has a moderate level of operational efficiency in managing its overhead costs relative to revenue, which is crucial for profitability.

However, being in the middle of the pack suggests there is considerable room for improvement to reach the upper echelons of its sector. For investors, this means the company has potential for better cost management but is not yet among the top performers in operational efficiency. Enhancing this aspect could lead to higher profitability and make the company a more attractive investment option. Improvement in managing these costs could propel the company higher in the rankings, indicating stronger operational efficiency and a better position for long-term success.

William (Bill) McNarland, CFA

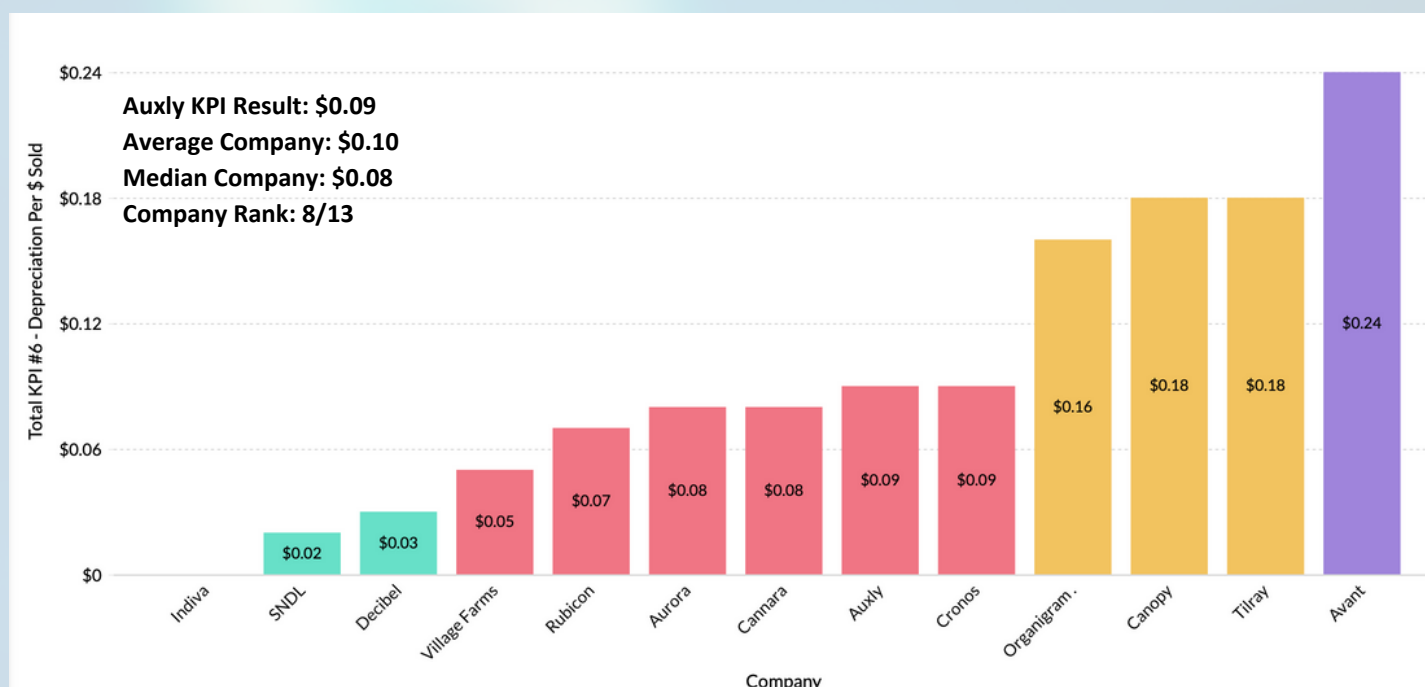
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #6: Depreciation/Amortization Expense Per \$ of Revenue



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #6? - D&A expense per dollar of revenue reveals a company's asset management efficiency relative to its revenue.
2. How the Company performed on this KPI #6: Depreciation/Amortization Expense Per \$ of Revenue? - The company ranks 8/13 in D&A expense per \$ of revenue, indicating moderate asset management efficiency.

Teaching Point: What Investors Can Learn from This KPI?

The Depreciation and Amortization (D&A) expense per dollar of revenue ratio quantifies the cost attributed to the depreciation of physical assets and the amortization of intangible assets for every dollar of revenue a company generates. This ratio is crucial for investors as it offers insight into how much of the company's revenue is consumed by the costs associated with asset wear and tear or the gradual utilization of intangible assets. A lower D&A expense per dollar of revenue suggests that a company is effectively managing its asset base relative to its sales, which can be indicative of more robust profitability and operational efficiency. This efficiency in utilizing and managing assets is key to a company's long-term success, as it reflects prudent asset management and the ability to sustain revenue generation with lower relative capital costs. Comparing this ratio across competitors helps investors identify companies that manage their assets more efficiently, potentially highlighting better long-term investment opportunities.

How the Company Performed on This KPI

The company's Depreciation/Amortization Expense Per \$ of Revenue is \$0.09, ranking it 8th out of 13 in its sector. This placement shows the company is doing moderately well, as it stands slightly above the median value of \$0.08 but below the industry average of \$0.10. This middle-of-the-pack position indicates the company manages its physical and intangible assets reasonably well in relation to its revenue generation when compared to its competitors. Although not at the forefront, the company does not overly consume its revenue for asset depreciation and amortization costs. This signifies a balanced approach to capital management, which is essential for maintaining profitability and operational efficiency over time. Nevertheless, there is room for improvement. Advancing in this ranking could lead to more efficient asset utilization and cost management, which could, in turn, enhance profitability relative to competitors.

William (Bill) McNarland, CFA

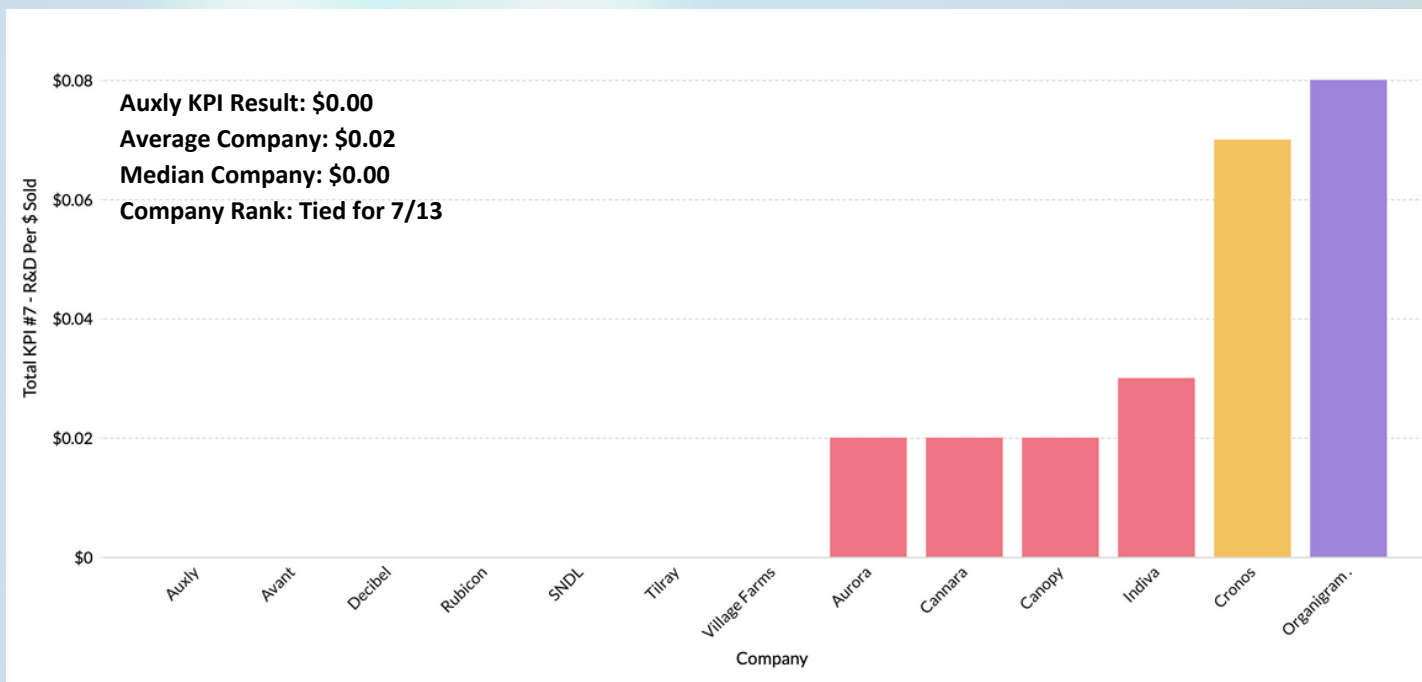
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #7: Research and Development Expense Per \$ of Revenue



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #7? - R&D expense per dollar of revenue evaluates a company's investment in innovation relative to its revenue.
2. How the Company performed on this KPI #7: Research and Development Expense Per \$ of Revenue? - Issuing yellow flags to 7/13 firms with no R&D spending may signal slower future growth.

Teaching Point: What Investors Can Learn from This KPI?

The Research and Development (R&D) expense per dollar of revenue ratio measures how much a company invests in R&D for each dollar of revenue it generates. This ratio is crucial for evaluating a company's commitment to innovation, product development, and future growth prospects. A higher R&D expense per dollar of revenue indicates a significant investment in future capabilities, which can be essential for maintaining a competitive edge and fostering long-term success. However, it's important for investors to balance this ratio's implications, as excessive R&D spending relative to revenue may not be sustainable in the long run. By comparing this ratio across companies, investors can gauge which firms are potentially positioning themselves for future growth through innovation while managing their current financial health.

How the Company Performed on This KPI

The company, along with seven others, has a Research and Development (R&D) Expense Per \$ of Revenue ratio of \$0.00, situating it 7th out of 13 in its competitive set. This tie indicates a common approach among these companies, possibly reflecting an industry trend or a collective strategic choice to minimize R&D spending relative to revenue. Despite being in the middle, this position reveals a lack of investment in innovation and future growth, as mirrored by half of the companies in the set. The company's ranking, aligning with the median performance but significantly trailing behind the best company performance of \$0.08, suggests that while it maintains industry norms, it might miss out on the competitive advantages brought by higher R&D investment. For investors, this can be a double-edged sword: the company exhibits financial caution but may also lack forward-looking growth initiatives. Improvement for the company could mean reevaluating its approach to R&D spending to better balance between maintaining operational efficiency and investing in future growth. Moving beyond this middle ground could demonstrate to investors a commitment to innovation and long-term success. Since the company is part of a larger group with the same R&D expense ratio, even a small increase in R&D investment could distinguish it from its peers and potentially enhance its market position.

William (Bill) McNarland, CFA

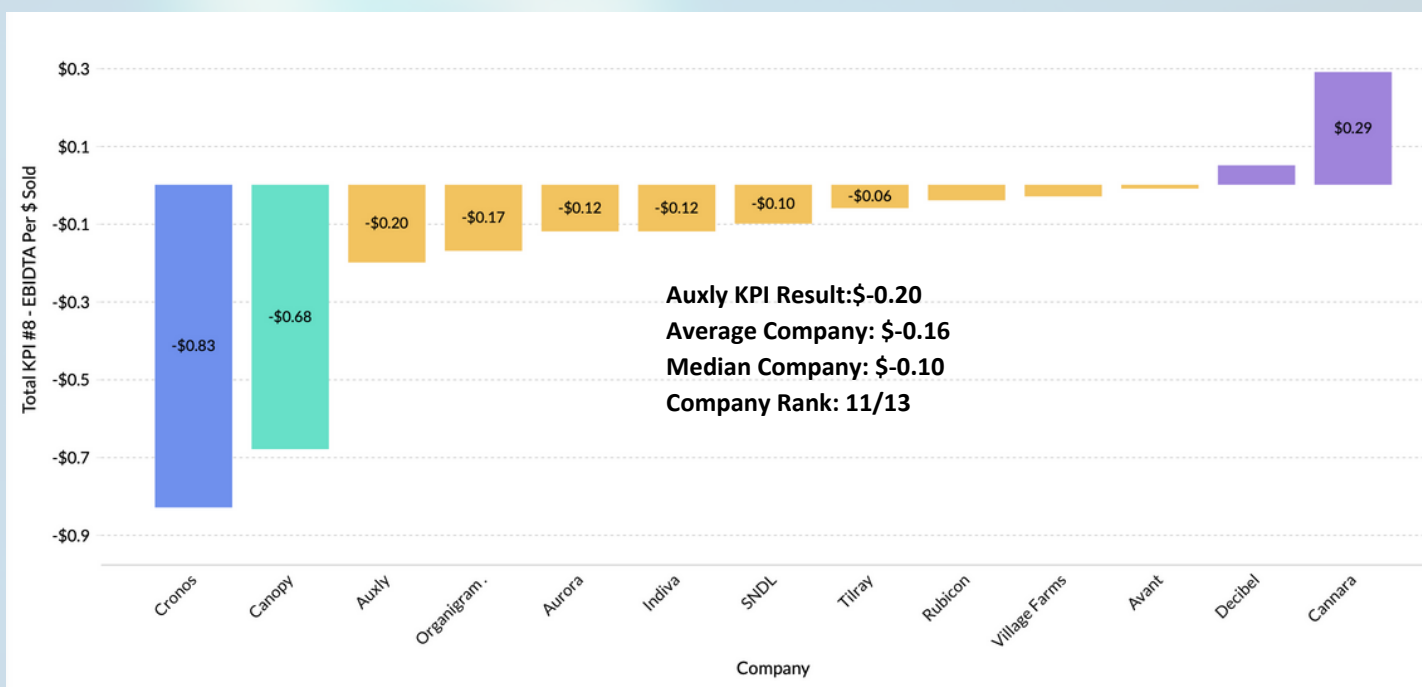
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #8: EBITDA Per \$ of Revenue



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #8? - EBITDA per dollar of revenue highlights a company's operational efficiency and underlying profitability.
2. How the Company performed on this KPI #8: EBITDA Per \$ of Revenue? - Ranking 11th with an EBITDA per \$ of Revenue of -\$0.20 indicates a need for operational improvements.

Teaching Point: What Investors Can Learn from This KPI?

EBITDA per dollar of revenue is a financial ratio that represents the Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for each dollar of revenue a company generates. This ratio is significant for investors as it provides a clear view of a company's operational profitability and efficiency before the effects of financing, tax regimes, and non-cash accounting practices like depreciation and amortization. A higher EBITDA per dollar of revenue indicates that a company is generating more operating earnings from its revenue, suggesting efficient management and strong underlying business performance. This operational efficiency is crucial for a company's long-term success, as it demonstrates the ability to generate profit from its core operations, which can support growth and investment opportunities. By comparing this ratio across companies, investors can identify those with superior operational management and profitability prospects.

How the Company Performed on This KPI

The company's EBITDA Per \$ of Revenue stands at -\$0.20, ranking it 11th out of 13. This performance is below the industry average of -\$0.16 and also falls short of the median, which is -\$0.10. Being ranked towards the bottom indicates that the company is generating less operating earnings for every dollar of revenue compared to most of its competitors, highlighting inefficiencies in its operational management and underlying business performance. This position is a significant deviation from the best performance in the set, which is \$0.29, and is closer to the worst at -\$0.83, signaling a need for substantial improvement. For investors, this ranking suggests weaker profitability prospects relative to peers, which could impact the company's attractiveness and long-term growth potential. Improvement in this area is crucial for enhancing the company's operational efficiency and profitability, which in turn could help improve its ranking and attractiveness to investors.

William (Bill) McNarland, CFA

Head of Research

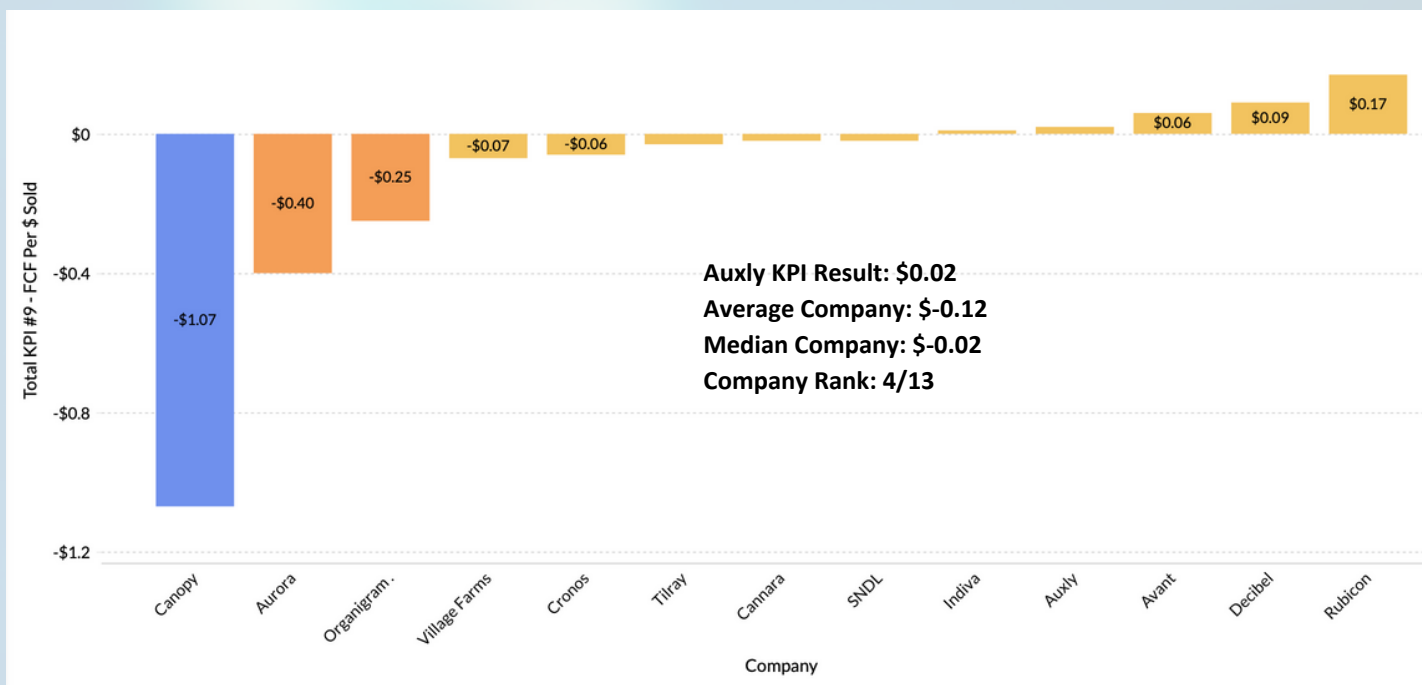
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #9: Free Cash Flow Per \$ Revenue



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #9? - FCF per dollar of revenue measures a company's efficiency in converting sales into cash, indicating financial health.
2. How the Company performed on this KPI #9: FCF Per \$ Revenue? - Solidly positioned at 4/13, the company demonstrates good operational efficiency, with potential for further improvement.

Teaching Point: What Investors Can Learn from This KPI?

Free Cash Flow (FCF) per dollar of revenue is a ratio that measures the amount of cash a company generates from its operations, after subtracting capital expenditures, for each dollar of revenue. This metric is essential for investors as it provides insight into a company's ability to generate cash that can be used for expansion, dividends, debt repayment, or other investments, independent of its financing and accounting decisions. A higher FCF per dollar of revenue ratio indicates that a company is efficiently converting its sales into cash, which is a strong indicator of financial health and operational efficiency. This efficiency in generating cash is critical for a company's long-term success because it reflects the company's capacity to sustain growth, return value to shareholders, and navigate financial challenges. Comparing this ratio across companies allows investors to identify which ones are more effective at managing their resources and operations to generate cash.

How the Company Performed on This KPI

The company's performance, with a Free Cash Flow (FCF) per dollar of revenue of \$0.02, places it fourth out of thirteen in its competitive set, demonstrating a solid capability in converting sales into cash relative to many of its peers. This position, above the median of \$-0.02 but below the leading \$0.17, indicates that while the company is effectively managing its operations to generate cash, there is room for improvement to reach the top of its sector. The positive FCF per revenue, compared to the average of \$-0.12, underscores the company's financial health and operational efficiency. This efficiency is crucial for the company's long-term success, as it reflects the ability to sustain growth, reward shareholders, and handle financial challenges more adeptly than those closer to or below the average or median. Being in the upper echelon of this metric suggests the company is well-positioned to capitalize on opportunities for expansion and competitive advantage, although striving towards higher efficiency could further solidify its market position.

William (Bill) McNarland, CFA

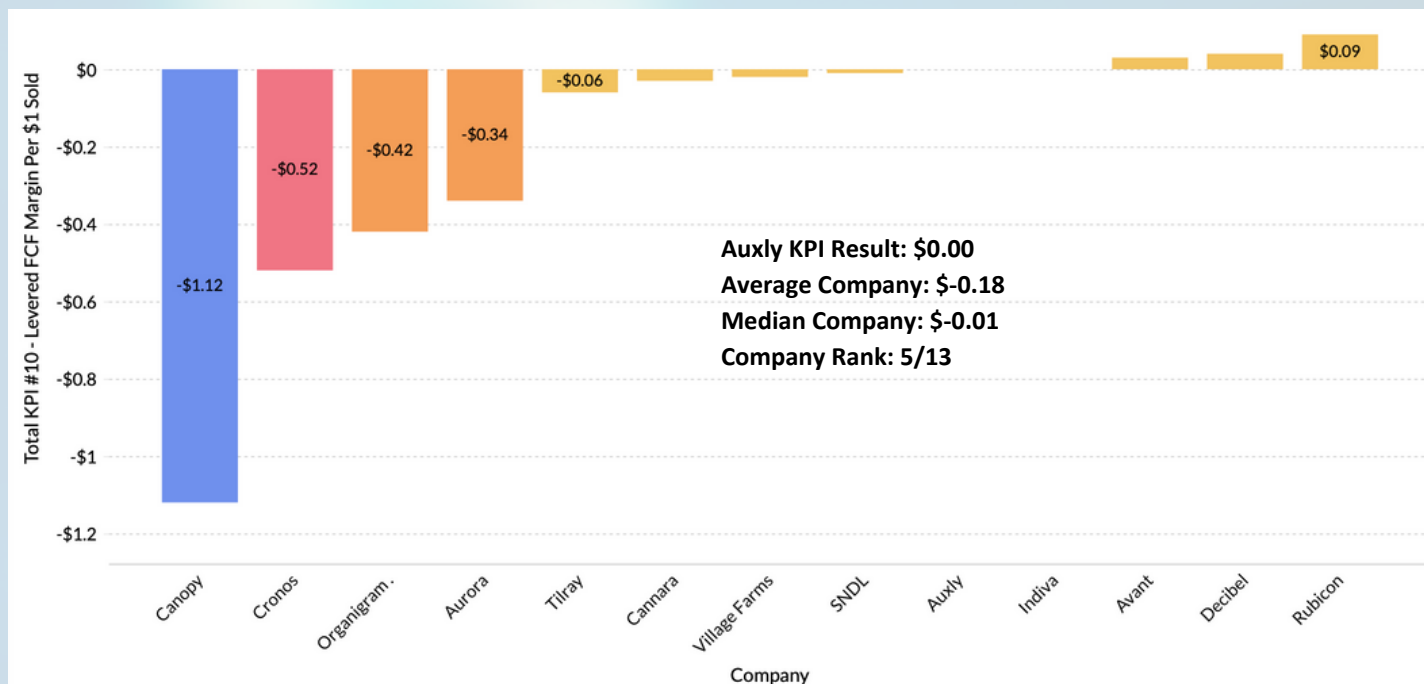
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #10: Levered Free Cash Flow Per \$ Revenue



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #10? - LFCF per dollar of revenue shows a company's ability to generate cash after debt payments, highlighting financial stability.
2. How the Company performed on this KPI #10 - Levered FCF per \$ Revenue? - Company's LFCF per \$ revenue indicates solid financial health, with room for growth to reach top ranks.

Teaching Point: What Investors Can Learn from This KPI?

Levered Free Cash Flow (LFCF) per dollar of revenue is a financial metric that calculates the amount of cash a company generates from its operations for each dollar of revenue, after accounting for interest payments and capital expenditures. This ratio is crucial for investors because it provides insight into a company's ability to generate cash after meeting its debt obligations, reflecting its financial health and operational efficiency. A higher LFCF per dollar of revenue indicates a company is not only generating sufficient cash from its operations but is also effectively managing its debt and capital expenses, which is essential for sustaining growth and profitability. This ability to generate cash after debt obligations is vital for a company's long-term success, as it demonstrates financial stability and the capacity to fund expansion, pay dividends, or reduce debt. By comparing this ratio across companies, investors can identify those that are more capable of generating cash in excess of their financial commitments, signaling stronger investment opportunities.

How the Company Performed on This KPI

The company's performance in Levered Free Cash Flow (LFCF) per \$ Revenue, with a result of \$0.00, places it at rank 5 out of 13 within its competitive set. This position, squarely in the middle, suggests a balanced performance compared to its peers. The average and median values within the competitive set are \$-0.18 and \$-0.01, respectively, indicating that the company is performing better than the average but is on par with the median. Being above the average implies that the company is more capable of generating cash after accounting for its debt obligations and capital expenditures than many of its competitors. However, being close to the median suggests there is room for improvement to reach the top performers. This ranking highlights a solid foundation in managing operational efficiency and debt, crucial for long-term growth and profitability, but it also underscores the importance of striving for enhancements to ensure competitive advantage and financial stability.

William (Bill) McNarland, CFA

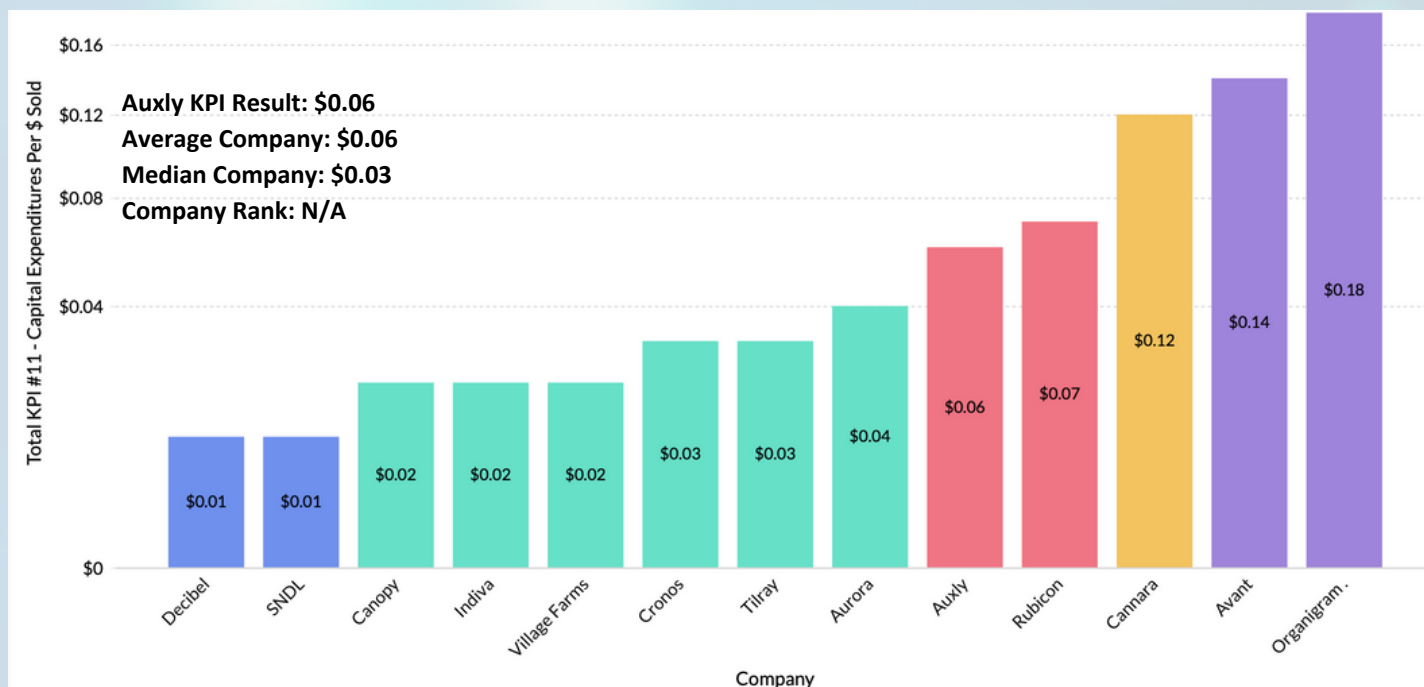
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #11: Capital Expenditure Per \$ Revenue



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #11? - CapEx per dollar of revenue assesses a company's investment in long-term assets relative to its revenue.
2. How the Company performed on this KPI? - We do not rank companies on this KPI, as CAPEX spending is not clear cut positive or negative, but rather this KPI is informational for investors.

Teaching Point: What Investors Can Learn from This KPI?

Capital Expenditure (CapEx) per dollar of revenue is a financial ratio that calculates the amount a company spends on acquiring or maintaining fixed assets, such as property, plant, and equipment, for each dollar of revenue it generates. This ratio is a key indicator for investors to assess how much of a company's revenue is being reinvested into its long-term assets to sustain or grow the business. A lower CapEx per dollar of revenue suggests that a company is maintaining or expanding its asset base with less revenue, potentially indicating higher efficiency and profitability. Conversely, a higher ratio may reflect significant investment in the company's future growth. This reinvestment is crucial for a company's long-term success, as it indicates the company's commitment to maintaining and expanding its operations. Analyzing this ratio across competitors can help investors identify which companies are effectively balancing growth investments with financial health.

How the Company Performed on This KPI

The company's performance in terms of Capital Expenditure (CapEx) per dollar of revenue is not ranked, as spending on CapEx cannot be universally classified as either positive or negative. This metric serves as an informational tool for investors to gauge how much a company invests in fixed assets relative to its revenue. This investment is crucial for assessing a company's commitment to sustaining or expanding its operations. The interpretation of this ratio varies; a lower ratio may indicate efficiency and profitability, as it suggests the company is utilizing less revenue for asset maintenance or expansion. In contrast, a higher ratio could imply significant investments toward future growth. This metric is essential for understanding a company's long-term growth strategy and operational efficiency when compared across its competitive landscape.

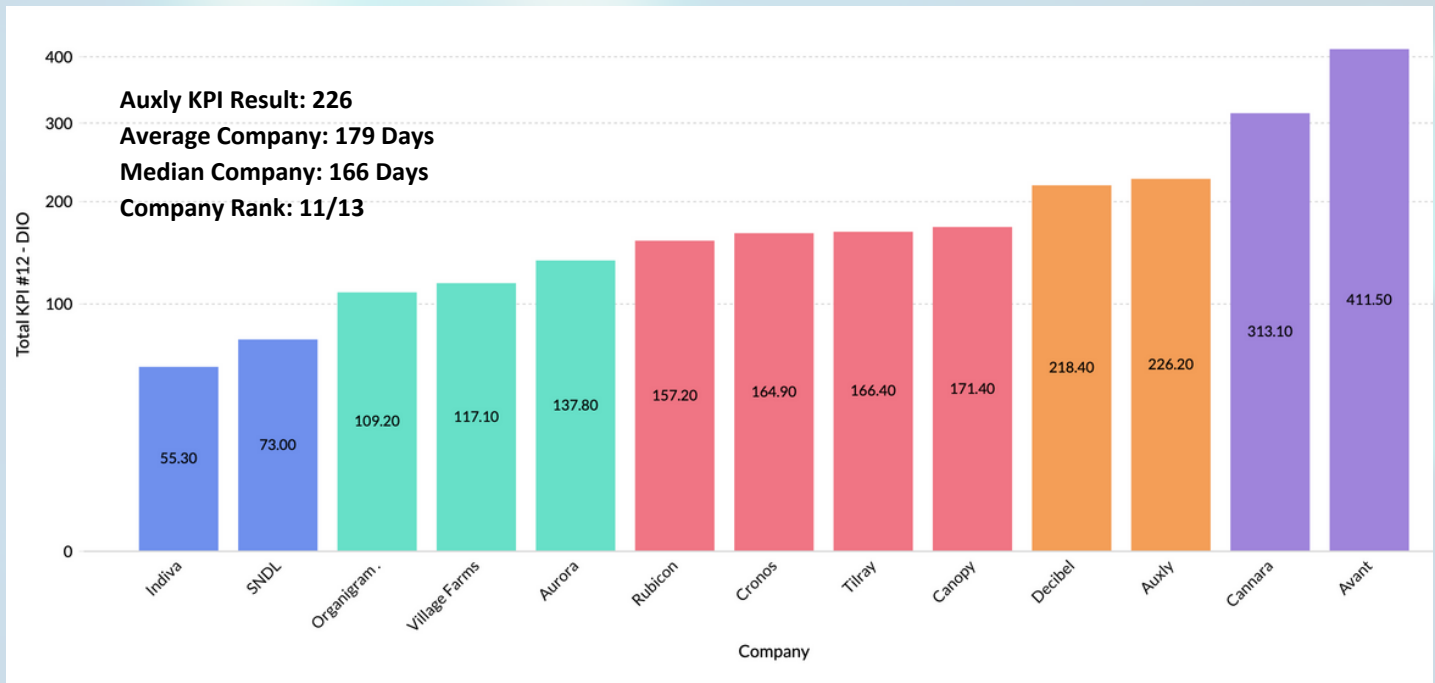
William (Bill) McNarland, CFA

Head of Research

TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

KPI #12: Days Inventory Outstanding



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #12? - DIO assesses a company's efficiency in converting inventory into sales, affecting its cash flow and market responsiveness.
2. How the Company performed on this KPI #12 - Days Inventory Outstanding? - With a DIO of 226 days, ranking 11/13, the company shows slower inventory turnover, signaling inefficiency and potential financial issues.

Teaching Point: What Investors Can Learn from This KPI?

Days Inventory Outstanding (DIO) is a financial metric that measures the average number of days a company takes to turn its inventory into sales. This metric is vital for understanding how efficiently a company manages its inventory levels and sales processes. A lower DIO indicates that a company is quickly converting its inventory into sales, which can be a sign of high demand for its products and efficient inventory management. This efficiency is crucial for a company's long-term success as it implies less capital is tied up in inventory, leading to better cash flow and the ability to respond swiftly to market demands. Investors compare DIO across companies to identify those that efficiently manage their inventory, potentially signaling better operational performance and financial health.

How the Company Performed on This KPI

The company's Days Inventory Outstanding (DIO) stands at 226 days, positioning it at 11 out of 13 in its competitive set. This placement is significantly higher than both the average and median of the set, which are 179 days and 166 days, respectively. This high DIO indicates that the company takes a longer time to convert its inventory into sales compared to most of its competitors. This can be a disadvantage as it suggests lower efficiency in inventory management and slower sales processes, leading to more capital being tied up in inventory. This situation can impair the company's ability to respond quickly to market demands and negatively impact its long-term financial health. The company's rank near the bottom of its competitive set in this metric highlights areas for operational improvement to enhance its competitive standing and financial stability.

William (Bill) McNarland, CFA

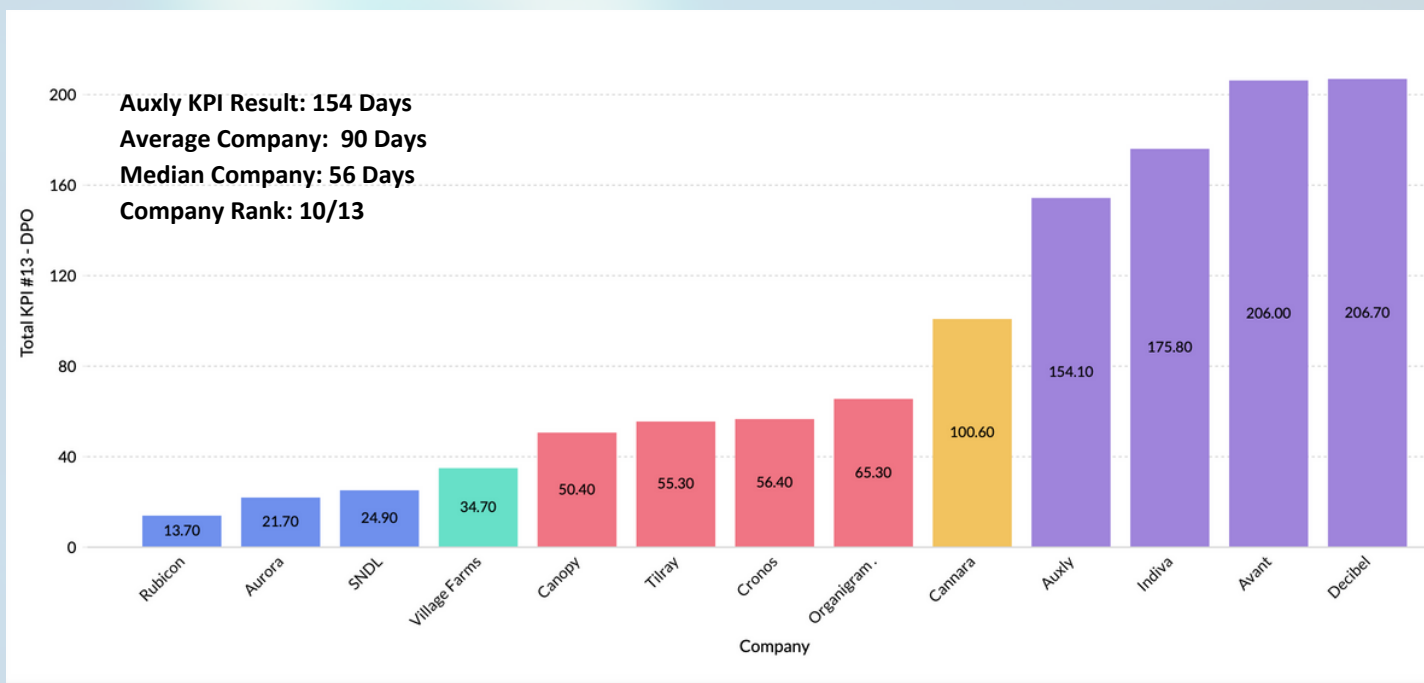
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #13: Days Payments Outstanding



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #13? - DPO reflects a company's efficiency in managing its cash flow by optimizing payments to suppliers.
2. How the Company performed on this KPI #13 - Days Payment Outstanding? - Company ranks 10/13 with a DPO of 154 days, above industry average, indicating a need for better payment balance.

Teaching Point: What Investors Can Learn from This KPI?

Days Payments Outstanding (DPO) measures the average duration a company takes to pay its suppliers. This metric is essential for assessing a company's cash management efficiency and its strategy in managing payables. A higher DPO indicates that a company is taking longer to pay its bills, which can be advantageous as it allows the company to use its cash on hand for other investments or operations for a longer period. However, it's crucial to maintain a balance, as excessively delaying payments may strain supplier relationships and potentially lead to less favorable terms. Effective management of DPO is vital for a company's long-term success as it reflects the company's ability to optimize its cash flow, maintaining liquidity while fulfilling its obligations. Investors compare DPO across companies to identify those with strategic cash management practices, potentially signaling stronger operational and financial discipline.

How the Company Performed on This KPI

The company's Days Payments Outstanding (DPO) stands at 154 days, placing it 10th out of 13 in its competitive set. This result situates the company significantly above the average DPO of 90 days and the median of 56 days within its industry. Having a DPO much higher than the average and median indicates that the company is slower in paying its suppliers compared to most of its peers. This might suggest that the company is utilizing its cash on hand for longer periods before settling payables, which can be advantageous for cash flow management. However, such a high DPO could also strain supplier relationships and might lead to less favorable payment terms in the future. From an investor's perspective, while efficient cash management is crucial, the company's current position suggests a potential area for improvement in balancing supplier payments for long-term sustainability. Reducing the DPO closer to the industry average could improve supplier relationships and operational harmony.

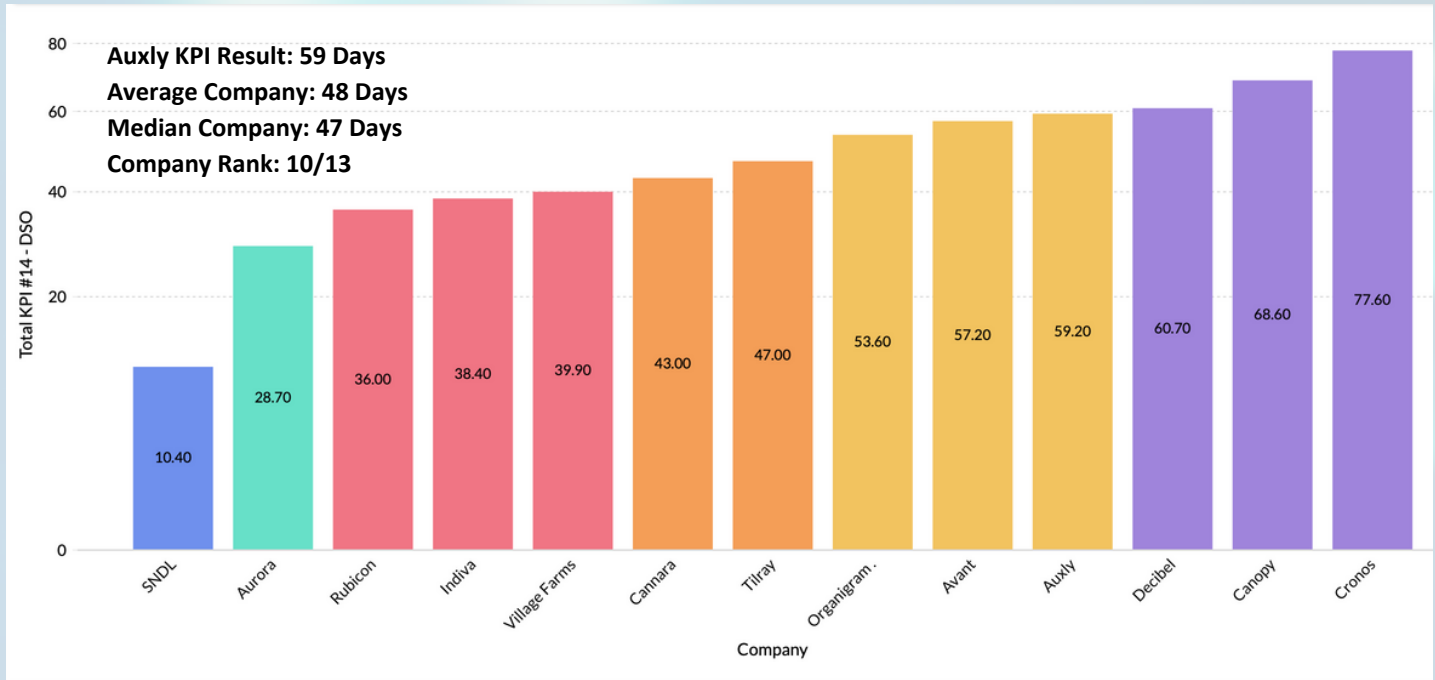
William (Bill) McNarland, CFA
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #14: Days Sales Outstanding



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #14? - DSO indicates how quickly a company converts sales into cash, affecting its cash flow and financial health.
2. How the Company performed on this KPI #14 - Days Sales Outstanding? - Company's DSO at 59 days ranks 10/13, suggesting need for improved cash conversion practices.

Teaching Point: What Investors Can Learn from This KPI?

Days Sales Outstanding (DSO) is a financial metric that quantifies the average number of days it takes for a company to collect payment after making a sale. This measure is critical for evaluating how efficiently a company manages its accounts receivable and its effectiveness in converting credit sales into cash. A lower DSO indicates that a company is more quickly collecting payment, which enhances cash flow and reduces the risk of bad debts. Efficient collection processes are essential for a company's long-term success as they ensure a steady flow of cash, necessary for operational expenses and growth opportunities. By comparing DSO across companies, investors can gauge which firms are more effective in their credit and collections policies, potentially indicating better financial health and management practices.

How the Company Performed on This KPI

The company's Days Sales Outstanding (DSO) stands at 59 days, positioning it 10th out of 13 in its competitive set. This DSO is significantly higher than the best performance of 10 days and above both the average and median performances, which stand at 48 days and 47 days respectively. Being ranked 10th indicates the company is slower than most of its competitors in converting credit sales into cash. This slower collection process can affect the company's cash flow negatively, leading to a potential increase in the risk of bad debts and less available cash for operational expenses and growth opportunities. To improve its ranking and financial health, the company should focus on enhancing its collection processes and credit policies. A better DSO position would imply a more efficient cash conversion cycle, crucial for sustaining the company's long-term success and appealing to investors looking for companies with strong cash management practices.

William (Bill) McNarland, CFA

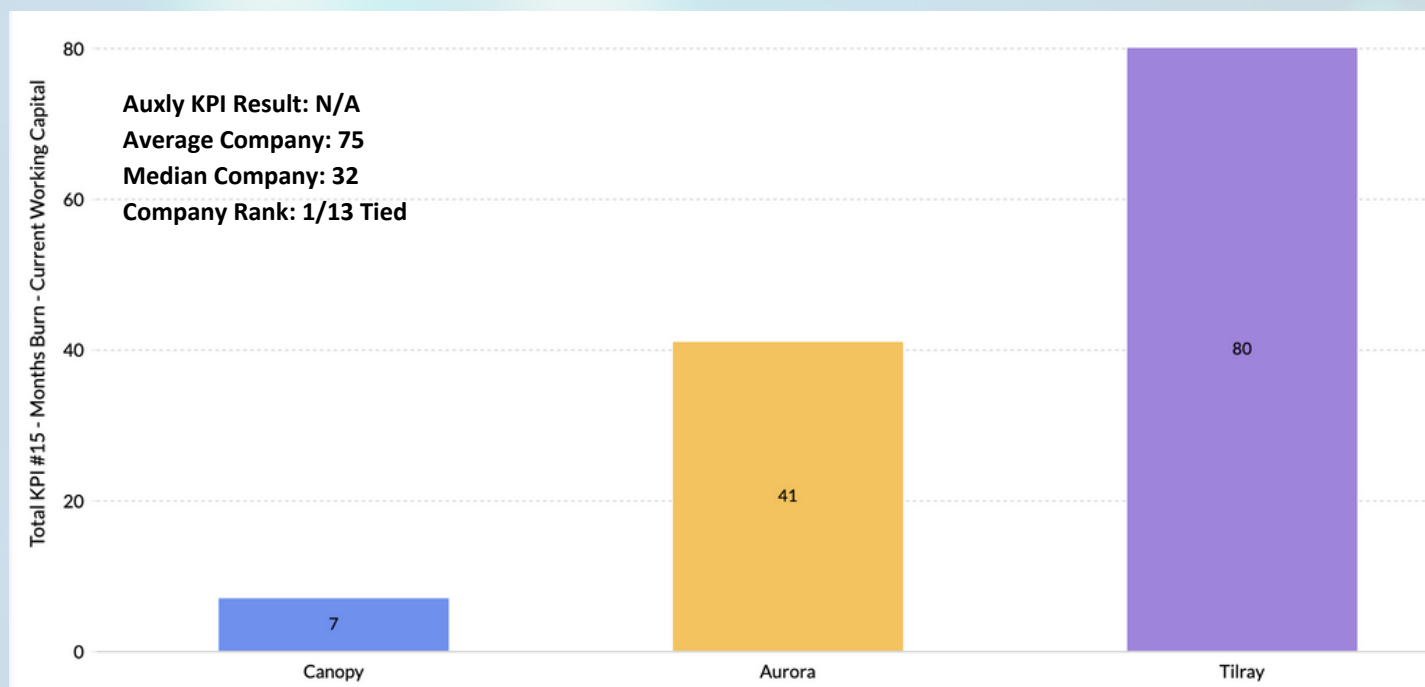
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #15: Current Working Capital - Months to Burn



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #15? - Months to Burn assesses a company's financial stability and operational resilience.
2. How the Company performed on this KPI #15 - Current Working Capital - Months to Burn? - The company, along with ten others, was excluded due to having over 100 months of working capital, indicating no current concerns with their working capital.

Teaching Point: What Investors Can Learn from This KPI?

We only consider this for companies that have negative cash flow and less than 100 months of burn working capital. Current Working Capital refers to the difference between a company's current assets and current liabilities, indicating the company's short-term financial health and its ability to cover its short-term obligations with its short-term assets. The concept of "Months to Burn" extends this by estimating how long the company can continue to operate at its current rate of spending (burn rate) before it runs out of working capital. This measure is crucial for investors and management as it provides insight into the company's operational efficiency, financial stability, and the urgency for additional financing or the need to adjust spending. A higher number of months to burn suggests a company has a more substantial buffer to sustain its operations under current financial conditions, which is essential for long-term success, especially in periods of revenue fluctuation or unexpected expenses. Comparing this metric across companies helps identify those with a more secure financial runway, indicating potential for resilience and strategic flexibility.

How the Company Performed on This KPI

The company performed well. Companies with over 100 months of burn working capital or net positive leveraged free cash flow were excluded from this calculation, as they currently have no concerns regarding the depletion of working capital. Any companies excluded were automatically awarded a green check mark. It is interesting to note that three of the thirteen companies require investors to consider them due to negative leveraged free cash flow. Companies under one year should be monitored closely.

William (Bill) McNarland, CFA

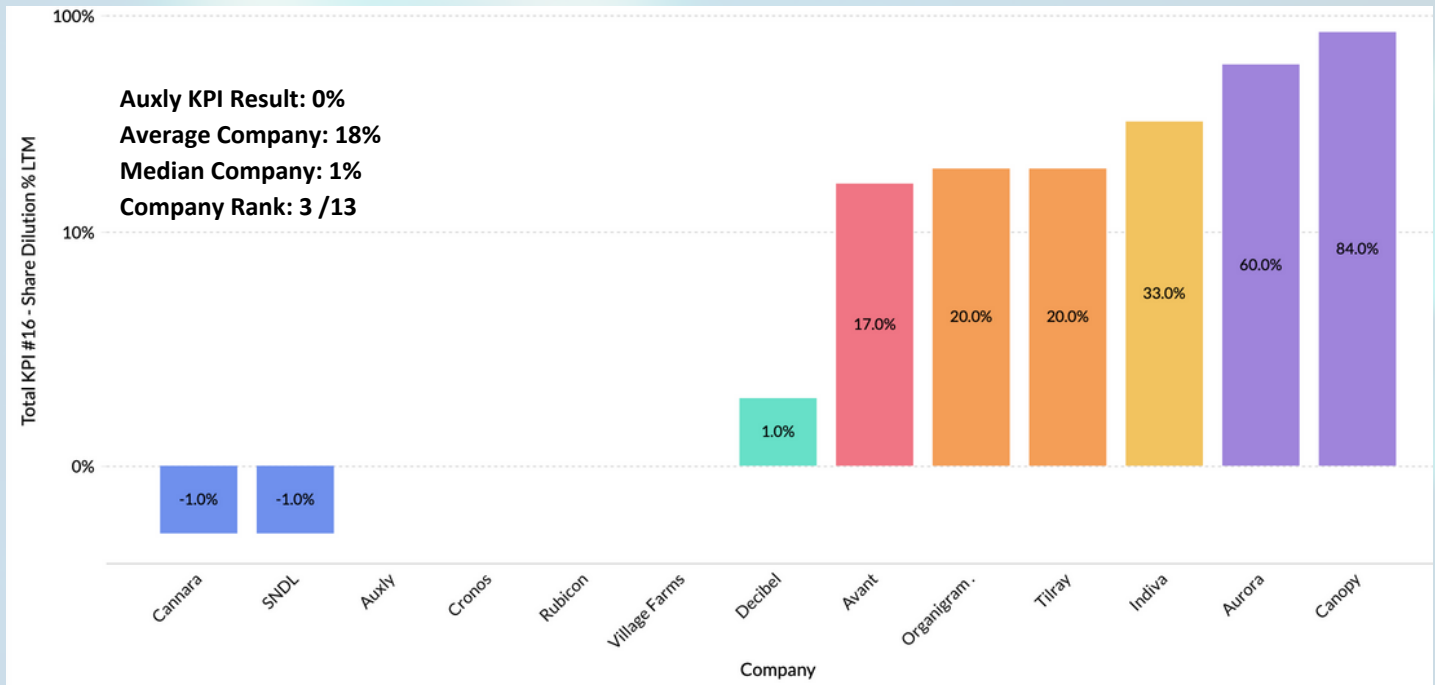
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #16: Share Dilution % LTM



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #16? - Share Dilution % LTM impacts shareholder value and reflects a company's financial strategy and growth financing.
2. How the Company performed on this KPI #16 - Share Dilution %LTM? - Company ranks 3rd/13 in Share Dilution % LTM at 0%, above average and median, good for shareholder value.

Teaching Point: What Investors Can Learn from This KPI?

Share Dilution % Last Twelve Months (LTM) refers to the percentage increase in the number of outstanding shares of a company over the past year, typically resulting from the issuance of new shares. This metric is crucial for investors as it directly impacts shareholder value. When a company issues more shares, the ownership percentage of existing shareholders is reduced, potentially diluting their voting power and earnings per share (EPS). A higher share dilution percentage can signal that a company is raising capital, possibly for growth, paying off debt, or other operational needs. However, it's essential for the company's long-term success that such dilution is managed carefully. Excessive dilution without corresponding value creation can erode investor confidence and decrease the stock's attractiveness. Investors compare this metric across companies to assess how management balances growth financing needs with shareholder interests, which can indicate the company's strategic financial management and long-term viability.

How the Company Performed on This KPI

The company's Share Dilution % Last Twelve Months (LTM) stands at 0%, ranking it 3rd out of 13 in comparison to its competitors. This performance places the company significantly above both the average share dilution rate of 18% and the median of 1% within its sector. Achieving a 0% share dilution indicates that the company has not increased the number of outstanding shares in the past year, which is beneficial for current shareholders as it maintains their ownership percentage without dilution. This can be perceived positively by investors, as it suggests that the company is managing its equity and financing needs without eroding shareholder value. While the best performance in the group is -1%, indicating a slight reduction in shares which is even more advantageous, being third out of thirteen still shows strong performance. To further improve, the company could focus on strategies that might lead to a negative dilution percentage, thus increasing investor confidence and potentially enhancing long-term value.

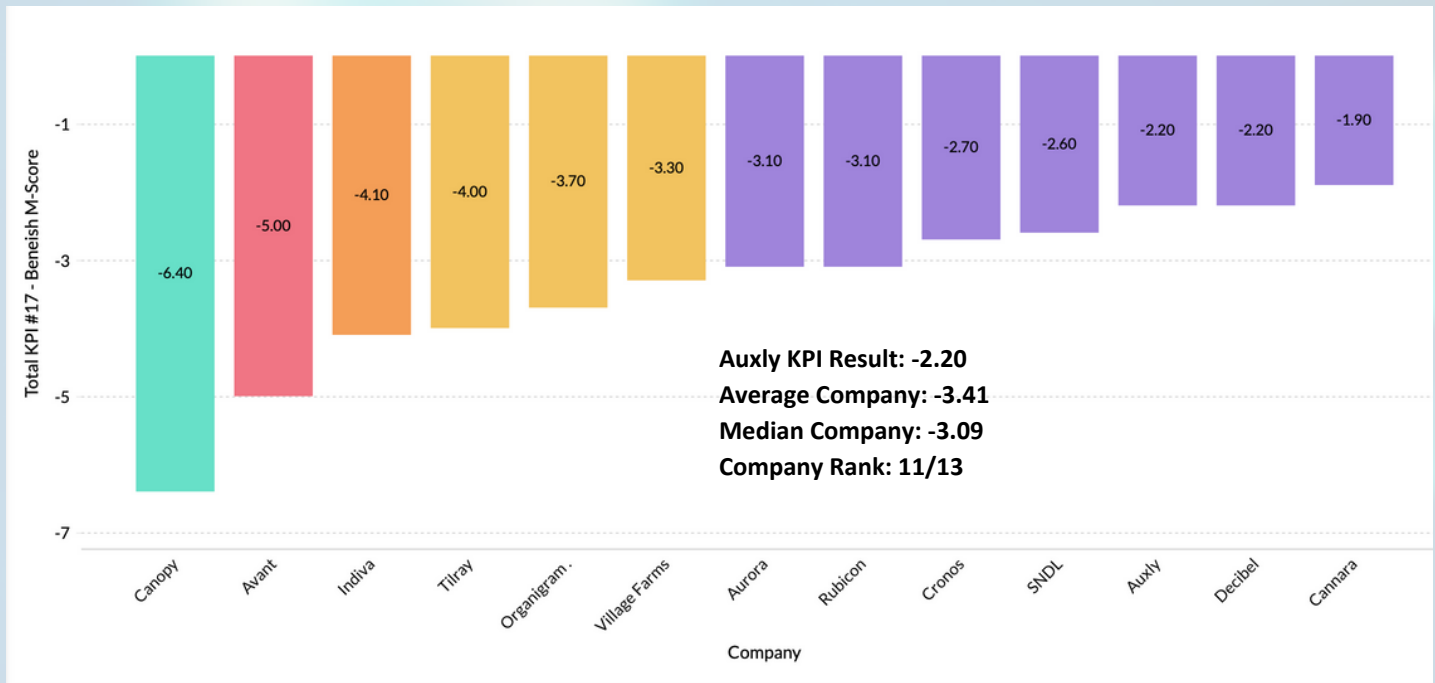
William (Bill) McNarland, CFA
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #17: Beneish M-Score



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #17?- The Beneish M-Score helps investors assess the likelihood of earnings manipulation, crucial for financial integrity.
2. How the Company performed on this KPI #17 - Beneish M-Score - Company's Beneish M-Score of -2.20 ranks 11th/13, suggesting potential risk areas compared to peers.

Teaching Point: What Investors Can Learn from This KPI?

The Beneish M-Score is a mathematical model designed to detect whether a company might be manipulating its earnings. Developed by Professor Messod D. Beneish, the model uses eight financial ratios that analyze various aspects of a company's earnings, including sales growth, gross margin, asset quality, and others, to compute a score that indicates the likelihood of earnings manipulation. A score higher than -2.22 suggests a high probability of earnings manipulation, whereas scores below this threshold indicate a lower probability. This tool is crucial for investors and analysts as it helps in assessing the integrity of a company's reported financial performance. Reliable financial reporting is essential for a company's long-term success because it maintains investor confidence and ensures access to capital markets. By using the Beneish M-Score to compare companies, investors can better avoid those with potentially deceptive financial practices, aligning their investments with companies demonstrating transparent and sustainable financial health.

How the Company Performed on This KPI

The company's Beneish M-Score stands at -2.20, ranking it 11th out of 13 in its competitive set. This score is just below the threshold of -2.22, indicating a lower probability of earnings manipulation compared to the worst performer at -1.9, yet still suggesting some potential risk areas. Although closer to the threshold, it's significantly better than the worst score but still below the average (-3.41) and median (-3.09) scores among its peers. This position implies the company is relatively closer to a risk zone of financial misrepresentation compared to most of its competitors, which could be a red flag for investors looking for transparency and reliability in financial reporting. Improvement in financial practices and closer scrutiny of the financial ratios contributing to the Beneish M-Score could enhance the company's standing and investor confidence. Currently, the company's financial reporting may be perceived as less trustworthy than those of higher-ranked competitors, impacting its attractiveness to informed investors.

William (Bill) McNarland, CFA

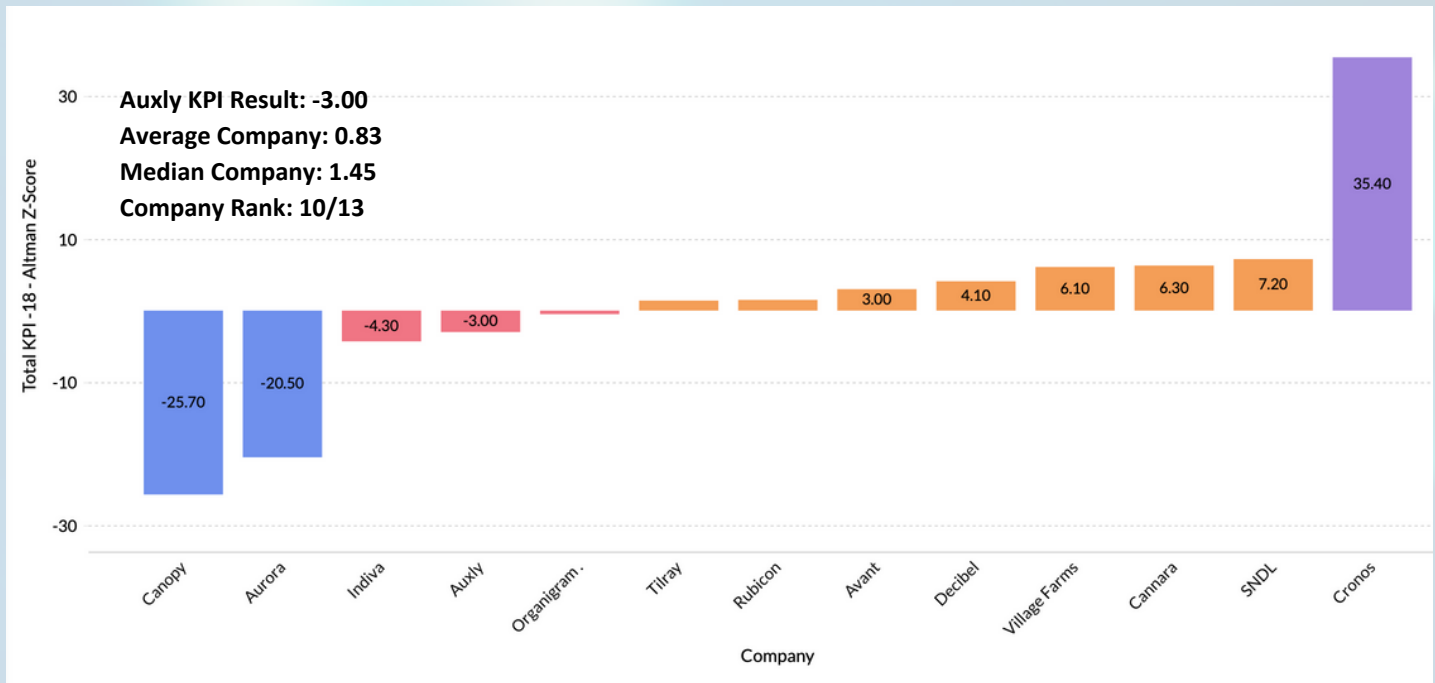
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #18: Altman Z-Score



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #18? - The Altman Z-Score predicts bankruptcy risk, guiding investors on a company's financial health and stability.
2. How the Company performed on this KPI #18 - Altman Z-Score - The Company's Altman Z-Score of -3.00 ranks 10/13, indicating financial distress risk.

Teaching Point: What Investors Can Learn from This KPI?

The Altman Z-Score is a formula used to predict the likelihood of a company going bankrupt within the next two years. Developed by Edward Altman in 1968, it combines five financial ratios related to the company's solvency, profitability, and liquidity to calculate a score. These ratios include working capital to total assets, retained earnings to total assets, earnings before interest and taxes (EBIT) to total assets, market value of equity to total liabilities, and sales to total assets. A score below 1.8 typically suggests a high risk of bankruptcy, scores between 1.8 and 3 indicate a zone of ambiguity, and scores above 3 suggest a low risk of bankruptcy. This metric is vital for investors as it provides a quantifiable measure of a company's financial health and stability. By comparing the Altman Z-Score across companies, investors can identify those with stronger financial positions, potentially making them more secure and sustainable investments for long-term success.

How the Company Performed on This KPI

The company's Altman Z-Score is -3.00, which places it 10th out of 13 compared to its competitors. This ranking indicates the company is in a concerning financial state, especially when compared to the best performance of 35.40 and the worst of -25.70 among its peers. With an average Z-Score of 0.83 and a median of 1.45 in its competitive set, the company's score falls significantly below both benchmarks, suggesting a risk of financial distress or potential bankruptcy according to Altman's model. For investors, this position implies caution as the company shows weaker financial health and stability than most of its competitors. It is crucial for the company to address its financial weaknesses, focusing on improving areas such as liquidity, profitability, and solvency to enhance its Altman Z-Score. Improvement in these areas could reduce bankruptcy risk and position the company for more secure and sustainable long-term success.

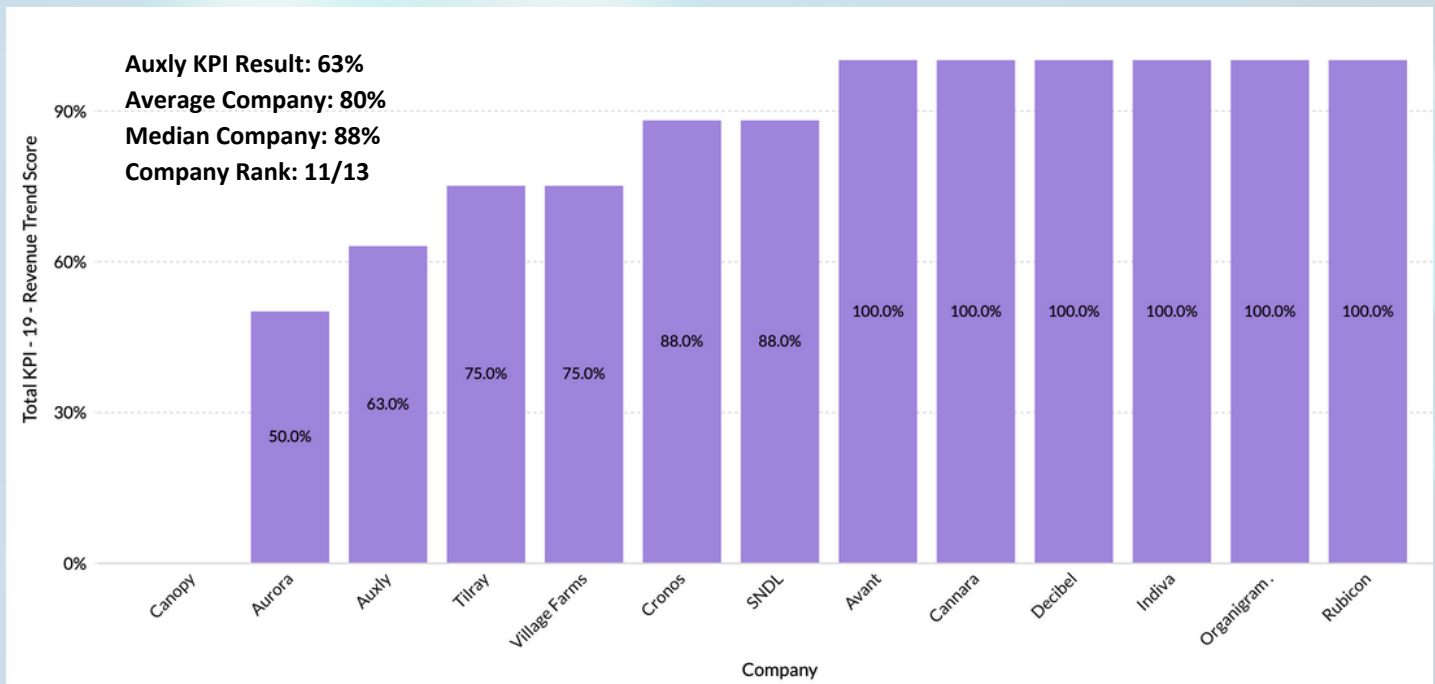
William (Bill) McNarland, CFA
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #19: Revenue Trend Score



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #19? - Analyzing the Revenue Trend Score over the last eight quarters offers insights into a company's growth momentum and market performance.
2. How the Company performed on this KPI #19 - Revenue Trend Score? - Company ranks 11/13 with a 63% Revenue Trend Score, below industry average and median, indicating significant growth challenges.

Teaching Point: What Investors Can Learn from This KPI?

The Revenue Trend Score, focusing on the last eight reported quarters, assesses the direction and momentum of a company's revenue growth within this specific timeframe. By analyzing sequential revenue data over these two years, the score helps investors identify whether a company is experiencing an upward trend in sales, indicating successful market expansion or product demand, a downward trend, which may suggest challenges like increased competition or market saturation, or if sales are relatively stable, indicating steady market presence. This evaluation is critical for understanding a company's operational performance and its ability to grow or maintain revenue over time. A positive trend over the eight quarters would signal strong growth prospects, whereas a negative trend could raise concerns about the company's future performance. Investors use this score to compare growth trends across companies, aiming to identify those with the most promising growth trajectories for long-term success.

How the Company Performed on This KPI

The company's Revenue Trend Score stands at 63%, ranking it 11th out of 13 among its competitors. This score is below the average of 80% and significantly lower than the median score of 88%. Being near the bottom indicates that the company is experiencing challenges in maintaining or increasing its revenue over the last eight quarters compared to its peers. This position suggests a negative trend in sales growth, which could be due to factors like increased competition, market saturation, or inefficiencies in market expansion and product demand. For investors, this ranking could raise concerns about the company's ability to compete effectively and grow in the long term. To improve its standing and attract investor confidence, the company needs to identify and address the underlying issues affecting its revenue growth, aiming to move closer to the industry's higher performers. This may involve reassessing market strategies, enhancing product offerings, or improving operational efficiencies.

William (Bill) McNarland, CFA

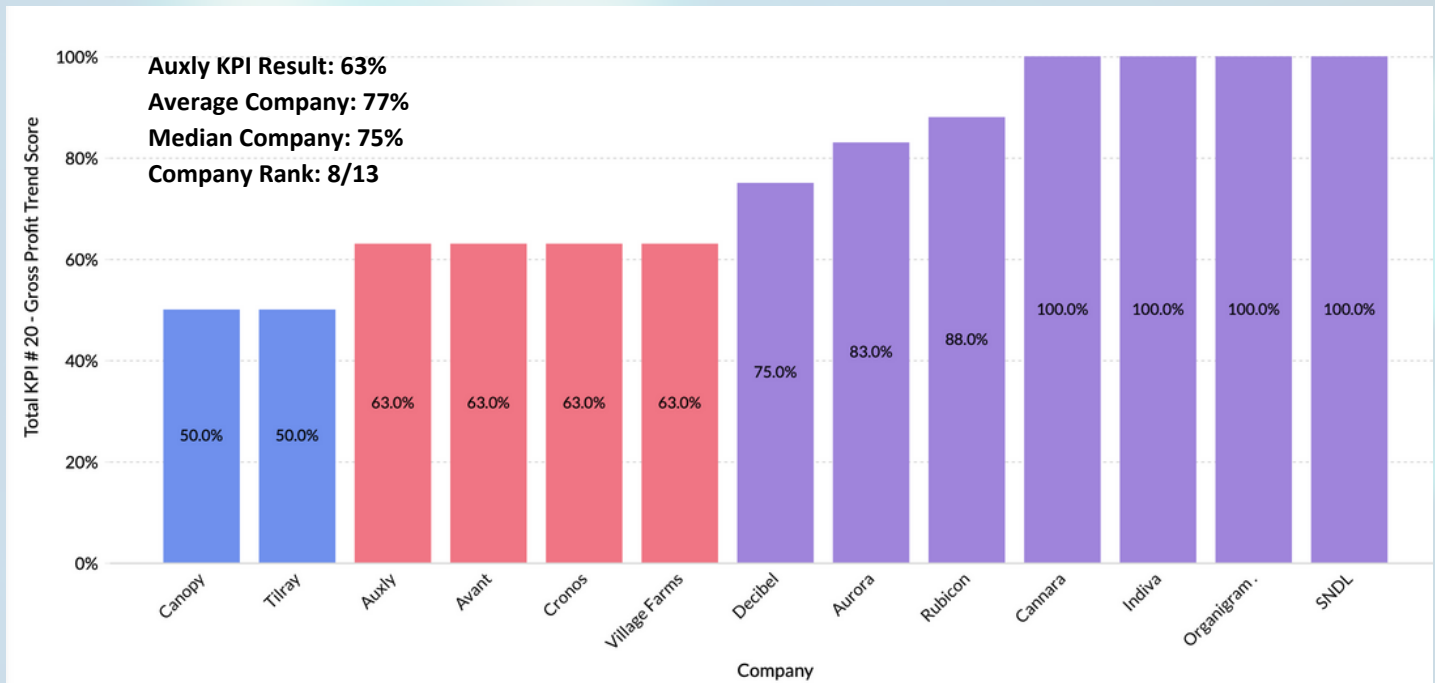
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #20: Gross Profit Trend Score



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #20? - The Gross Profit Trend Score over the last eight quarters reveals changes in a company's operational efficiency and market strength.
2. How the Company performed on this KPI #20 - Gross Profit Trend Score? - The company's Gross Profit Trend Score is 63%, ranking 8th out of 13, showing room for operational improvement.

Teaching Point: What Investors Can Learn from This KPI?

Focusing on the last eight quarters, the Gross Profit Trend Score assesses the momentum and direction in a company's gross profit, offering insights into its operational efficiency and market positioning over this two-year period. This score is derived from analyzing the gross profit margin, which reflects the difference between sales and the cost of goods sold (COGS), as a percentage of sales. An upward trend in the score indicates improving efficiency, suggesting the company is either reducing production costs or successfully increasing product prices without escalating costs. A downward trend, however, may highlight rising costs or decreasing pricing power, posing potential concerns about the company's operational health. Investors use this score to compare companies, looking for those with positive gross profit trends as they often have stronger financial resilience and growth prospects, critical factors for long-term investment decisions.

How the Company Performed on This KPI

The company's Gross Profit Trend Score is 63%, ranking it 8th out of 13 within its competitive subset. This performance is below the average of 77% but above the worst performance of 50%, indicating that while the company is not at the bottom, it has significant room for improvement compared to its peers. Positioned below the median of 75%, the company is in the lower half of the spectrum, suggesting that its operational efficiency and market positioning might be lagging behind the leading companies. For investors, this ranking could signal caution; a company with a suboptimal Gross Profit Trend Score might face challenges in maintaining or increasing its market share due to less efficient operations or weaker pricing power. Improving this score could enhance the company's appeal to investors by demonstrating a commitment to reducing costs or successfully increasing product prices without escalating costs. For long-term success, the company should aim to improve its gross profit margins to move up in the ranking, which could indicate better financial resilience and growth prospects compared to competitors.

William (Bill) McNarland, CFA

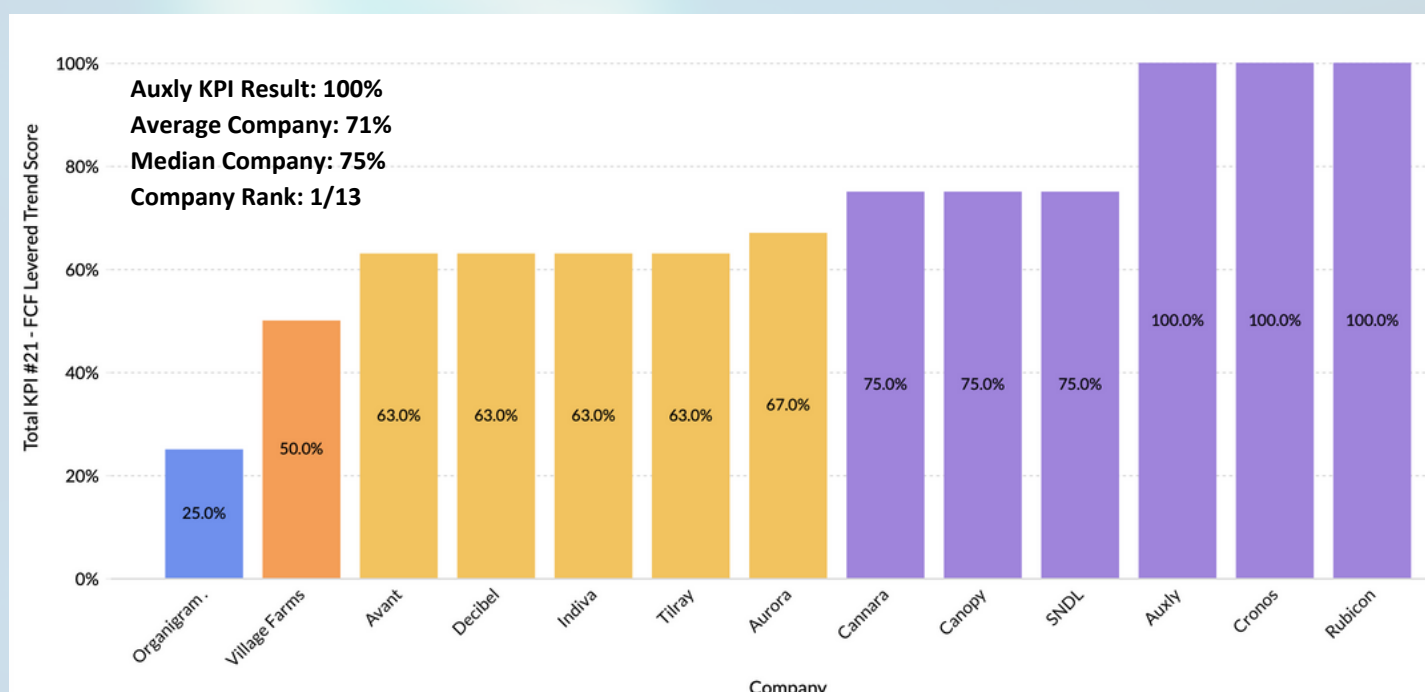
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #21: Levered Free Cash Flow Trend Score



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #21?- The Levered Free Cash Flow Trend Score over the last eight quarters tracks a company's cash generation after debt payments, indicating financial health.
2. How the Company performed on this KPI #21 - Levered Free Cash Flow Trend Score? - Company leads with 100% Levered Free Cash Flow Trend Score, ranking 1st out of 13, exceeding average and median, indicating strong financial health.

Teaching Point: What Investors Can Learn from This KPI?

The Levered Free Cash Flow Trend Score, analyzed over the last eight quarters, provides an evaluation of the changes in a company's levered free cash flow, which is the amount of cash a company generates after accounting for financial obligations, including interest payments on debt. This score helps investors understand the company's ability to generate cash that is available for shareholders, after meeting its debt commitments, over a two-year period. An upward trend in this score suggests improving financial health, indicating the company is generating more cash beyond its debt obligations, which can be used for dividends, share repurchases, or reinvestment in the business. Conversely, a downward trend might signal declining cash generation relative to debt expenses, potentially raising concerns about financial sustainability and flexibility. By comparing the Levered Free Cash Flow Trend Score across companies, investors can identify those with strengthening financial positions, marking them as potentially more attractive for long-term investments.

How the Company Performed on This KPI

The company has achieved a Levered Free Cash Flow Trend Score of 100%, securing the top position, 1st out of 13, compared to its competitors. This perfect score indicates that the company has significantly excelled in generating cash after accounting for its financial obligations over the past two years. It stands well above the industry average of 71% and the median of 75%, highlighting exceptional performance in managing its cash flow relative to its debt obligations. For investors, this suggests a robust financial health and the company's superior ability to allocate resources for dividends, share repurchases, or business reinvestment compared to peers. The firm's leading position reflects a strong financial foundation and operational efficiency, marking it as a potentially more attractive option for long-term investment. To maintain this leading status, the company should continue to focus on efficient financial management and debt handling.

William (Bill) McNarland, CFA

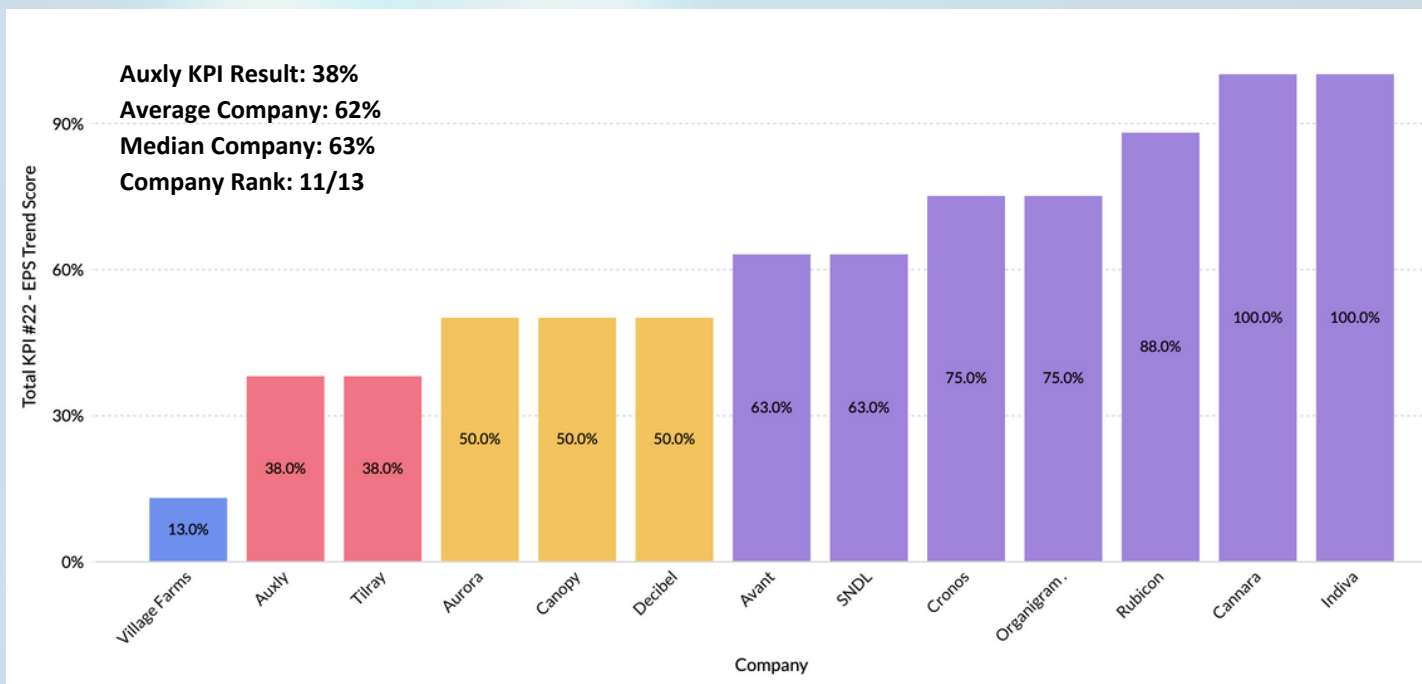
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #22: Earnings Per Share Trend Score



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #22? - The EPS Trend Score over the last eight quarters offers insights into a company's profitability and financial performance growth.
2. How the Company performed on this KPI #22 - EPS Trend Score? - Ranked 11/13 with a 38% EPS Trend Score, the company lags significantly in profitability growth, indicating a need for strategic earnings improvements.

Teaching Point: What Investors Can Learn from This KPI?

The Earnings Per Share (EPS) Trend Score, focused on the last eight quarters, measures the trajectory of a company's earnings per share over this period, providing insight into its profitability and financial performance. EPS represents the portion of a company's profit allocated to each outstanding share of common stock, serving as an indicator of the company's profitability on a per-share basis. An upward trend in the EPS score indicates improving profitability, suggesting the company is either increasing its earnings or effectively managing its share count, for instance, by avoiding excessive dilution. Conversely, a downward trend could signal declining earnings or issues with share dilution, potentially concerning investors about the company's future growth prospects and financial health. This trend score helps investors compare companies based on their profitability growth, identifying those with positive momentum in earnings per share as potentially more favorable investment opportunities.

How the Company Performed on This KPI

The company's Earnings Per Share (EPS) Trend Score is 38%, ranking it 11th out of 13 among its competitors. This score is significantly below the average of 62% and the median of 63%, indicating the company's profitability and financial performance over the last eight quarters is not keeping pace with most of its peers. An EPS Trend Score of 38% places the company closer to the lowest observed performance of 13% rather than the ideal score of 100%, highlighting a concerning trajectory in earnings per share. This positioning could be a red flag for investors, suggesting the company is either not growing its earnings effectively or is facing issues with share dilution. Improvements in this area are crucial for enhancing the company's appeal to investors and its overall market standing. A focus on increasing earnings or better managing share issuance could help improve its EPS trend, potentially making the company a more attractive investment and improving its long-term success prospects.

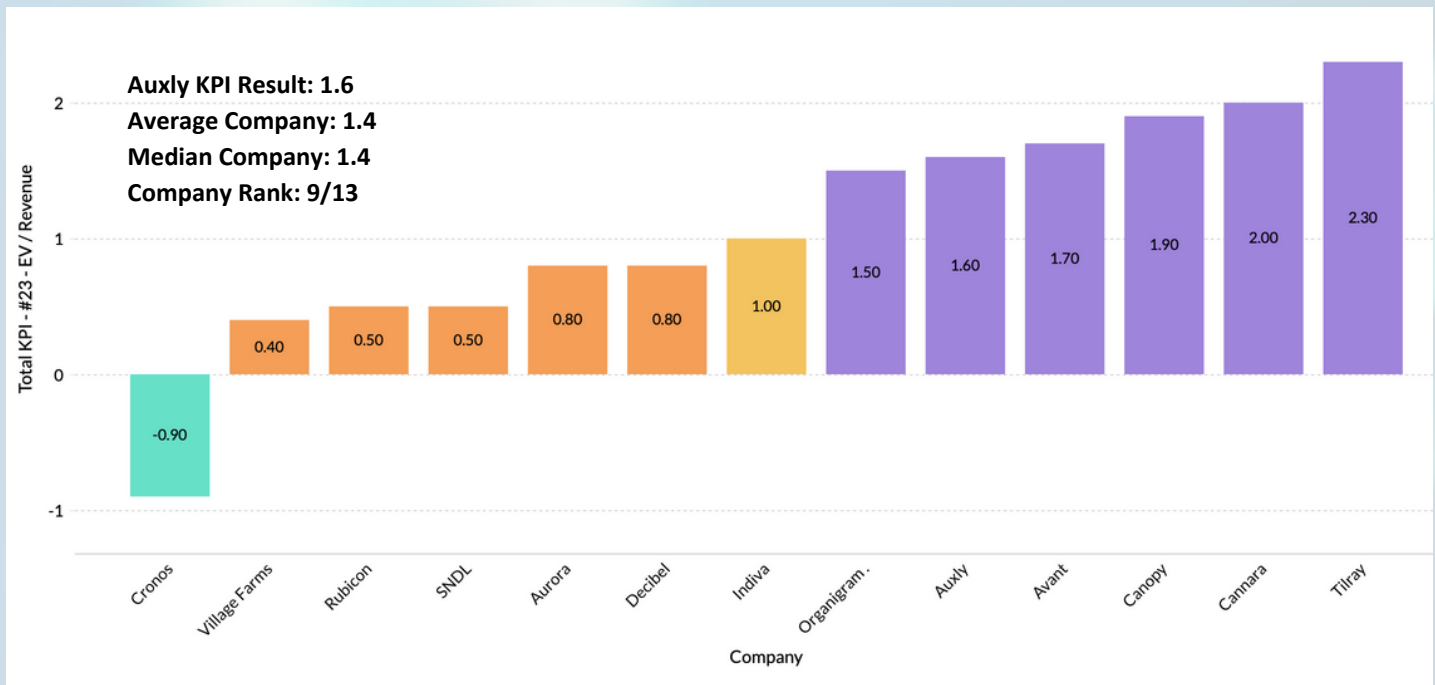
William (Bill) McNarland, CFA
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #23: Enterprise Value / Revenue



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #23? - The EV/Revenue ratio evaluates a company's total valuation in relation to its sales, indicating its market position and growth potential.
2. How the Company performed on this KPI #23 - EV/Revenue Ratio? - Company ranks 9/13 in EV/Revenue, above industry average, indicating potential overvaluation and room for improvement.

Teaching Point: What Investors Can Learn from This KPI?

The Enterprise Value (EV) to Revenue ratio is a financial metric used to compare the total value of a company, including debt and equity, to its sales or revenue. This ratio is instrumental for investors because it provides a comprehensive snapshot of a company's valuation relative to its sales, offering insights beyond what market capitalization alone can reveal. A lower EV/Revenue ratio may indicate that a company is potentially undervalued relative to its sales, suggesting an opportunity for investment. Conversely, a higher ratio could imply that the company is overvalued or expected to grow sales significantly in the future. Evaluating this ratio is crucial for assessing a company's market position and long-term growth potential. By comparing the EV/Revenue ratio across companies, investors can gauge relative valuations in the same industry, helping to identify those companies that might offer better value or growth prospects based on their current revenue streams.

How the Company Performed on This KPI

The company's Enterprise Value/Revenue ratio is 1.6, placing it 9th out of 13 compared to its competitors. This position puts the company below both the average (1.4) and median (1.4) performance in its sector. Being ranked 9th suggests that the company might be slightly overvalued relative to its sales compared to other companies in its industry. This could indicate that investors may see the company as less attractive compared to its peers, as a lower EV/Revenue ratio is generally preferred, signifying a company could be undervalued. This standing, closer to the higher end of the scale, suggests there is room for improvement. The company could benefit from increasing its revenue or reducing its total value (including debt and equity) to improve its ratio, which in turn could enhance its attractiveness to investors and its competitive position in the market. Improvement in this area could lead to a more favorable perception of the company's long-term growth potential and market valuation.

William (Bill) McNarland, CFA

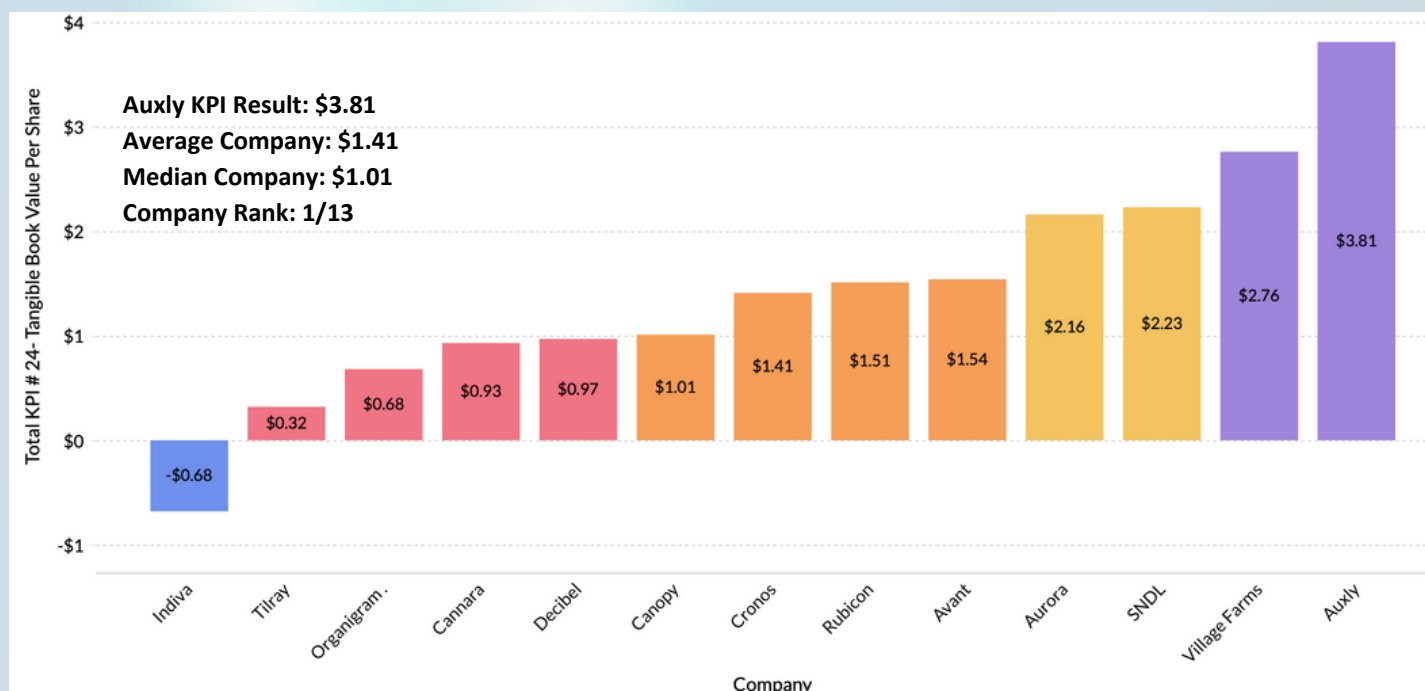
Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



KPI #24: Tangible Book Value Per Share Ratio to Share Price



The TDR Two Key Takeaways for This KPI

1. Why we analyze KPI #24? - The TBVPS to Share Price ratio helps assess how much of a company's share price is backed by tangible assets, offering insights into valuation and financial safety.
2. How the Company performed on this KPI #24 - TBVPS to Share Price? - Company leads with highest TBVPS to Share Price ratio at \$3.81, indicating strong financial safety and potential undervaluation.

Teaching Point: What Investors Can Learn from This KPI?

The Tangible Book Value Per Share (TBVPS) to Share Price ratio compares the value of a company's tangible assets (those that can be physically touched or converted into cash) per share to its current share price. This ratio is crucial for investors as it provides insights into how much of a company's share price is supported by tangible assets, which can be a measure of financial safety and valuation. A higher TBVPS to Share Price ratio suggests that a significant portion of the company's share price is backed by tangible assets, potentially indicating an undervalued stock or a more secure investment. Conversely, a lower ratio may indicate that a company's share price is more influenced by intangible factors, such as brand value or future growth expectations, which could carry higher risk. This comparison helps investors assess the risk and value proposition of a company's shares, guiding decisions in portfolio construction for long-term investment strategies.

How the Company Performed on This KPI

The company's Tangible Book Value Per Share (TBVPS) to Share Price ratio stands at \$3.81, which ranks it 1st out of 13 competitors. This performance indicates a strong position within its industry, as it not only leads the competitive set but also surpasses the average and median TBVPS to Share Price ratios, which are \$1.41 and \$1.01, respectively. A high TBVPS to Share Price ratio, like the company's, suggests that a significant portion of the company's share price is supported by tangible assets, which could be interpreted as an undervalued stock or a safer investment compared to its peers. This leading position is beneficial for investors as it implies that the company's assets provide a solid foundation for its share price. To maintain or improve this leading position, the company should continue to manage its tangible assets effectively and focus on financial stability to ensure continued investor confidence. This robust ranking is an excellent sign for long-term success as it indicates a strong underlying asset base relative to the share price.

William (Bill) McNarland, CFA

Head of Research
TDR Research

www.thedalesreport.com
bmcnarland@thedalesreport.com

Company's Rating on This KPI Compared to Peers:



Valuation and Estimate Details

Revenue Est USD M	EBITDA Est: USD M		
2024 FY: \$71.02	2024 FY: -\$4.98	Valuation:	Rating: Hold
2024 Q1: \$17.76	2024 Q1: -\$1.245	Comparative Value: \$0.02	1 Year Target Price: \$0.02
2024 Q2: \$17.76	2024 Q2: -\$1.245	Discounted Cash Flow Value: \$0.02	Potential Return Target: 100%
2024 Q3: \$17.76	2024 Q3: -\$1.245	Blend Valuation: \$0.02	
2024 Q4: \$17.76	2024 Q4: -\$1.245		

Teaching Point - Estimates - Valuation - Rating

To calculate a company's value, it's essential to estimate its future financial performance, specifically its revenue and EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) growth for the upcoming year, broken down by each quarter. This process begins by reviewing the company management's future estimates, which offer a starting point for understanding expected performance. However, it's critical not to take these estimates at face value. Instead, adjust them based on your confidence in management's ability to deliver on these projections. This confidence level is determined by evaluating management's past track record. If history shows that management consistently meets or exceeds their forecasts, you might lean towards trusting their future estimates. Conversely, if they have a history of overestimating growth, you may adjust the estimates downwards. This approach of adjusting future growth estimates based on past performance helps in creating a more accurate and realistic valuation of the company, reflecting both the potential opportunities and risks.

Valuation encompasses four key components to ensure a comprehensive assessment of a company's worth. Initially, a discounted cash flow (DCF) valuation is performed, calculating the present value of the company's expected future cash flows. Following this, a comparative analysis is conducted, examining the company against its five closest competitors by revenue within its industry index, using the EV/Revenue ratio for a direct comparison. Thirdly, an adjustment is made considering the company's tangible book value in relation to its stock price, adding another layer of valuation accuracy. Lastly, the initial estimate is projected one year forward, incorporating an expected increase in the company's revenue to refine the valuation further. This multi-faceted approach not only provides a detailed look into the company's current value but also integrates market positioning and future growth prospects, offering a more detailed and forward-looking valuation.

In our ratings process, companies are evaluated based on a comparison of their Key Performance Indicators (KPIs) against those of their competitors, as well as their overall valuation metrics. This analysis helps in identifying the best investment opportunities within the comparison group. We adopt a selective rating approach, where only the top 75% of companies, based on their performance and valuation, are designated a 'buy' rating. The remaining 25% are classified as either 'hold' or 'sell.' Our methodology includes maintaining at least a 10% 'sell' rating across our research to demonstrate our commitment to transparency. However, it's noteworthy that our ratings tend to be more favorable overall, as our focus often lies on industries typically undervalued. This strategic emphasis not only enhances transparency but also aims to de-risk the investment timing for investors by capitalizing on sectors with inherent value propositions yet to be fully recognized by the market.

Summary of Companies Estimates, Valuation and Rating

For the fiscal year 2024, the estimated total revenue stands at \$71.02 million, distributed evenly across the quarters. However, the company faces challenges, as reflected by an estimated negative EBITDA of -\$4.98 million, with each quarter contributing equally to this downturn. The stock currently holds a "Hold" rating, indicating it ranks in the bottom 25% in key performance indicators compared to its competitors. Despite these challenges, the one-year target price is set at \$0.02, with an expected return potential of 100%. This suggests that, while the company is underperforming, there may be potential for recovery or undervaluation. The valuation techniques used, including comparative value, discounted cash flow, and blend valuation, all converge at a target price of \$0.02.

Important Disclaimers

The Dales Report (TDR) is a professional entity specializing in publishing comprehensive investment research reports on public and, to some extent, private companies. TDR offers investor-centric content and advanced digital distribution strategies, aiding companies in investor communication. Notably, TDR operates under the "publishers' exemption" and is not a registered investment adviser, broker/dealer, or provider of investment banking services. TDR's research, purely informational. The reports are not personalized financial advice, and readers are encouraged to consult independent advisors. The Dales Report maintains strict impartiality, with its analysts and their households not holding personal or business ties to the covered companies, apart from providing digital content and possible ancillary services. TDR aims for ongoing coverage of the companies it reports and may be compensated for its research through a non-contingent, fixed monthly fee arrangement with its clients, steering clear of compensation models that might influence its reporting objectivity. In addition to research, TDR may offer and be compensated for ancillary services to covered companies but manages potential conflicts of interest to safeguard its reputation and the unbiased nature of its content. The analyses in TDR's reports are based on reliable public information, but it assumes no liability for any inaccuracies or the timeliness of the information.

