Glass House Brands Inc.

OTCQX: GLASF, GHBWF

William (Bill) McNarland, CFA

Head of Research

TDR Research

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www.thedalesreport.com

bmcnarland@thedalesreport.com

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Date	**June 26th, 2024**
Rating	**Hold**
Fair Value	**$12.85**
Expected 1 Year Return Including Dividend	**77.7%**
Estimate 2024 FY Revenue	**$217M**
Estimate 2024 FY GMP %	**50.1%**
Estimate 2024 FY EBITDA Margin %	**9.5%**
Estimated 2024 FY EBITDA	**$20.62M**

Company Description

Glass House Brands Inc. is an integrated cannabis company in the United States, operating in retail, wholesale biomass, and cannabis-related consumer packaged goods. The company cultivates, manufactures, and distributes cannabis bulk flowers and trims to wholesalers and retail stores in California. It also owns and operates retail cannabis stores. Products include raw cannabis, cannabis oil, edibles, pre-rolls, tinctures, and biomass for distributors. Services include online payment processing, in-store pickup, and home delivery for adult-use and medicinal customers. The company sells products under various brands and was founded in 2015, headquartered in Long Beach, California.

Rating Methodology

After carefully evaluating a company's financial health, operational efficiency, and growth prospects through various analyses, we culminate our assessment by assigning a rating of "Buy," "Hold," or "Sell." This rating is determined based on the company's performance compared to its peers, alongside an examination of its valuation. A "Buy" rating suggests the company outperforms its competitors and is undervalued or poised for growth, indicating a good investment opportunity. A "Hold" rating implies the company is performing on par with industry standards, and its current valuation accurately reflects its market position and prospects, suggesting investors should maintain their positions without adding more. A "Sell" rating is given if the company underperforms relative to its peers or is overvalued, indicating a potential decline in value and advising investors to divest. This systematic approach helps investors make informed decisions by understanding a company's relative standing in its sector and potential for future performance.

Report Process

We have established a process for analyzing multi-state cannabis operators, which we will outline in this section before discussing specific details regarding Glass House Brands Inc (GHB)

Establish Comparables

First, we looked for public company US multi-state operators in a similar size range as the company. We started the search by considering all AdvisorShares Pure US Cannabis MSOS ETF holdings. The AdvisorShares Pure US Cannabis MSOS ETF has twenty-one companies with market capitalization between $37M and $3.45B USD. This is too extensive of a range, so we split the benchmark into multi-state operators above and below $500M in market capitalization.

Using this process, we identified five other cannabis multi-state operators with market capitalizations between $627M and $3.45B USD. We feel that this makes for a robust comparable benchmark.

Understanding the Industry and Catalysts

Next, we aim to validate the fundamental underlying macro drivers for the industry independently. We will predict the expected growth rates for all six companies in the benchmark.

Understanding the Company and Future Catalysts

We will then review the company's primary thesis and strategic plan and determine if we feel the growth thesis of the company is strong and the likelihood of management being able to executive on it.

Establish KPIs

We have set Key Performance Indicators (KPIs) to compare the company against a custom benchmark of other companies. Our analysis will include the three financial statements as metrics for valuation compared to the benchmark.

KPI Results

Next, we compare and rank the company against its peers across each category. The comparison will include a ranking of the average and median to provide an accurate picture of the company's performance. It is possible that in some categories, all the companies have performed well collectively, and scoring low could still be a good result, conversely with poor overall performance.

Valuation Analysis

Next, we will apply traditional discounted cash flow and comparative valuation methods.

Our Take

Ultimately, we will analyze all the information gathered and conclude whether we recommend the company as a Buy, Hold, or Sell. We will also provide our target valuation for the company.

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Head of Research - TDR Research
www.thedalesreport.com
bmcnarland@thedalesreport.com

Executive Summary

We are initiating research coverage on GHB with a Hold rating. This decision is based on a comparative analysis of the company against its peers and will be revisited at the next earnings report in August. GHB, operating in California's competitive market, has shown substantial growth, nearly doubling its stock value in the past year. Although the company's market capitalization is high comparatively, we expect its future progress to justify this valuation in the future. We will monitor the company's performance against its stock price, which may lead to a rating change to Buy.

Summary of Estimates

We estimate revenue of $217 million in 2024 and project GHB's gross margin ratio to rise to 50.1%. This results in an EBITDA margin estimate of 9.5% and a full-year 2023 EBITDA estimate of $20.62 million. Despite GHB's stock price increase over the past year, we have a fair value price of $12.85 based on a blended valuation.

Strengths Compared to the Benchmark

GHB has several strengths over its competitors:

1. The company has shown strong revenue growth, indicating high market demand for its products.
2. The company has significantly improved its gross profit margin in the LTM, reflecting better cost management and profitability.
3. Ongoing capital expenditures demonstrate a commitment to long-term growth and capacity expansion.

Weaknesses Compared to the Benchmark

However, the company faces some weaknesses:

1. The stock price already reflects much of the recent progress, potentially limiting short-term gains.
2. The balance sheet shows a higher credit risk than peers, which could affect future financial stability.
3. Levered free cash flow as a percentage of revenue lags behind competitors, indicating room for improvement in cash flow management.

We may increase our rating to Buy if the company continues to improve its performance at a pace that surpasses the gains already reflected in its stock price, especially compared to its peers.

Establish Benchmark Comparables

Using this process, we identified five other cannabis multi-state operators with market capitalizations between $522M and $2.95B USD. These companies are holdings in the AdvisorShares Pure US Cannabis MSOS ETF. We feel that this makes for a robust comparable benchmark. Four companies are close in size with the range of $1.56B and $2.95B USD; the two others are close at $522M and $549M. Ideally, there would be more companies closer in size, but in this case, it was better to compare six companies to each other than two or four.

COMPARABLE COMPANY	US TICKER	FOCUS	MC USD $M
Cresco Labs	OTC:CRLBF	US Cannabis MSO	$549
Curaleaf Holdings	OTC:CURLF	US Cannabis MSO	$2951
Glass House Brands	**OTC:GLASF**	**US Cannabis MSO**	**$522**
Green Thumb Industries	OTC:GTBIF	US Cannabis MSO	$2853
Trulieve Cannabis	OTC:TCNNF	US Cannabis MSO	$1844
Verano Holdings	OTC:VRNOF	US Cannabis MSO	$1255

The main qualitative catalysts for cannabis that we noted are as follows:

- In the US, the population is becoming more favorable for the use of cannabis for both recreational and medical reasons. In the most updated survey by the Pew Research Center, dated March 26th, 2024, 88% of Americans feel that cannabis should be legal for medical or recreational use. This trend has been increasing each year, producing more demand each year for cannabis in the US.
- Additional US states have legalized cannabis at a state level for medicinal or recreational use. As of today, cannabis is legal in 38 of 50 states for medical use and in 24 states for recreational use. Each year, more US states transition into medical or recreational legal status.
- At the current time, cannabis is a Schedule 1 drug at the federal level. The President of the US announced on May 16th that his administration is progressing in rescheduling cannabis to Schedule 3, allowing for medical use federally. This would enable potentially 12 additional states to open for the medical use of cannabis and likely encourage additional states to legalize recreational use.
- Changes in the 280E tax code could significantly reduce the taxes that cannabis companies pay, which could result in significant past refunds and significant increases in net income from reduced taxes.

The quantitative forecast for cannabis growth in the US varies widely, but when combined as an average, the growth rate is substantially higher than the outlook for the broad US GDP growth.

- Technavio predicts a combined recreational and medical cannabis CAGR growth of 24.03% between 2022 and 2027.
- MJBiz predicts a combined recreational and medical cannabis growth rate of 11.26%, which they note is an estimate for the high end of the scale.
- Fortune Business Insights estimates the global cannabis market size is projected to grow from $57.18 billion in 2023 to $444.34 billion by 2030, at a CAGR of 34.03% during the forecast period.
- BDSA forecasts the total global legal cannabis industry is predicted to reach $36.7 billion in 2023 (with 80% of sales from U.S. markets), growing at a compound annual growth rate (CAGR) of 13% from 2022 to 2027.
- Statista is an outlier with much more modest predictions; the revenue for the cannabis market in the United States is anticipated to demonstrate an annual growth rate (CAGR 2024-2029) of 2.89%. But Statista does show intriguing data comparisons for the US in 2024. The tobacco ($108), beer ($112), wine ($39), and spirits ($103) market in the US is a combined $362B, whereas the legal cannabis market is only $43 Billion. This shows how much potential cannabis has for growth compared to the already established markets.

Based on the qualitative and quantitative points above, the US combined recreational and medical cannabis market has strong winds behind its growth rates compared to the expected Real GDP growth long term in the US, which is around 2% plus an inflation target of 2% for a combined growth rate long term of 4%.

Understanding the Company

GHB is a vertically integrated cannabis company with a focused presence in California. Since listing in June 2021, the company has expanded its cultivation, retail, and product distribution capabilities.

GHB's cultivation facilities are located at the 165-acre SoCal Farm (5.5 million square feet), Padaro (350,000 square feet), and Casitas (150,000 square feet). The manufacturing hub in Lompoc produces PLUS and Allswell edibles and gummies.

The company has ten retail stores across California, including The Farmacy locations in Santa Barbara, Santa Ana, Berkeley, Isla Vista, and Santa Ynez. Additionally, GHB acquired NHC stores in Grover Beach, Lemoore, Morro Bay, and Turlock, as well as The Pottery in Los Angeles.

Key Achievements

Since listing in June 2021, GHB has made significant progress. The company acquired the 165-acre SoCal Farm, with 5.5 million square feet of cultivation space. Phase I was completed in September 2021, leading to the first harvest in May 2022. Phase II was completed in January 2024, with Greenhouse 5 now fully operational, boosting annual capacity by 250,000 to 600,000 pounds.

GHB also acquired PLUS Gummies, a top-five California edibles brand, in April 2022, and expanded its retail footprint from three to ten stores through acquisitions and new Farmacy locations. The launch of Allswell, a value-oriented brand, has captured price-sensitive consumers and strengthened GHB's market presence.

Key Markets

GHB operates primarily in California, the largest cannabis market in the United States, which offers significant growth opportunities due to its large adult population and high tourist influx. California is highly competitive with around 4,800 cultivators, 1,100 distributors, and 1,200 retailers, allowing for strong market penetration and brand visibility for GHB's products. The presence of over 650 brands necessitates strong brand differentiation and market strategies.

GHB maintains a disciplined approach to shipping and payment, only shipping to stores that are current on their payments. This reduces accounts receivables risk and ensures better cash flow. The launch of the Allswell brand in Q3 2022 allowed GHB to quickly adapt to the price-sensitive market segment without cannibalizing demand for its other brands. This strategic flexibility has helped GHB increase its market share steadily.

Strategic Plan for Growth

Cultivation and Production Expansion: GHB plans to continue expanding its cultivation capacity, with the SoCal Farm projected to produce up to 1.5 million dry pounds of cannabis per year after the full build-out.

Retail and Product Distribution: GHB aims to enhance its retail and distribution network, leveraging its ten retail locations to increase foot traffic and sales.

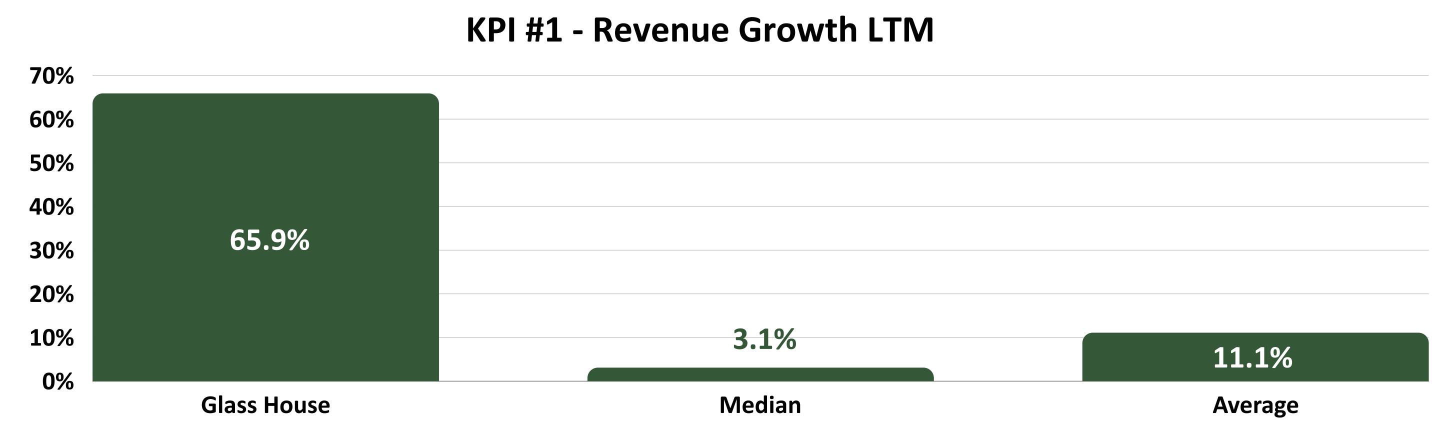
Brand and Product Development: GHB will continue developing and expanding its brand portfolio, focusing on innovation and expanding market share across different consumer segments.

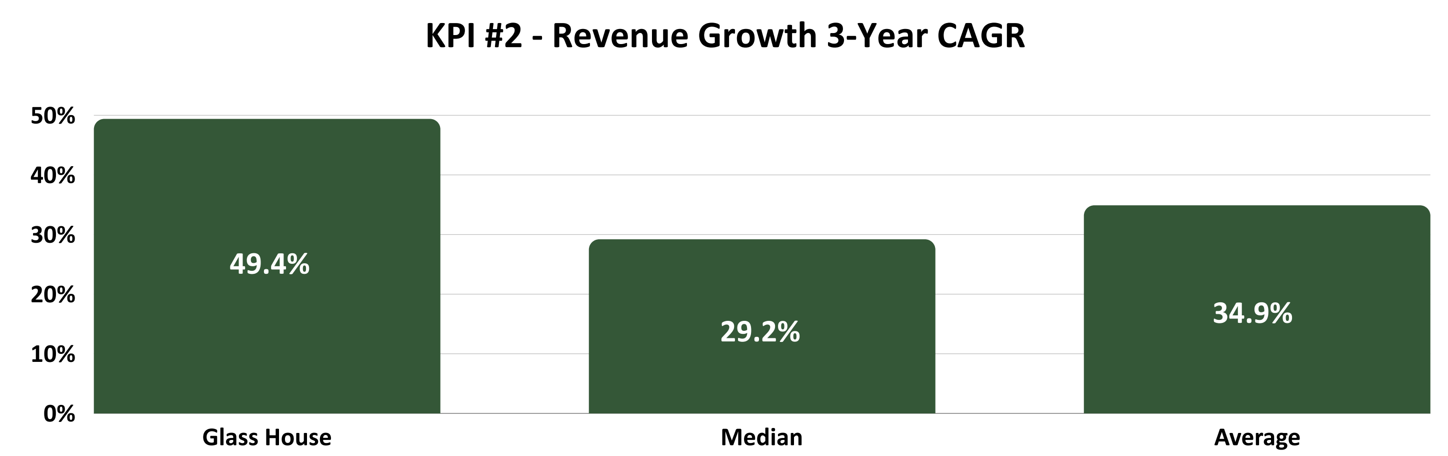
Sustainability and ESG: GHB is committed to sustainable practices, reducing CO2 emissions and energy use. The company's operations benefit from optimal growing conditions in California, contributing to lower environmental impact.

We established Key Performance Indicators (KPIs) across three financial statements to evaluate a company's performance relative to its peers. We identified eight KPIs for the income statement to assess if the company is growing profitably. We looked at six KPIs for the balance sheet to determine the company's financial soundness. Finally, we considered four KPIs on the cash flow statement to ensure the company's cash flow aligns with its income statement performance. This comprehensive approach allows us to accurately gauge the company's overall financial health and growth potential.

#	FINANCIAL STATEMENT	KPI
1	Income Statement	Revenue Growth LTM
2	Income Statement	Revenue Growth 3-Year CAGR
3	Income Statement	Gross Profit Margin LTM
4	Income Statement	Gross Profit Margin LTM Change
5	Income Statement	SG&A Margin LTM
6	Income Statement	SG&A Margin LTM Change
7	Income Statement	EBITDA Growth LTM
8	Income Statement	EBITDA Growth 3-Year CAGR
9	Balance Sheet	Current Ratio
10	Balance Sheet	Current Ratio LTM Change
11	Balance Sheet	Total Liabilities vs Assets
12	Balance Sheet	Total Liabilities vs Assets LTM Change
13	Balance Sheet	Credit Check (Altman Z)
14	Balance Sheet	Credit Check (Altman Z) LTM Change
15	Cash Flow	Levered Free Cash Flow Margin LTM
16	Cash Flow	Levered Free Cash Flow Margin Change LTM
17	Cash Flow	Levered Free Cash Flow Growth LTM
18	Cash Flow	Capital Expenditure Margin LTM

KPI	Income Statement – Revenue Growth
Why it is important?	Revenue growth is crucial because it indicates the company's ability to increase sales over time, reflecting market demand and operational effectiveness. It helps analysts assess the company's competitiveness and potential for future profitability. Consistent revenue growth often correlates with stock price increases, making it an attractive metric for investors and a crucial factor considering if the company is required to raise additional capital.
Peer Comparison	GHB's LTM revenue growth is 65.9%, compared to the benchmark median of 3.1% and the benchmark average of 11.1%. Its 3-year CAGR for revenue growth is 49.4%, compared to the benchmark median of 29.2% and the benchmark average of 34.9%.
Take Away / Conclusion	GHB's LTM revenue growth of 65.9% significantly exceeds the benchmark median and average, indicating exceptional performance in recent sales increases. Additionally, its 3-year CAGR of 49.4% is well above the benchmarks. The growth is exceptional, but we can note that GHB is earlier in its business growth trajectory then its peers, as its peers are more mature companies past their initial high growth period.



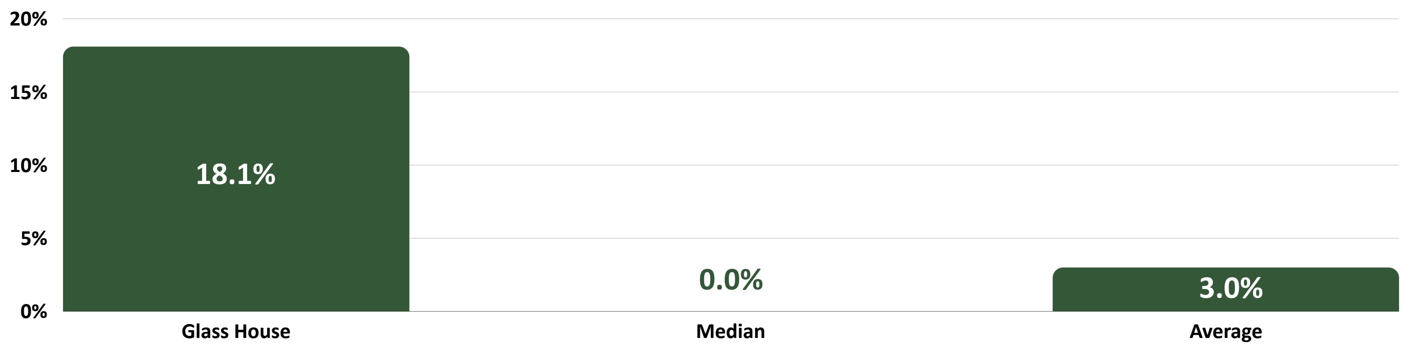


Source: S&P Capital IQ

KPI	Income Statement – Gross Profit Margin
Why it is important?	Gross profit margin is significant because it measures how efficiently a company produces its goods compared to its revenue. A higher gross profit margin indicates better cost management and profitability. Businesses with increasing gross profit margins are improving their cost control and product pricing, which should lead to higher profits and stronger financial health.
Peer Comparison	GHB's LTM gross profit margin is 49.5%, compared to the benchmark median of 50.0% and the benchmark average of 49.7%. Its LTM gross profit margin change is 18.1%, compared to the benchmark median of 0.0% and the benchmark average of 3.0%.
Take Away / Conclusion	GHB's LTM gross profit margin of 49.5% is nearly on par with the benchmark median and average, indicating solid cost management and profitability. The significant increase of 18.1% in the gross profit margin LTM change highlights exceptional improvement in cost control and product pricing over the last year.

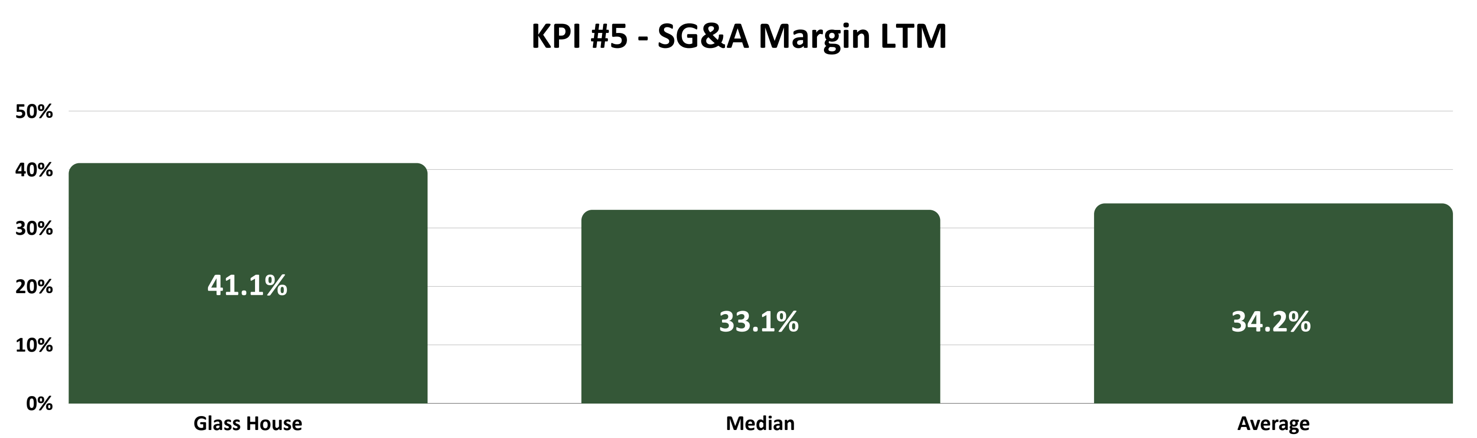
KPI #3 - Gross Profit Margin LTM

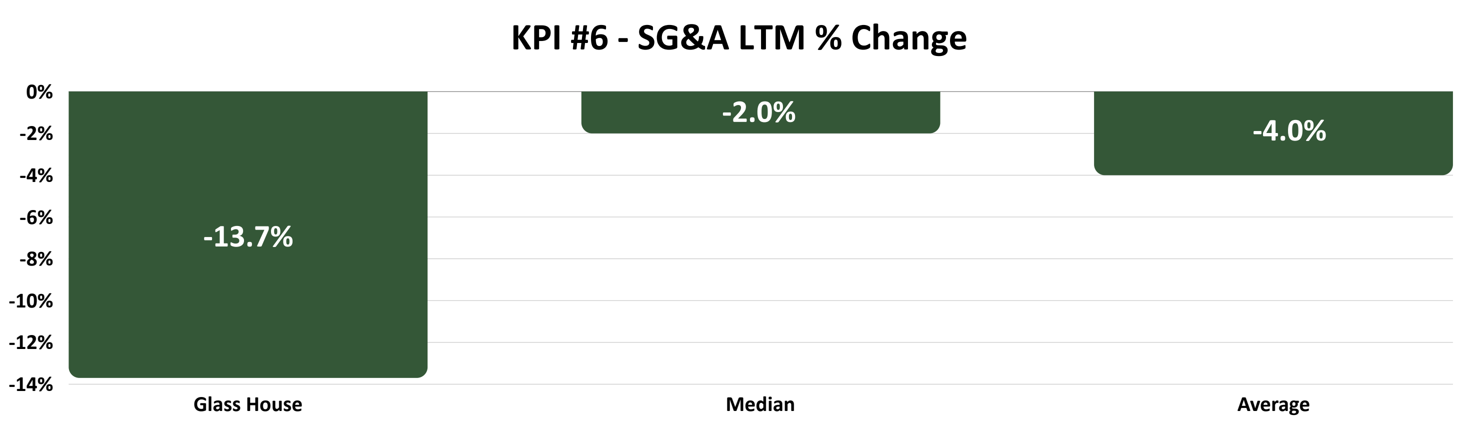
KPI #4 - Gross Profit Margin LTM Change



Source: S&P Capital IQ

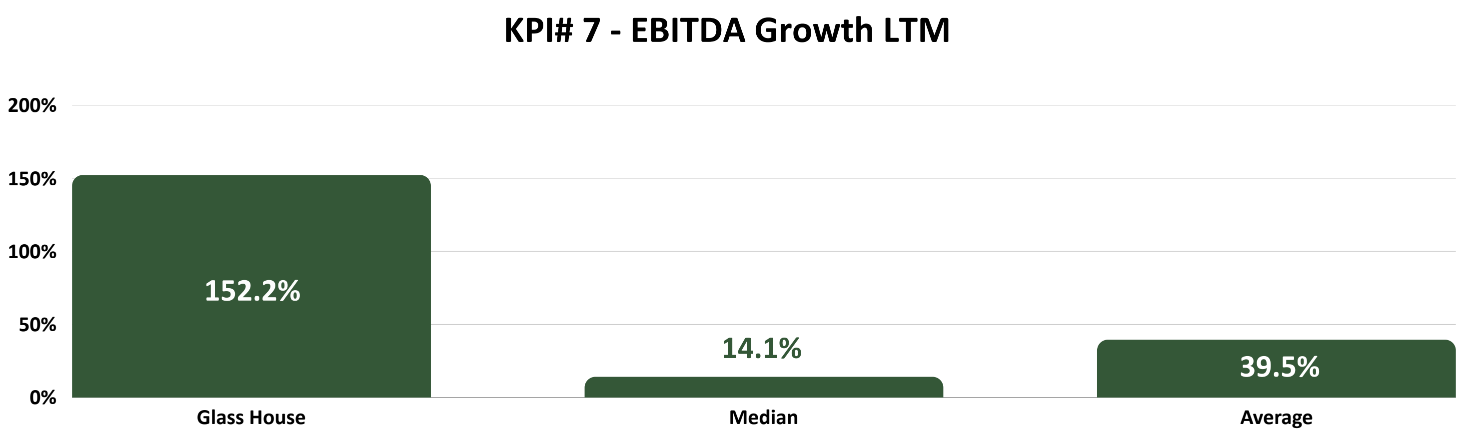
KPI	Income Statement – SG&A Margin (Selling, General, and Administrative)
Why it is important?	SG&A (margin is important because it shows how well a company controls its operating expenses relative to its revenue. A lower SG&A margin indicates better cost efficiency and higher profitability. Businesses with a trend of decreasing SG&A margins demonstrate improved management and operational efficiency, leading to stronger financial performance and greater investor confidence.
Peer Comparison	GHB's LTM SG&A margin is 41.1%, compared to the benchmark median of 33.1% and the benchmark average of 34.2%. Its LTM SG&A margin change is -13.7%, compared to the benchmark median of -2.0% and the benchmark average of -4.0%.
Take Away / Conclusion	GHB's LTM SG&A margin of 41.1% is higher than both the benchmark median and average, indicating room for improvement in cost efficiency. However, the significant reduction of 13.7% in the SG&A margin LTM changed showed strong discipline.

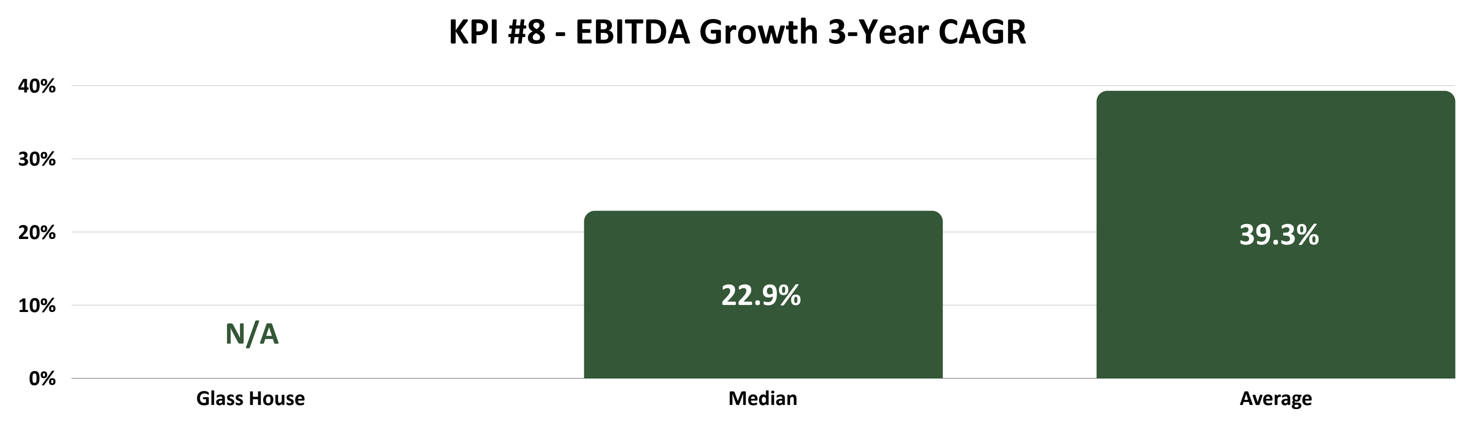




Source: S&P Capital IQ

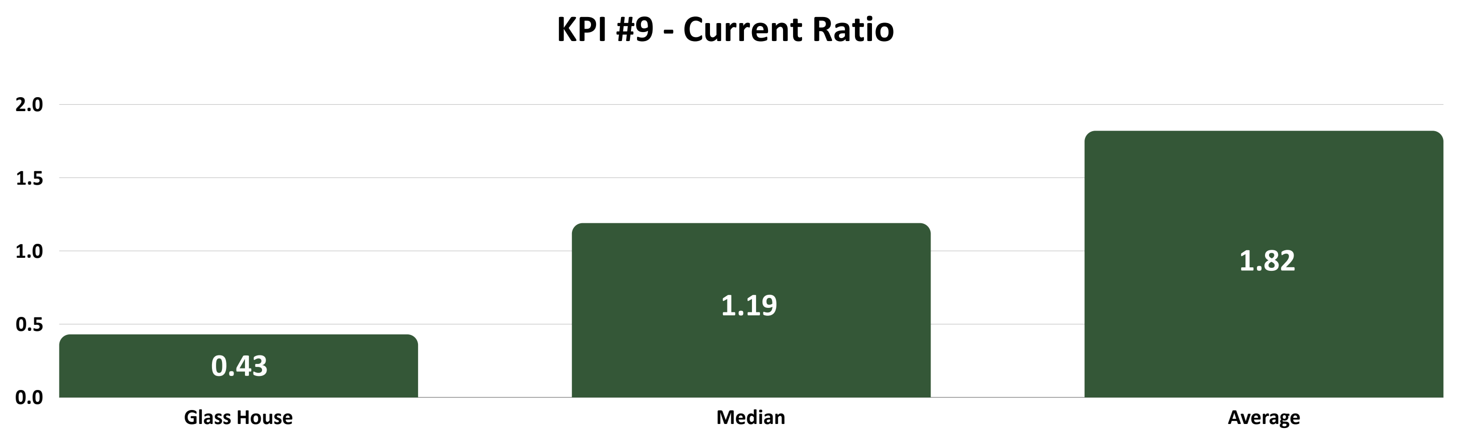
KPI	Income Statement – EBITDA Growth
Why it is important?	EBITDA growth is crucial because it shows a company's ability to generate earnings before interest, taxes, depreciation, and amortization. It reflects operational efficiency and profitability. Companies with increasing EBITDA are often more attractive to investors as it indicates stronger financial health and potential for sustainable growth.
Peer Comparison	GHB's LTM EBITDA growth is 152.2%, compared to the benchmark median of 14.1% and the benchmark average of 39.5%. We were not able to calculate the 3-Year number as GHB does not have a full 3-Years available until Q3 2024.
Take Away / Conclusion	GHB's LTM EBITDA growth of 152.2% is significantly higher than the benchmark median and average, demonstrating exceptional improvement in operational efficiency and profitability. This high growth rate is also representative of a company that is at an earlier stage in the growth cycle than its benchmark peers.

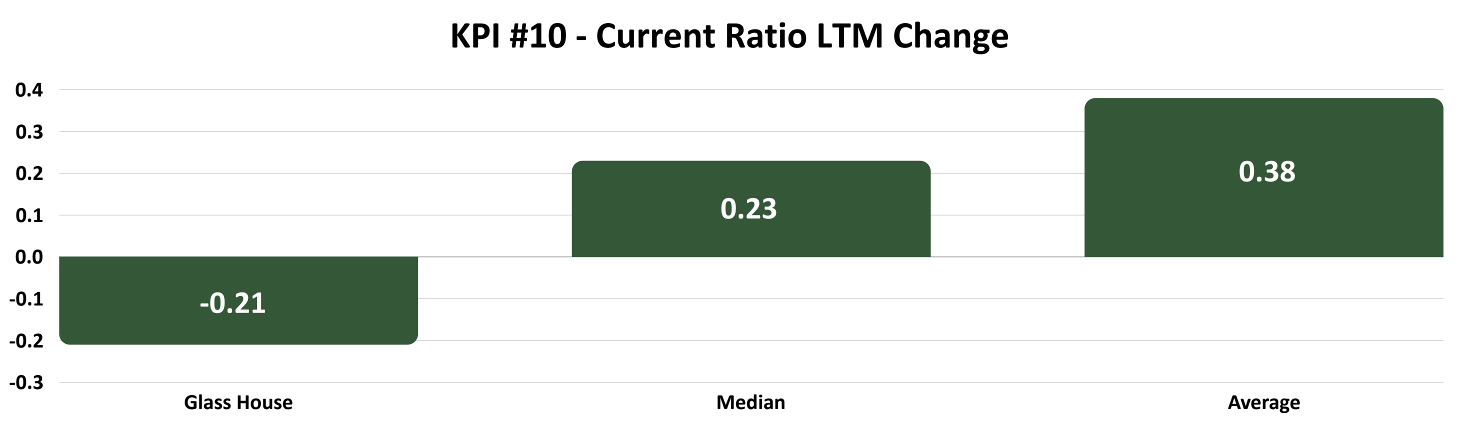




Source: S&P Capital IQ

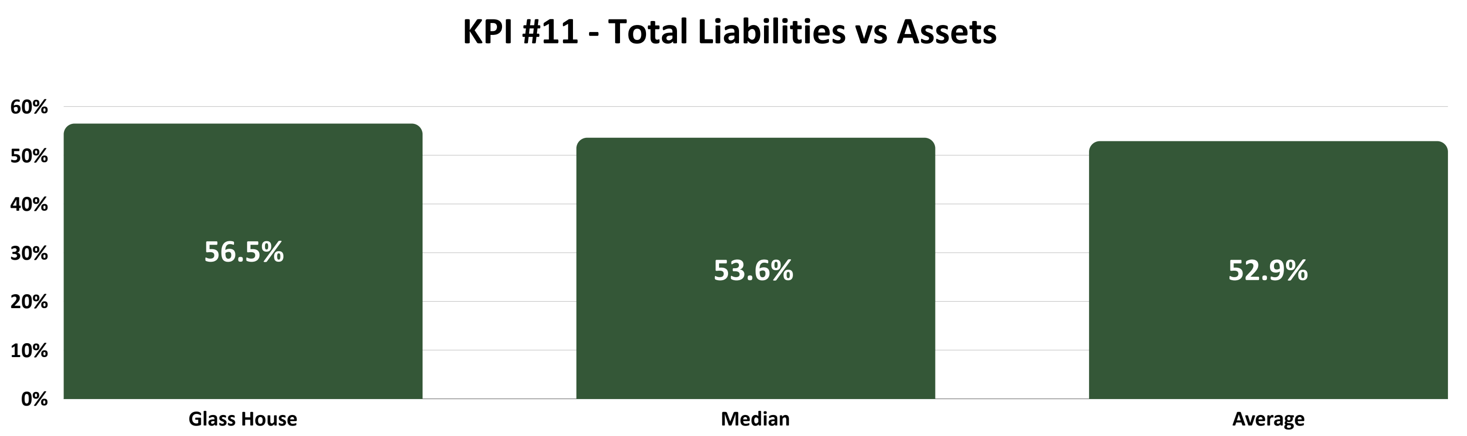
KPI	Current Ratio
Why it is important?	The current ratio is important because it measures a company's ability to pay its short-term obligations with its short-term assets. A higher current ratio indicates better liquidity and financial health. Companies with a strong current ratio are better positioned to handle short-term liabilities and unexpected expenses, which enhances their stability and investor confidence.
Peer Comparison	GHB's current ratio is 0.43, compared to the benchmark median of 1.19 and the benchmark average of 1.82. Its current ratio LTM change is -0.21, compared to the benchmark median of 0.23 and the benchmark average of 0.38.
Take Away / Conclusion	GHB's current ratio of 0.43 and drop by 0.23 in the LTM highlight how GHB balance sheet liquidity is weaker then its peers and is a KPI for investors to be aware of and monitor.

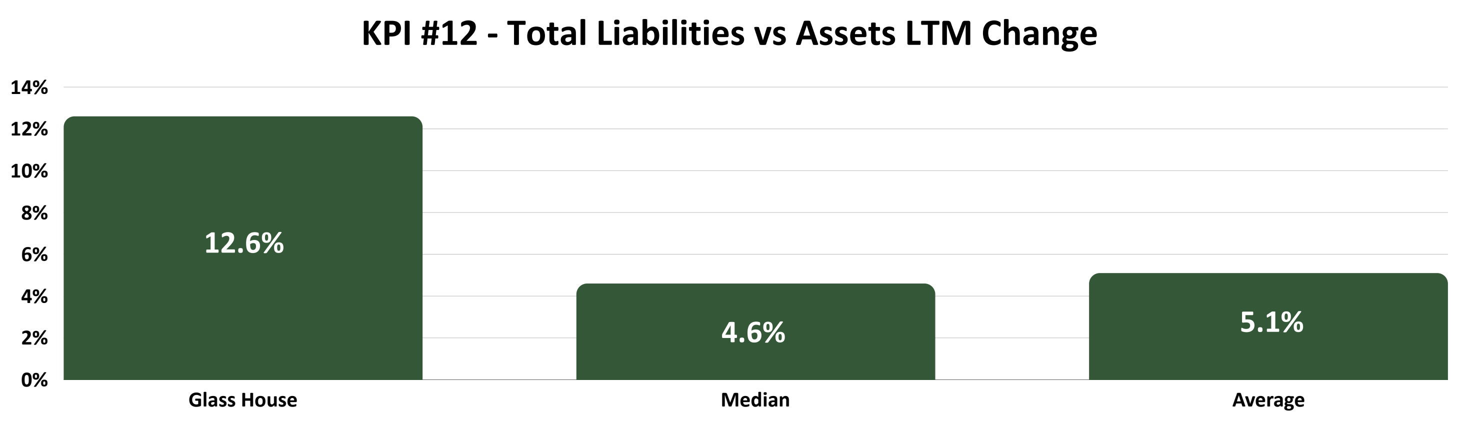




Source: S&P Capital IQ

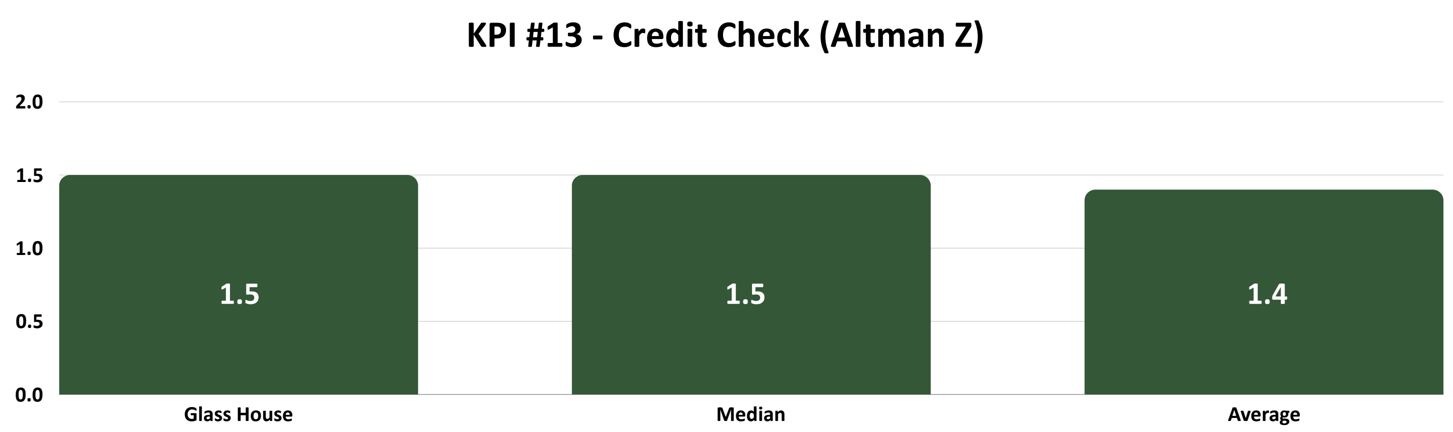
KPI	Total Liabilities vs Assets
Why it is important?	The total liabilities vs. assets ratio is important because it measures a company's financial leverage and stability. A lower ratio indicates that the company has more assets than liabilities, suggesting stronger financial health and a lower risk of insolvency. Companies with decreasing ratios over time demonstrate improved financial management and greater long-term stability, making them more attractive to investors.
Peer Comparison	GHB's total liabilities vs. assets ratio is 56.5%, compared to the benchmark median of 53.6% and the benchmark average of 52.9%. Its total liabilities vs. assets LTM change is 12.6%, compared to the benchmark median of 4.6% and the benchmark average of 5.1%.
Take Away / Conclusion	GHB's total liabilities vs. assets ratio of 56.5% is higher than both the benchmark median and average but is within range. GHB did significantly increase its debt load over the last year but is still close to the benchmark average.

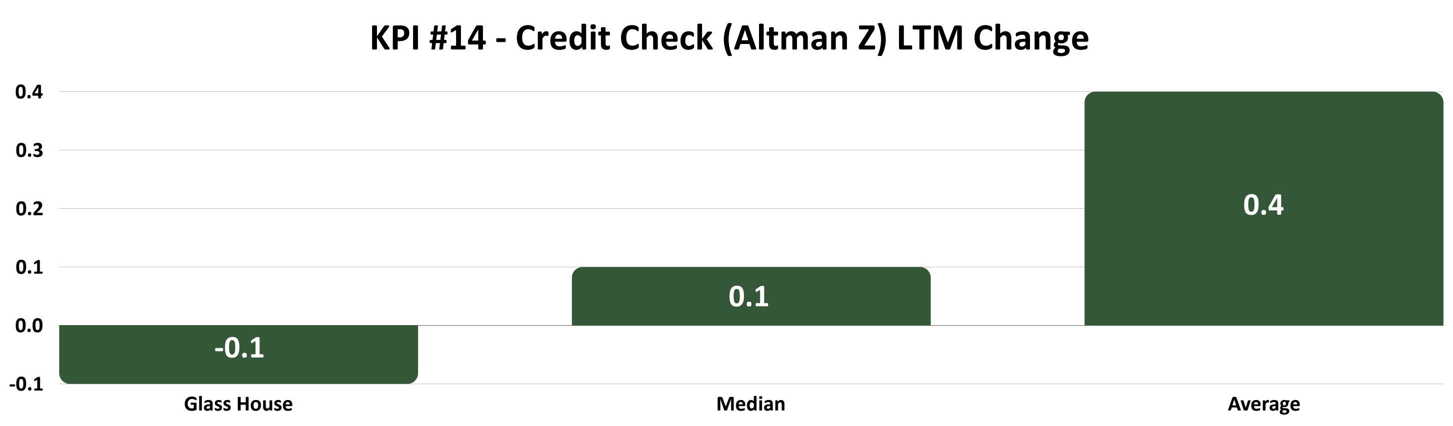




Source: S&P Capital IQ

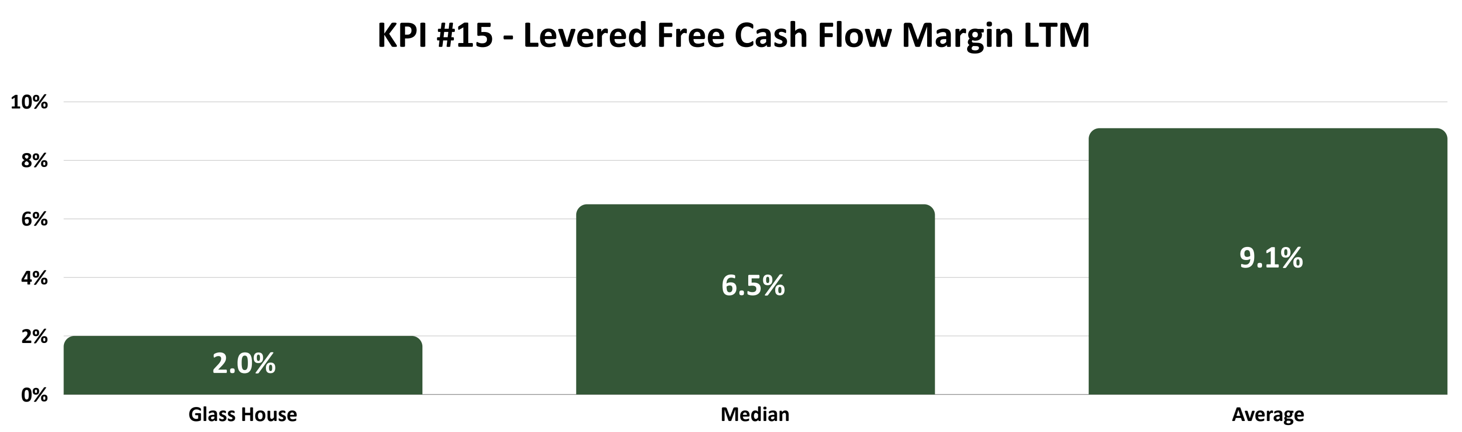
KPI	Credit Check (Altman Z)
Why it is important?	The Altman Z-score is important because it predicts the likelihood of a company facing financial distress. It is calculated using five financial ratios: working capital to total assets, retained earnings to total assets, EBIT to total assets, market value of equity to total liabilities, and sales to total assets. A higher Altman Z-score indicates better financial health and a lower risk of bankruptcy. Companies with improving Altman Z-scores demonstrate enhanced financial stability and management effectiveness.
Peer Comparison	GHB's Altman Z-score is 1.5, compared to the benchmark median of 1.5 and the benchmark average of 1.4. Its Altman Z-score LTM change is -0.1, compared to the benchmark median of 0.1 and the benchmark average of 0.4.
Take Away / Conclusion	GHB Altman Z-score is within range, but slightly declined where its peers typically improved their credit over the last year. GHB lower Altman-Z score is not surprising as we mentioned in the previous KPI's that it had higher debt levels overall and a lower current ratio then its peers.

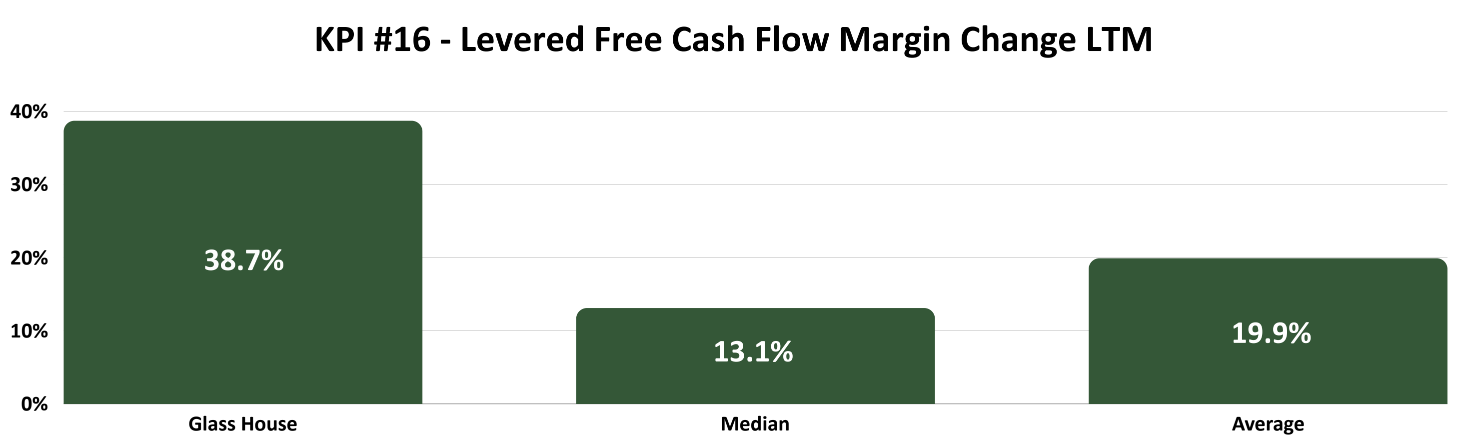




Source: S&P Capital IQ

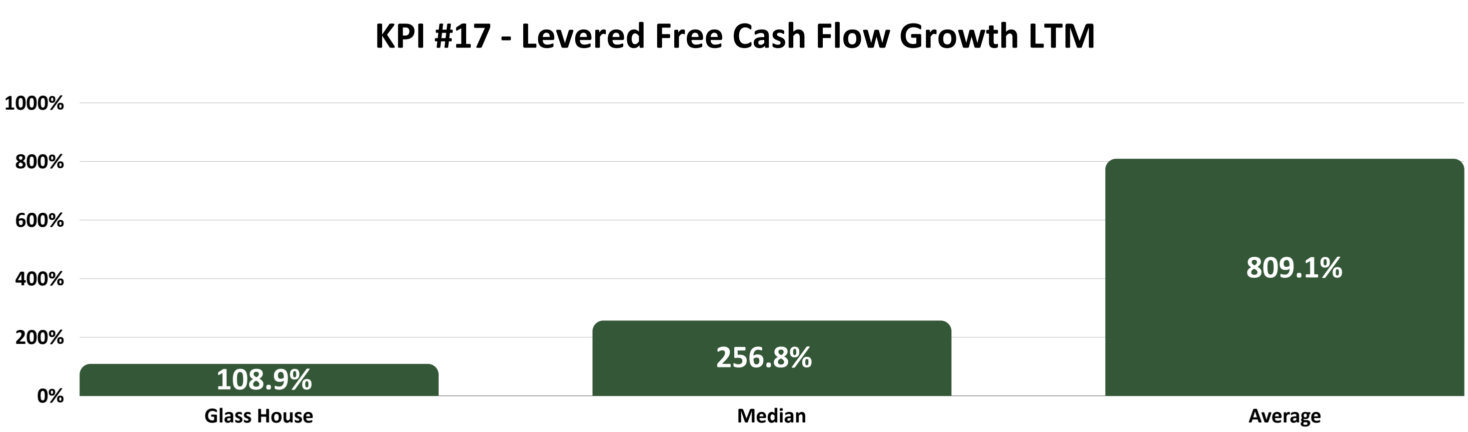
KPI	Levered Free Cash Flow Margin
Why it is important?	Levered Free Cash Flow (LFCF) Margin is important because it measures the cash a company generates after accounting for financial obligations, indicating financial flexibility and health. It is calculated by subtracting capital expenditures and interest payments from operating cash flow and then dividing by revenue. A higher LFCF Margin shows that a company effectively manages its cash flow while meeting its debt obligations. Companies with increasing LFCF Margins are better positioned to invest in growth opportunities, pay dividends, and weather financial downturns.
Peer Comparison	GHB's LTM Levered Free Cash Flow Margin is 2.0%, compared to the benchmark median of 6.5% and the benchmark average of 9.1%. Its LTM Levered Free Cash Flow Margin change is 38.7%, compared to the benchmark median of 13.1% and the benchmark average of 19.9%.
Take Away / Conclusion	GHB has made remarkable progress in the last 12 months in improving its cash flow. Even with that progress though, it still is lagging its peers in regard to cash flow as a percentage of revenue.





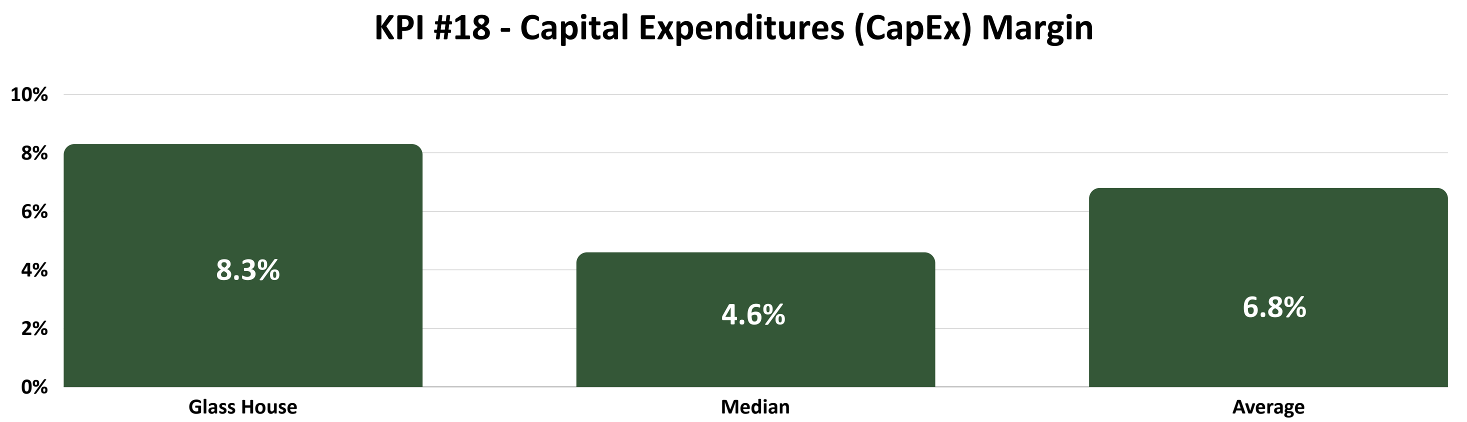
Source: S&P Capital IQ

KPI	Levered Free Cash Flow Growth
Why it is important?	Levered Free Cash Flow (LFCF) Growth is important because it measures the change in the cash a company generates after meeting its financial obligations over time. It reflects the company's ability to expand its financial flexibility and health. LFCF Growth is calculated by tracking the increase in free cash flow after accounting for interest payments and capital expenditures. A higher growth rate indicates improved financial management and operational efficiency. Companies with increasing LFCF Growth are better positioned to reinvest in their business, pay dividends, and handle economic downturns, making them more attractive to investors.
Peer Comparison	GHB's LTM Levered Free Cash Flow Growth is 108.9%, compared to the benchmark median of 256.8% and the benchmark average of 809.1%.
Take Away / Conclusion	GHB's LTM Levered Free Cash Flow Growth of 108.9% is strong but falls below the benchmark median and average. The companies in the benchmark this year had tremendous percentage growths in cash flow. Next year the growth rates for all companies are expected to normalize.



Source: S&P Capital IQ

KPI	Capital Expenditures (CapEx) Margin
Why it is important?	Capital Expenditures Margin is important because it measures the proportion of revenue that a company is investing back into its business. It is calculated by dividing capital expenditures by total revenue. A higher CapEx Margin indicates that a company is investing significantly in its future growth and operational capacity. Companies with higher CapEx compared to their competitors may see future revenue increases as a result of these past investments.
Peer Comparison	GHB's CapEx Margin is 8.3%, compared to the benchmark median of 4.6% and the benchmark average of 6.8%.
Take Away / Conclusion	GHB's CapEx Margin of 8.3% is higher than both the benchmark median and average, indicating that the company is investing significantly in its future growth and operational capacity. This suggests that GHB is prioritizing long-term growth and has the potential to see increased future revenues as a result of these investments compared to its peers.



Source: S&P Capital IQ

Valuation Analysis

We use three primary valuation methods to determine a company's value: Discounted Cash Flow (DCF) growth, DCF Revenue, and EV/Revenue. Each method provides a different perspective on the company's financial health and potential. By blending these methods, we achieve a comprehensive and balanced valuation. This blended valuation helps ensure accuracy and reliability by smoothing out any anomalies or extremes from the individual methods. We then calculate the potential upside in the stock price by comparing this blended valuation to the current market price, offering insights into potential investment growth.

Discounted cash flow (DCF) growth calculates a company's value by estimating its future cash flows and discounting them to their present value using a discount rate. The process involves projecting the company's future cash flows, determining an appropriate discount rate, and applying this rate to the future cash flows to find their present value. The sum of these discounted cash flows represents the estimated value of the company.

Discounted cash flow (DCF) revenue valuation calculates a company's value by projecting its future revenue and estimating the resulting cash flows. These future cash flows are then discounted to their present value using a discount rate. The total of these discounted cash flows provides the estimated value of the company based on its expected revenue.

EV/Revenue valuation calculates a company's value by dividing its enterprise value (EV) by its annual revenue. Enterprise value is the total value of a company, including its market capitalization, debt, and cash. By comparing EV to revenue, this valuation metric assesses how much investors are willing to pay for each dollar of the company's revenue, providing insight into its market valuation relative to its sales.

After calculating the valuations using these three methods, we blend them into a single valuation price to get a comprehensive estimate. This blended valuation helps smooth out any anomalies or extremes from individual methods, providing a balanced perspective. Finally, we calculate the potential upside in the stock price by comparing the blended valuation to the current market price, indicating the potential for investment growth.

Current Price	$7.23
Discounted Cash Flow Growth Valuation	$18.46
Discounted Cash Flow Revenue Valuation	$12.49
EV / Revenue Valuation	$7.61
Blended Fair Value	$12.85
Potential Upside	77.7%

Our Take

We are starting research coverage on GHB with a Hold rating. This rating is based on a comparative analysis with the company's peers and will be reviewed at the next earnings report in August. GHB, operating in California's competitive market, has shown significant growth, nearly doubling its stock value in the past year. While the company's market capitalization is high for it amount of revenue, we expect its progress to justify this valuation. We will continue to monitor the company's performance against its stock price, which may lead to a rating change to Buy.

Summary of Estimates
We estimate revenue of $217 million in 2024 and project GHB's gross margin ratio to rise to 50.1%. This results in an EBITDA margin estimate of 9.5% and a full-year 2023 EBITDA estimate of $20.62 million. Despite GHB's stock price increase over the past year, we have a fair value price of $12.85 based on a blended valuation.

Strengths Compared to the Benchmark
GHB has several strengths over its competitors:

- The company has shown strong revenue growth, indicating high market demand and effective operations.
- It has improved its gross profit margin, reflecting better cost management and profitability.
- Ongoing capital expenditures demonstrate a commitment to long-term growth and capacity expansion.

Weaknesses Compared to the Benchmark
However, the company faces some weaknesses:

- The stock price already reflects much of the recent progress, potentially limiting short-term gains.
- The balance sheet shows a higher credit risk compared to peers, which could affect financial stability.
- Levered free cash flow as a percentage of revenue lags behind competitors, indicating room for improvement in cash flow management.

We may increase our rating to Buy if the company continues to improve its performance at a pace that surpasses the gains already reflected in its stock price, especially compared to its peers.

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