

Jerash Holdings, Inc.

(JRSH – \$7.65)

BUY

Price Target: \$11

Building An Apparel Manufacturing Powerhouse On A Preferred Trading Partner Foundation; Initiating Coverage with a BUY Rating, \$11 Price Target

Jerash is an outsourced manufacturer of premium apparel for world-class brands. The company produces high-quality, technically-sophisticated products on-time while taking advantage of favorable export benefits from its manufacturing hub in the Kingdom of Jordan. Jordan's favorable trade status with the U.S. and E.U. allows for lower import tariffs. As additional world-class brands partner with Jerash, we expect revenue and profit growth. We believe that as the Company scales its operations, adds customers, and builds a track record with investors its valuation multiple will "true-up" and expand beyond its current ~4x EV/EBITDA. We are initiating with a BUY rating. Our \$11 price target is based on 7x FY20 (March 2020) EV/AEBITDA, an attractive multiple give Jerash's growth and margin profile.

HIGHLIGHTS

- **Double-Digit Grower** – Since its \$10M IPO at \$7/share in May 2018, JRSH shares have largely been ignored and have little institutional visibility. However, we believe order patterns are normalizing, and positive double-digit comps should return over the next three quarters. We expect FY19 (Mar) revenue growth of 16.6%, a level we view as sustainable.
- **With Blue Chip Customers** – By working with some of the biggest brands in the world, Jerash has built its business manufacturing higher value and technically difficult products with high quality and on-time availability. Brand customers include The North Face, Columbia, and Lands' End. Also, large retailers like Costco and Walmart use Jerash to manufacture finished apparel products.
- **Attractive Margins** – With sustainable mid-teens AEBITDA margins, we believe Jerash can profitably grow into a much larger company. We expect Jerash can build additional manufacturing capacity, while expanding its offerings, customer base, and geography, without disrupting margins.
- **Trading At A Discount** – At a 4x EV/AEBITDA multiple, we believe the stock is cheap. We think lack of investor knowledge of Jerash's business model and tiny float, ~2M of 11M outstanding, are behind the discounted valuation. On the last earnings call in November, the Company announced it is commencing a \$0.20/share annual dividend paid quarterly, a 2.6% yield at current prices.
- **BUY Rating, \$11 Price Target** – Our \$11 initiation price target is based on 7x FY20 (March 2020) EV/AEBITDA, a multiple we believe justified by Jerash's growth and margin profile. We expect as Jerash executes on its growth initiatives and investors become more familiar with its operations, its stock price will march higher, offering attractive upside from current levels.

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Changes	Previous	Current
Rating:	--	BUY
Price Target:	--	\$11
FY19E Rev. (M):	--	\$80.8
FY20E Rev. (M):	--	\$93.6
FY19E Adj. EPS:	--	\$0.54
FY20E Adj. EPS:	--	\$0.91

Profile

Price:	\$7.65
Shares Out. (M):	11.3
Market Cap. (M):	\$86.5
Enterprise Value (M):	\$61.5
Avg. Daily Vol. (K):	18.7
Insiders Own:	80%
Short Int. (K) / % of Float:	NM
Book Val. / Sh.:	\$4.40
Net Cash / Sh.:	\$2.12

Rev. (M)	2018A	2019E	2020E
Jun	\$21.4	\$18.4A	--
Sep	\$27.5	\$33.5A	--
Dec	\$11.5	\$16.0E	--
Mar	\$8.9	\$12.9E	--
FY	\$69.3	\$80.8E	\$93.6E
Y/Y Growth	1.72%	16.6%	15.9%
AEBITDA (M)	\$13.2	\$13.4E	\$14.4E

Adj. EPS	2018A	2019E	2020E
Jun	\$0.37	(\$0.08)A	--
Sep	\$0.60	\$0.41A	--
Dec	\$0.23	\$0.13E	--
Mar	(\$0.10)	\$0.07E	--
FY	\$1.07	\$0.54E	\$0.91E

Valuation	2018A	2019E	2020E
EV/S	NM	0.7x	0.7x
EV/EBITDA	NM	4.5x	4.3x

Management

CEO	Lin Hung (Sam) Choi
CFO	Rich Shaw

Company Description

Jerash Holdings (US), Inc., through its subsidiaries, manufactures and exports customized and ready-made sports and outerwear.

INVESTMENT THESIS

Fundamental Improving – Due to the timing of orders, comps get easier over the next three quarters. We anticipate order patterns are normalizing and positive Y/Y comps will continue.

Strong Growth and Margins – With a sustainable mid-teens revenue growth and AEBITDA margins, we believe Jerash can profitably grow into a much larger company.

Expanding Capacity – We expect Jerash can expand its capacity, replicating its process/model while expanding its offerings, customer base, and geography without significant disruption to margins and profitability.

Customer Demand Building – Brands are looking for high-quality manufacturing partners, and Jerash is becoming a go-to provider. By working with some of the biggest brands in the world, Jerash has built a reputation manufacturing high value and technically difficult products with high quality and on-time availability.

Off the Radar IPO – The company's small, retail-centric IPO in May 2018 sold \$10M of common shares. The stock has little to no institutional awareness, and hence it trades at a low valuation, ~ 4x EV/AEBITDA. We believe the lack of investor knowledge of Jerash's business model and tiny float also compound the situation. On the last earnings call in November, the Company announced it is initiating a \$0.20/share annual dividend paid quarterly, a 2.6% yield at current prices.

Revenue Concentration – Revenue from VF's The North Face brand consumes >70% of Jerash's annualized production with 48% of production allocated to jackets and outerwear in FY'18. Diversifying products and customers will be crucial to building long-term value and growth of the company.

Initiating Coverage with BUY Rating, \$11 Price Target – Trading at ~4x currently, our price target is based on 7x FY20 (March 2020) EV/AEBITDA, an attractive multiple give Jerash's growth and margin profile. We expect as Jerash builds a track record as a public company, executes on its growth initiatives and investors become more familiar with its operations, its equity will get revalued to a more normalized level leaving attractive upside to shares.

VALUATION & CAPITAL STRUCTURE

Valuation – Our \$11 price target is based a 7x EV/FY'20 Adj. EBITDA multiple (AEBITDA). Jerash has a pristine balance sheet with net cash of approximately \$25M and 11.4M shares outstanding. Given our expectations for mid-teens AEBITDA margins and mid-teens revenue and profit growth, we believe its current ~4x EV/AEBITDA multiple is underwhelming and will likely true up to a more traditional market multiple as the company establishes a track record with investors.

Estimates (\$M)	2018A	2019E	2020E	Price Target
Revenue	\$69.3	\$80.8	\$93.6	
Adj. EBITDA	\$13.2	\$13.4	\$14.4	
GAAP EPS	\$1.07	\$0.54	\$0.91	
Valuation Multiples				
EV/Sales	0.9x	0.7x	0.7x	1.1x
EV/Adj. EBITDA	4.9x	4.5x	4.3x	7.0x
P/E	7.2x	14.1x	8.4x	12.1x
Capitalization (\$M)				
Cash (Net)	\$10.0	\$25.0	\$25.0	\$25.0
Shares Out (M)	9.7	11.1	11.4	11.4
Mkt Cap.	\$74.5	\$84.9	\$87.1	\$126.1
Ent. Value	\$64.5	\$59.9	\$62.1	\$101.1
December 3, 2018	\$7.65			\$11

Source: Lake Street Capital Markets, Jerash Holdings

COMPANY OVERVIEW

Jerash Holdings – Manufactures and exports customized, ready-made outer and sportswear produced in the company's facilities in the Kingdom of Jordan. Many well-known brands and retailers utilize Jerash for their manufacturing, including the VF Corporation (the North Face), Columbia, Lands' End and many others.

Background – Jerash Holdings went public on May 2nd, 2018 by issuing 1.4M shares of common stock at \$7 per share, resulting in net proceeds \$8.9M after underwriting commissions and expenses.

The company's production facilities are located in Al Tajamouat Industrial City, a QIZ (Qualifying Industrial Zones) in Amman, Jordan, and total three production facilities and two warehouses, employing approximately 2,900.

In November 2018 we had the opportunity to visit the manufacturing facilities in Jordan and found them to be well organized, clean and in active production.



Source: Lake Street site visit

Jerash Holdings has four wholly owned subsidiaries:

Subsidiary / Facility	Location	Primary Function
1.) Jerash Garments	Al Tajamouat Industrial City (QIZ) - Amman, Jordan	Mgmt offices. Production lines. Sewing, ironing, packing & quality control. Trims and finished products warehouse
2.) Chinese Garments	Al Tajamouat Industrial City (QIZ) - Amman, Jordan	Admin, HR, finance & mgmt offices. Additional production lines. Sewing, ironing, & packing units. Trims warehouse
3.) Jerash Embroidery	Al Tajamouat Industrial City (QIZ) - Amman, Jordan	Cutting and Embroidery
4.) Treasure Success	Hong Kong	Sales & Merchandising Other supporting personnel

Source: Company Reports, QIZ = Qualified Industrial Zone



Source: Lake Street site visit

Jerash employs workers from Jordan and imports approximately 75% of its labor from Bangladesh, Sri Lanka, India, Nepal and Myanmar. Typically workers sign 3-year employment contracts and receive a salary, room/board, and other benefits including child and medical care. The facilities we toured are clean, bright, well organized and most are air-conditioned during the warm summer month.



Source: Lake Street site visit

Total annual manufacturing capacity at its current facilities is ~6.5 million pieces annually. The production starts in the cutting department, moving to the sewing unit and ultimately the finishing department, quality control, and finally the ironing and packing units. Jerash doesn't have long-term supply contracts or arrangements with their suppliers. Most of Jerash's suppliers for raw materials, including fabric, zippers, and labels, are designated by customers, and Jerash purchases the materials on a purchase order basis.



Source: Lake Street site visit

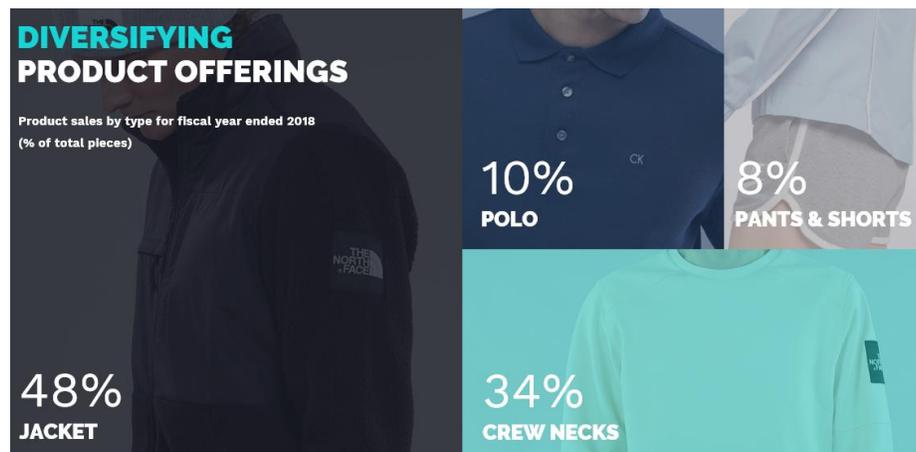


Source: Lake Street site visit



Source: Lake Street site visit

Products and Customers – Jerash specializes in manufacturing jackets, fleece, crew necks, polos, pants, and shorts. Jerash is known for their high quality and manufacturing standards as well their focus on safe and healthy working conditions. Top brands and retailers choose Jerash because are consistently able to deliver high-quality products with high on-time rates. Historically, the majority of the Company’s revenue has come from the manufacturing of jackets (48% of revenues) and fleeces, primarily for The North Face. These items generate strong revenue and margins but skew seasonality. In FY’17 and FY’18, 61% and 71% of revenue came in the first half of the fiscal year, respectively. Product and customer diversification has become a key focus for management, and they expect FY’19 1H/2H mix to be approximately 62% / 38%.



Source: Company presentation

While jackets and fleeces drive higher revenues and margins, sportswear including shirts, polos, pants, and shorts are higher volume products which typically contribute to revenue in the second half of the year. As the Company brings on more capacity, we believe revenue seasonality will start to normalize as Jerash focuses counter-seasonal products while existing customers up their capacity requests.

Customers – Jerash has long-standing relationships with top global brands which include The North Face, Columbia, Costco, Russell Athletic, Walmart, Hanes, PVH, Lands’ End and many more. The company also has a large, untapped TAM for both U.S. and global growth with brands including Nike, Under Armour, Adidas, Calvin Klein, Reebok and Umbro among many others.



Source: Company presentation

Advantages and of Manufacturing in Jordan – The combination of affordable labor costs, a robust manufacturing economy, and Free Trade Agreements make Jordan an attractive country for companies to outsource their manufacturing to. While there are risks associated with the country’s geographic location and security, we believe they are minimal and the economic incentives considerable.

QIZ’s, United States - Jordan Free Trade Agreement (JOFTA) – Implemented by both countries on December 17th, 2001, the agreement allows virtually all Jordanian goods to enter the U.S. duty-free. The agreement was preceded by the establishment of Qualified Industrial Zones in 1996, which initially provided for duty-free entry into the U.S. However, the formal establishment of the FTA eliminated other sourcing and value-add requirements from other countries in the region. Certain manufacturing and content requirements still exist. The U.S is Jordan’s second largest trading partner, accounting for 13% of its trade in 2017.

Impact – Generally, U.S tariffs on textile and apparel goods are relatively high (mid-teens to low 30’s percent), which makes the production of these goods in Jordan attractive. U.S. goods imports from Jordan totaled \$1.7 billion in 2017, up 8.5% (\$133 million) from 2016 and up 27.0% from 2007. U.S. imports from Jordan are up 637% from 2001 (pre-FTA). In 2017, the top two import categories were knit apparel (\$977M), and woven apparel (\$382M), representing ~80% of totals imports form the country.

European Union Free Trade Exemption – In December 2017, the European Union (E.U.) extended a free trade agreement to Jerash, allowing goods manufactured by the Company in Jordan to be subsequently shipped to the E.U. duty-free. This was primarily driven by Jordan’s and the Company’s commitment to settle and employ Syrian refugees with an initial minimum labor requirement of 15% and growing to 25% in CY2019. The E.U. is Jordan’s largest trading partner, accounting for 17% of its trade in 2017. Total trade in goods between Jordan and the E.U. amounted to €4.4 billion in 2017. The E.U. imported €300M of goods from Jordan in 2017, of which €40M came from textiles and clothing.

Opportunity for Jerash – Goods shipped to the E.U. currently represent a small portion of Jerash’s revenue. However, we believe there is an opportunity for Jerash to drive between 10 – 20 percent of from the E.U. in the next two years. As the

Company continues to diversify both their product and customer mix, we believe geographic diversification will naturally follow.

Affordable Labor Costs – Jerash employs approximately 2900 people consisting of 25% local Jordanians and 75% migrant workers from Bangladesh, Sri Lanka, India, Myanmar, and Nepal. As companies increasingly pivot from China as a low-cost manufacturing country, countries such as Vietnam and Jordan are becoming the new low-cost manufacturing destinations of choice. Companies are also able to leverage migrant workers who come and earn a significant amount more than in their home countries.

Healthy Working and Living Conditions – As part of our due diligence, we traveled to Jordan and were given extensive tours of multiple facilities. The facilities were clean, air-conditioned and employees were given mandatory breaks during their shifts. We were impressed with the organization of the facilities as well as the high-tech machines and processes. We came away believing the company is running a strong operation and that great care is taken to ensure their employees living and working conditions are held to the highest standards.



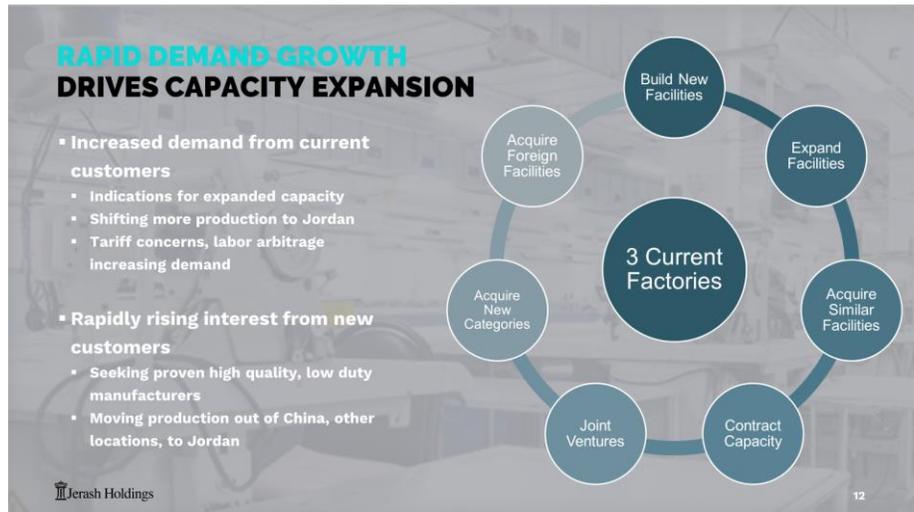
Source: Company presentation

Growth Initiatives – Jerash is currently at their production capacity limit at approximately 6.5 million pieces annually. Demand from existing customers continues to grow while other new brands are actively engaged with Jerash to add more capacity to take on more manufacturing. While most companies typically add capacity first and then work to fill it, Jerash is currently in the opposite situation where it can add capacity given orders contingent on bringing on more capacity.

The Company is actively addressing the need to grow capacity in the following ways:

1. The Company has recently built out an additional 500K-piece facility, which they expect to have online by the end of the fiscal year. This represents an 8% increase in total production capacity, bringing their total to 7M pieces when it comes online.
2. Subcontracting capacity at neighboring factories, which is relatively fast way for the Company to add capacity while still maintaining their strict oversight and production quality standards.
3. Jerash is actively pursuing Joint Ventures with other facilities in their area. This is a longer-term solution than subcontracting as it provides a more reliable, dedicated capacity solution.

4. The company is aggressively looking at acquisition opportunities and has identified multiple targets which they believe could fit the Company's rigorous performance standards as well as their production quality and profitability hurdles. Jerash is looking at both smaller factories to simply purchase and load with existing orders, as well as larger factories that could both improve capacity significantly and bring on new customers as part of the deal.



Actively Expanding Capacity - The Company is effectively at full capacity but it has plans to grow its 6.5M piece/unit capacity by 15% - 20% driven by the 500K piece increase from the new facility plus an additional 500K contracted capacity over the next year. Based on early demand signals and requests for capacity increases from existing customers, we still estimate demand will be well in excess of available capacity. However, if Jerash can execute multiple small capacity acquisitions or a single moderate-sized one, we estimate Jerash can bring an additional 2M – 3M pieces of capacity online for FY'20 which could provide upside to our estimates.

RECENT RESULTS & ESTIMATES

Q2'19 Results - Jerash reported strong Q2'19 results on November 8th, 2018, with better than guided revenues of \$33.5M (+21% Y/Y) and Adj. EBITDA of \$6.6M. Revenue was up 21% Y/Y as demand continues to increase along with productivity and added capacity. Gross margin was 24.9%, down slightly from Q1 driven by increased volume on a slightly less than favorable product mix. Management expects gross margins to be in the 25% - 26% range for the remainder of the year. Adjusted EBITDA was \$6.6M (+ 9% Y/Y) reflecting increased public company related costs not incurred last year. Jerash also announced \$0.20 per share annual dividend paid quarterly.

Q2'19 Snapshot (\$M)	Results	Last Q	Q/Q Δ	Last Y	Y/Y Δ
Total Revenue	\$33.5	\$18.4	82%	\$27.5	21%
Gross Profit	\$8.3	\$4.7	79%	\$7.2	16%
<i>Gross margin</i>	24.9%	25.4%		26.2%	
Adjusted EBITDA	\$6.6	\$3.0	119%	\$6.1	9%
<i>EBITDA Margin</i>	19.7%	16.3%		22.0%	
Diluted EPS	\$0.41	(\$0.08)	NM	\$0.60	-31%
Balance Sheet:					
Cash	\$26.8	\$12.9		\$4.9	
Debt	\$2.2	\$7.1		\$0.4	

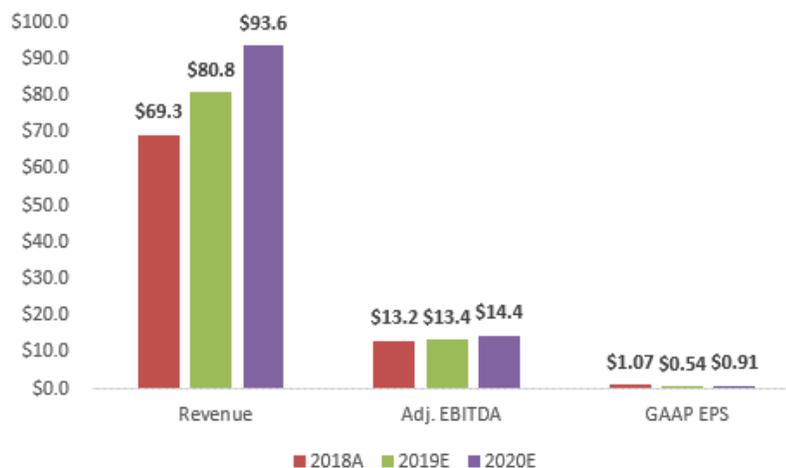
Source: Lake Street Capital Markets, Jerash Holdings

FY'19 Outlook Reiterated – Jerash reiterated their FY'19 (March fiscal year end) outlook calling for revenue of \$80M - \$82M, resulting in 15% - 18% growth Y/Y. This also implies 2H'19 revenues of ~\$30M (47% Y/Y) with easier comps due to timing of orders. Management expects cash operating expenses to be slightly north of \$2M per quarter in H2'19, which should result in the company being extremely profitable throughout the remainder of the year.

Lake Street Estimates – We expect Jerash can grow revenues annually in the mid-teens while maintaining a mid-teens adjusted EBITDA margins. We do factor in some additional public company expenses and expansion expenses into our estimates that were not in the 2018 (year ending March 2018) reported results pre-going public. Management noted several customers have already asked for increased capacity allocation in H1'20, signaling a strong demand environment for Jerash's manufacturing expertise and attractive cost structure.

Estimates (\$M)	2018A	2019E	2020E
Revenue	\$69.3	\$80.8	\$93.6
Adj. EBITDA	\$13.2	\$13.4	\$14.4
GAAP EPS	\$1.07	\$0.54	\$0.91

Source: Lake Street estimates



MANAGEMENT PROFILE

Choi Lin Hung (Sam), Chairman, President, and CEO - Mr. Choi was appointed Director of Jerash Garments in 2012. He previously worked at Deutsche Bank and First Pacific Bank from 1987 to 1995. Mr. Choi began his work in the garment and textile industry in 1995, and since 2001, he has served as director of Victory City International Holdings, a textile and fabric-manufacturing group. Mr. Choi obtained a professional diploma in Company Secretaryship and Administration from Hong Kong Polytechnic in 1985, and he was awarded an MBA with distinction from the University of Sheffield, England in 1987.

Richard Shaw, CFO – Mr. Shaw's experience includes serving as the President of LogiCore Strategies, a financial and business advisory services firm, as Chief Financial Officer of BirchBioMed, a clinical-stage biomedical company, and as Chief Financial Officer and Treasurer of Tripborn, an online travel agency that offers travel reservations and related travel services to travel agents in India. Previously, Mr. Shaw served as Chief Operating Officer of Roberts Office Furniture Concepts, as Chief Financial Officer of High Peaks Hospitality, and Chief Financial Officer of Harden Furniture. Mr. Shaw is a Certified Public Accountant and is licensed by the State of New York.

Karl Brenza, Head of U.S. Operations - Mr. Brenza has more than 25 years of investment banking and financial advisory experience, as well as significant operational and technology experience as a corporate executive. Mr. Brenza currently serves as Senior Managing Director of Paulson Investment Company, a New York City based investment bank. Mr. Brenza previously served as Senior Managing Director and Head of the Capital Growth Advisory Group at Maxim Group, Managing Director and Head of Investment Banking at Broadband Capital Management, and Managing Director and Head of Industry Consolidations at BlueStone Capital Partners. Mr. Brenza's operational experience includes positions as Chief Finance Officer of a public IT solutions company, Director of Business Development and Head of the ISP/telecom group for a venture-backed Internet services company and as a systems engineer for Raytheon Co.

RISKS

We believe an investment in **JRSH** involves the following risks.

Jordan Trade Agreements – With manufacturing facilities in Jordan, Jerash benefits from the current free trade agreement with the U.S. and E.U. If these agreements were to be altered it could have a negative impact on Jerash business.

Competition – The apparel manufacturing industry is highly competitive and fragmented. Other well-financed competitors can enter the market or try and undercut pricing which would have a negative impact on Jerash's operations.

Revenue Concentration – Currently the VF/The North Face makes up approximately 70% of revenues. The company does not have long-term agreements in place that guarantee production levels with Jerash. If VF decides to limit or move production it would have a substantially negative impact on Jerash's business.

Expanding Capacity – If the company is unable to expand its manufacturing capacity in a timely manner it could lose customers. Also the time and effort to bring new capacity online can be a distraction for management and impact operations.

FINANCIAL MODEL

Jerash Holdings

Income Statement																	
<i>Fiscal Year End Mar. 31</i>	2017A	Jun-17A	Sep-17A	Dec-17A	Mar-18A	2018A	Jun-18A	Sep-18A	Dec-18E	Mar-19E	2019E	Jun-19E	Sep-19E	Dec-19E	Mar-20E	2020E	2021E
<i>(\$ in millions, except per unit amounts)</i>		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
Total Revenue	62.0	21.4	27.5	11.5	8.9	69.3	18.4	33.5	16.0	12.9	80.8	22.0	36.8	19.3	15.5	93.6	108.7
Cost of Goods Sold	46.6	16.5	20.3	7.8	6.7	51.3	13.7	25.1	12.0	9.7	60.6	16.4	27.4	14.3	11.6	69.7	80.9
Gross Profit	15.4	4.9	7.2	3.8	2.1	18.0	4.7	8.3	4.0	3.2	20.2	5.6	9.4	4.9	4.0	23.9	27.7
Operating Cost and Expenses																	
Selling, General and Administrative	4.7	1.4	1.5	1.6	1.7	6.1	5.2	2.3	2.0	2.1	11.5	2.5	2.5	2.4	2.6	10.0	12.0
Operating Income (Loss)	10.7	3.4	5.8	2.2	0.4	11.8	(0.5)	6.1	2.0	1.1	8.7	3.1	6.9	2.5	1.3	13.8	15.7
Income Taxes	-	-	-	-	1.4	1.4	0.4	1.5	0.5	0.3	2.6	0.7	1.6	0.6	0.3	3.3	3.8
Net Income (Loss) To Common Shareholders	10.7	3.4	5.8	2.2	(1.0)	10.4	(0.9)	4.6	1.5	0.8	6.0	2.3	5.2	1.9	1.0	10.4	11.9
Net income (loss) / share - Diluted	\$1.22	\$0.37	\$0.60	\$0.23	(\$0.10)	\$1.07	(\$0.08)	\$0.41	\$0.13	\$0.07	\$0.54	\$0.21	\$0.46	\$0.16	\$0.09	\$0.91	\$1.03
Weighted Avg. Shares Out. Basic (M)	8.8	9.3	9.6	9.7	9.7	9.7	10.8	11.1	11.1	11.2	11.1	11.2	11.3	11.4	11.4	11.3	11.6
Weighted Avg. Shares Out. Diluted (M)	8.8	9.3	9.6	9.7	9.7	9.7	10.8	11.1	11.2	11.2	11.1	11.3	11.4	11.4	11.5	11.4	11.6
Adjusted EBITDA	12.0	3.8	6.1	2.5	0.8	13.2	3.0	6.6	2.5	1.3	13.4	3.3	7.0	2.7	1.5	14.4	16.3
Growth Y/Y																	
Revenue	NM	15.8%	46.4%	-8.5%	-27.3%	11.7%	-14.0%	21.5%	39.0%	46.0%	16.6%	20.0%	10.0%	20.0%	20.0%	15.9%	16.1%
Gross Profit	NM	30.4%	93.3%	0.3%	-49.3%	16.6%	-4.0%	15.7%	6.7%	51.1%	12.7%	20.6%	12.4%	22.7%	22.7%	18.0%	16.1%
Operating Income	NM	23.8%	110.7%	-8.3%	-84.0%	10.6%	NM	5.2%	-7.5%	154.2%	-26.5%	NM	13.2%	23.8%	18.3%	59.0%	13.2%
Adjusted EBITDA	NM	NM	NM	NM	NM	9.5%	-21.8%	8.7%	-1.0%	68.3%	1.4%	9.0%	6.4%	7.4%	16.2%	8.1%	12.7%
Net Income	NM	24.4%	111%	-7.6%	NM	-2.3%	NM	-20.3%	-31.7%	NM	-41.9%	NM	13%	24.4%	19.1%	71.8%	14.7%
Margins																	
Gross Profit	24.8%	22.7%	26.2%	32.5%	24.1%	25.9%	25.4%	24.9%	24.9%	24.9%	25.0%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%
Operating Income	17.2%	16.1%	20.9%	19.0%	5.1%	17.1%	NM	18.1%	12.6%	8.8%	10.8%	14.2%	18.6%	13.1%	8.7%	14.8%	14.4%
Adjusted EBITDA	19.4%	18.0%	22.0%	21.7%	8.6%	19.0%	16.3%	19.7%	15.5%	10.0%	16.5%	14.8%	19.0%	13.8%	9.7%	15.4%	15.0%
Net Income (Loss) to Common	17.2%	16.1%	20.9%	19.1%	NM	15.0%	NM	13.7%	9.4%	6.4%	7.5%	10.6%	14.1%	9.7%	6.4%	11.1%	11.0%

IMPORTANT DISCLOSURES

Initiate: December 3, 2018– Rating: BUY - Price Target: \$11



Source: S&P Capital IQ

RATINGS DEFINITION

BUY rated stocks are expected to generate greater than 10% returns during the next 12 months. **HOLD** rated stocks are expected to generate returns of 0% to 10% during the next 12 months. **SELL** rated stocks are expected to generate negative returns over the next 12 months and generally do not have a price target.

Information on our valuation methodology and risks can be found in the “Investment Thesis & Valuation” and “Risks” sections above.

RATINGS DISTRIBUTION

(as of December 2, 2018)

Rating	All Covered Companies (%)	Investment Banking Clients (%)
BUY	92.9%	20.0%
HOLD	7.1%	0.0%
SELL	0.0%	0.0%

RESEARCH DISCLOSURES

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