

# SGD HOLDINGS, LTD.

## Pure Play “Green” Stock Primed For Growth

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### SGD HOLDINGS, LTD. (OTC:PK – SGDH - \$0.029)

Price Target: \$0.20

Rating: Speculative Buy

#### COMPANY SNAPSHOT

After developing an innovative and an economically feasible option for removing a portion of the more than 230,000 tons of agro-industrial waste generated annually by Costa Rica alone, SGD Holding’s operating subsidiary Ecopaper, Inc. became one of the first companies worldwide to create and implement processes for manufacturing and bringing to market tree-free, eco-friendly, beautiful, sustainable paper products of superior quality created from exotic tropical fibers. Every sheet of Ecopaper product is smooth, acid-free, durable, chemical-free, and caringly manufactured.

#### KEY STATISTICS

Price as of 11/15/13	\$0.029
52 Wk High – Low	\$0.045– 0.0175
Est. Shares Outstanding	116.0M
Market Capitalization	\$3.4M
3 Mo Avg Vol	214,000
Exchange	OTC:PK

#### COMPANY INFORMATION

**SGD Holdings, Ltd.**  
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#### INVESTMENT HIGHLIGHTS

**SGD Holdings’ operating subsidiary, Ecopaper Inc. may be the first firm in history to manufacture and sell high quality, treeless paper that is smooth, acid-free, durable, and chemical free.** Leveraging its proprietary manufacturing processes, all of Ecopaper’s products are exclusively made from agro-industrial waste.

**The replacement opportunity for treeless paper is enormous and the Company has the scalability to become a force in the industry as broad adoption occurs.** Ecopaper sources its raw materials and manufactures its products in Costa Rica, a country that produces 230,000 tons of agro-industrial waste annually.

**The Company has a great brand name and a history of millions in annual sales to some of the largest and biodiversity conscious retail firms in the U.S.** These include Starbucks (NASDAQ – SBUX), Whole Foods (NASDAQ – WFM) and other companies offering diverse natural products.

**This top-5 treeless paper provider offers a broad product line to retail consumers and businesses including attractively designed notebooks, journals, stationary, reams, etc.**

**SGDH is the only pure play on the exciting treeless paper market that appears to be entering a key inflection point in its adoption.** Drivers include better pricing, higher quality, and greater adoption by environmentally conscious buyers. As a result, we rate these shares Speculative Buy with a \$0.20 price target, which reflects the value of its brand, innovative process, pure play leadership status, and a 4x multiple on future sales.



## SGD HOLDINGS, LTD. (OTC:PK SGDH)

### COMPANY OVERVIEW

Tracing its roots to 1989, SGD Holdings, Ltd. (OTCPK – SGDH) operates through its subsidiary Ecopaper, Inc. to develop, market, and sell paper and related paper and office supplies. It may be the first firm in history to manufacture and sell high quality, treeless paper that is smooth, acid-free, durable, and chemical free. The treeless paper industry is still in an early adoption phase but advances in quality, technology and the increased desire for true biodiversity has enable this segment to serve as a replacement for traditional wood-based products.

The Company's paper products are made in Costa Rica and are manufactured with proprietary, innovative processes and exotic raw materials which have resulted in products that appeal to the consumer and positively impact the environment. For example, the cutting-edge manufacturing process benefits from a tremendous supply of raw materials as Ecopaper and its related company Costa Rica Natural paper sources all of its raw materials from agro-industrial waste. Scalability is a non-factor as Costa Rica alone produces 230,000 tons of agro-industrial waste each year.

Paper remains a major form of communication and paper and cellulose made from wood are still the dominant form of production in the industry. In fact, one third of the total wood and wood fiber produced annually is used to produce paper. Two thirds of the fiber used comes from virgin wood and the rest comes from waste fibers. The high levels of paper produced from wood are not sustainable and have a negative impact on the environment. Additionally, most of the waste paper that is labeled 'recycled', which is termed *Post Consumer Waste* (PCW), contains little waste material and creates the same problems as traditional paper in terms of landfills and incinerators.

The PCW products from Ecopaper are made from banana, coffee, hemp, tobacco, sugar cane and other waste materials and help cut waste, save energy, protect natural resources, and reduce pollution. It should be noted if Ecopaper would not use the waste materials it quite literally would be incinerated and headed for landfills.

***By producing quality products that are treeless, acid-free, chlorine-free, 100% biodegradable and recyclable, and are derived from agro-industrial waste, the Company's business has an incredibly favorable impact on the environment.***

Some of the most popular offerings consist of the following items:

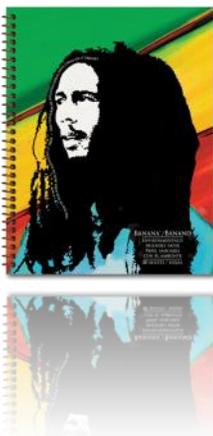
- Paper reams
- Cover stock
- Art and sketch pads
- Envelopes
- Stationery and gifts
- Office and school products
- Notebooks
- Ancillary Paper Products – Business Cards, etc.

**SGD HOLDINGS, LTD. (OTC:PK SGDH)**

Tree Free Products	Manufacturing Exclusivity	Established Brand	Scalability of Manufacturing
<p>Ecopaper provides products made from natural postconsumer materials such as bananas and sugar cane. These products are the best alternative to the industry process which threatens the international supply of forest land.</p>	<p>The manufacturing infrastructure used to create the Ecopaper products has developed over decades. The possibility of synthesizing an economically feasible manufacturing process through a competing party is unlikely due to the efficiencies and proprietary processes implemented by Ecopaper manufacturing partnerships.</p>	<p>Ecopaper is already positioned at the top of the tree free paper product market. The fact that the company already bypasses the hurdles of brand recognition, the only real barrier is distribution. The company is regularly written up in sustainable business blogs, national green business festivals/conventions, and through online advertising.</p>	<p>The business model is completely scalable. The manufacturing is already in place to handle significant increases in orders depending on the demand for its products. Currently, the company is warehousing enough product supply to fulfill orders for its national online ordering clientele, and a consistent flow of orders through the national wholesale distribution channel. The company is able to double its fulfillment without its fulfillment without changing the infrastructure of its manufacturing model.</p>

**Figure 1: Value Proposition for Ecopaper Customer Base**  
 Source: [www.Ecopaper.com](http://www.Ecopaper.com)

Ecopaper offers products made from such raw materials as banana, coffee, hemp, sugar cane and others. Below is a sampling of products: hemp and banana notebooks, sugar cane paper and stationary.



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### THE PROCESS

Agro-industrial fibers come from the waste of processing common agricultural products. Once the mill process has begun, the post-consumer pulp is mixed with water in the pulper, which is a huge mixer that dissolves the paper in the water. The agro-industrial fiber and the disintegrated post-consumer fiber are mixed in a 20%-80% proportion respectively to form a suspension in the water. At this moment natural coloring can be added to achieve attractive shades in the paper. The mix is thrown through a sprinkling system into an endless band that acts as a sieve, letting the water pass through while keeping the pulp in suspension. At the end of this process, the paper sheet will only keep 3% of water and will be rolled into a big roll. The final process of rewinding, cutting, and embossing varies depending upon what type final product is being produced along with the associated unique design.

One example of how waste from raw materials can be turned into paper is the use of bananas, which is just one of the agro-industry wastes that Ecopaper utilizes in production. The banana agro-industry processes 42 million tons of bananas annually with 2 million hectares planted. This industry generates numerous wastes such as the plastic that wraps the bananas, plastic cords to tie the wrapping, damaged bananas and the pinzote (stems). An alarming quantity of over 10 million metric tons of pinzote is thrown in landfills or in local rivers. Pinzote is harmful to the environment and does not break down in acceptable biodegradable composition. *Figure 2* below is a simple illustration of the raw material to paper production of bananas which is a process that is similar to the other agro-industrial wastes the Company uses.

**Figure 2: Banana (Pinzote) to Paper Illustration**

Source: [www.Ecopaper.com](http://www.Ecopaper.com)





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### COMPETITIVE ADVANTAGES

In our view, Ecopaper has significant advantages over traditional paper products, primarily driven by the positive impact on the environment.

- Using Ecopaper or its popular Costa Rica Natural dramatically reduces waste as paper accounts for 40% of all municipal waste and tons of agricultural waste find their way into rivers and landfills
- By replacing traditional paper with Ecopaper users can save energy as the Company's product generates a 60-70% energy savings over virgin pulp. Plus, the traditional paper industry is the 3rd largest user of energy in the U.S.
- Despite increases in consumption, there are tangible benefits for use of the Ecopaper line as recycled paper uses 55% less water and helps preserve our forests. Moreover, the paper industry is one of the largest water polluters in the world and the use of recycled paper reduces water and air pollution and eliminates many toxic pollutants.

### ECOPAPER'S LEADER

#### Harry Johansing, Founder, President

Mr. Johansing founded the company in 1995 and has served as its President and General Manager since that time. Under his leadership, the Company achieved peak annual revenue of \$5 million and had its products offered in leading retail chains in the U.S. such as Starbucks and Whole Foods. Prior to founding the Firm, Mr. Johansing served in senior management positions at Kinko's. He attended the University of California, Santa Barbara and earned an MBA from The Owner Managed Institute.

### RISK FACTORS

In our view, the biggest factor in impeding Ecopaper's success is related to the timing and magnitude of broad adoption due to higher than average industry prices and misconceptions regarding quality versus mainstream tree pulp-based paper products. On a related note, considering that only 30% recycled paper use has met critical mass, it may take some time to reach greater replacement of this paper. Nonetheless, considering the strength of the brand, quality of the product, and its eco-benefits, we do not view these risks as serious threats to Ecopaper's future. Competition from larger firms or even from newer entrants with similar approach is another typical concern and is also consistent with firms of Ecopaper's size and standing.



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### CONCLUSION

SGD Holdings' operating subsidiary, Ecopaper Inc. may be the first firm in history to manufacture and sell high quality, treeless paper that is smooth, acid-free, durable, and chemical free. Importantly, SGDH is the only pure play on the exciting treeless paper market that appears to be entering a key inflection point in its adoption. Drivers include better pricing, higher quality, and greater adoption by environmentally conscious buyers. The replacement opportunity for treeless paper is enormous and the Company has the scalability to become a force in the industry as broad adoption occurs. The Company has a great brand name and a history of millions in annual sales to some of the largest and biodiversity conscious retail firms in the U.S.

As a result, we rate these shares Speculative Buy with a \$0.20 price target, which reflects the value of its brand, innovative process, pure play leadership status, and a 4x multiple on future sales.

### Recent Trading History For SGDH

(Source: Stockta.com)





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### Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

### Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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