

# GREEN ENDEAVORS, INC.

## Great Value for Upstart With Industry-Leading Financial Metrics

Rob Goldman  
[rob@goldmanresearch.com](mailto:rob@goldmanresearch.com)

July 31, 2014

### GREEN ENDEAVORS, INC. (OTC:PK - GRNE - \$0.0065)

Price Target: \$0.02

Rating: Speculative Buy

#### COMPANY SNAPSHOT

Headquartered in Salt Lake City, Utah, Green Endeavors, Inc. is a holding company with operations in health and beauty. The Company's wholly-owned subsidiaries, Landis Salons, Inc. and Landis Salons II, Inc., operate hair salons built around the world-class AVEDA™ product line. Green Endeavors also operates a retail business, the wholly-owned subsidiary Landis Experience Center, LLC, which sells a full array of Aveda™ products.

#### KEY STATISTICS

Price as of 7/30/14	\$0.0065
52 Week High – Low	\$0.013 – \$0.0026
Est. Shares Outstanding	190.1M
Market Capitalization	\$1.2M
3 Mo Avg Vol	1,565,000
Exchange	OTC:PK

#### COMPANY INFORMATION

**Green Endeavors, Inc.**

59 West 100 South  
 2<sup>nd</sup> Floor  
 Salt Lake City UT 84101

[www.Green-Endeavors.com](http://www.Green-Endeavors.com)

Phone : 801.575.8073

#### INVESTMENT HIGHLIGHTS

**The health and beauty salon services and products market is a multi-billion dollar industry.** Yet, the upstart Green Endeavors, Inc. model has proven success in generating enviable sales growth and higher than industry average gross profit margins.

**Unlike mass market chains such as the \$2 billion in sales leader Regis (NYSE – RGS), Green Endeavors operates upscale salons and retail chains that generated a gross profit margin of well over 40% on its 2013 sales of \$3.6M.** This profit margin is nearly one-third higher than that of Regis.

**The Company's salons offer high quality hair care and other salon services such as makeup, skin care and nail care.** The salons incorporate the use of the Aveda line of products in all of the services performed and exclusively offer Aveda retail products for sale. The Aveda brand, owned by Estee Lauder Companies, Inc., manufactures "green", professional plant-based hair care, skin care, makeup, Pure-Fume™, and other lifestyle products.

**Green Endeavors' customer demographics and revenue per customer are typical for upscale salons.** Approximately 70% of the clients are female who visit the salon 6-8 times per year and spend an average of \$66 on services and purchase about \$16 of Aveda products per visit. Management plans to leverage this success by engaging in a series of acquisitions in the next 2-3 years which could enhance sales and operating profitability.

**In our view, the relatively unknown GRNE is an inexpensive way to play the salon market as the stock trades around .3x 2013 sales.** With high gross profit margins, the Aveda relationship, a rollup strategy, and other model advantages, the stock could trade much higher in the next 6-12 months. Therefore, we rate these shares Speculative Buy.

## COMPANY OVERVIEW

Tracing its roots to 2002, the Company changed its name to Green Endeavors, Inc. in 2010. Through its wholly-owned subsidiaries, Green Endeavors, Inc. currently operates and manages two high-quality, upscale hair care salons that also feature Aveda™ products for retail sale. The Company's combined operations generate well over \$3 million in annual revenue. In fact, annual revenue has risen each year, from \$2.3M in 2010 to \$3.6M in 2013.

Green Endeavors has four classes of stock: common stock with 10,000,000,000 shares authorized; preferred shares with 3,000,000 shares authorized; a convertible preferred stock series with 2,000,000 shares authorized; and, convertible super-voting preferred stock with 10,000,000 shares authorized. It should be noted that Green Endeavors is a more than 50% controlled subsidiary of Nexia Holdings, Inc. (OTCPK – NXHD). Nexia is not currently a reporting company.



Image I. Landis I Salon (Exterior)  
Source: [www.LandisSalon.com](http://www.LandisSalon.com)



Image II. Landis I Salon (Interior)  
Source: [www.LandisSalon.com](http://www.LandisSalon.com)

The flagship Landis Salons, Inc. ("Landis I") operates its business within a 4,000 square foot space located in the Liberty Heights District of Salt Lake City, Utah as an Aveda Lifestyle Salon. Landis Salons II, Inc. ("Landis II") operates within a 3,024 square foot space located in the Marmalade District of Salt Lake City, Utah under the Landis Lifestyle Salon brand as an Aveda Lifestyle Salon. Aveda Lifestyle Salons can be distinguished from Aveda Concept Salons in that Aveda Lifestyle Salons are required to carry all of Aveda's products and must meet a higher threshold for product sales than Aveda Concept Salons. An Aveda Lifestyle Salon is the highest level within the Aveda hierarchy of salons which is classified by higher purchasing volume, location, array of products carried and size of retail space.

Green Endeavors also operates as an Aveda™ Experience Center in the newly developed City Creek Center located the central business district of Salt lake City, Utah. Aveda Experience Centers operate as retail outlets of Aveda™ branded products, including the full lines of hair care products, makeup, and skin care. The Experience Center also serves as a resource where potential clients can be referred to and make appointments for services at the two Landis Lifestyle Salons.

## GREEN ENDEAVORS INC. (OTCPK - GRNE)



Image III. Landis Aveda Experience Center  
Source: Green Endeavors, Inc.

### THE BUSINESS

The Company's salon operations consist of three major components: an Aveda™ retail store, an advanced hair salon, and a training academy, which educates and prepares future staff about the culture, services, and products provided by the salon. The upscale design of the salons is intended to look modern and feel comfortable, appealing to both genders, and all age groups. In addition to the Aveda relationship, a key differentiator is the fact that the Company's upscale offering is in stark contrast to the typical low-cost salons under the industry leader Regis (NYSE – RGS) umbrella that generates over \$2 billion in annual sales. These brands include such as such as Regis, Supercuts, among others. Similar non-Regis related chains that generate sizable revenue also include such as GreatClips and The Hair Cuttery.

The Company's salons offer high quality hair care and other salon services such as makeup, skin care and nail care. The salons incorporate the use of the Aveda line of products in all of the services performed and exclusively offer Aveda retail products for sale. The Aveda brand, owned by Estee Lauder Companies, Inc., manufactures professional plant-based hair care, skin care, makeup, Pure-Fume™, and other lifestyle products. Some of the "green" product categories used during services and which are available for purchase, include:

- **Hair Care** - Hair color and styling products, shampoos, conditioners and finishing sprays.
- **Makeup** - Lipsticks, lip gloss, mascaras, foundations, eye shadows, nail polishes-remove nail polishes and powders.
- **Skincare** - Moisturizers, creams, lotions, cleansers and sunscreens.
- **Fragrance** - Oils, candles, and a variety of fragrance products used on hair, the body, and in the home.



## GREEN ENDEAVORS INC. (OTCPK - GRNE)

It should be noted that the Company's customer demographics are typical for upscale salons rather than the mass market competition listed above. Approximately 70% of the clients are female who visit the salon 6-8 times per year and spend an average of \$66 on services and purchase about \$16 of Aveda products per visit. All three facilities are located in a high income demographic region and the Landis Aveda Experience Center is in City Creek Center, the newest first class shopping mall located in downtown Salt Lake City.

As is the case with most upscale regional salons, the primary marketing efforts are executed via word of mouth, supplemented by targeted advertising campaigns and referrals from existing customers. On a secondary basis, management's online marketing campaigns are heavily focused on organically ranking under certain keyword search terms and online sites such as Yelp (NASDAQ – YELP) and CitySearch, coupled with other social media sites.

### GREEN ENDEAVORS EXECUTIVE LEADERSHIP

#### **Richard D. Surber, President, Director**

Mr. Surber graduated from the University of Utah with a Bachelor of Science degree in Finance and then with a Juris Doctorate with an emphasis in corporate law, including securities, taxation and bankruptcy. He has served as President and Director of Nexia Holdings, Inc. (OTCPK - NXHD) since May of 1999. He has been an officer and director of several public companies. He was appointed as President and to the board of directors of Green Endeavors, Inc. in September of 2007.

#### **Logan C. Fast, Vice President, Director**

Mr. Fast was appointed to these offices as of August 28, 2008. He is currently working as a grand salon stylist and as an instructor at the Landis Salon locations. Mr. Fast is an Aveda color and cutting "purefessional" with in the Aveda network and frequently instructs stylist around the world on Aveda cutting and color techniques. Mr. Fast does not hold any position as officer or director of any other publicly held company.

#### **Scott C. Coffman, Chief Financial Officer, Director**

Mr. Coffman graduated from the University of Utah with a Bachelor of Science degree in Finance and then with a Masters of Business Administration and later returned to the University of Utah for additional Master's level accounting coursework. He was appointed as CFO on July 2, 2013 and to the Board of Directors of Green Endeavors, Inc. on June 27, 2013.



**GREEN ENDEAVORS INC. (OTCPK - GRNE)****FINANCIALS AND ROLLUP STRATEGY**

Since 2010, Green Endeavors' revenue has jumped from \$2.3M to \$3.6M in 2013. Gross profit margins for the company of over 40% are significantly higher than competing brands such as Regis, which records gross profit margins just over 32%. In addition to generating much greater revenue per salon service visit, fully 28% of the Company's revenue is generated via the sale of Aveda products which carry high margins. The greater the mix of products sales to service revenue, the greater the gross and operating profit. In the past four years, the Company has recorded small operating profits or losses which indicate that as the business scales, and the product sales mix increases, consistent operating profits are in the cards. Sales could turn slightly lower this year due to a change in personnel in order to solidify the model but we believe that sales in the \$4.0+ million range is achievable next year, especially as traffic increases in the product sales-only Experience retail location. At that level, investors can also expect a return to modest operating profitability.

Meanwhile, GRNE has been working to improve its working capital position and stockholders' equity through the reduction of debt and convertible debt instruments into equity in the Company during the first half of 2014. These significant reductions of convertible debt instruments increased stockholders' equity by approximately \$860,000. Plus, the working capital position of the Company has improved by approximately \$205,000. Overall, the debt reduction reduced total liabilities by an estimated \$860,000. This follows the report of net income of roughly \$51,000 for the year ended December 31, 2013.

Depending upon the availability of capital, we deem it likely that the Company will engage in a future rollup of salons in the Salt Lake City area and beyond which would enhance the value of the Green Endeavors brand and stock. The industry is highly fragmented with lower profit margins than Green Endeavors with each owner typically operating 3-4 salons and we believe that the Company could generate greater profits per store given its current model. At this time, we estimate that the exploration and commencement of this strategy will begin sometime in 2015, with a targeted 2016 closing.

**RISKS**

There are two types of risks associated with these shares: business risk and capital markets risk. The most critical business risk relates to potential sales impairment from the mass market chains, along with the loss of key stylist personnel that attract clients. Also, if Aveda products were to fall out of favor or the relationship become impaired, it would have a deleterious effect on the Company. A lack of access to capital on favorable terms could also delay or hamper management's expansion plans. Still, we believe that these risks are typical of companies in Green Endeavors industry and of its size. Moreover, we believe that its sales success history insulates the Company from some of these risks, to some degree.

Investor or capital markets risks include the small capitalization of Green Endeavors, and its current sub-penny share price, which could be viewed as a deterrent in engaging in broad investor awareness. Separately, the ownership and capital share structure may be a roadblock in attracting investors. Due to the ownership of super-voting preferred stock by Nexia Holdings, common shareholders cannot attain a majority of votes or



## GREEN ENDEAVORS INC. (OTCPK - GRNE)

possibly exert material influence on management for changes in strategy or key items related to the operation of the business. While these factors may be unattractive to long term investors, those investors who wish to invest in these shares merely for potential trading gains likely do not view this ownership structure as a material risk or issue. After all, historically, the Company's President has personally guaranteed loans and other expenses required to grow the firm, and thus appear to be fully committed to its success.

### CONCLUSION

The health and beauty salon services and products market is a multi-billion dollar industry. Yet, the upstart Green Endeavors, Inc. business model has proven success in generating enviable sales growth and higher than industry average gross profit margins. Unlike mass market chains such as the \$2 billion in sales leader Regis (NYSE – RGS), Green Endeavors operates successful upscale salons and retail chains that generated a gross profit margin of well over 40% on 2013 sales of \$3.6M. This profit margin is nearly one-third higher than that of Regis.

Green Endeavors' customer demographics and revenue per customer are typical for upscale salons. Approximately 70% of the clients are female who visit the salon 6-8 times per year and spend an average of \$66 on services and purchase about \$16 of Aveda products per visit. With more traffic at key locations, and an even more favorable sales mix, revenue could reach north of \$4M in 2015. Looking ahead, management plans to leverage its organic sales growth and business model success by engaging in a series of acquisitions, beginning in 2016, which could enhance sales and operating profitability.

In our view, the relatively unknown Green Endeavors is an inexpensive way to play the salon market as the stock trades around .3x 2013 sales. With high gross profit margins, the Aveda relationship, a rollup strategy, and other business model advantages, the stock could trade at much higher levels in the next 6-12 months. Therefore, we rate these shares Speculative Buy.



# GREEN ENDEAVORS INC. (OTCPK - GRNE)

## Recent Trading History For GRNE

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



**GREEN ENDEAVORS INC. (OTCPK - GRNE)****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.

**Disclaimer**

This *Opportunity Research* report was prepared for informational purposes only.

*Goldman Small Cap Research*, (a division of Two Triangle Consulting Group, LLC) produces research via two formats: *Goldman Select Research* and *Goldman Opportunity Research*. The *Select* format reflects the Firm's internally generated stock ideas along with economic and stock market outlooks. *Opportunity Research* reports, updates and Microcap Hot Topics articles reflect sponsored (paid) research but can also include non-sponsored micro cap research ideas that typically carry greater risks than those stocks covered in the *Select Research* category. It is important to note that while we may track performance separately, we utilize many of the same coverage criteria in determining coverage of all stocks in both research formats. Research reports on profiled stocks in the *Opportunity Research* format typically have a higher risk profile, and may offer greater upside. *Goldman Small Cap Research* was compensated by a third party in the amount of \$4000 for a research subscription service. All information contained in this report was provided by the Company via filings, press releases or its website, or through our own due diligence. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence. Analysts are compensated on a per report basis and not on the basis of his/her recommendations.

Goldman Small Cap Research is not affiliated in any way with Goldman Sachs & Co.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Goldman Small Cap Research* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, or other firms. *Goldman Small Cap Research* relied solely upon information provided by the Company through its filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such information and the opinions expressed are subject to change without notice. A *Goldman Small Cap Research* report or note is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed.

This report does not take into account the investment objectives, financial situation, or particular needs of any particular person. This report does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a





## GREEN ENDEAVORS INC. (OTCPK - GRNE)

complete discussion of the risks mentioned. Neither *Goldman Small Cap Research*, nor its parent, is registered as a securities broker-dealer or an investment adviser with FINRA, the U.S. Securities and Exchange Commission or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRESENTATION OF INFORMATION.

For more information, visit our Disclaimer: [www.goldmanresearch.com](http://www.goldmanresearch.com)