

## Research Report – Update

*Investors should consider this report as only a single factor in making their investment decision.*

### MamaMancini's Holdings, Inc.

**Speculative Buy**

Howard Halpern

January 4, 2022

**MMMB \$2.00 — (NASDAQ)**

	FY2019 A	FY2020 A	FY2021 A	FY2022 E	FY2023 E
Net Sales (in millions)	\$27.3**	\$33.8	\$40.8	\$45.5	\$86.0
Earnings (loss) per share	\$0.01	\$0.04	\$0.10*	\$0.00	\$0.12
52-Week range	\$4.21 – \$1.80			Fiscal year ends: January	
Shares outstanding a/o 12/10/21	35.8 million			Revenue/shares (ttm) \$1.20	
Approximate float	19.4 million			Price/Sales (ttm) 1.7X	
Market Capitalization	\$72 million			Price/Sales (2023) E 0.8X	
Tangible Book value/shr	\$0.26			Price/Earnings (ttm)* 33.3X	
Price/Book	7.7X			Price/Earnings (2023) E 16.7X	

\* Excludes a deferred tax benefit of \$745,000 or \$0.02 per share \*\* Estimated revenue impact related to the revenue recognition change adopted in 4Q21  
MamaMancini's Holdings, Inc., headquartered in East Rutherford, NJ, is a specialty prepared foods marketer and distributor of natural foods and prepared salads.

#### Key Investment Considerations:

**Maintaining Speculative Buy rating but reducing our twelve-month price target to \$3.25 per share from \$4.85 per share due to reductions in our FY23 EPS forecast and sector valuation.**

**MamaMancini's has substantial growth potential for its specialty prepared authentic Italian products. We estimate MMMB's Italian products are currently available in over 45,000 US shelf locations with the potential for an additional 15,000 shelf locations based on new product authorizations to new and existing customers.**

**Supporting our FY23 forecast is an increase in customer demand for the company's authentic Italian products and the December 2021 acquisitions of T&L Creative Salads, Inc. and Olive Branch, LLC that should contribute approximately \$33 million in sales.**

**On December 29, 2021, the company completed the acquisitions of T&L Creative Salads, Inc. and Olive Branch, LLC for total consideration of \$14 million. The company used cash on hand, the issuance of a \$3 million promissory note to the owner of the acquired companies, and a \$7.5 million note from M&T Bank.**

**MMMB reported (on 12-14-21) 3Q22 net sales of \$10.9 million and a loss of \$5,000 or breakeven per share. In 3Q21, EPS was \$0.02 on sales of \$9.7 million. We projected net sales of \$12.7 million and EPS \$0.02 per share. 3Q22 results reflect gross margin compression and higher operating costs, partly offset by sales growth.**

**For FY22, we are reducing our EPS forecast to breakeven from \$0.08 per share on a sales forecast of \$45.5 million (prior was \$48.8 million). Our reduced forecasts reflects 4Q22 guidance and estimated one-time acquisition related expenses.**

**For FY23, including the 4Q22 acquisitions, we are establishing an EPS forecast of \$0.12 (prior was \$0.18) on sales of \$86 million (prior was \$61.9 million). Our prior forecasts were for MMMB on a standalone basis. Our sales forecast reflects \$33 million in sales from the December 2021 acquisitions. Our revised EPS forecast reflects a blended gross margin of 30.1% and operating margin of 7%.**

**Please view our Disclosures on pages 14 – 16.**

## ***Appreciation Potential***

**Maintaining Speculative Buy rating but reducing our twelve-month price target to \$3.25 per share from \$4.85 per share due to reductions in our FY23 EPS forecast and sector valuation.** Our rating reflects the substantial growth potential for the company's specialty prepared authentic Italian products. We estimate MMMB's Italian products are available in over 45,000 US shelf locations, which should grow through our forecast period. Growth should be supported by the company's receipt of new authorizations representing approximately 15,000 new spots on retailer shelves from national accounts, club stores and large regional retailers.

Our rating and forecasts should be supported by the December 2021 acquisitions of T&L Creative Salads, Inc. and Olive Branch, LLC. We anticipated those acquisitions should contribute approximately \$33 million in sales and have a positive impact on FY23. Total consideration paid for the acquisitions was approximately \$14 million from a combination of cash on hand from MMMB, a promissory note to the principals of the companies acquired, and an acquisition related note from M&T Bank.

**Our 12-month price target of \$3.25 per share implies shares could appreciate nearly 65% over the next twelve months.** According to finviz (a/o 1/03/22), the average forward P/E multiple for companies in the Packaged and Distribution Food sectors is 30X (prior was 30.8X). The company's forward P/E multiple is 16.7X (prior was 15.7X). We believe investors are likely to accord the sector valuation multiple based on our earnings growth forecast for FY23. We applied a 30X (unchanged) multiple to our FY23 EPS forecast of \$0.12, discounted for execution risk, to obtain a year-ahead value of approximately \$3.25 per share.

MamaMancini's Holdings, Inc. valuation improvement is contingent upon quarterly revenue growth, expense leverage, cash earnings, and sustained annual profitability. We forecast MMMB to generate operating profits in FY22 and FY23 and produce cash earnings of \$5.5 million in FY23, up from our FY22 cash earnings projection of \$1.1 million.

**In our view this stock is suitable for risk-tolerant investors.** Revenue growth and reaching our earnings expectations for FY22/23 will depend on MMMB successfully increasing its penetration of supermarket locations and shelf placements, as well as continuing programs to increase operating efficiencies at its manufacturing facility and managing and leveraging the operations of acquisitions.

## ***Overview***

MamaMancini's Holdings, Inc., headquartered in East Rutherford, New Jersey, is a specialty prepared foods marketer and distributor of all natural, authentic Italian meatballs that contain beef, turkey, chicken, and pork combined with its homemade slow cooked Italian sauce. Additional major product categories produced and sold by the company include Italian style meatloaf, stuffed pepper filling kits, chicken parmigiana stuffed meatballs, beef and turkey parmigiana meat loaves, slow cooked marinara sauce, and gluten free slow cooked Italian style sauce and meatballs (beef and turkey). New products that have become best sellers include ready to serve dinners and single-size pasta bowls. Entering 2H22, the company has 29 different product offerings that are packaged in different sized retail and bulk packages and sold to food retailers and food distributors.

The company's all natural products contain a minimum number of ingredients and are generally derived from the original recipes of Anna "Mama" Mancini. The products are aimed at appealing to health-conscious consumers who seek to avoid artificial flavors, synthetic colors and preservatives that are used in many conventional packaged foods. Dan Dougherty, the grandson of Anna 'Mama' Mancini, founded the company. Mama's recipes arrived in the US when she immigrated from Bari, Italy to Bay Ridge, Brooklyn in 1921. Her grandson developed the company's line of all natural specialty prepared, frozen and refrigerated foods that include beef, turkey, chicken and pork meatballs, all with slow cooked Italian sauce from her recipes. A trademark of the company's offerings is that they are produced with as few ingredients as possible in order to appeal to health-conscious consumers seeking to avoid artificial flavors, synthetic colors and preservatives.

**Recent Developments**

On December 29, 2021, MMMB acquired T&L Creative Salads, Inc. and Olive Branch, LLC, which are related food manufacturers based in New York. Total consideration paid at closing was \$14 million, which included \$11 million in cash and \$3 million in a four-year note to the owners of the acquired companies. The cash payment was funded through cash on hand and a \$7.5 million long-term acquisition note from M&T Bank.

MamaMancini's management anticipates that T&L Creative Salads and Olive Branch (combined) should generate sales in excess of \$30 million in calendar 2021 and be accretive to MMMB's net income. MMMB intends to expand the geographic footprint of T&L Creative Salads and Olive Branch product offerings through its network of national tier-1 distribution partners.

T&L Creative Salads offerings are led by a line of chicken products, including grilled and breaded chicken breasts, chicken strips, as well as a kosher salad line. The company operates a state-of-the-art USDA facility in Farmingdale, New York and sells its salads and prepared products to over 250 delis, bagel shops, smaller retail accounts, and food distributors in the New York metropolitan area.

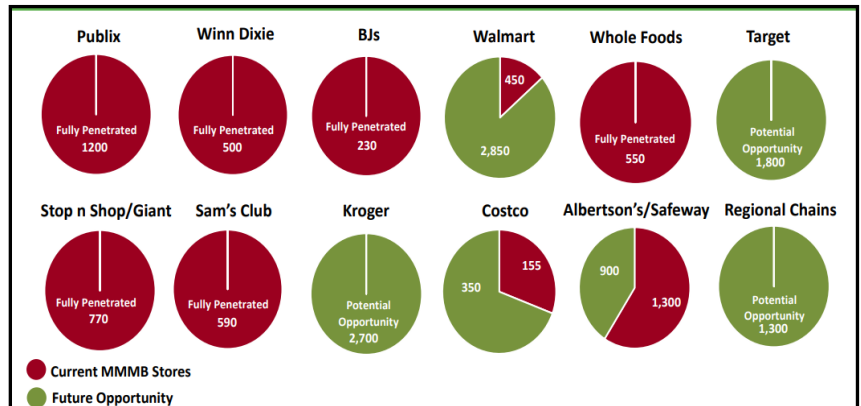
The operations of Olive Branch are focused on selling olives, olive mixes, and savory products to a limited number of large retail customers, primarily in pre-packaged containers. Olive Branch products are manufactured at the same facility as T&L Creative Salads in Farmingdale, NY.

Anthony Morello will remain as CEO of T&L Creative Salads and Olive Branch under a five-year contract.

**Product Distribution Growth**

The Food Marketing Institute (FMI) estimates there are 38,300 supermarket locations in the US. Adding in the number of US club stores, locations selling groceries approximates 40,000 in the US.

Distribution for the company's products includes supermarkets and mass-market club store retailers, such as Sam's Club. The company's products are sold in multiple places within a supermarket, but primarily in the fresh prepared food section, which is typically located along the perimeter of a retail or grocery location.



MamaMancini's distributes (see picture above – September 2021 presentation) to retail and grocery locations, with Publix, Stop n Shop/Giant, Sam's Club and BJ's locations fully penetrated. Six other supermarket stores still have significant growth opportunities in terms of location expansion. The company's aim is to develop merchandising and distribution programs with new customers such as Target (approximately 1,800 locations) and obtain full year round distribution with existing club store customers such as Costco and Sam's Club. The revenue potential could be as much as \$25 million annually if the company were to obtain full year-round distribution at Costco stores in the US. Currently, the company has limited but growing distribution in US Costco locations.

In 2H21, MMMB announced new product authorizations that include a cycle rotation at select 1,500 Walmart locations as well as additions in merchandising locations at 500 Whole Foods Kitchens, 500 Winn Dixie locations, and 170 Weis Supermarkets. Also, the company has authorizations to expand into 1,250 Publix Super Markets locations and select Sam's Club locations, and a Michigan distributor that serves 5,000+ accounts. In 1Q22, the company secured new retailer commitments including new product placements at 220 Shop Rite locations, 500 Winn Dixie locations, 600 Sam's Club locations, a commitment for a minimum of 500 Walmart locations, and 300 independent chain locations through distributor Krasdale Foods.

Overall, the company received new authorizations representing approximately 15,000 new spots on retailer shelves from national accounts, club stores and large regional retailers for introduction in calendar 2021.

The company aims to expand sales and deliver more products within several areas frequented by consumers within the supermarket. The areas of growth include fresh packaged meat, fresh prepared meals, hot bars, cold bars in delis, and sandwich sections of supermarkets.

Due to the COVID-19 pandemic environment, the company continues to have unanticipated delays in entering the food service and alternate market channels, which could double its market size opportunity. The company anticipates that by the end of FY23 significant strides should be made to enter colleges, universities, and convenient stores in the US with certain product offerings like meatballs in a cup, pasta bowls, and non-beef meat offerings.

**Industry Dynamics**

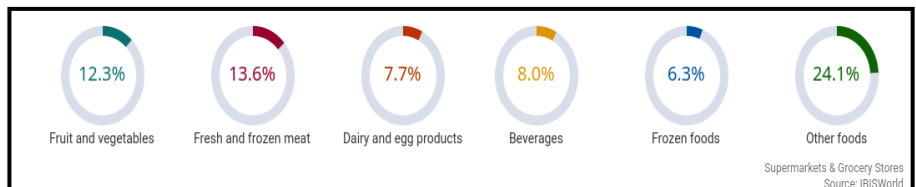
The market for the company's specialty and prepared foods offerings of authentic Italian meatballs includes several perimeter sections of a supermarket, including deli-prepared foods, refrigerated meal kits, and the specialty section of the meat department such as the fresh hot bar (see chart at right – September 2021 presentation).



Consumer surveys, industry trends, and market growth indicate MamaMancini's product offerings are positioned for profitable growth through our forecast period. Consumer surveys funded by the Beef Checkoff (a producer-funded marketing and research program) show that 34.1% of consumers surveyed indicated their favorite sauce and style of meatballs is Italian meatballs with marinara sauce with 42.9% preferring 100% beef meatballs, and 57.3% willing to buy frozen cooked or ready-to-cook meatballs from the meat department. Approximately 61.6% still prefer to make their own meatballs from fresh ground meat.

In February 2021, consulting firm WiseGuyReports.com published a report indicating that the global specialty foods market was expected to have declined to \$145.3 billion in 2020 from \$165.1 billion in 2019 due to the COVID-19 pandemic environment stemming from restrictive containment measures involving social distancing, remote working, and the closure of industries and other commercial activities. The report indicates that the global specialty foods market should grow nearly 13% annually to \$209.5 billion in 2023 from \$145.3 billion in 2020. Growth should be supported by the easing of COVID-19 pandemic conditions and the desire of consumers for high quality ingredients.

In December 2021, IBISWorld estimates the supermarkets and grocery stores industry will grow 1.5% annually to \$814.4 billion in 2026 from an estimated \$756.6 billion in 2020. Supermarket growth will be sustained as per capita disposable income increases and consumers continue shifting to premium, organic and all-natural brands, as well as price increases due to inflationary pressures. If the market share holds (see product segmentation table above), fresh and frozen meats should reach \$110.8 billion in 2026, up from \$102.9 billion in 2021.



## ***Projections***

### ***Basis of Forecast***

Our forecasts for FY22 and FY23 reflect company issued sales guidance for 4Q22, sales from the December 29, 2021 acquisitions, as well as securing recurring customer sales of products sold on QVC, and introductions of new products such as meatballs in a cup, pasta bowls, and non-beef meat offerings. We are not including the potential for additional acquisition that are likely to be part of the company's growth strategy.

We anticipate product shelf placements on retail and grocery store shelves and deli departments increasing in FY23 stemming from the company's ability to expand into new retail and grocery locations from new and existing customers, as well as utilizing its brokers to develop merchandising strategies to expand the scope of business within existing supermarket and club store locations.

Our forecast reflects new product authorizations that could see 15,000 new spots for the company's products on retailer shelves from national accounts, club stores and large regional retailers. In FY23, we anticipate MMB's core sales growth reaching \$53 million (up from an estimated \$48.5 million in FY22) due to a return to normal operating conditions within supermarkets' fresh deli and hot bar locations, as well as a full year contribution from new product authorizations, and some sales to colleges, universities and convenience stores. We anticipate the December 2021 acquisition should contribute annual sales of \$33 million.

We project FY22 gross margin of 27.6%, down from 31.3% in FY21 due primarily to increases in raw material and packaging costs, as well as significantly higher in-bound freight costs in 2H22. In FY23, we project gross margin improving to 30.1% as inflationary pressures stabilize and price increases in 2H22 begin to cycle through the company's existing customers.

In 4Q22, we anticipate the company will incur at least \$1 million in one-time nonrecurring costs related to the acquisitions of T&L Creative Salads, Inc. and Olive Branch, LLC that occurred in December 2021. In FY23, we forecast the company should achieve net income from ongoing programs initiated by the company to continually achieve streamlined operations in order to maximize operating leverage and a full year contribution from the accretive operations of the two acquisition in 4Q22. We anticipate operating expense margin decreasing to 23.2% in FY23 from an estimated 27.2% in FY22.

At January 31, 2021 the company had federal and state tax loss carry forwards of approximately \$3.8 million and \$5.2 million, respectively. We believe the company exhausted its federal tax loss carry forwards, so the company began recording income tax expense starting in 1Q22 and will continue to record income tax expense at approximately a 25.6% rate in FY23.

### ***Operations – FY22***

We project net sales growth of 11.6% to \$45.5 million (prior was \$48.8 million) with a \$176,000 decrease in gross profit to \$12.6 million due to gross margin compression to 27.6% from 31.3% in FY21. The decrease in gross margin reflects higher than anticipated raw material, packaging, and inbound freight costs in 2H22. The reduction in our prior sales forecast reflects lower than anticipated 2H22 results that include 4Q22 company guidance, partly offset by the inclusion of one-month of sales from the acquisitions made on December 29, 2021. We project an operating profit of \$193,000 (includes approximately \$1.2 million in one-time acquisition related expenses) compared to \$3.5 million in FY21. We anticipate operating expense margin increasing to 27.2% from 22.7% in FY21 due primarily to increased operating expenses that includes acquisition related expenses.

We anticipate operating expenses increasing 33.6% to \$12.4 million due to G&A expense of \$12.2 million compared to nearly \$9.3 million in FY21. G&A expense should increase to support sales growth that includes the expansion of product placements to new and existing customers and laying the ground work for expanding its offerings to food service customers. Also, the company had one-time expenses related to the up listing of its common stock to the Nasdaq Capital Market of approximately \$100,000 in 2Q22 and is likely to have approximately \$1.2 million in acquisition related costs. We project an operating margin of 0.4% vs. 8.5%.

Non-operating expense should approximate \$9,000 from \$47,000 of interest expense nearly offset by other income of \$38,000. In the year-ago period, non-operating expense was \$156,000 that includes interest expense of \$138,000 and amortization of debt discount of \$18,000.

We project net income of \$58,000 or breakeven per share, after recording \$126,000 of income tax expense. We previously projected net income of \$2.7 million or \$0.08 per share.

#### Operations – FY23

We project net sales growth of 89.1% to \$86 million (\$61.9 million previously) due primarily to the acquisitions T&L Creative Salads, Inc. and Olive Branch, LLC in 4Q22 and an increase in shelf placements and shipping volumes to new and existing customers stemming from new authorizations in FY22, as well as an initial sales contribution from shipments to food service customers by 4Q23.

We project gross profit more than doubling to \$25.9 million from an estimated \$12.6 million in FY22 driven by sales growth and gross margin expansion to 30.1% from an estimated 27.6% in FY22 reflecting continued plant efficiencies, a normalization of raw material, packaging, and inbound freight costs compared to FY22, as well as some purchasing synergies stemming from the 4Q22 acquisitions. We project operating profits of \$6 million from an estimated \$193,000 in FY22 due to sales growth, gross margin improvement, and operating expense margin improving to 23.2% from an estimated 27.2% in FY22.

We anticipate operating expenses increasing 61% to \$19.9 million from an estimated \$12.4 million in FY22. The increase reflects G&A expense of approximately \$19.6 million compared to an estimated \$12.2 million in FY22. G&A expense should increase to support sales growth and the operations of T&L Creative Salads and Olive Branch in 4Q22. We project an operating margin of 7% vs. 0.4%.

Non-operating expense should approximate \$390,000 (interest expense) compared to an expense of \$9,000.

We project net income of \$4.2 million or \$0.12 per share, after approximately \$1.4 million of income tax expense (an estimated rate of 25.6%). We previously projected net income of \$6.4 million or \$0.18 per share, after approximately \$2.2 million of income tax expense (an estimated rate of 26.1%). Our reduced net income forecast reflects significantly higher than anticipated costs for MMMB's core operations, partly offset by an estimated contribution of at least \$1 million from the December 2021 acquisitions. Also, our reduced forecast reflects gross margin of 30.1% (including acquisitions) compared to our prior forecast of 32.5% from MMMB's operations on a standalone basis.

#### Finances

For FY22, we project cash earnings of \$1.1 million and a decrease in working capital of \$1.3 million. Cash from operations of \$2.5 million and borrowings is unlikely to cover the cost to acquire T&L Creative Salads and Olive Branch, capital expenditures, and capital lease payments, decreasing cash by nearly \$2 million to \$1.2 million at January 31, 2022.

For FY23, we project cash earnings of \$5.5 million and an increase in working capital of \$1.7 million. Cash from operations of \$3.8 million is likely to cover capital expenditures, capital lease payments, and repayment of debt increasing cash by \$792,000 to \$2 million at January 31, 2023.

### **3Q22 and 9M22 Results**

#### 3Q22

Net sales increased 12.1% to \$10.9 million from \$9.7 million in 3Q21. The increase in net sales was due primarily to major customer volume increases.

Gross profit decreased 6.2% to \$2.7 million reflecting gross margin contraction to 25.1% from 30.1% in the year-ago period. Gross margin compression stems from increases in raw material and packaging costs, as well as significantly higher in-bound freight costs.

MamaMancini's Holdings, Inc.

Operating expenses (primarily consisting of SG&A expenses) increased 28.5% or \$605,000 to nearly \$2.7 million compared to \$2.1 million in the year-ago period. R&D expenses were \$34,000 compared to \$31,000 in 3Q21. Higher operating costs stem from increases in postage and freight costs of \$311,000 reflecting sales volume growth and higher transportation rates, a \$103,000 increase in advertising and promotion cost to enhance brand awareness, a \$60,000 increase in payroll and related expenses, and a \$43,000 increase in director fees due to an increase in the number of directors as well as one additional shareholder meeting compared to last year.

The company reported operating income of \$1,000 compared to \$787,000 in the year-ago period. The reduction reflects operating margin expense increasing to 25.1% from 21.9% in 3Q21 and gross margin compression, partly offset by net sales growth. Operating margin was 0%, down from 8.1% in 3Q21.

Non-operating expense was \$9,000 compared to \$53,000. The current period consists of \$9,000 in interest expense stemming from financing arrangements. In 3Q21, interest expense was \$46,000 and amortization of debt discount was \$7,000.

Net loss was \$5,000 or breakeven per share after recording a non-cash income tax benefit of \$2,000 compared to income of \$734,000 or \$0.02 per share with no income tax provision. We projected net income of \$650,000 or \$0.02 per share on sales of \$12.7 million.

9M22

Net sales increased 8% to \$33.2 million from \$30.8 million in 9M21. The increase in net sales was due primarily to new product introductions and major customer volume increases primarily in 2Q22 and 3Q22.

Gross profit was flat at \$9.4 million reflecting net sales growth, offset by gross margin contraction to 28.4% from 30.7% in the year-ago period. Gross margin compression stems from increases in raw material and packaging costs, as well as significantly higher in-bound freight costs.

Operating expenses increased 16.4% to \$8 million compared to \$6.9 million in the year-ago period. Higher operating costs stem from increases in postage and freight costs, commission and payroll and related expenses, a one-time expense related to NASDAQ up-listing costs, as well as increased director fees.

	In Thousands \$	9 Mos 22A	9 Mos 21A	% D
Net Sales		33,231	30,767	8.0%
Cost of goods sold		23,788	21,317	11.6%
<b>Gross Profit</b>		9,443	9,449	(0.1%)
Total Operating Expenses		8,004	6,879	16.4%
<b>Operating Income</b>		1,438	2,570	(44.0%)
Total Other Income (Expense)		11	(190)	
<b>Pre-Tax Income</b>		1,449	2,380	NMF
Income Tax Expense (Benefit)		391	-	
<b>Net Income (loss)</b>		1,058	2,380	NMF
<b>EPS -- Fully Diluted</b>	\$	0.03	0.07	NMF
Avg Shares Out-Fully Diluted		36,177	34,323	
<b>EBITDA</b>		2,203	3,231	(31.8%)
<b>Tax Rate</b>		27.0%	0.0%	
Margins				
Gross Margins		28.4%	30.7%	
Operating Margin		4.3%	8.4%	
Pre-Tax Margins		15.1%	26.7%	
Source: company reports				

The company reported operating income of \$1.4 million compared to \$2.6 million in the year-ago period. The reduction reflects operating margin expense increasing to 24.1% from 22.4% in 9M21 and gross margin compression, partly offset by net sales growth. Operating margin was 4.3%, down from 8.4% in 9MQ21.

Non-operating income was \$11,000 compared to an expense of \$190,000. The current period consists of \$27,000 in interest expense stemming from financing arrangements that was more than offset by net insurance proceeds of \$38,000 relating to the property damage claim. In 9M21, interest expense was \$172,000 and amortization of debt discount was \$18,000.

Net income was \$1.1 million or \$0.03 per share after recording a non-cash income tax provision of \$391,000 compared to income of \$2.4 million or \$0.07 per share with no income tax.

Finances

In 9M22, cash earnings of \$1.8 million and a decrease in working capital of \$319,000 resulted in cash from operations of \$2.1 million. Cash from operations covered capital expenditures and the repayment of capital lease obligations. Cash increased \$1.3 million to \$4.5 million at October 31, 2021.

### Capital Structure

On January 4, 2019, the company arranged a \$3.5 million working capital line of credit with M&T Bank at LIBOR plus four points with a two year expiration. On January 29, 2020, the facility was amended to increase the total available balance to \$4 million and extend the maturity date to June 30, 2022. On June 11, 2021, the facility was amended to increase the total available balance to \$4.5 million, as well as extend the maturity date to June 30, 2023. On August 4, 2021, the facility was amended to increase the total available balance to \$6 million and extend the maturity date to August 4, 2026.

Advances under the new line of credit are limited to 80% of eligible accounts receivable and 50% of eligible inventory. The financing is supported by a first priority security interest in all of the company's business assets and is further subject to financial covenants and a limited guaranty by the company's CEO.

On August 30, 2021, MMMB announced it secured an expanded credit facility with M&T bank in the amount of \$10.5 million for the purpose of acquisition financing at an interest rate of 3.5% above one-day LIBOR. Any proposed acquisition will need the approval of M&T bank to utilize this facility.

At October 31, 2021, the company had no outstanding debt balances. Subsequently, after completing the December 29, 2021 acquisitions, we estimate the company had approximately \$10.5 million in outstanding acquisition debt.

### **Competition**

MamaMancini's meatballs are sold within the gourmet and specialty pre-packaged food industry which has competitors specializing in global cuisine. The company competes in the niche Italian specialty market segment. Competition in this segment can be based on product quality, price and brand identification. The company aims to become an aggressive marketer and provide quality assurance programs that have the potential to drive consumer support and high value perceptions of its product offerings. Competitors within this industry include Quaker Maid, Philly-Gourmet Meat Company, Hormel, Rosina Company, Inc., Casa Di Bertacchi, Inc., Farm Rich, Inc., Mama Lucia, and Buona Vita, Inc.

On a broader basis, MamaMancini's has the potential to compete against national and regional producers of meat and protein sources such as beef, chicken, pork, turkey, fish, peanut butter, and whey. National competition could come from Tyson Foods, Inc., Smithfield Foods, Inc., as well as ConAgra Foods, Inc., Cargill, Inc. and Butterball, LLC.

### **Risks**

In our view, these are the principal risks underlying the stock:

#### Customer Concentration

In 9M22 (ended October 31, 2021), MMMB's three largest customers accounted for approximately 63% of gross sales compared to two customers accounting for 56% of gross sales in the year-ago period. MMMB does not have long-term contracts with its principal customers, which if lost, could diminish future sales. In 9M22, three customers accounted for approximately 57% of total gross outstanding receivables compared to two customers accounting for 41% in 9M21.

#### Regulation

The company's food products manufactured at its plant are subject to extensive regulation by the US Food and Drug Administration (FDA), the US Department of Agriculture (USDA) and other national, state, and local authorities. If these regulators change regulations at some point in the future, or should MMMB change its existing recipes to include ingredients that do not meet regulation standards, the company's operations could be adversely affected.

#### Food Safety

MMMB's products are subject to numerous food safety and other laws and regulations regarding the manufacturing, marketing, and distribution of food products, as well as if those products cause injury or illness to consumers. The company's manufacturing operations are certified in the Safe Quality Food Program. These standards are integrated



food safety and quality management protocols designed specifically for the food sector and offer a comprehensive methodology to manage food safety and quality simultaneously. The certification provides an independent and external validation that a product, process or service complies with applicable regulations and standards.

#### Global Pandemic

A potential disruption of US economic conditions lies in the global spread of COVID-19 that could cause supply chain issues for MMMB which could adversely impact corporate operating results. Production could be materially adversely affected if inputs become scarce or prices of beef, chicken, turkey, packaging materials, and transportation increase at a faster rate than can be passed along to its retail customers. Overall, uncertainties surrounding the pandemic could have a material adverse effect on the financial condition and/or results of the company's operations.

#### Integration of Acquisitions

The company acquired two companies in 4Q22 and the successful integration of those operations will be key to the company's overall sales and operating income growth. Future acquisitions could involve substantial investment of funds or financings, as well as resulting in related expenses and also the potential to either dilute the interests of existing shareholders or result in the issuance or assumption of debt. Future acquisitions may require management's time and effort to generate revenues and operating profits that could take away from existing operations.

#### Shareholder Control

Officers and directors collectively own nearly 51.1% of the outstanding voting stock (as of the SEC filing in May 2021). This group could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

#### Miscellaneous Risk

The company's financial results and equity values are subject to other risks and uncertainties, including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

#### Trading Volume

Over the last three-months to December 3, 2022, average daily volume was approximately 77,000 shares. The company has a float of 19.4 million shares and 35.8 million outstanding shares.

MamaMancini's Holdings, Inc.  
Consolidated Balance Sheets – Ending January 31  
FY2019 – FY2023E  
(in thousands)

	FY2019A	FY2020A	FY2021A	3Q22A	FY2022E	FY2023E
<b>ASSETS</b>						
Current assets:						
Cash	\$ 609	\$ 394	\$ 3,191	\$ 4,540	\$ 1,239	\$ 2,031
Accounts receivable, net	2,651	3,728	3,974	3,961	4,083	4,677
Other receivable	-	-	-	-	-	-
Inventories	1,348	1,246	1,195	1,615	1,936	2,403
Prepaid expenses	155	252	520	595	600	675
<b>Total current assets</b>	<u>4,763</u>	<u>5,620</u>	<u>8,879</u>	<u>10,711</u>	<u>7,858</u>	<u>9,786</u>
Property and equipment plus deposits, net includes deposit on machinery	2,885	2,806	2,964	3,177	6,000	5,900
Intangibles	-	-	88	88	88	88
Goodwill	-	-	-	-	11,000	11,000
Operating lease right of use assets, net	-	1,491	1,352	1,537	1,700	1,500
Deferred tax asset, net	-	-	745	362	364	364
Deposits and Debt issuance costs, net	20	20	20	23	23	23
<b>Total assets</b>	<u>\$ 7,668</u>	<u>\$ 9,937</u>	<u>\$ 14,048</u>	<u>\$ 15,897</u>	<u>\$ 27,033</u>	<u>\$ 28,661</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current liabilities:						
Accounts payable and accrued expenses	3,062	3,553	3,707	4,269	5,943	5,341
Finance leases payable	54	105	191	189	215	215
Line of credit	-	-	-	-	-	-
Term loan	500	424	-	-	-	-
Operating lease liability	-	127	148	226	226	226
Notes payable	-	-	-	-	-	-
<b>Total current liabilities</b>	<u>3,616</u>	<u>4,208</u>	<u>4,045</u>	<u>4,684</u>	<u>6,384</u>	<u>5,782</u>
Term loan - net	1,914	-	-	-	-	-
Line of credit	2,612	2,997	-	-	-	-
Promissory note to owners of acquired companies in 4Q22	-	-	-	-	3,000	2,250
Long-term note - M&T Bank for acquired companies in 4Q22	-	-	-	-	7,500	6,500
Operating lease liability - net	-	1,372	1,218	1,384	1,400	840
Finance leases payable - net	163	315	475	422	277	486
Notes payable - includes related party	642	642	-	-	-	-
<b>Stockholders' equity:</b>						
Common stock, \$0.00001 par value; authorized 250,000,000 shares	0	0	0	0	0	0
Paid-in capital	16,547	16,695	20,536	20,575	20,641	20,796
Treasury stock and common stock subscribed	(150)	(150)	(150)	(150)	(150)	(150)
Retained earnings (deficit)	(17,677)	(16,144)	(12,077)	(11,019)	(12,019)	(7,844)
<b>Total stockholders' equity</b>	<u>(1,279)</u>	<u>402</u>	<u>8,310</u>	<u>9,407</u>	<u>8,473</u>	<u>12,803</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 7,668</u>	<u>\$ 9,937</u>	<u>\$ 14,048</u>	<u>\$ 15,897</u>	<u>\$ 27,033</u>	<u>\$ 28,661</u>
SHARES OUT	31,866	31,991	35,604	35,752	35,572	35,750

Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.  
Annual Income Statement – Ending January 31  
FY2019 – FY2023E  
(in thousands)

	<u>FY2019A*</u>	<u>FY2020A**</u>	<u>FY2021A</u>	<u>FY2022E</u>	<u>FY2023E</u>
Sales - net of slotting fees, discounts	\$ 27,334	\$ 33,750	\$ 40,759	\$ 45,476	\$ 86,000
Cost of goods sold	<u>18,580</u>	<u>23,766</u>	<u>28,019</u>	<u>32,913</u>	<u>60,085</u>
<b>Gross Profit</b>	8,754	9,984	12,739	12,563	25,915
Operating Expenses:					
Research and development	131	115	111	123	300
General and administrative	7,154	7,786	9,151	12,247	19,615
Total Operating Expenses	<u>7,285</u>	<u>7,901</u>	<u>9,261</u>	<u>12,369</u>	<u>19,915</u>
<b>Operating Income (loss)</b>	1,469	2,083	3,478	193	6,000
Other Income (Expense)					
Interest income (expense)	(882)	(483)	(138)	(47)	(390)
Amortization of debt discount	(133)	(67)	(18)	-	-
Other Income (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>	<u>-</u>
Total Other Income (Expense)	<u>(1,015)</u>	<u>(550)</u>	<u>(156)</u>	<u>(9)</u>	<u>(390)</u>
<b>Pre-Tax Income</b>	453	1,533	3,322	184	5,610
Income Tax Expense (Benefit)	<u>-</u>	<u>-</u>	<u>(745)</u>	<u>126</u>	<u>1,435</u>
<b>Net Income (loss)</b>	<u>\$ 453</u>	<u>\$ 1,533</u>	<u>\$ 4,067</u>	<u>\$ 58</u>	<u>\$ 4,175</u>
<b>EPS</b>	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<u>\$ 0.12</u>	<u>\$ 0.00</u>	<u>\$ 0.12</u>
Avg Shares (000)	<u>32,522</u>	<u>34,339</u>	<u>34,017</u>	<u>35,974</u>	<u>36,114</u>
Adjusted EBITDA	\$ 2,407	\$ 2,897	\$ 4,350	\$ 2,308	\$ 7,060
Margins					
Gross Margins	32.0%	29.6%	31.3%	27.6%	30.1%
Operating Margin	5.4%	6.2%	8.5%	0.4%	7.0%
Pre-Tax Margins	1.7%	4.5%	8.2%	0.4%	6.5%
Research and development	0.5%	0.3%	0.3%	0.3%	0.3%
General and administrative	26.2%	23.1%	22.5%	26.9%	22.8%
Tax Rate	0.0%	0.0%	(22.4%)	68.5%	25.6%
YEAR / YEAR GROWTH					
Net Sales	(0.8%)	23.5%	20.8%	11.6%	89.1%

\*\* Restated for a revenue recognition change adopted in 4Q21

\* Estimated (revenue and G&A expense) impact related to the revenue recognition change adopted in 4Q21

Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.  
Income Statement Model – Ending January 31  
Quarters FY2021A – 2023E  
(in thousands)

	1Q21A**	2Q21A**	3Q21A**	4Q21A	FY2021A	1Q22A	2Q22A	3Q22A	4Q22E	FY2022E	1Q23E	2Q23E	3Q23E	4Q23E	FY2023E
Sales - net of slotting fees, discounts	\$ 10,835	\$ 10,248	\$ 9,684	\$ 9,992	\$ 40,759	\$ 10,313	\$ 12,065	\$ 10,853	\$ 12,245	\$ 45,476	\$ 15,500	\$ 21,780	\$ 24,875	\$ 23,845	\$ 86,000
Cost of goods sold	7,373	7,170	6,774	6,702	28,019	6,969	8,695	8,124	9,125	32,913	11,160	15,245	17,230	16,450	60,085
<b>Gross Profit</b>	3,462	3,077	2,911	3,290	12,739	3,344	3,369	2,729	3,120	12,563	4,340	6,535	7,645	7,395	25,915
Operating Expenses:															
Research and development	29	26	31	25	111	23	31	34	35	123	75	75	75	75	300
General and administrative	2,456	2,245	2,093	2,357	9,151	2,469	2,754	2,694	4,330	12,247	4,550	4,800	5,175	5,090	19,615
Total Operating Expenses	2,486	2,270	2,123	2,382	9,261	2,492	2,784	2,728	4,365	12,369	4,625	4,875	5,250	5,165	19,915
<b>Operating Income (loss)</b>	976	807	787	908	3,478	852	585	1	(1,245)	193	(285)	1,660	2,395	2,230	6,000
Other Income (Expense)															
Interest income (expense)	(64)	(62)	(46)	34	(138)	(10)	(8)	(9)	(20)	(47)	(100)	(100)	(95)	(95)	(390)
Amortization of debt discount	(5)	(5)	(7)	-	(18)	-	-	-	-	-	-	-	-	-	-
Other Income (expense)	-	-	-	-	-	38	-	-	-	38	-	-	-	-	-
Total Other Income (Expense)	(70)	(67)	(53)	34	(156)	27	(8)	(9)	(20)	(9)	(100)	(100)	(95)	(95)	(390)
<b>Pre-Tax Income</b>	906	740	734	942	3,322	879	577	(8)	(1,265)	184	(385)	1,560	2,300	2,135	5,610
Income Tax Expense (Benefit)	-	-	-	(745)	(745)	248	145	(2)	(265)	126	(95)	400	585	545	1,435
<b>Net Income (loss)</b>	\$ 906	\$ 740	\$ 734	\$ 1,687	\$ 4,067	\$ 632	\$ 432	\$ (5)	\$ (1,000)	\$ 58	\$ (290)	\$ 1,160	\$ 1,715	\$ 1,590	\$ 4,175
<b>EPS</b>	\$ 0.03	\$ 0.02	\$ 0.02	\$ 0.05	\$ 0.12	\$ 0.02	\$ 0.01	\$ (0.00)	\$ (0.03)	\$ 0.00	\$ (0.01)	\$ 0.03	\$ 0.05	\$ 0.04	\$ 0.12
Avg Shares (000)	33,946	33,544	35,726	35,800	34,017	36,191	36,224	35,729	35,752	35,974	35,752	36,225	36,230	36,250	36,114
Adjusted EBITDA	\$ 1,202	\$ 1,029	\$ 1,000	\$ 1,119	\$ 4,350	\$ 1,080	\$ 841	\$ 282	\$ 105	\$ 2,308	\$ (20)	\$ 1,925	\$ 2,660	\$ 2,495	\$ 7,060
Margins															
Gross Margins	31.9%	30.0%	30.1%	32.9%	31.3%	32.4%	27.9%	25.1%	25.5%	27.6%	28.0%	30.0%	30.7%	31.0%	30.1%
Operating Margin	9.0%	7.9%	8.1%	9.1%	8.5%	8.3%	4.8%	0.0%	(10.2%)	0.4%	(1.8%)	7.6%	9.6%	9.4%	7.0%
Pre-Tax Margins	8.4%	7.2%	7.6%	9.4%	8.2%	8.5%	4.8%	(0.1%)	(10.3%)	0.4%	(2.5%)	7.2%	9.2%	9.0%	6.5%
Research and development	0.3%	0.3%	0.3%	0.2%	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%	0.5%	0.3%	0.3%	0.3%	0.3%
General and administrative	22.7%	21.9%	21.6%	23.6%	22.5%	23.9%	22.8%	24.8%	35.4%	26.9%	29.4%	22.0%	20.8%	21.3%	22.8%
Tax Rate	0.0%	0.0%	0.0%	(79.1%)	(22.4%)	28.2%	25.2%	27.6%	20.9%	68.5%	24.7%	25.6%	25.4%	25.5%	25.6%
YEAR / YEAR GROWTH															
Net Sales	47.1%	26.5%	4.5%	(1.1%)	20.8%	(4.8%)	17.7%	12.1%	22.5%	11.6%	50.3%	80.5%	129.2%	94.7%	89.1%

\*\* Restated for a revenue recognition change adopted in 4Q21

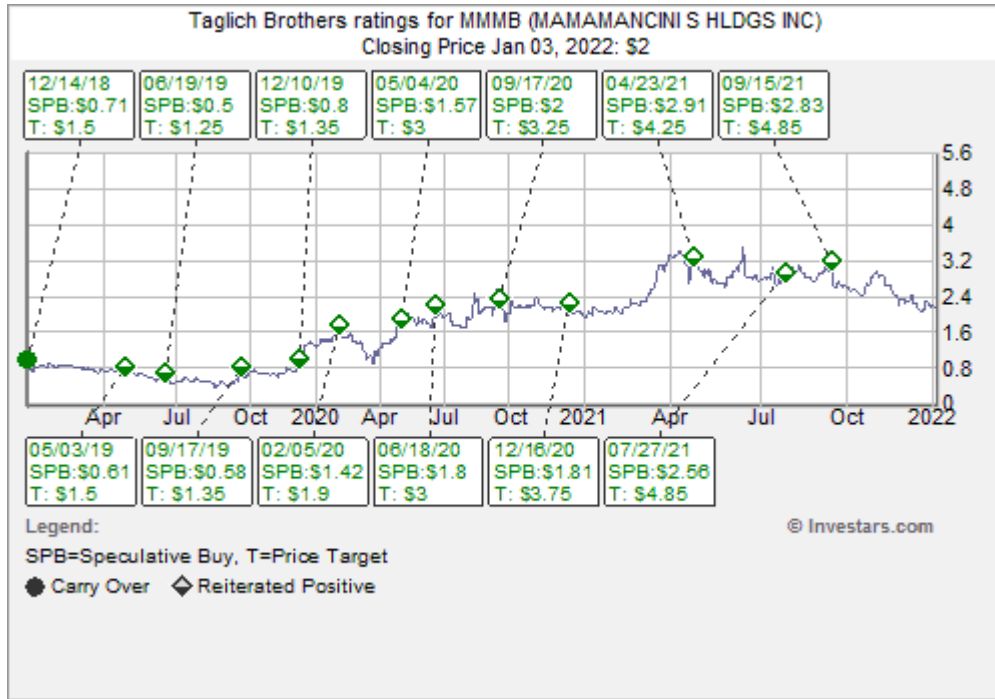
Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.  
Cash Flow Statement – Ending January 31  
FY2019 – FY2023E  
(in thousands)

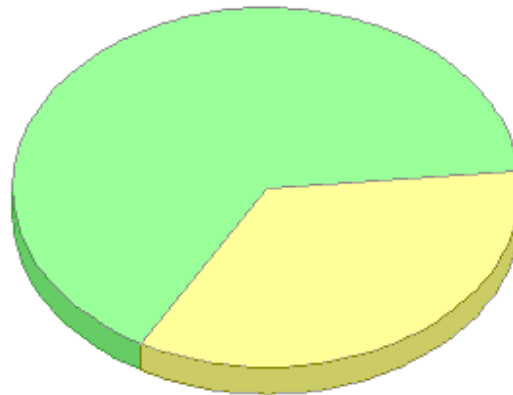
	FY2019A	FY2020A	FY2021A	9 Mos22A	FY2022E	FY2023E
<i>Cash Flows from Operating Activities</i>						
Net Income (loss)	\$ 453	\$ 1,533	\$ 4,067	\$ 1,058	\$ 58	\$ 4,175
Depreciation	679	640	663	572	765	1,000
Amortization of debt issuance and discount costs	133	68	18	-	-	-
Share-based compensation	162	94	53	20	75	125
Amortization of right of use assets	-	109	138	163	220	220
Cash earnings (burn)	1,428	2,444	4,939	1,814	1,118	5,520
<i>Changes In:</i>						
Accounts receivable	434	(1,077)	(246)	12	(110)	(594)
Deferred tax asset	-	-	(745)	383	391	-
Inventories	(523)	101	51	(420)	(741)	(467)
Prepaid expenses	107	(43)	(268)	(75)	(80)	(75)
Current portion of operating lease liability	-	(101)	(133)	(141)	(348)	-
Accounts payable and accrued expenses	(2)	491	99	562	2,235	(602)
Security deposits	-	-	-	(3)	(3)	-
Net (increase)/decrease in Working Capital	15	(629)	(1,241)	319	1,345	(1,738)
<b>Net cash Provided (used) by Operations</b>	<b>1,443</b>	<b>1,815</b>	<b>3,699</b>	<b>2,133</b>	<b>2,463</b>	<b>3,782</b>
<i>Cash Flows from Investing Activities</i>						
Cash paid for fixed assets	(1,034)	(268)	(419)	(658)	(750)	(850)
Cash paid for intangible assets	-	-	(33)	-	-	-
Acquisition of businesses, net	-	-	-	-	(14,000)	-
<b>Net cash used in Investing</b>	<b>(1,034)</b>	<b>(268)</b>	<b>(452)</b>	<b>(658)</b>	<b>(14,750)</b>	<b>(850)</b>
<i>Cash Flows from Financing Activities</i>						
Proceeds from issuance of common stock and exercise of warrants/options	40	-	3,788	19	30	30
Issuance of promissory note to principals of 4Q22 acquisitions	-	-	-	-	3,000	(750)
Issuance of long-term acquisition note M&T Bank	-	-	-	-	7,500	(1,000)
Debt issuance and deferred offering costs	(120)	-	-	-	-	-
Proceeds (repayment) from credit line	(90)	385	(2,997)	-	-	-
Proceeds (repayment) of demand and promissory notes	(2,131)	-	-	-	-	-
Borrowings (repayment) from term loan	1,741	(2,058)	(442)	-	-	-
Capital lease obligations (repayment) proceeds	186	(89)	(156)	(145)	(195)	(420)
Borrowings (repayment) from convertible note and notes payable -related party	(8)	-	(642)	-	-	-
<b>Net cash provided by Financing</b>	<b>(382)</b>	<b>(1,762)</b>	<b>(450)</b>	<b>(126)</b>	<b>10,335</b>	<b>(2,140)</b>
Net change in Cash	28	(216)	2,797	1,349	(1,952)	792
Cash Beginning of Period	581	609	394	3,191	3,191	1,239
Cash End of Period	<u>\$ 609</u>	<u>\$ 394</u>	<u>\$ 3,191</u>	<u>\$ 4,540</u>	<u>\$ 1,239</u>	<u>\$ 2,031</u>

Source: Company reports and Taglich Brothers estimates

**Price Chart**



**Taglich Brothers Current Ratings Distribution**



65.38 % Buy | 34.62 % Hold

<b>Investment Banking Services for Companies Covered in the Past 12 Months</b>		
Rating	#	%
Buy	5	21
Hold		
Sell		
Not Rated		

**Important Disclosures**

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. An employee of Taglich Brothers owns or has a controlling interest in MMMB of 5,000 common shares. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. In October 2017, the company paid Taglich Brothers a monetary fee of \$4,500 (USD) representing payment for the creation and dissemination of research reports for three months. In February 2018, the company began paying Taglich Brothers a monthly monetary fee of \$1,500 (USD) for the creation and dissemination of research reports.

**General Disclosures**

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**Analyst Certification**

**I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.**

**Public Companies mentioned in this report:**

Conagra Brands	(NYSE: CAG)	Hormel Foods	(NYSE: HRL)
Sysco Corp.	(NYSE: SYY)	Tyson Foods	(NYSE: TSN)

### **Meaning of Ratings**

**Buy** – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

**Speculative Buy** – Long-term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

**Neutral** – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

**Sell** – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

**Discontinued** – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

### **Some notable Risks within the Microcap Market**

**Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company-specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.**

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From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.