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Research Note

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

MamaMancini's Holdings, Inc.

Speculative Buy

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February 05, 2020

MMMB \$1.42 — (OTC)

| | FY2017 A | FY2018 A | FY2019 A | FY2020 E | FY2021 E |
|---------------------------------|-----------------|----------|----------|-------------------------------|----------|
| Revenue (in millions) | \$18.0 | \$27.5 | \$28.5 | \$34.8 | \$45.0 |
| Earnings (loss) per share | (\$0.02) | \$0.01 | \$0.02 | \$0.06 | \$0.12 |
| 52-Week range | \$1.50 – \$0.33 | | | Fiscal year ends: January | |
| Shares outstanding a/o 12/09/19 | 32.0 million | | | Revenue/shares (ttm) \$0.98 | |
| Approximate float | 16.3 million | | | Price/Sales (ttm) 1.4X | |
| Market Capitalization | \$45.4 million | | | Price/Sales (2021) E 1.0X | |
| Tangible Book value/shr | \$0.00 | | | Price/Earnings (ttm) 47.3X | |
| Price/Book | NMF | | | Price/Earnings (2021) E 11.8X | |

MamaMancini's Holdings, Inc., headquartered in East Rutherford, NJ, is a specialty prepared foods marketer and distributor of natural, authentic Italian meatballs containing beef, turkey, chicken, and pork combined with its homemade slow cooked Italian sauce and other Italian products.

Key Investment Considerations:

Maintaining Speculative Buy rating and increasing our twelve-month price target to \$1.90 per share from \$1.35 per share due to increases in our FY21 EPS forecast and sector valuation.

MamaMancini's has substantial growth potential for its specialty prepared food product lines of authentic Italian meatballs. Entering 1Q21, we estimate the company selling its product offerings within at least 15,000 US supermarket locations. Distribution potential to new customers is significant as the Food Marketing Institute estimates the US has 38,300 supermarket locations.

In January 2020, the company announced the appointment of Steven Burns as EVP in charge of operations and controls. His focus will be on continuing initiatives to create operating efficiencies within the organization.

Our forecasts should be supported by the 4Q20 launch of multiple expansions of product placements and special merchandising activity in 2,500 top tier US grocery retailer locations including Kroger, Albertsons, Sam's Club, and Publix. There is the potential to add its products to an additional 2,700 locations with these retailers if consumer acceptance is positive.

For FY20, we project EPS of \$0.06 (unchanged) on 21.9% sales growth to \$34.8 million (unchanged).

For FY21, we increased our EPS projection by \$0.01 per share to \$0.12 on 29.4% sales growth to \$45 million (unchanged). Our sales growth forecast reflects an increase in product shelf placements in 4Q20, initial customer orders in the food service segment, and distribution to Canada. The increase in our EPS forecast reflects better than anticipated operating expense margins of 23.5% (prior was 24.4%), offset in part by a slight decrease in gross margin to 33% (prior forecast was 33.1%).

Please view our Disclosures on pages 10 – 12.

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Appreciation Potential

Maintaining Speculative Buy rating and increasing our twelve-month price target to \$1.90 per share from \$1.35 per share due to increases in our FY21 EPS forecast and sector valuation. Our rating is based on a compound annual revenue growth rate of 28.1% to FY21 (from FY16) reflecting increased product shelf placements at retail and grocery locations. MMMB commenced shipments in 1H20 of nine new products into retail grocery customers including BJ's Club Stores, Walmart, and Ahold, owner of Stop & Shop supermarkets. In 4Q20, MMMB shipped products based on new product placements and special merchandising activity in approximately 2,500 major grocery retailer locations such as Publix, Sam's Club, Albertsons, and Tops Markets.

Over the last two years, MMMB invested in its manufacturing capabilities in order to more easily introduce new products and create the ability to enter the food service segment and distribution into Canada.

In January 2020, the company announced the appointment of Steven Burns as EVP in charge of operations and controls. His focus will be on continuing initiatives to create operating efficiencies within the organization.

Our 12-month price target of \$1.90 per share implies shares could appreciate by in excess of 30% in the next twelve months. The company's forward P/E multiple is 10.9X (prior was 7.3X) compared to the peer group (see table on the right) of 15.9X (prior was 13.7X). We project FY21 EPS growth of more than 100% to \$0.12 from our EPS forecast of \$0.06 in FY20, compared to 15.3% EPS growth for its peers. We believe investors could accord a valuation multiple equal to its peer group based on forecasted EPS growth. We applied a 15.9X (prior was 13.7X) multiple to our FY21 EPS forecast of \$0.12, to obtain a year-ahead value of approximately \$1.90 per share.

| Name | Symbol | Price 2-04-20 | Market Cap in \$Mil | Price to EBITDA 2019E | Price to EBITDA 2020 E | P/E 2019 E | Earnings Growth Rate Est. | P/E 2020 E |
|-----------------------------|--------|------------------|---------------------------|-----------------------------|------------------------------|------------------|---------------------------------|------------------|
| B&G Foods Inc. | BGS | 14.92 | 979 | 3.3 | 3.2 | 9.0 | 2.4% | 8.8 |
| United Natural Foods Inc. | UNFI | 7.24 | 383 | 0.7 | 0.7 | 5.5 | (1.5%) | 5.6 |
| Sunopta Inc. | STKL | 2.71 | 237 | 5.6 | 4.1 | NMF | 34.2% | NMF |
| Sprouts Farmers Market Inc. | SFM | 14.52 | 1815 | 5.7 | 5.5 | 13.0 | 0.0% | 13.0 |
| Hain Celestial Group Inc. | HAIN | 24.07 | 2509 | 13.7 | 12.2 | 34.4 | 25.7% | 27.4 |
| Landec Corp. | LNDC | 11.30 | 329 | 9.7 | 8.3 | 30.5 | 37.8% | 22.2 |
| Sysco Corp. | SYO | 75.06 | 38497 | 10.4 | 9.8 | 19.6 | 8.6% | 18.4 |
| Farmer Brothers. Co. | FARM | 11.79 | 201 | 6.7 | 5.4 | NMF | NMF | NMF |
| Average | | | | 7.0 | 6.1 | 18.7 | 15.3% | 15.9 |
| Company | | | | 1/31/2020 | 1/31/2021 | 1/31/2020 | | 1/31/2021 |
| MamaMancini's Holdings Inc. | MMMB | 1.42 | 45 | 15.2 | 8.0 | 23.7 | 127.0% | 10.9 |

Source: Taglich Brothers estimates, Yahoo Finance, and Thompson Reuters - Eikon * MMMB Year Ends Jan. 2020 and 2021, respectively

MamaMancini's Holdings, Inc. valuation improvement is contingent upon consistent quarterly revenue growth, expense leverage, cash earnings, and sustained annual profitability. We forecast the company to generate consistent operating profits in FY20 and FY21 and produce cash earnings of \$4.6 million in FY21, up from our FY20 cash earnings projection of nearly \$2.6 million and \$1.5 million reported in FY19.

In our view this stock is suitable for risk-tolerant investors. Revenue growth and reaching our earnings expectations for FY20/21 will depend on MMMB successfully increasing its penetration of supermarket locations and shelf placements, as well as successfully entering the foodservice segment in 2H21.

Recent Developments

In January 2020, MMMB appointed Steven Burns as Executive Vice President to further the company's strategy of creating operating efficiencies as new product placements and special merchandising activity continues to grow, as well as the planned expansion into the food service segment and distribution into Canada. Mr. Burns is a former managing director at Accenture and founded Crawford Street Partners.

Projections

Basis of Forecast

Our forecasts reflect the company growing its sales network of paid broker representatives, as well as entry into the food service segment and distribution in Canada. The West Coast broker network has begun to produce product placements in 2H20. The company has a team working on developing a pipeline of customers to gain entry into the food service segment. Once shipments to food service customers commence (summer of 2020), we anticipate a modest revenue contribution from this segment.

We anticipate product shelf placements on retail and grocery shelves will increase 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 and new product launches such as pasta bowl meal component kits designed for supermarkets, club stores and food service customers.

Additional growth drivers supporting our forecast include the company's relationship with the QVC network and building brand awareness. The relationship with QVC has enabled MMMB to introduce at least twelve new offerings to consumers. Building brand awareness for MamaMancini's offerings is occurring through social media marketing, satellite radio advertising, and targeted merchandising programs including virtual couponing, on-pack couponing, and mail-in rebates.

The 3Q20 strategic partnership with Beyond Meat has the potential to significantly boost shelf placements once customers complete the testing phase of MMMB's new line of fully cooked authentic Italian foods utilizing plant-based Beyond Beef. We are not going to incorporate revenue from Beyond Meat products until customers place purchase orders.

Our forecast includes expansion of product placements or special merchandising activity in approximately 2,500 top tier US grocery retailer locations including Kroger, Albertsons, Sam's Club, and Publix.

During our forecast period, MMMB is unlikely exhaust its tax loss carry forwards of approximately \$10 million at April 30, 2019. However, we anticipate the company will be required to accrue modest non-cash taxes (approximately 5%) on its income statement.

Operations – FY20

We project net sales growth of 21.9% to \$34.8 million (unchanged) that reflects revenue guidance of approximately \$10 million for 4Q20.

We project a 11.4% increase in gross profit to \$11.1 million, driven by sales gains, partly offset by gross margin contraction to 32% from 35% in FY19 reflecting the inclusion of depreciation expense in cost of sales of approximately \$660,000 that was previously accounted for as part of G&A expense. We project operating profits increasing 38.9% to \$2.2 million from \$1.6 million in FY19 due to sales growth and operating expense margin improving to 25.8% from 29.5% in FY19.

We anticipate operating expenses increasing 6% to \$8.9 million due primarily to G&A expense of \$8.8 million compared to \$8.3 million in FY19. G&A expense should increase to support sales growth. We project an operating margin of 6.3% vs. 5.5%.

Non-operating expense should decrease to \$407,000 from a total of \$1 million. The decrease is due primarily to a reduction in interest expense stemming from lower interest rates and outstanding term loan balance.

We project net income of \$1.8 million or \$0.06 per share (unchanged).

Operations – FY21

We project net sales growth of 29.4% to \$45 million (unchanged) due primarily to an increase in annual revenue per shelf placement to \$960, up from an estimated \$780 in FY20, brand awareness campaigns driving increased sales by consumers within each retail and grocery location, and modest impact from shipments to food service and Canadian customers. The increase in annual revenue per shelf placement should be supported by the expansion of product placements or special merchandising activity in approximately 2,500 top tier US grocery retailer locations including Kroger, Albertsons, Sam's Club, and Publix, as well as the addition of new product offerings such as its line of pasta bowls and stuffed pepper kits all of which should increase store volumes.

We project a 33.5% increase in gross profit to \$14.9 million driven by sales gains and gross margin expansion to 33% from an estimated 32% in FY20 reflecting plant efficiencies, offset in part by initial stocking shipments to new

product placements and depreciation costs for plant improvements made in prior years. We project operating profits increasing 93.7% to \$4.2 million from an estimated \$2.2 million in FY20 due to sales growth, gross margin expansion, and operating expense margin decreasing to 23.5% from an estimated 25.8% in FY20.

We anticipate operating expenses increasing 18.7% to \$10.6 million due to G&A expense of \$10.5 million compared to an estimated \$8.8 million in FY20. G&A expense should increase to support sales growth including expenses for the expansion of product shipments to food service and Canadian customers. We project an operating margin of 9.5% vs. 6.3%.

Non-operating expense (exclusively interest expense) should decrease to \$330,000 from \$384,000 (excludes \$23,000 in debt discount) due primarily to lower average debt balances.

We project net income of \$3.7 million or \$0.12 per share. We previously projected net income of \$3.6 million or \$0.11 per share.

Finances

For FY20, we project cash earnings of nearly \$2.6 million and an increase in working capital of \$1 million due primarily to increases in inventories and receivables. Cash from operations of \$1.6 million should cover capital expenditures and debt repayments, increasing cash by \$20,000 to \$630,000 at January 31, 2020.

For FY21, we project cash earnings of \$4.6 million and an increase in working capital of \$1.6 million due primarily to increases in receivables and inventories and decreases in payables. Cash from operations of \$2.9 million is likely to cover capital expenditures and debt repayments, increasing cash by \$441,000 to \$1.8 million at January 31, 2021.

Risks

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

Customer Concentration

In 9M20 (ended October 31, 2019), MMMB's three largest customers accounted for approximately 67% of gross sales compared to one customer accounting for 52% of gross sales in 9M19. MMMB does not have long-term contracts with its principal customers, which if lost, could diminish future sales. In 9M20, three customers accounted for approximately 61% of total gross outstanding receivables compared to one customer accounting for 50% in 9M19.

Regulation

The company's food products manufactured at Joseph Epstein Food Enterprises 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.

Internal Controls

As of October 31, 2019, material weaknesses in internal controls continue to include deficiencies in functional controls and segregation of duties. The company is committed to improving its financial organization by creating a

position to segregate duties consistent with control objectives and plans to increase its personnel resources and technical accounting expertise within the accounting function when funds are available.

Shareholder Control

Officers and directors collectively own nearly 50% of the outstanding voting stock (as of the SEC filing in April 2019). 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 February 4, 2020, average daily volume was approximately 46,800 shares. The company has a float of 16.3 million shares and 32 million outstanding shares.

MamaMancini's Holdings, Inc.
Consolidated Balance Sheets – Ending January 31
FY2017 – FY2021E
(in thousands)

| | <u>FY2017A</u> | <u>FY2018A</u> | <u>FY2019A</u> | <u>3Q20A</u> | <u>FY2020E</u> | <u>FY2021E</u> |
|--|------------------------|------------------------|------------------------|-------------------------|-------------------------|-------------------------|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash | \$ 671 | \$ 581 | \$ 609 | \$ 611 | \$ 630 | \$ 1,071 |
| Accounts receivable, net | 1,818 | 3,085 | 2,699 | 3,298 | 3,134 | 3,529 |
| Other receivable | - | - | - | 164 | 164 | 164 |
| Inventories | 807 | 824 | 1,396 | 1,651 | 1,689 | 2,318 |
| Prepaid expenses | <u>180</u> | <u>262</u> | <u>155</u> | <u>348</u> | <u>350</u> | <u>350</u> |
| Total current assets | 3,476 | 4,752 | 4,860 | 6,072 | 5,966 | 7,432 |
| Property and equipment plus deposits, net includes deposit on machiner | 1,563 | 2,500 | 2,885 | 2,846 | 2,850 | 2,875 |
| Operating lease right of use assets, net | - | - | - | 1,524 | 1,538 | 1,477 |
| Deposits and Debt issuance costs, net | 20 | 20 | 20 | 20 | 20 | 20 |
| Total assets | <u>\$ 5,059</u> | <u>\$ 7,272</u> | <u>\$ 7,764</u> | <u>\$ 10,463</u> | <u>\$ 10,374</u> | <u>\$ 11,804</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued expenses | 2,125 | 3,457 | 3,062 | 3,485 | 3,218 | 2,679 |
| Capital leases payable | - | - | 54 | - | - | - |
| Line of credit | 1,363 | 2,689 | - | - | - | - |
| Term loan | 140 | 107 | 500 | 500 | 500 | - |
| Operating lease liability | - | - | - | 127 | 127 | 127 |
| Finance leases payable | - | - | - | 103 | 103 | 103 |
| Notes payable | 1,402 | 1,403 | - | - | - | - |
| Convertible note payable, net | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total current liabilities | <u>5,030</u> | <u>7,656</u> | <u>3,616</u> | <u>4,214</u> | <u>3,948</u> | <u>2,909</u> |
| Term loan - net | 513 | 652 | 1,914 | 899 | 725 | - |
| Line of credit | - | - | 2,612 | 2,897 | 2,675 | 2,175 |
| Operating lease liability - net | - | - | - | 1,403 | 1,375 | 1,450 |
| Finance leases payable - net | - | - | 163 | 343 | 300 | 350 |
| Notes payable - includes related party | 2,198 | 900 | 642 | 642 | 642 | 342 |
| Stockholders' equity: | | | | | | |
| Common stock, \$0.00001 par value; authorized 250,000,000 shares | 0 | 0 | 0 | 0 | 0 | 0 |
| Paid-in capital | 15,825 | 16,345 | 16,547 | 16,670 | 16,670 | 16,795 |
| Treasury stock and common stock subscribed | (149) | (149) | (150) | (150) | (150) | (150) |
| Retained earnings (deficit) | <u>(18,358)</u> | <u>(18,130)</u> | <u>(17,580)</u> | <u>(16,458)</u> | <u>(15,813)</u> | <u>(12,068)</u> |
| Total stockholders' equity | <u>(2,683)</u> | <u>(1,935)</u> | <u>(1,182)</u> | <u>63</u> | <u>708</u> | <u>4,578</u> |
| Total liabilities and stockholders' equity | <u>\$ 5,059</u> | <u>\$ 7,272</u> | <u>\$ 7,764</u> | <u>\$ 10,462</u> | <u>\$ 10,374</u> | <u>\$ 11,804</u> |
| SHARES OUT | 27,375 | 31,753 | 31,866 | 31,991 | 32,000 | 32,025 |

Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.
Annual Income Statement – Ending January 31
FY2017 – FY2021E
(in thousands)

| | <u>FY2017A</u> | <u>FY2018A</u> | <u>FY2019A</u> | <u>FY2020E</u> | <u>FY2021E</u> |
|---|-------------------------|-----------------------|-----------------------|-------------------------------|-------------------------------|
| Sales - net of slotting fees, discounts | \$ 18,049 | \$ 27,543 | \$ 28,522 | \$ 34,776 | \$ 45,000 |
| Cost of goods sold | <u>10,830</u> | <u>18,283</u> | <u>18,532</u> | <u>23,643</u> | <u>30,135</u> |
| Gross Profit | 7,219 | 9,261 | 9,990 | 11,133 | 14,865 |
| Operating Expenses: | | | | | |
| Research and development | 153 | 138 | 131 | 113 | 120 |
| General and administrative | 6,609 | 8,060 | 8,294 | 8,817 | 10,475 |
| Total Operating Expenses | <u>6,763</u> | <u>8,198</u> | <u>8,425</u> | <u>8,929</u> | <u>10,595</u> |
| Operating Income (loss) | 456 | 1,063 | 1,565 | 2,204 | 4,270 |
| Other Income (Expense) | | | | | |
| Interest income (expense) | (729) | (680) | (882) | (384) | (330) |
| Amortization of debt discount | <u>(29)</u> | <u>(63)</u> | <u>(133)</u> | <u>(23)</u> | <u>-</u> |
| Total Other Income (Expense) | <u>(757)</u> | <u>(743)</u> | <u>(1,015)</u> | <u>(407)</u> | <u>(330)</u> |
| Pre-Tax Income | (301) | 320 | 550 | 1,798 | 3,940 |
| Income Tax Expense (Benefit) | <u>-</u> | <u>-</u> | <u>-</u> | <u>30</u> | <u>195</u> |
| Income (loss) | <u><u>\$ (301)</u></u> | <u><u>\$ 320</u></u> | <u><u>\$ 550</u></u> | <u><u>\$ 1,768</u></u> | <u><u>\$ 3,745</u></u> |
| Preferred dividends | <u><u>205</u></u> | <u><u>92</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |
| Net Income (loss) | <u><u>\$ (506)</u></u> | <u><u>\$ 228</u></u> | <u><u>\$ 550</u></u> | <u><u>\$ 1,768</u></u> | <u><u>\$ 3,745</u></u> |
| EPS | <u><u>\$ (0.02)</u></u> | <u><u>\$ 0.01</u></u> | <u><u>\$ 0.02</u></u> | <u><u>\$ 0.06</u></u> | <u><u>\$ 0.12</u></u> |
| Avg Shares (000) | <u><u>27,100</u></u> | <u><u>32,206</u></u> | <u><u>32,874</u></u> | <u><u>32,067</u></u> | <u><u>32,108</u></u> |
| Adjusted EBITDA | \$ 1,432 | \$ 2,069 | \$ 2,407 | \$ 3,018 | \$ 5,170 |
| Margins | | | | | |
| Gross Margins | 40.0% | 33.6% | 35.0% | 32.0% | 33.0% |
| Operating Margin | 2.5% | 3.9% | 5.5% | 6.3% | 9.5% |
| Pre-Tax Margins | (1.7%) | 1.2% | 1.9% | 5.2% | 8.8% |
| Research and development | 0.8% | 0.5% | 0.5% | 0.3% | 0.3% |
| General and administrative | 36.6% | 29.3% | 29.1% | 25.4% | 23.3% |
| Tax Rate | 0.0% | 0.0% | 0.0% | 1.7% | 4.9% |
| YEAR / YEAR GROWTH | | | | | |
| Net Sales | 43.2% | 52.6% | 3.6% | 21.9% | 29.4% |

Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.
Income Statement Model – Ending January 31
Quarters FY2019A – 2021E
(in thousands)

| | 1Q19A | 2Q19A | 3Q19A | 4Q19A | FY2019A | 1Q20A | 2Q20A | 3Q20A | 4Q20E | FY2020E | 1Q20E | 2Q20E | 3Q20E | 4Q20E | FY2021E |
|---|----------|-----------|----------|----------|-----------|----------|----------|----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|
| Sales - net of slotting fees, discounts | \$ 7,742 | \$ 5,641 | \$ 8,243 | \$ 6,896 | \$ 28,522 | \$ 7,365 | \$ 8,099 | \$ 9,267 | \$ 10,045 | \$ 34,776 | \$ 9,135 | \$ 10,790 | \$ 12,200 | \$ 12,875 | \$ 45,000 |
| Cost of goods sold | 4,913 | 3,579 | 5,555 | 4,484 | 18,532 | 4,994 | 5,408 | 6,366 | 6,875 | 23,643 | 6,185 | 7,200 | 8,050 | 8,700 | 30,135 |
| Gross Profit | 2,829 | 2,062 | 2,687 | 2,412 | 9,990 | 2,371 | 2,691 | 2,901 | 3,170 | 11,133 | 2,950 | 3,590 | 4,150 | 4,175 | 14,865 |
| Operating Expenses: | | | | | | | | | | | | | | | |
| Research and development | 30 | 37 | 32 | 32 | 131 | 25 | 25 | 33 | 30 | 113 | 30 | 30 | 30 | 30 | 120 |
| General and administrative | 2,245 | 1,895 | 2,120 | 2,035 | 8,294 | 1,866 | 2,216 | 2,365 | 2,370 | 8,817 | 2,350 | 2,550 | 2,700 | 2,875 | 10,475 |
| Total Operating Expenses | 2,275 | 1,932 | 2,151 | 2,067 | 8,425 | 1,891 | 2,240 | 2,397 | 2,400 | 8,929 | 2,380 | 2,580 | 2,730 | 2,905 | 10,595 |
| Operating Income (loss) | 554 | 130 | 536 | 346 | 1,565 | 480 | 451 | 504 | 770 | 2,204 | 570 | 1,010 | 1,420 | 1,270 | 4,270 |
| Other Income (Expense) | | | | | | | | | | | | | | | |
| Interest income (expense) | (188) | (291) | (160) | (242) | (882) | (117) | (87) | (90) | (90) | (384) | (90) | (85) | (80) | (75) | (330) |
| Amortization of debt discount | (41) | (49) | (20) | (23) | (133) | (7) | (5) | (5) | (5) | (23) | - | - | - | - | - |
| Total Other Income (Expense) | (230) | (340) | (180) | (266) | (1,015) | (124) | (93) | (95) | (95) | (407) | (90) | (85) | (80) | (75) | (330) |
| Pre-Tax Income | 324 | (210) | 356 | 80 | 550 | 356 | 358 | 409 | 675 | 1,798 | 480 | 925 | 1,340 | 1,195 | 3,940 |
| Income Tax Expense (Benefit) | - | - | - | - | - | - | - | - | 30 | 30 | 20 | 45 | 70 | 60 | 195 |
| Income (loss) | \$ 324 | \$ (210) | \$ 356 | \$ 80 | \$ 550 | \$ 356 | \$ 358 | \$ 409 | \$ 645 | \$ 1,768 | \$ 460 | \$ 880 | \$ 1,270 | \$ 1,135 | \$ 3,745 |
| Preferred dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Income (loss) | \$ 324 | \$ (210) | \$ 356 | \$ 80 | \$ 550 | \$ 356 | \$ 358 | \$ 409 | \$ 645 | \$ 1,768 | \$ 460 | \$ 880 | \$ 1,270 | \$ 1,135 | \$ 3,745 |
| EPS | \$ 0.01 | \$ (0.01) | \$ 0.01 | \$ 0.00 | \$ 0.02 | \$ 0.01 | \$ 0.01 | \$ 0.01 | \$ 0.02 | \$ 0.06 | \$ 0.01 | \$ 0.03 | \$ 0.04 | \$ 0.04 | \$ 0.12 |
| Avg Shares (000) | 34,655 | 31,860 | 32,489 | 32,490 | 32,874 | 32,098 | 31,982 | 32,091 | 32,095 | 32,067 | 32,100 | 32,105 | 32,110 | 32,115 | 32,108 |
| Adjusted EBITDA | \$ 751 | \$ 349 | \$ 759 | \$ 547 | \$ 2,407 | \$ 688 | \$ 655 | \$ 705 | \$ 970 | \$ 3,018 | \$ 795 | \$ 1,235 | \$ 1,645 | \$ 1,495 | \$ 5,170 |
| Margins | | | | | | | | | | | | | | | |
| Gross Margins | 36.5% | 36.6% | 32.6% | 35.0% | 35.0% | 32.2% | 33.2% | 31.3% | 31.6% | 32.0% | 32.3% | 33.3% | 34.0% | 32.4% | 33.0% |
| Operating Margin | 7.1% | 2.3% | 6.5% | 5.0% | 5.5% | 6.5% | 5.6% | 5.4% | 7.7% | 6.3% | 6.2% | 9.4% | 11.6% | 9.9% | 9.5% |
| Pre-Tax Margins | 4.2% | (3.7%) | 4.3% | 1.2% | 1.9% | 4.8% | 4.4% | 4.4% | 6.7% | 5.2% | 5.3% | 8.6% | 11.0% | 9.3% | 8.8% |
| Research and development | 0.4% | 0.7% | 0.4% | 0.5% | 0.5% | 0.3% | 0.3% | 0.4% | 0.3% | 0.3% | 0.3% | 0.3% | 0.2% | 0.2% | 0.3% |
| General and administrative | 29.0% | 33.6% | 25.7% | 29.5% | 29.1% | 25.3% | 27.4% | 25.5% | 23.6% | 25.4% | 25.7% | 23.6% | 22.1% | 22.3% | 23.3% |
| Tax Rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 4.4% | 1.7% | 4.2% | 4.9% | 5.2% | 5.0% | 4.9% |
| YEAR / YEAR GROWTH | | | | | | | | | | | | | | | |
| Net Sales | 44.5% | (19.5%) | 12.1% | (11.9%) | 3.6% | (4.9%) | 43.6% | 12.4% | 45.7% | 21.9% | 24.0% | 33.2% | 31.6% | 28.2% | 29.4% |

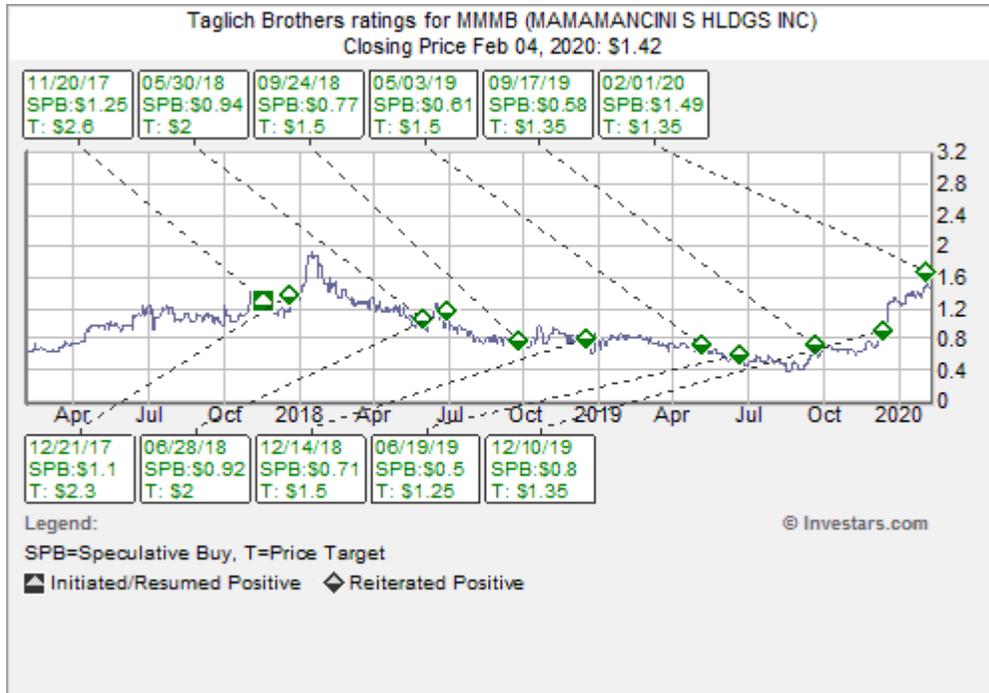
Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.
Cash Flow Statement – Ending January 31
FY2017 – FY2021E
(in thousands)

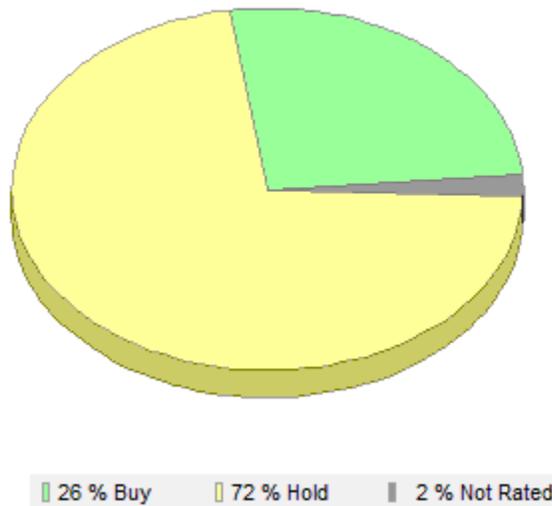
| | FY2017A | FY2018A | FY2019A | 9 Mos20A | FY2020E | FY2021E |
|---|---------------|----------------|----------------|---------------|----------------|-----------------|
| <i>Cash Flows from Operating Activities</i> | | | | | | |
| Net Income (loss) | \$ (301) | \$ 320 | \$ 550 | \$ 1,123 | \$ 1,768 | \$ 3,745 |
| Depreciation | 442 | 538 | 679 | 495 | 660 | 700 |
| Amortization of debt issuance and discount costs | 29 | 63 | 133 | 18 | 18 | - |
| Share-based compensation | 598 | 428 | 162 | 68 | 100 | 125 |
| Amortization of right of use assets | - | - | - | 76 | 76 | - |
| Cash earnings (burn) | <u>767</u> | <u>1,350</u> | <u>1,525</u> | <u>1,779</u> | <u>2,622</u> | <u>4,570</u> |
| <i>Changes In:</i> | | | | | | |
| Accounts receivable | (341) | (1,267) | 386 | (599) | (435) | (395) |
| Other receivable | - | - | - | (164) | (164) | - |
| Inventories | (249) | (18) | (572) | (255) | (292) | (629) |
| Prepaid expenses | 29 | (82) | 107 | (138) | (195) | - |
| Current portion of operating lease liability | - | - | - | (70) | (70) | (70) |
| Accounts payable and accrued expenses | 151 | 1,332 | (2) | 423 | 156 | (539) |
| Net (increase)/decrease in Working Capital | <u>(410)</u> | <u>(34)</u> | <u>(81)</u> | <u>(803)</u> | <u>(1,000)</u> | <u>(1,634)</u> |
| Net cash Provided (used) by Operations | <u>357</u> | <u>1,316</u> | <u>1,443</u> | <u>976</u> | <u>1,621</u> | <u>2,936</u> |
| <i>Cash Flows from Investing Activities</i> | | | | | | |
| Cash paid for fixed assets | <u>(553)</u> | <u>(1,475)</u> | <u>(1,034)</u> | <u>(163)</u> | <u>(225)</u> | <u>(250)</u> |
| Net cash used in Investing | <u>(553)</u> | <u>(1,475)</u> | <u>(1,034)</u> | <u>(163)</u> | <u>(225)</u> | <u>(250)</u> |
| <i>Cash Flows from Financing Activities</i> | | | | | | |
| Proceeds from issuance of common stock and exercise of options | - | - | 40 | - | - | - |
| Debt issuance and deferred offering costs | (50) | (25) | (120) | - | - | - |
| Proceeds (repayment) from credit line | 404 | 1,339 | (90) | 285 | 50 | (500) |
| Proceeds (repayment) of demand and promissory notes | (486) | (1,350) | (2,131) | - | - | - |
| Borrowings (repayment) from term loan | 213 | 105 | 1,741 | (1,033) | (1,208) | (1,225) |
| Capital lease obligations (repayment) proceeds | - | - | 186 | (63) | (218) | (220) |
| Borrowings (repayment) from convertible note and notes payable -related party | <u>(7)</u> | <u>-</u> | <u>(8)</u> | <u>-</u> | <u>-</u> | <u>(300)</u> |
| Net cash provided by Financing | <u>73</u> | <u>70</u> | <u>(382)</u> | <u>(811)</u> | <u>(1,376)</u> | <u>(2,245)</u> |
| Net change in Cash | (122) | (89) | 28 | 1 | 20 | 441 |
| Cash Beginning of Period | <u>793</u> | <u>671</u> | <u>581</u> | <u>609</u> | <u>609</u> | <u>630</u> |
| Cash End of Period | <u>\$ 671</u> | <u>\$ 581</u> | <u>\$ 609</u> | <u>\$ 611</u> | <u>\$ 630</u> | <u>\$ 1,071</u> |

Source: Company reports and Taglich Brothers estimates

Price Chart



Taglich Brothers Current Ratings Distribution



| Investment Banking Services for Companies Covered in the Past 12 Months | | |
|--|---|----|
| Rating | # | % |
| Buy | 1 | 5 |
| Hold | | |
| Sell | | |
| Not Rated | 1 | 50 |

Important Disclosures

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families own less than 1% of the stock of the company mentioned in this report. An employee of Taglich Brothers owns or has a controlling interest in MMB of 10,000 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 with in 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:

| | | | |
|------------------------|----------------|---------------------------|----------------|
| B&G Foods Inc. | (NYSE: BGS) | United Natural Foods Inc. | (NASDAQ: UNFI) |
| Farmer Brothers. Co. | (NASDAQ: FARM) | Hain Celestial Group Inc. | (NASDAQ: HAIN) |
| Sunopta Inc. | (NASDAQ: STKL) | Landec Corp. | (NASDAQ: LNDC) |
| Sprouts Farmers Market | (NYSE: SFM) | Accenture plc | (NYSE: ACN) |
| Sysco Corp. | (NYSE: SYY) | | |

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.

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.