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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

MMMB $0.94 — (OTC)

May 30, 2018

	FY2016 A	FY2017 A	FY2018 A	***FY2019 E***	***FY2020 E***
Revenue (in millions)	$12.6	$18.0	$27.5	***$36.5***	***$48.4***
Earnings (loss) per share	($0.14)	($0.02)	$0.01	***$0.04***	***$0.12***

52-Week range	$1.93 – $0.75	Fiscal year ends:	January
Shares outstanding a/o 5/15/18	31.8 million	Revenue/shares (ttm)	$0.86
Approximate float	16.3 million	Price/Sales (ttm)	1.1X
Market Capitalization	$29.9 million	Price/Sales (2020) E	0.6X
Tangible Book value/shr	($0.06)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2020) E	7.8X

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 but reducing twelve-month price target to $2.00 per share from $2.30 due to reduced sector valuation.

MamaMancini's has substantial growth potential for its specialty prepared food product lines of authentic Italian meatballs. At January 31, 2018, its offerings were distributed at 12,200 US supermarket locations. The potential incremental distribution within its own customers is 8,700 new locations. Distribution to new customers is significant as the Food Marketing Institute estimates the US has 38,000 supermarket locations.

The company's product offerings are being placed along the supermarkets perimeter, where fresh prepared foods are sold. Industry surveys indicate annual sales growth of at least 8% for products placed along the perimeter of a supermarket. Consulting firm Nielsen predicts in-store meal kit sales to surpass $80 million in 2017 and exceed $100 million in 2020.

In November 2017, the company acquired Joseph Epstein Food Enterprises, Inc., the sole manufacturer of MamaMancini's products since inception. Management anticipates the acquisition should be accretive to profits, and our forecasts reflect at least $1.5 million of enhanced profitability in FY20.

For FY19, we project EPS of $0.04 (prior was $0.13) on 32.5% sales growth to $36.5 million (prior was $38.4 million) reflecting product shelf placements reaching an average of 47,600. Our reduced EPS forecast reflects increased operating expense margins to 31.6% (prior was 23.4%) due primarily to expenses related to expanding its product placements within new and existing customers. Our sales forecast reflects slower than anticipated product placement penetrations in 1H19.

For FY20, we project EPS of $0.12 on 32.5% sales growth to $48.4 million reflecting product shelf placements reaching 58,250 on average for most of the year. Our forecast reflects gross and operating expense margins of 38.1% and 28.2%, respectively, compared to an estimated 37.6% and 31.6%, respectively, in FY19.

Please view our Disclosures on pages 14 – 16.

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Appreciation Potential

Maintaining Speculative Buy rating but reducing our twelve-month price target to $2.00 per share from $2.30 due to reduced sector valuation. Our rating is based on a compounded annual revenue growth rate of nearly 40% to FY20 (from FY16) reflecting increased product shelf placements at retail and grocery locations to 58,250 of its slow cooked Italian style sauce and meatball offerings from 32,000 in FY16. At January 31, 2018, the number of retail and grocery locations distributed by the company was 12,200 for a nearly 32% penetration rate of the estimated 38,441 supermarket locations in the US. In the near-term, the company is working toward penetrating the approximately 8,700 US locations of its existing customers that have yet to place MamaMancini's products on its shelves.

In November 2017, the company purchased its contract manufacturer Joseph Epstein Food Enterprises, Inc. The acquisition should begin to be accretive in FY19 and if MamaMancini's is able to maximize the integration of Joseph Epstein Foods, profits could be enhanced by at least $1.5 million in FY20.

Our 12-month price target of $2.00 per share implies shares could double in the next twelve months. The company's forward P/E multiple is 7.8X (prior was 8.5X) compared to the peer group (see table below) of 20.3X (prior was 24.4X). We project EPS growth tripling in FY20 from our EPS forecast of $0.04 in FY19, compared to 35.2% EPS growth for four of its peers. We believe investors should accord a valuation multiple approaching the peer group based on forecasted EPS growth. We applied an 18X (prior was 21X) multiple to our FY20 EPS forecast of $0.12, discounted for execution risk, to obtain a year-ahead value of approximately $2.00 per share.

Name	Symbol	Price 05-29-18	Market Cap in $Mil	Price to EBITDA 2018 E	Price to EBITDA 2019 E	P/E 2018 E	2019 E EPS Growth Rate	P/E 2019 E
B&G Foods Inc.	BGS	27.90	1855	5.3	5.2	13.3	5.7%	12.6
Lifeway Foods Inc.	LWAY	5.01	80	NA	NA	NA	NA	NA
Sunopta Inc.	STKL	8.05	698	9.1	6.5	47.4	82.4%	26.0
Sprouts Farmers Market Inc.	SFM	21.57	2865	8.4	7.5	17.3	10.4%	15.6
Farmer Brothers. Co.	FARM	29.35	494	11.0	8.7	38.6	42.1%	27.2
Average				**8.4**	**7.0**	**29.1**	35.2%	**20.3**
Company				**1/31/19**	**1/31/20**	**1/31/19**		**1/31/20**
MamaMancini's Holdings Inc.	MMMB	0.94	30	9.7	5.4	23.5	200.0%	7.8

Source: Taglich Brothers estimates, Yahoo Finance, and Thompson Reuters - EiKon

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 FY19 and FY20, and produce significant cash earnings of $5.4 million in FY20, up from our FY19 cash earnings projection of $2.7 million.

In our view this stock is suitable for risk-tolerant investors. Revenue growth and reaching our earnings expectations for FY19/20 will depend on MMMB successfully increasing its penetration of supermarket locations and shelf placements, as well as successfully integrating the November 2017 acquisition of its contract manufacturer.

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 (major products pictured on the right). Other Italian prepared food products distributed 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).

Source: Company Presentation – May 2018

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 emigrated 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.

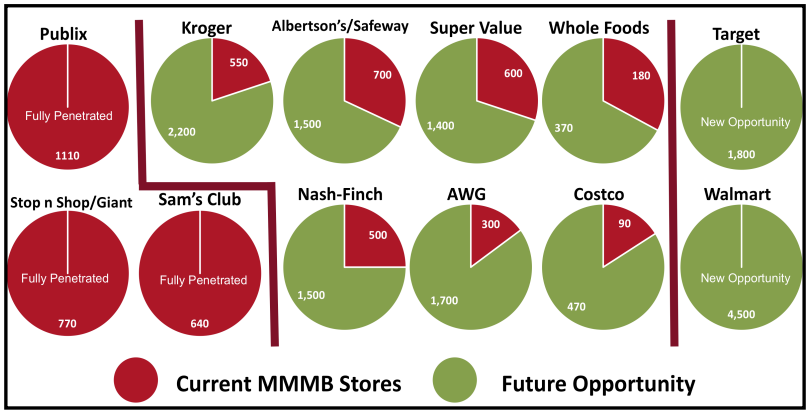
History

MamaMancini's Holdings, Inc. was incorporated in July 2009 in Nevada as Mascot Properties, Inc. In February 2010, MamaMancini's LLC was formed under New Jersey laws. In March 2012, the holders of MamaMancini's LLC, exchanged 4,700 units for 15 million shares of MamaMancini's Inc. common stock.

In January 2013, Mascot Properties, MamaMancini's Inc., and David Dreslin, an individual, entered into a reverse-merger agreement. The agreement had MamaMancini's shareholders exchange their shares on a pro-rata basis for a total of 20.1 million shares of common stock. In March 2013, Mascot changed its name to MamaMancini's Holdings, Inc.

Product Distribution Growth

In 2017, the Food Marketing Institute (FMI) estimated there were 38,571 supermarket locations in the US. At January 31, 2018, the company's distribution reached 12,200 or approximately 31.6% of the retail and grocery locations estimated by the FMI, up from 7,040 in January 2014.



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 distribution (see picture on right – the company's January 2018 presentation) retail and grocery locations, with Publix, Stop n Shop/Giant, and Sam's Club locations fully penetrated. Six other supermarkets stores still have significant growth opportunities in terms of location expansion. While the company has 90 locations with Costco, it expects to expand into more of the remaining 470 US locations. The company's aim is to develop merchandising and distribution programs with new customers such as Walmart (approximately 4,500 locations) and Target (approximately 1,800 locations).

In addition to location growth, the company is focused on increasing product shelf placements. In January 2018, product shelf placements reached approximately 43,800 from 22,600 in January 2014. The company aims to expand sales and deliver more products within several areas frequented by consumers within the supermarket (see picture on right – May 2018 presentation). The areas of growth include fresh packaged meat, fresh prepared meals, hot bars, cold bars in delis, and sandwich sections of supermarkets.

The company is in the process of developing a strategy to expand distribution of its products into food service channels and as a component of other complementary products.

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, the specialty section of the meat department (see chart below), as well as the frozen foods aisles.

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.

The 2017 industry report published by the Specialty Foods Association and consulting firm Mintel, indicated specialty foods achieved 15% annualized sales growth to $127 billion in 2016 from nearly $100 billion in 2014, on 13.1% annual unit sales growth. Specialty sales growth compares to 2.3% annualized growth for overall retail sales in the supermarket over the same time period. Specialty foods growth is being driven by convenience oriented consumers that are buying these products wherever they shop, including traditional multi-unit retail and grocery locations. In 2016, the top two categories (out of 60 categories) by dollar sales were cheese and plant-based cheese at $4.4 billion, followed by frozen or refrigerated meat, poultry, and seafood at $3.7 billion. In 2016, total sales for all categories were $51 billion.

In August 2017, consulting firm Nielsen observed that the on-the-go lifestyle leaves people less time to prepare traditional meals. Sales of meal kits within the grocery store should exceed $100 million by 2020. Beyond meal kits, the innovation within the deli prepared section of the supermarket is driving annual sales growth of 4.5%. In 2016, Nielson estimated US deli prepared section sales were $15 billion. Neilson identified the primary consumer characteristic driving sales growth along the perimeter (see picture above) of US supermarkets, which is affluent older consumers living in urban centers. Market surveys indicate households with incomes in excess $100,000 are 20% more likely to purchase items in the deli prepared section of a supermarket. Also, empty nesters and senior couples in that same income category purchase 17% and 21% more than the average consumer, respectively.

A significant competitive advantage the company should have as it builds on its brand awareness and merchandising campaigns is the taste and nutritional value of MamaMancini's offerings since 25% of consumers feel that traditional deli prepared food lacks health and nutrition and 16% believe it lacks freshness.

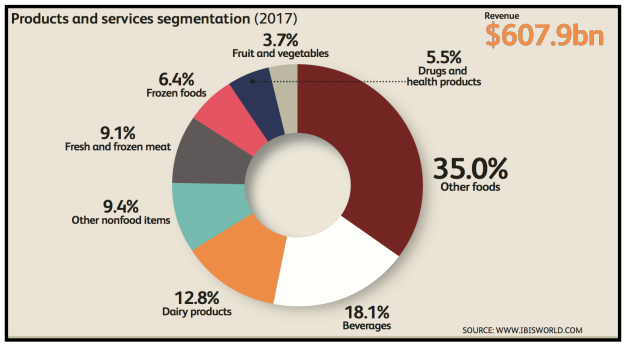
In 2016, Foodservice consulting firm Technomic published Fresh Prepared Foods: Cracking the Code for U.S. Retailers that indicated annual growth rates for fresh prepared foods should approximately 6.5% compared to 2.5% for retail food and beverages, with food service growth of nearly 4%. Technomic estimates that over the five years ending in 2016, fresh prepared foods have been a significant growth driver for the US food and beverage industry with a $26 billion market value as growth outpaced both retail packaged goods and food service.

Growth has evolved due to how the offerings are marketed within the supermarket setting. Supermarkets are positioning food as a restaurant alternative by conveying quality and also highlighting value by promoting lower price points versus restaurant alternatives (or the expense of purchasing ingredients for cooking), as well as implementing more bundling packages. Retailers are promoting two primary fresh options in their stores by having in-store preparation where there is essentially a kitchen in every location, which provides localization of food through on-site preparation and in-store finish where frozen foods are heated in the store's kitchen. The Tecnomic's report concludes that retailers must establish their overall fresh food strategies and understand which trade-offs they are

willing to assume. Promotion of fresh options within the supermarket provides MamaMancini's with the opportunity to work with its retail partners to develop the appropriate merchandising strategy to develop brand awareness for consumers and meet the needs of individual locations.

According to the Organic Trade Association's (OTA) industry survey 2016, US sales of organic food and non-food products was $47 billion, of which $43 billion were organic food sales for an 8.4% increase from 2015. In 2016, sales of organic protein-rich meat and poultry increased 17% to $991 million and the OTA estimated it should surpass $1 billion in 2017 due primarily to consumers increasingly seeking clean products (organic) that are abundant in protein.

IBISWorld estimates the supermarkets and grocery stores industry will grow 1.1% annually to $649 billion in 2020 from an estimated $608 billion in 2017 (see chart on the right). Supermarket growth will be sustained as per capita disposable income increases and consumers continue shifting to premium, organic and all-natural brands. If the market share holds, fresh and frozen meats should reach $59 billion in 2023, up from $55.3 billion in 2017.



Projections

Basis of Forecast

Our forecasts reflect the company growing its sales network of paid broker representatives. At January 31, 2018, the company had over 35 retail food brokers that sell to retail and grocery store customers. We project by the end of FY20 (ending January 31, 2020), the number of product shelf placements on retail and grocery shelves will increase to at least 65,000 in nearly 16,250 locations, up from an estimated 54,000 in 14,200 retail and grocery locations at January 31, 2019. At January 31, 2018, the company had 43,800 product shelf placements from 12,200 locations. We anticipate the increase should stem from the company's ability to expand into 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.

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

We project FY19 gross margin of 37.6%, up from 33.6% in FY18 due primarily to integration benefits to be realized in 2H19 related to the November 2017 acquisition of its manufacturing facility, offset in part by the initial launch of new product placements. In FY20, we anticipate gross margin improvement to 38.1% from our FY19 estimate of 37.6% due to the company's acquisition of its contract manufacturer Joseph Epstein Food Enterprises that should enable the company to leverage production expenses from a larger customer base. We anticipate operating margin expense increasing to 31.2% in FY19 from and 29.8% in FY18, but decreasing to 28.2% in FY20. During our forecast period, MMMB is unlikely to fully use its tax loss carry forwards of approximately $11 million.

Operations – FY19

We project net sales growth of 32.5% to $36.5 million (prior was $38.4 million) due to the average annual number of product shelf placements increasing to 47,600 from 41,625 and brand awareness campaigns driving increased sales by consumers within each retail and grocery location. The reduction from our prior forecast stems primarily from lower average annual revenue per shelf placement to $767 from $828.

We project a 48.2% increase in gross profit to $13.7 million, driven by sales gains and gross margin improvement to 37.6% from 33.6% in FY18, reflecting increased manufacturing efficiencies due to the acquisition of its contract manufacturer in November 2017. We project operating profits doubling to $2.2 million from $1.1 million in FY18

due to sales growth and gross margin expansion, partly offset by operating expense margin increasing to 31.6% from 29.8% in FY18.

We anticipate operating expenses increasing 40.8% to $11.5 million due primarily to G&A expense of $11.4 million compared to $8.1 million in FY18. G&A expense will increase to support sales growth and for expanding merchandising programs to increase product penetration at existing supermarket locations. We project an operating margin of 6% vs. 3.9%.

Non-operating expense should increase to $745,000 (exclusively interest expense) from $743,000 (interest expense of $680,000 and $63,000 in debt discount amortization). Higher interest expense is due primarily to an increase in its line of credit balances.

We project net income of $1.4 million or $0.04 per share. We previously projected net income of $4.4 million or $0.13 per share.

Operations – FY20
We project net sales growth of 32.5% to $48.4 million due to the average annual number of product shelf placements increasing to 58,250 from 47,600, brand awareness campaigns driving increased sales by consumers within each retail and grocery location, and an increase in the average annual revenue per shelf placement to $830 from $767.

We project a 34.2% increase in gross profit to $18.4 million, driven by sales gains and gross margin improvement to 38.1% from an estimated 37.6% in FY19, reflecting increased manufacturing efficiencies due to the acquisition of its contract manufacturer in 4Q18. We project operating profits more than doubling to $4.8 million from an estimated $2.2 million in FY19 due to sales growth, gross margin expansion, and operating expense margin decreasing to 28.2% from 31.6% in FY19.

We anticipate operating expenses increasing 18.2% to $13.6 million due primarily to G&A expense of $13.5 million compared to $11.4 million in FY19. G&A expense will increase to support sales growth. We project an operating margin of 9.9% vs. 6%.

Non-operating expense (exclusively interest expense) should increase to $780,000 from $745,000. Higher interest expense is due primarily to an increase in its line of credit balances.

We project net income of $4 million or $0.12 per share.

Finances
For FY19, we project cash earnings of $2.7 million and a decrease in working capital of $192,000 due to increases in accruals and payables, partly offset by increases in receivables and inventories. Cash from operations of $2.9 million and proceeds from a credit line should cover capital expenditures and debt repayment increasing cash by $272,000 to $854,000 at January 31, 2019.

For FY20, we project cash earnings of $5.5 million and an increase in working capital of $4 million due primarily to decreases in accruals and payables and increases in receivables. Cash from operations of $1.5 million and borrowing from its line of credit should cover capital expenditures and debt repayment increasing cash by $73,000 to $927,000 at January 31, 2020.

Fiscal 2018 Results

FY18
Net sales increased 52.6% to $27.5 million from $18 million due to selling products into higher volume locations. The company increased the number of retail and grocery store locations to 12,200 from 11,700 in FY17. The primarily growth driver within stores was the number of product shelf placements increasing to 43,800 compared to 38,700.

Gross profit increased 28.3% to $9.3 million reflecting higher sales, partly offset by gross margin contraction to 33.6% from 40%. Gross margin narrowed due to a change in product mix, increase in commodity costs, and costs associated with the launch of product placements at new retail and grocery locations.

Operating expenses increased 21.2% to $8.2 million due primarily to higher freight costs and commissions reflecting sales growth and initial shipments for new product placements (approximately $864,000 combined). Advertising, social media, promotional, payroll, and professional fees combined increased $296,000 compared to the year-ago period, primarily due to increased legal and accounting fees related to the acquisition of Joseph Epstein Foods, Inc. The increase in operating expenses was partly offset by a $69,000 reduction in stock-based compensation for services rendered by employees and consultants. The company reported operating income of $1.1 million compared to $456,000. Operating income growth reflects sales growth of 52.6%, partly offset by a 21.2% increase in operating expenses and gross margin contraction. The company's operating expense margin improved to 29.8% from 37.5% in FY17 due primarily to operating leverage. Operating margin was 3.9%, an improvement from 2.5%.

Non-operating expense was $743,000 compared to $757,000 in FY17. Interest expense decreased to $680,000 from $729,000 reflecting lower average outstanding debt. The non-operating expense increase reflects $63,000 in amortization expense related to the debt discount, up from $29,000 in FY17.

Net income to common shareholders was $228,000 or $0.01 per share (preferred dividends in FY18 was $92,000) compared to a loss of $506,000 or ($0.02) per share, after preferred dividends of $205,000. We projected EPS of $0.02 on sales of $27.6 million.

Finances

In FY18, cash earnings of $1.4 million and an increase in working capital of $34,000 resulted in cash from operations of $1.3 million. Cash from operations and net borrowings did not cover capital expenditures. Cash decreased by $89,000 to $581,000 at January 31, 2018.

Capital Structure

At January 31, 2018, the company had total outstanding debt of $5.7 million, of which $4.2 million is short-term. Short-term debt includes note payable to Manatuck Hill Partners of $1.4 million, a line of credit of $2.7 million, and a term loan of $107,000. Long-term debt includes a term loan of $652,000 and notes payable and notes payable to related party totaling $900,000.

On January 22, 2018, the company extended the maturity date of the Manatuck Hill Partners note to November 1, 2018. The amended agreement includes a payment schedule of $100,000 in principal each month.

In September 2014, MMMB entered into a loan and security agreement with Entrepreneur Growth Capital (EGC). The total facility (as amended in September 2016) provides for an aggregate principal amount of up to $3.2 million consisting of revolving lines of credit (including inventory) of $2.5 million and a term loan for $700,000. The revolving interest rate is equal to the highest prime rate in effect during each month plus 2.5% on loans and advances made against eligible accounts receivables and 4% on loans made against eligible inventory. As of January 31, 2018, the outstanding balance was $2.7 million.

In January 2016, the company received aggregate proceeds of $125,000 from notes payable with the CEO. The notes bear 4% interest annually and have a maturity date of February 2019. At January 31, 2018 the outstanding principal balance was $118,000. In FY18, the company received advances from its CEO and an entity controlled by its CEO, which bear interest at 8% and mature on February 1, 2020. The total combined amount outstanding at January 31, 2018 was $532,000.

Competition

MamaMancini's homemade fresh meatballs with slow cooked Italian sauce 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 the 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 includes 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:

Operating History
At January 31, 2018, the company's net accumulated deficit was $18.1 million. MamaMancini's ability to maintain and grow profitability achieved since the 2H17 depends upon its ability to develop and commercialize products to customers with expanding gross margin.

Potential Dilution
The sale of common stock or convertible debt/preferred to raise capital could dilute the ownership interest of current shareholders.

Interest rates
While US interest rates remain relatively low, they are increasing due to economic growth and the Federal Reserve's desire to normalize short-term interest rates. It is likely the Federal Reserve will increase its short-term interest rate to approximately 2% by December 31, 2018 and by another 1% to 3% by December 31, 2019. Increasing interest rates would further increase the company's variable rate term loan and revolving credit facility.

Customer Concentration
In FY18 (ended January 31, 2018), MMMB's two largest customers accounted for approximately 50% of sales compared to two customers accounting for 41% of sales in FY17. The company does not have long-term contracts with its principal customers, which if lost, could diminish future sales.

Integrations of Related Party Manufacturer
On November 1, 2017, the company announced it closed on the acquisition of related party contract manufacturer Joseph Epstein Food Enterprises, Inc. MMMB's CEO and President owned Joseph Epstein Food Enterprises, Inc. While no cash or stock was exchanged between the parties, the principal consideration was the cancellation of approximately $2 million of inter-company debt and the assumption of approximately $2 million of accrued expenses and accounts payable. As of May 2018, approximately 85% of the company's products are produced by this newly acquired subsidiary.

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. The FDA has a comprehensive regulatory program governing the manufacturing, composition and ingredients, packaging, and safety of food. Under this program, the FDA regulates manufacturing practices. The USDA regulates the definition of "all natural" as a product that contains no artificial ingredients, coloring ingredients or chemical preservatives, and is minimally processed. The company's products are submitted to the USDA and approved as "all natural". If the USDA changes regulations at some point in the future, or should MMMB change its existing recipes to include ingredients that do not meet the USDA's definition, 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

Material weaknesses in internal controls as of January 31, 2018 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 will increase its personnel resources and technical accounting expertise within the accounting function when funds are available. In FY18, the company will be preparing and implementing sufficient written policies and checklists to align with procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements.

Shareholder Control

Officers and directors collectively own 52.1% of the outstanding voting stock (as of the SEC filing in May 2018). 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 May 29, 2018 average daily volume was approximately 22,000 shares. The company has a float of 16.3 million shares and 31.8 million outstanding shares.

MamaMancini's Holdings, Inc.
Consolidated Balance Sheets – Ending January 31
FY2016 – FY2020E
(in thousands)

	FY2016A	FY2017A	FY2018A	FY2019E	FY2020E
ASSETS					
Current assets:					
Cash	$ 587	$ 671	$ 581	$ 854	$ 927
Accounts receivable, net	1,477	1,818	3,085	3,157	4,218
Inventories	253	807	824	911	1,498
Prepaid expenses	154	180	262	250	275
Due from manufacturer - related party	2,249	-	-	-	-
Total current assets	**4,720**	**3,476**	**4,752**	**5,171**	**6,918**
Property and equipment plus deposits, net includes deposit on machinery	1,047	1,563	2,500	3,000	3,692
Deposits and Debt issuance costs, net	-	20	20	-	-
Total assets	**$ 5,767**	**$ 5,059**	**$ 7,272**	**$ 8,171**	**$ 10,610**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued expenses	770	2,125	3,457	3,796	1,498
Line of credit	933	1,363	2,689	2,800	3,000
Term loan	120	140	107	68	55
Promissory note	392	-	-	-	-
Notes payable	-	1,402	1,403	-	-
Convertilbe note payable, net	2,540	-	-	-	-
Total current liabilities	**4,754**	**5,030**	**7,656**	**6,664**	**4,553**
Term loan - net	320	513	652	652	652
Demand note, notes payable related party, and prommisory note, net	70	-	-	-	-
Notes payable - includes related party	-	2,198	900	900	1,000
Stockholders' equity:					
Common stock, $0.00001 par value; authorized 250,000,000 shares	0	0	0	0	0
Paid-in capital	14,955	15,825	16,345	16,795	17,245
Treasury stock and common stock subscribed	(149)	(149)	(149)	(149)	(149)
Retained earnings (deficit)	(14,182)	(18,358)	(18,130)	(16,690)	(12,690)
Total stockholders' equity	**623**	**(2,683)**	**(1,935)**	**(45)**	**4,405**
Total liabilities and stockholders' equity	**$ 5,767**	**$ 5,059**	**$ 7,272**	**$ 8,171**	**$ 10,610**
SHARES OUT	26,508	27,375	31,753	31,800	31,850

Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.
Annual Income Statement – Ending January 31
FY2016 – FY2020E
(in thousands)

	FY2016A	FY2017A	FY2018A	**FY2019E**	**FY2020E**
Sales - net of slotting fees, discounts	$ 12,603	$ 18,049	$ 27,543	**$ 36,500**	**$ 48,370**
Cost of goods sold	9,006	10,830	18,283	**22,775**	**29,950**
Gross Profit	3,597	7,219	9,261	**13,725**	**18,420**
Operating Expenses:					
Research and development	108	153	138	**140**	**140**
General and administrative	5,749	6,609	8,060	**11,400**	**13,500**
Total Operating Expenses	5,857	6,763	8,198	**11,540**	**13,640**
Operating Income (loss)	(2,259)	456	1,063	**2,185**	**4,780**
Other Income (Expense)					
Interest income (expense)	(555)	(729)	(680)	**(745)**	**(780)**
Amortization of debt discount	(262)	(29)	(63)	**-**	**-**
Total Other Income (Expense)	(1,252)	(757)	(743)	**(745)**	**(780)**
Pre-Tax Income	(3,512)	(301)	320	**1,440**	**4,000**
Income Tax Expense (Benefit)	-	-	-	**-**	**-**
Income (loss)	$ (3,512)	$ (301)	$ 320	**$ 1,440**	**$ 4,000**
Preferred dividends	67	205	92	**-**	**-**
Net Income (loss)	$ (3,579)	$ (506)	$ 228	**$ 1,440**	**$ 4,000**
EPS	$ (0.14)	$ (0.02)	$ 0.01	**$ 0.04**	**$ 0.12**
Avg Shares (000)	26,148	27,100	32,206	**32,944**	**33,375**
Adjusted EBITDA	$ (1,401)	$ 1,432	$ 2,030	$ 3,185	$ 5,780
Margins					
Gross Margins	28.5%	40.0%	33.6%	**37.6%**	**38.1%**
Operating Margin	(17.9%)	2.5%	3.9%	**6.0%**	**9.9%**
Pre-Tax Margins	(27.9%)	(1.7%)	1.2%	**3.9%**	**8.3%**
Research and development	0.9%	0.8%	0.5%	**0.4%**	**0.3%**
General and administrative	45.6%	36.6%	29.3%	**31.2%**	**27.9%**
Tax Rate	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
YEAR / YEAR GROWTH					
Net Sales	4.9%	43.2%	52.6%	**32.5%**	**32.5%**

Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.
Income Statement Model – Ending January 31
Quarters FY2018A – 2020E
(in thousands)

	1Q18A	2Q18A	3Q18A	4Q18A	FY2018A	1Q19E	2Q19E	3Q19E	4Q19E	**FY2019E**	1Q20A	2Q20A	3Q20E	4Q20E	**FY2020E**
Sales - net of slotting fees, discounts	$ 5,357	$ 7,005	$ 7,351	$ 7,829	$ 27,543	$ 8,200	$ 8,000	$ 9,500	$ 10,800	**$ 36,500**	$ 11,000	$ 10,495	$ 12,900	$ 13,975	**$ 48,370**
Cost of goods sold	3,458	4,995	4,991	4,839	18,283	5,100	5,175	5,900	6,600	**22,775**	6,850	6,800	7,900	8,400	**29,950**
Gross Profit	1,900	2,010	2,360	2,991	9,261	3,100	2,825	3,600	4,200	**13,725**	4,150	3,695	5,000	5,575	**18,420**
Operating Expenses:															
Research and development	26	25	28	60	138	35	35	35	35	**140**	35	35	35	35	**140**
General and administrative	1,558	1,778	1,915	2,808	8,060	2,800	2,700	2,900	3,000	**11,400**	3,100	3,000	3,500	3,900	**13,500**
Total Operating Expenses	1,583	1,803	1,942	2,869	8,198	2,835	2,735	2,935	3,035	**11,540**	3,135	3,035	3,535	3,935	**13,640**
Operating Income (loss)	316	207	418	122	1,063	265	90	665	1,165	**2,185**	1,015	660	1,465	1,640	**4,780**
Other Income (Expense)															
Interest income (expense)	(171)	(174)	(184)	(151)	(680)	(175)	(185)	(190)	(195)	**(745)**	(190)	(185)	(200)	(205)	**(780)**
Amortization of debt discount	(17)	(9)	(30)	(7)	(63)	-	-	-	-	**-**	-	-	-	-	**-**
Total Other Income (Expense)	(188)	(183)	(214)	(158)	(743)	(175)	(185)	(190)	(195)	**(745)**	(190)	(185)	(200)	(205)	**(780)**
Pre-Tax Income	128	24	203	(36)	320	90	(95)	475	970	**1,440**	825	475	1,265	1,435	**4,000**
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Income (loss)	$ 128	$ 24	$ 203	$ (36)	$ 320	$ 90	$ (95)	$ 475	$ 970	**$ 1,440**	$ 825	$ 475	$ 1,265	$ 1,435	**$ 4,000**
Preferred dividends	47	45	-	-	92	-	-	-	-	**-**	-	-	-	-	**-**
Net Income (loss)	$ 81	$ (20)	$ 203	$ (36)	$ 228	$ 90	$ (95)	$ 475	$ 970	**$ 1,440**	$ 825	$ 475	$ 1,265	$ 1,435	**$ 4,000**
EPS	$ 0.00	$ (0.00)	$ 0.01	$ (0.00)	$ 0.01	$ 0.00	$ (0.00)	$ 0.01	$ 0.03	**$ 0.04**	$ 0.02	$ 0.01	$ 0.04	$ 0.04	**$ 0.12**
Avg Shares (000)	32,532	28,100	33,283	31,794	32,206	33,300	31,800	33,325	33,350	**32,944**	33,360	33,370	33,380	33,390	**33,375**
Adjusted EBITDA	$ 513	$ 377	$ 611	$ 529	$ 2,030	$ 515	$ 340	$ 915	$ 1,415	$ 3,185	$ 1,265	$ 910	$ 1,715	$ 1,890	$ 5,780
Margins															
Gross Margins	35.5%	28.7%	32.1%	38.2%	33.6%	37.8%	35.3%	37.9%	38.9%	**37.6%**	37.7%	35.2%	38.8%	39.9%	**38.1%**
Operating Margin	5.9%	3.0%	5.7%	1.6%	3.9%	3.2%	1.1%	7.0%	10.8%	**6.0%**	9.2%	6.3%	11.4%	11.7%	**9.9%**
Pre-Tax Margins	2.4%	0.3%	2.8%	(0.5%)	1.2%	1.1%	(1.2%)	5.0%	9.0%	**3.9%**	7.5%	4.5%	9.8%	10.3%	**8.3%**
Research and development	0.5%	0.4%	0.4%	0.8%	0.5%	0.4%	0.4%	0.4%	0.3%	**0.4%**	0.3%	0.3%	0.3%	0.3%	**0.3%**
General and administrative	29.1%	25.4%	26.0%	35.9%	29.3%	34.1%	33.7%	30.5%	27.8%	**31.2%**	28.2%	28.6%	27.1%	27.9%	**27.9%**
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**
YEAR / YEAR GROWTH															
Net Sales	36.5%	69.3%	60.6%	44.7%	52.6%	53.1%	14.2%	29.2%	37.9%	**32.5%**	34.1%	31.2%	35.8%	29.4%	**32.5%**

Source: Company reports and Taglich Brothers estimates

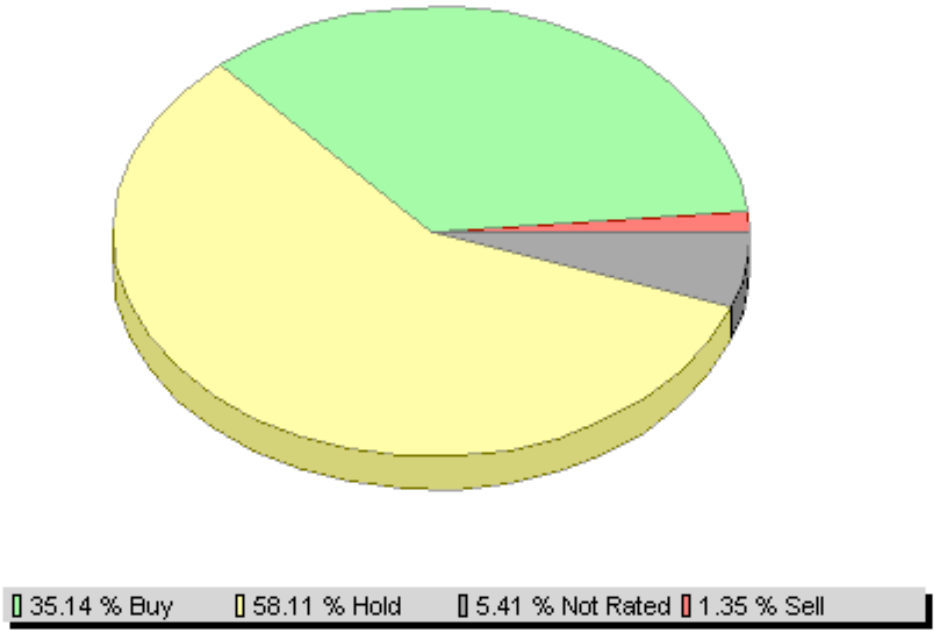
MamaMancini's Holdings, Inc.
Cash Flow Statement – Ending January 31
FY2016 – FY2020E
(in thousands)

	FY2016A	FY2017A	FY2018A	**FY2019E**	**FY2020E**
Cash Flows from Operating Activities					
Net Income (loss)	$ (3,512)	$ (301)	$ 320	**$ 1,440**	**$ 4,000**
Depreciation	286	442	538	**800**	**1,000**
Amortization of debt issuance and discount costs	327	29	63	**-**	**-**
Share-based compensation	246	598	428	**450**	**450**
Loss on disposition of fixed assets and debt extinguishment	380	-	-	**-**	**-**
Cash earnings (burn)	(2,273)	767	1,350	**2,690**	**5,450**
Changes In:					
Accounts receivable	757	(341)	(1,267)	**(72)**	**(1,062)**
Inventories	48	(249)	(18)	**(87)**	**(587)**
Prepaid expenses	(47)	29	(82)	**12**	**(25)**
Due from manufacturer and deposit with manufacturer - related party	(36)	-	-	**-**	**-**
Accounts payable and accrued expenses	291	151	1,332	**339**	**(2,298)**
Net (increase)/decrease in Working Capital	1,013	(410)	(34)	**192**	**(3,972)**
Net cash Provided (used) by Operations	(1,260)	357	1,316	**2,882**	**1,478**
Cash Flows from Investing Activities					
Cash paid for fixed assets	(208)	(553)	(1,475)	(1,500)	(1,500)
Net cash used in Investing	(208)	(553)	(1,475)	**(1,500)**	**(1,500)**
Cash Flows from Financing Activities					
Proceeds from issuance of convertible preferred stock	1,580	-	-	**-**	**-**
Stock issuance costs for preferred and common stock	(446)	-	-	**-**	**-**
Debt issuance and deferred offering costs	-	(50)	(25)	**-**	**-**
Proceeds (repayment) from credit line	(449)	404	1,339	**500**	**200**
Proceeds (repayment) of demand and promissory notes	650	(486)	(1,350)	**(1,400)**	**-**
Borrowings (repayment) from term loan	(258)	213	105	**-**	**100**
Lease obligations	-	-	-	**(210)**	**(205)**
Brrowings (repayment) from convertible note and notes payable -related party	125	(7)	-	**-**	**-**
Net cash provided by Financing	1,201	73	70	**(1,110)**	**95**
Net change in Cash	(268)	(122)	(89)	**272**	**73**
Cash Beginning of Period	855	793	671	**581**	**854**
Cash End of Period	$ 587	$ 671	$ 581	**$ 854**	**$ 927**

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	3	12
Hold		
Sell		
Not Rated		

Important Disclosures

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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:

Amplify Snack Brands Inc.	(NASDAQ: BETR)	B&G Foods Inc.	(NYSE: BGS)
Conagra Brands	(NYSE: CAG)	Farmer Brothers. Co.	(NASDAQ: FARM)
Hormel Foods	(NYSE: HRL)	Inventure Foods	(NASDAQ: SNAK)
Lifeway Foods Inc.	(NASDAQ: LWAY)	Sunopta Inc.	(NASDAQ: STKL)
Sprouts Farmers Market	(NYSE: SFM)	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.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, 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.