

## 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

September 17, 2019

**MMMB \$0.58 — (OTC)**

	FY2017 A	FY2018 A	FY2019 A	FY2020 E	FY2021 E
Revenue (in millions)	\$18.0	\$27.5	\$28.5	\$34.3	\$45.0
Earnings (loss) per share	(\$0.02)	\$0.01	\$0.02	\$0.05	\$0.11
52-Week range	\$1.00 – \$0.33		Fiscal year ends:		January
Shares outstanding a/o 09/12/19	32.0 million		Revenue/shares (ttm)		\$0.90
Approximate float	16.4 million		Price/Sales (ttm)		0.6X
Market Capitalization	\$19 million		Price/Sales (2021) E		0.4X
Tangible Book value/shr	(\$0.01)		Price/Earnings (ttm)		14.5X
Price/Book	NMF		Price/Earnings (2021) E		5.3X

*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 \$1.35 per share from \$1.25 due primarily to increased sector valuation.***

***MamaMancini's has substantial growth potential for its specialty prepared food product lines of authentic Italian meatballs. We estimate the company's offerings had approximately 45,000 shelf placements within at least 12,600 US supermarket locations. Distribution potential to new customers is significant as the Food Marketing Institute estimates the US has 38,300 supermarket locations.***

***The company 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 2H20, MMMB will have new product placements or special merchandising activity in approximately 2,500 major grocery retailer locations such as Publix, Sam's Club, Albertsons, and Tops Markets.***

***MMMB reported (on 09-12-19) 2Q20 EPS of \$0.01 on revenue of \$8.1 million. We projected EPS of \$0.01 on revenue of \$7.6 million. In 2Q18, the loss per share was (\$0.01) on revenue of \$5.6 million.***

***For FY20, we project EPS of \$0.05 (prior was \$0.06) on 20.6% sales growth to \$34.4 million (prior was \$34.3 million) reflecting 1H19 results. Our forecast reflects gross and operating expense margins of 33.1% and 27%, respectively, compared to 35% and 29.5%, in FY19.***

***For FY21, we project EPS of \$0.11 on 30.9% sales growth to \$45 million (unchanged) reflecting an increase in product shelf placements and initial penetration within food service customers. We project gross and operating expense margins of 34.2% and 25.7%, respectively, compared to 33.1% and 27%, in FY20. We anticipate gross margin improvement due primarily to plant efficiencies, offset by lower margin initial food service sales.***

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

## Appreciation Potential

**Maintaining Speculative Buy rating and increasing our twelve-month price target to \$1.35 per share from \$1.25 due primarily to increased 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 of its slow cooked Italian style sauce, meatball offerings, and meal kits including new pasta bowl offerings. In the near-term, the company, which is working toward additional shelf placements, 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 2H20, MMMB is scheduled to have new product placements or special merchandising activity in approximately 2,500 major grocery retailer locations such as Publix, Sam's Club, Albertsons, and Tops Markets.

In FY19, MMMB invested in its manufacturing capabilities in order to more easily introduce new products and create the ability to enter the food service segment that could be as large as the retail grocery segment. In 1Q19, the process of building customer relationships began in MMMB's food service segment.

**Our 12-month price target of \$1.35 per share implies shares could more than double in the next twelve months.** The company's forward P/E multiple is 5.3X (prior was 4.5X) compared to the peer group (see table on the

right) of 13.6X (prior was 12.9X). We project EPS growth of 109% in FY21 to \$0.11 from our EPS forecast of \$0.05 in FY20, compared to 14.3% EPS growth for its peers. We believe investors should accord a valuation multiple inline with its peer group based on forecasted EPS growth. We applied a 13.6X (prior was 12.9X) multiple to our FY21 EPS forecast of \$0.11, discounted for execution risk, to obtain a year-ahead value of approximately \$1.35 per share.

Name	Symbol	Price 09-16-19	Market Cap in \$Mil	Price to EBITDA 2019 E	Price to EBITDA 2020 E	P/E 2019 E	EPS Growth Rate	P/E 2020 E
B&G Foods Inc.	BGS	19.80	1300	4.2	4.2	10.8	3.4%	10.5
United Natural Foods Inc.	UNFI	12.58	634	1.1	1.0	5.9	(18.2%)	7.3
Sunopta Inc.	STKL	2.36	206	5.0	3.7	NMF	37.0%	NMF
Sprouts Farmers Market Inc	SFM	20.01	2501	8.0	7.6	18.5	3.1%	18.0
Sysco Corp.	SYU	77.13	39558	10.7	10.0	20.3	8.9%	18.6
Farmer Brothers. Co.	FARM	13.48	230	6.6	6.3	NMF	51.4%	NMF
<b>Average</b>				<b>5.9</b>	<b>5.5</b>	<b>13.9</b>	<b>14.3%</b>	<b>13.6</b>
<b>Company</b>				<b>1/31/2020</b>	<b>1/31/2021</b>	<b>1/31/2020</b>		<b>1/31/2021</b>
MamaMancini's Holdings Int	MMMB	0.58	19	6.4	3.9	9.7	109.0%	5.3

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. MMMB has produced profits in eight out of its last nine quarters. We forecast the company to generate consistent operating profits in FY20 and FY21, and produce cash earnings of \$4.5 million in FY21, up from our FY20 cash earnings projection of \$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 late in FY20.

## 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 (pictured above) include Meatball Pot Pie and Spaghetti and Meatballs.



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

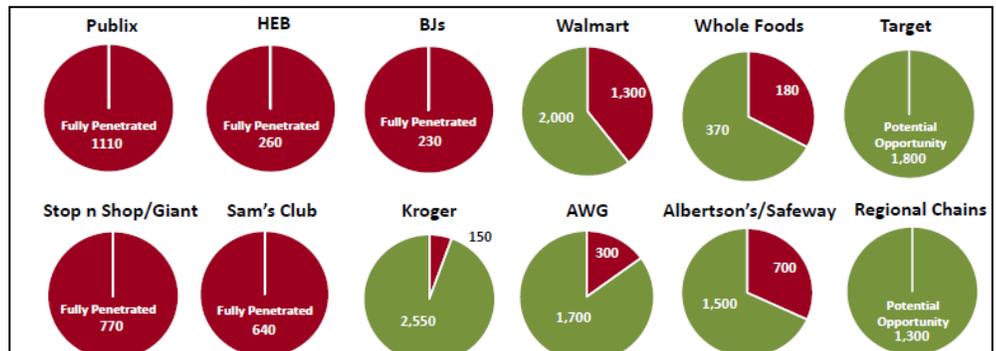
MamaMancini's Holdings, Inc. was incorporated in July 2009 in Nevada as Mascot Properties, Inc. In February 2010, MamaMancini's LLC was formed under New Jersey laws. In March 2012, the holders of MamaMancini's LLC, exchanged 4,700 units for 15 million shares of MamaMancini's Inc. common stock.

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 2018, the Food Marketing Institute (FMI) estimated there were 38,300 supermarket locations 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 on right – the company's summer 2019 presentation) to retail and grocery locations, with Publix, Stop n Shop/Giant, Sam's Club and BJ's locations fully penetrated. Five 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, as well as additional expansion within Walmart (current penetration is 1,300 locations). The company's aim is to develop merchandising and distribution programs with new customers such as Target (approximately 1,800 locations). In 1H20, the company began shipments of nine new products into retail grocery customers including BJ's Club Stores, Walmart, and Ahold (owns Stop & Shop supermarkets). In 2H20, MMB will have new product placements or special merchandising activity in approximately 2,500 major grocery retailer locations such as Publix, Sam's Club, Albertsons, and Tops Markets.



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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.



The company is in the process of developing a strategy to expand distribution of its products into the food service and alternate market channels, which could double its market size opportunity. The segments within the food service channel the company intends to build distribution relationships with include convenience stores, chain restaurants, hospital and corporate feeding, casinos, cruise lines, parks, movie theaters and potentially for the export market. The initial priority is likely to be distribution to convenience stores that have over 150,000 locations in the US. In the convenience store segment, prepared food sales more than tripled to \$375,000 per location, up from \$130,000 ten years ago (according to 2019 CSP report - Total Convenience & Petroleum Retailing Industry).

### 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 – summer 2019 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.



The 2019 industry report published by the Specialty Foods Association indicated specialty foods achieved 9.8% annualized sales growth to \$148.7 billion in 2018 from approximately \$121 billion in 2016. Specialty sales growth compares to 3.1% 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 2018, the top categories by dollar sales and sales growth were cheese and plant-based cheese and refrigerated plant-based meat alternatives, respectively.

Consulting firm Nielsen observed that the on-the-go lifestyle leaves people less time to prepare traditional meals. In 2018, sales of meal kits within the grocery store increased 51% to \$93 million due primarily to 42% growth in units sold to 7.3 million. Nielsen reported that approximately 87% of in-store meal kits included meat in 2018, with beef at 52%, followed by pork at 17% and chicken at 16%. This should provide MMMB with a significant opportunity for growth of its meatball and meatball related products.

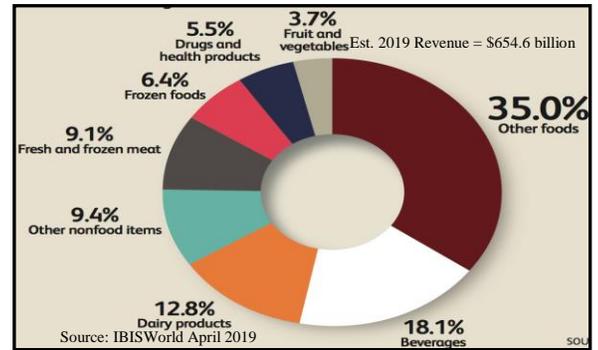
Nielson estimated US deli foods and prepared foods section sales were \$36.6 billion for the year-ended February 23, 2019. It is estimated the prepared foods section is approximately half the total sections sales. Market surveys indicate households with incomes in excess of \$100,000 are 20% more likely to purchase items in the deli prepared section of a supermarket. 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 foods lack health and nutrition and 16% believe they lack freshness.

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 approximate 6.5% compared to 2.5% for retail food and beverages, with food service growth of nearly 4%.

According to a Nielsen industry survey, US sales of organic food (for the year ending November 28, 2018) increased 9% to approximately \$21 billion.

IBISWorld estimates (see table on the right) the supermarkets and grocery stores industry will grow 1% annually to \$694.8 billion in 2025 from an estimated \$654.6 billion in 2019. 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 \$63.2 billion in 2025, up from \$59 billion in 2018.



## Projections

### Basis of Forecast

Our forecasts reflect the company growing its sales network of paid broker representatives and entry into the food service segment. In July 2018, the company hired a new West Coast VP-sales, as well as appointed a new broker network for that region. The expectation is to begin seeing West Coast product placements in 1H20. In April 2019, the company hired a VP-Business Development in order to head MamaMancini's entry into the food service and alternate market segments. Once shipments commence (latter part of calendar 2019), we anticipate a rapid increase in revenue from this segment in 2H21.

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 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 FY20 gross margin of 33.1%, down from 35% in FY19 due primarily to the inclusion of depreciation expense in cost of sales (prior was in G&A expense) related to significant plant capacity additions made by the company in FY19. In FY21, we anticipate gross margin expanding to 34.2% from our FY20 estimate of 33.1% due to realization of plant efficiencies, offset in part by commencing initial product shipments to food service customers that are likely to carry lower margins. We anticipate operating margin expense decreasing to 25.5% in FY21 from an estimated 27% in FY20 and 29.5% in FY19. During our forecast period, MMMB is unlikely to fully use its tax loss carry forwards of approximately \$10 million at April 30, 2019.

### Operations – FY20

We project net sales growth of 20.6% to \$34.4 million (prior was \$34.3 million) due to an increase in annual revenue per shelf placement to \$767, up from \$658 in FY19. The increase in annual revenue per shelf placement should stem from shipments to higher volume customers, as well as the addition of new product offerings such as its line of pasta bowls introduced in 1Q20

We project a 13.8% increase in gross profit to \$11.4 million, driven by sales gains, partly offset by gross margin contraction to 33.1% from 35% in FY19 reflecting the inclusion of depreciation expense in cost of sales of approximately \$740,000 that was previously accounted for as part of G&A expense. We project operating profits increasing 33.3% to \$2.1 million from \$1.6 million in FY19 due to sales growth and operating expense margin decreasing to 27% from 29.5% in FY19.

We anticipate operating expenses increasing 10.2% to \$9.3 million due primarily to G&A expense of \$9.2 million compared to \$8.3 million in FY19. G&A expense should increase to support sales growth. We project an operating margin of 6.1% vs. 5.5%.

Non-operating expense should decrease to \$382,000 (interest expense of \$359,000 and \$23,000 in debt discount) from a total of \$1 million (interest expense of \$882,000 and \$133,000 in debt discount). The decrease in interest expense is due primarily to lower interest rates and paying down a significant portion of its outstanding term loan.

We project net income of \$1.7 million or \$0.05 per share. We previously projected net income of \$2.1 million or \$0.06 per share.

#### Operations – FY21

We project net sales growth of 30.9% to \$45 million (unchanged) due primarily to an increase in annual revenue per shelf placement to \$845, up from an estimated \$767 in FY19, brand awareness campaigns driving increased sales by consumers within each retail and grocery location, and the full year impact from shipments to food service customers.

We project a 35.3% increase in gross profit to \$15.4 million, driven by sales gains and gross margin expansion to 34.2% from an estimated 33.1% in FY20 reflecting plant efficiencies, offset in part by initial stocking shipments to food service customers and depreciation costs for plant improvements made in prior years. We project operating profits increasing 82.9% to \$3.8 million from an estimated \$2.1 million in FY20 due to sales growth, gross margin expansion, and operating expense margin decreasing to 25.7% from an estimated 27% in FY20.

We anticipate operating expenses increasing 24.6% to \$11.6 million due to G&A expense of \$11.5 million compared to an estimated \$9.2 million in FY20. G&A expense should increase to support sales growth including expenses for the expansion of product shipments to food service customers. We project an operating margin of 8.5% vs. 6.1%.

Non-operating expense (exclusively interest expense) should decrease to \$250,000 from \$382,000 due primarily to lower average debt balances.

We project net income of \$3.6 million or \$0.11 per share, which is unchanged from our prior forecast.

#### Finances

For FY20, we project cash earnings of \$2.6 million and an increase in working capital of \$825,000 due primarily to increases in inventories and receivables and decreases in payables and accrued expenses. Cash from operations of \$1.8 million should cover capital expenditures and debt repayments, increasing cash by \$37,000 to \$646,000 at January 31, 2020.

For FY21, we project cash earnings of \$4.5 million and an increase in working capital of \$850,000 due primarily to increases in receivables and inventories and decreases in payables. Cash from operations of \$3.7 million is unlikely to cover capital expenditures and debt repayments, reducing cash by \$25,000 to \$621,000 at January 31, 2021.

### ***2Q20 and 1H20 Results***

#### 2Q20

Net sales increased 43.6% to \$8.1 million from \$5.6 million in the year-ago period. The increase in sales reflects increased product shipments to existing customers, as well as shipments to new customers, and a merchandising event with one customer.

Gross profit increased 30.5% to \$2.7 million reflecting higher sales, offset in part by gross margin compression to 33.2% from 36.6%. Gross margin compression was due primarily to the inclusion of depreciation expense of approximately \$188,000 (approximately 2.3% of sales) and a change in product mix.

MamaMancini's Holdings, Inc.

Operating expenses increased 16% to \$2.2 million due primarily to a \$298,000 increase in shipping costs stemming from higher charges from freight carriers and higher sales volume. Additional increases occurred in professional fees, commissions, and royalties compared to the year-ago period. Operating expense increases were partly offset by reductions in stock-based compensation and trade show and travel expenses.

The company reported operating income of \$451,000 compared \$130,000 in 2Q19. The improvement reflects higher sales and operating margin expense decreasing to 27.7% compared to 34.3% in the year-ago period, partly offset by gross margin compression. Operating margin was 5.6%, up from 2.3% in 2Q19.

Non-operating expense was \$93,000 compared to \$340,000 as interest expense decreased to \$87,000 from \$291,000 due primarily to a lower interest rate on a reduced debt balance. The non-operating expense increase reflects \$5,000 in amortization expense related to the debt discount, down from \$49,000 in 2Q19.

Net income was \$358,000 or \$0.01 per share compared to a net loss of \$210,000 or (\$0.01) per share. We projected EPS of \$0.01 on sales of \$7.6 million.

1H20

Net sales increased 15.6% to \$15.5 million from \$13.4 million due to selling products into higher volume locations in 2Q20, partly offset by lower 1Q20 results.

Gross profit increased 3.5% to \$5.1 million reflecting higher sales, offset in part by gross margin compression to 32.7% from 36.5%. Gross margin compression was due primarily to the inclusion of depreciation expense of approximately \$367,000 (approximately 2.4% of sales) and a shift in product mix.

Operating expenses decreased 1.8% to \$4.1 million from \$4.2 million in the year-ago period. The decrease reflects lower R&D expense, as well as reductions in stock-based compensation and advertising and promotional expenses, nearly offset by higher freight costs, commissions, and royalty expenses.

	In Thousands \$	6 Mos 20A	6 Mos 19A	% D
Net Sales		15,464	13,383	15.6%
Cost of goods sold		10,402	8,492	22.5%
<b>Gross Profit</b>		5,062	4,891	3.5%
Total Operating Expenses		4,132	4,207	(1.8%)
<b>Operating Income</b>		931	683	36.2%
Total Other Income (Expense)		(217)	(570)	
<b>Pre-Tax Income</b>		714	114	NMF
Income Tax Expense (Benefit)		-	-	
<b>Net Income (loss)</b>		714	114	NMF
<b>EPS -- Fully Diluted</b>	\$	0.02	0.00	NMF
Avg Shares Out-Fully Diluted		34,942	32,565	
<b>EBITDA</b>		1,343	1,100	22.1%
<b>Tax Rate</b>		0.0%	0.0%	
Margins				
Gross Margins		32.7%	36.5%	
Operating Margin		9.7%	7.7%	
Pre-Tax Margins		7.5%	1.3%	
Source: company reports				

The company reported operating income increased 36.2% to \$931,000 compared to \$683,000. The company's operating expense margin was 26.7% compared to 31.4% in the year-ago period. Operating margin was 9.7%, an improvement from 7.7% in 1H19.

Non-operating expense was \$217,000 compared to \$570,000 in the year-ago period. The decrease in non-operating expense was due primarily to interest expense decreasing to \$204,000 compared to \$480,000 reflecting a lower interest rate and reduced level of debt.

Net income was \$714,000 or \$0.02 per share, compared to net income of \$114,000 or breakeven per share.

Finances

In 1H20, cash earnings of \$1.2 million and an increase in working capital of \$280,000 resulted in cash from operations of \$890,000. The increase in working capital primarily reflects an increase in prepaid expenses. Cash from operations covered capital expenditures and the repayment of debt and capital lease obligations. Cash increased by \$26,000 to \$635,000 at July 31, 2019.

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 and a \$2.5 million five-year note with M&T Bank at LIBOR plus four

points with repayments in equal payments over 60 months. The new financing enabled the company to repay a previously outstanding senior note from Manatuck Hill Partners, working capital and term loans from EGC, and a term loan payable to Valley National Bank.

Advances under the new line of credit are limited to 80% of eligible accounts receivable and 50% of eligible inventory. The new 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.

MMMB estimates it initially will be paying annual interest at a rate of 6.5%, versus an average in excess of 12.5% annually with its prior financing.

At July 31, 2019, the company had total outstanding debt of \$4.9 million (down from \$5.7 million at January 31, 2019), of which \$500,000 is short-term (term loan). Outstanding long-term debt consists of \$1.1 million in term loans, a \$2.7 million line of credit, and \$642,000 of notes payable to related party.

### ***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 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:

#### Customer Concentration

In 1H20 (ended July 31, 2019), MMMB's three largest customers accounted for approximately 66% of gross sales compared to one customer accounting for 52% of gross sales in 1H19. MMMB does not have long-term contracts with its principal customers, which if lost, could diminish future sales. In 1H20, three customers accounted for approximately 61% of total gross outstanding receivables compared to one customer accounting for 49% in 1H19.

#### 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 July 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 September 16, 2019 average daily volume was approximately 19,300 shares. The company has a float of 16.4 million shares and 32 million outstanding shares.

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

	FY2017A	FY2018A	FY2019A	2Q20A	FY2020E	FY2021E
<b>ASSETS</b>						
Current assets:						
Cash	\$ 671	\$ 581	\$ 609	\$ 635	\$ 646	\$ 621
Accounts receivable, net	1,818	3,085	2,699	2,711	2,832	3,016
Inventories	807	824	1,396	1,465	1,644	2,116
Prepaid expenses	180	262	155	379	350	365
<b>Total current assets</b>	<b>3,476</b>	<b>4,752</b>	<b>4,860</b>	<b>5,191</b>	<b>5,473</b>	<b>6,117</b>
Property and equipment plus deposits, net includes deposit on machine	1,563	2,500	2,885	2,858	2,875	2,909
Operating lease right of use assets, net	-	-	-	1,557	1,534	1,534
Deposits and Debt issuance costs, net	20	20	20	20	20	20
<b>Total assets</b>	<b>\$ 5,059</b>	<b>\$ 7,272</b>	<b>\$ 7,764</b>	<b>\$ 9,626</b>	<b>\$ 9,902</b>	<b>\$ 10,580</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current liabilities:						
Accounts payable and accrued expenses	2,125	3,457	3,062	3,065	2,813	2,633
Capital leases payable	-	-	54	-	-	-
Line of credit	1,363	2,689	-	-	-	-
Term loan	140	107	500	500	500	200
Operating lease liability	-	-	-	125	125	125
Finance leases payable	-	-	-	100	100	100
Notes payable	1,402	1,403	-	-	-	-
Convertible note payable, net	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>5,030</b>	<b>7,656</b>	<b>3,616</b>	<b>3,789</b>	<b>3,538</b>	<b>3,058</b>
Term loan - net	513	652	1,914	1,119	725	-
Line of credit	-	-	2,612	2,677	2,675	1,220
Operating lease liability - net	-	-	-	1,432	1,375	1,375
Finance leases payable - net	-	-	163	340	300	148
Notes payable - includes related party	2,198	900	642	642	642	342
<b>Stockholders' equity:</b>						
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	16,642	16,672	16,897
Treasury stock and common stock subscribed	(149)	(149)	(150)	(150)	(150)	(150)
Retained earnings (deficit)	(18,358)	(18,130)	(17,580)	(16,866)	(15,876)	(12,311)
<b>Total stockholders' equity</b>	<b>(2,683)</b>	<b>(1,935)</b>	<b>(1,182)</b>	<b>(373)</b>	<b>647</b>	<b>4,437</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,059</b>	<b>\$ 7,272</b>	<b>\$ 7,764</b>	<b>\$ 9,626</b>	<b>\$ 9,902</b>	<b>\$ 10,580</b>
SHARES OUT	27,375	31,753	31,866	31,991	32,000	32,250

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	\$ <b>34,384</b>	\$ <b>45,000</b>
Cost of goods sold	<u>10,830</u>	<u>18,283</u>	<u>18,532</u>	<u><b>23,017</b></u>	<u><b>29,620</b></u>
<b>Gross Profit</b>	7,219	9,261	9,990	<b>11,367</b>	<b>15,380</b>
Operating Expenses:					
Research and development	153	138	131	<b>100</b>	<b>100</b>
General and administrative	6,609	8,060	8,294	<b>9,182</b>	<b>11,465</b>
Total Operating Expenses	<u>6,763</u>	<u>8,198</u>	<u>8,425</u>	<u><b>9,282</b></u>	<u><b>11,565</b></u>
<b>Operating Income (loss)</b>	456	1,063	1,565	<b>2,086</b>	<b>3,815</b>
Other Income (Expense)					
Interest income (expense)	(729)	(680)	(882)	<b>(359)</b>	<b>(250)</b>
Amortization of debt discount	<u>(29)</u>	<u>(63)</u>	<u>(133)</u>	<u><b>(23)</b></u>	<u><b>-</b></u>
Total Other Income (Expense)	<u>(757)</u>	<u>(743)</u>	<u>(1,015)</u>	<u><b>(382)</b></u>	<u><b>(250)</b></u>
<b>Pre-Tax Income</b>	(301)	320	550	<b>1,704</b>	<b>3,565</b>
Income Tax Expense (Benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Income (loss)</b>	<u>\$ (301)</u>	<u>\$ 320</u>	<u>\$ 550</u>	<u>\$ <b>1,704</b></u>	<u>\$ <b>3,565</b></u>
<b>Preferred dividends</b>	<u>205</u>	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Income (loss)</b>	<u>\$ (506)</u>	<u>\$ 228</u>	<u>\$ 550</u>	<u>\$ <b>1,704</b></u>	<u>\$ <b>3,565</b></u>
<b>EPS</b>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ <b>0.05</b></u>	<u>\$ <b>0.11</b></u>
Avg Shares (000)	<u>27,100</u>	<u>32,206</u>	<u>32,874</u>	<u><b>32,026</b></u>	<u><b>32,088</b></u>
Adjusted EBITDA	\$ 1,432	\$ 2,069	\$ 2,407	\$ <b>2,918</b>	\$ <b>4,715</b>
Margins					
Gross Margins	40.0%	33.6%	35.0%	<b>33.1%</b>	<b>34.2%</b>
Operating Margin	2.5%	3.9%	5.5%	<b>6.1%</b>	<b>8.5%</b>
Pre-Tax Margins	(1.7%)	1.2%	1.9%	<b>5.0%</b>	<b>7.9%</b>
Research and development	0.8%	0.5%	0.5%	<b>0.3%</b>	<b>0.2%</b>
General and administrative	36.6%	29.3%	29.1%	<b>26.7%</b>	<b>25.5%</b>
Tax Rate	0.0%	0.0%	0.0%	<b>0.0%</b>	<b>0.0%</b>
YEAR / YEAR GROWTH					
Net Sales	43.2%	52.6%	3.6%	<b>20.6%</b>	<b>30.9%</b>

Source: Company reports and Taglich Brothers estimates

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

	<u>1Q19A</u>	<u>2Q19A</u>	<u>3Q19A</u>	<u>4Q19A</u>	<u>FY2019A</u>	<u>1Q20A</u>	<u>2Q20A</u>	<u>3Q20E</u>	<u>4Q20E</u>	<u>FY2020E</u>	<u>1Q20E</u>	<u>2Q20E</u>	<u>3Q20E</u>	<u>4Q20E</u>	<u>FY2021E</u>
Sales - net of slotting fees, discounts	\$ 7,742	\$ 5,641	\$ 8,243	\$ 6,896	\$ 28,522	\$ 7,365	\$ 8,099	\$ 9,045	\$ 9,875	\$ 34,384	\$ 9,000	\$ 10,200	\$ 12,425	\$ 13,375	\$ 45,000
Cost of goods sold	4,913	3,579	5,555	4,484	18,532	4,994	5,408	6,015	6,600	23,017	6,015	6,780	8,125	8,700	29,620
<b>Gross Profit</b>	2,829	2,062	2,687	2,412	9,990	2,371	2,691	3,030	3,275	11,367	2,985	3,420	4,300	4,675	15,380
Operating Expenses:															
Research and development	30	37	32	32	131	25	25	25	25	100	25	25	25	25	100
General and administrative	2,245	1,895	2,120	2,035	8,294	1,866	2,216	2,450	2,650	9,182	2,475	2,750	3,000	3,240	11,465
Total Operating Expenses	2,275	1,932	2,151	2,067	8,425	1,891	2,240	2,475	2,675	9,282	2,500	2,775	3,025	3,265	11,565
<b>Operating Income (loss)</b>	554	130	536	346	1,565	480	451	555	600	2,086	485	645	1,275	1,410	3,815
Other Income (Expense)															
Interest income (expense)	(188)	(291)	(160)	(242)	(882)	(117)	(87)	(80)	(75)	(359)	(70)	(65)	(60)	(55)	(250)
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)	(85)	(80)	(382)	(70)	(65)	(60)	(55)	(250)
<b>Pre-Tax Income</b>	324	(210)	356	80	550	356	358	470	520	1,704	415	580	1,215	1,355	3,565
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Income (loss)</b>	\$ 324	\$ (210)	\$ 356	\$ 80	\$ 550	\$ 356	\$ 358	\$ 470	\$ 520	\$ 1,704	\$ 415	\$ 580	\$ 1,215	\$ 1,355	\$ 3,565
<b>Preferred dividends</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income (loss)</b>	\$ 324	\$ (210)	\$ 356	\$ 80	\$ 550	\$ 356	\$ 358	\$ 470	\$ 520	\$ 1,704	\$ 415	\$ 580	\$ 1,215	\$ 1,355	\$ 3,565
<b>EPS</b>	\$ 0.01	\$ (0.01)	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.05	\$ 0.01	\$ 0.02	\$ 0.04	\$ 0.04	\$ 0.11
Avg Shares (000)	34,655	31,860	32,489	32,490	32,874	32,098	31,982	32,000	32,025	32,026	32,050	32,075	32,100	32,125	32,088
Adjusted EBITDA	\$ 751	\$ 349	\$ 759	\$ 547	\$ 2,407	\$ 688	\$ 655	\$ 765	\$ 810	\$ 2,918	\$ 710	\$ 870	\$ 1,500	\$ 1,635	\$ 4,715
Margins															
Gross Margins	36.5%	36.6%	32.6%	35.0%	35.0%	32.2%	33.2%	33.5%	33.2%	33.1%	33.2%	33.5%	34.6%	35.0%	34.2%
Operating Margin	7.1%	2.3%	6.5%	5.0%	5.5%	6.5%	5.6%	6.1%	6.1%	6.1%	5.4%	6.3%	10.3%	10.5%	8.5%
Pre-Tax Margins	4.2%	(3.7%)	4.3%	1.2%	1.9%	4.8%	4.4%	5.2%	5.3%	5.0%	4.6%	5.7%	9.8%	10.1%	7.9%
Research and development	0.4%	0.7%	0.4%	0.5%	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
General and administrative	29.0%	33.6%	25.7%	29.5%	29.1%	25.3%	27.4%	27.1%	26.8%	26.7%	27.5%	27.0%	24.1%	24.2%	25.5%
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	44.5%	(19.5%)	12.1%	(11.9%)	3.6%	(4.9%)	43.6%	9.7%	43.2%	20.6%	22.2%	25.9%	37.4%	35.4%	30.9%

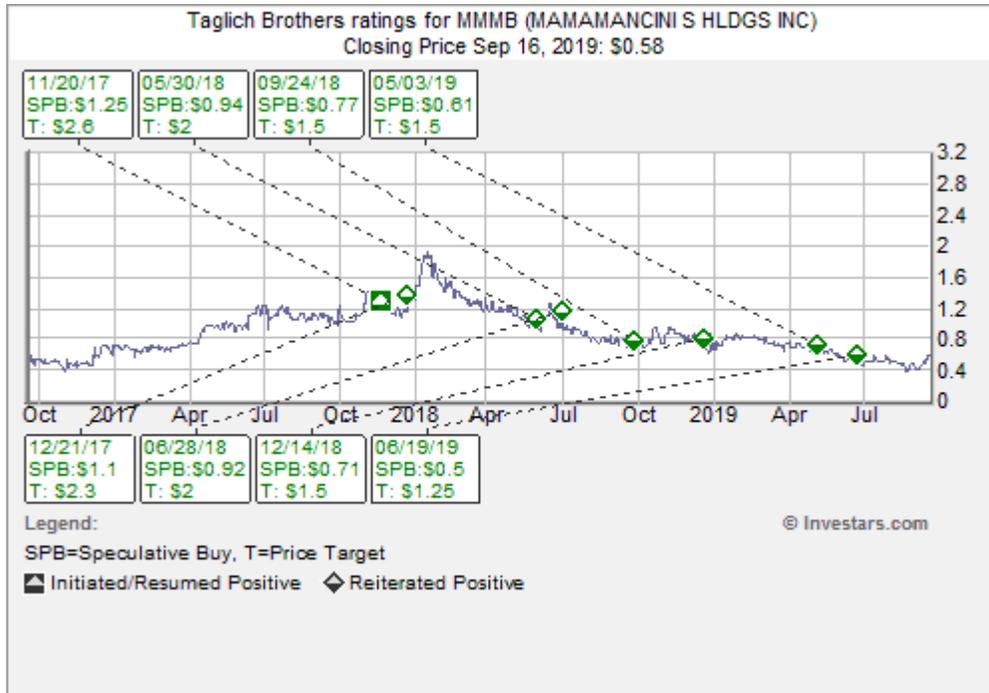
Source: Company reports and Taglich Brothers estimates

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

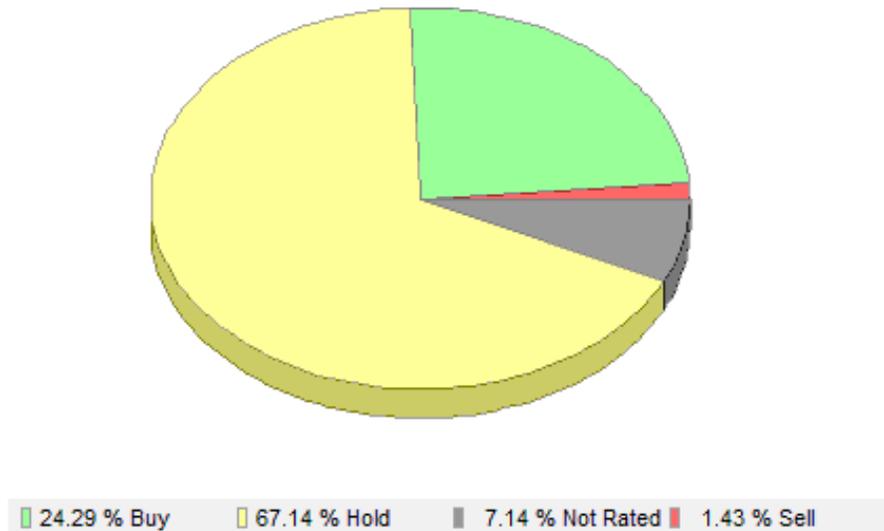
	FY2017A	FY2018A	FY2019A	6 Mos20A	FY2020E	FY2021E
<i>Cash Flows from Operating Activities</i>						
Net Income (loss)	\$ (301)	\$ 320	\$ 550	\$ 714	\$ 1,704	\$ 3,565
Depreciation	442	538	679	370	740	700
Amortization of debt issuance and discount costs	29	63	133	13	26	30
Share-based compensation	598	428	162	30	125	225
Amortization of right of use assets	-	-	-	43	43	-
Cash earnings (burn)	<u>767</u>	<u>1,350</u>	<u>1,525</u>	<u>1,170</u>	<u>2,638</u>	<u>4,520</u>
<i>Changes In:</i>						
Accounts receivable	(341)	(1,267)	386	(13)	(134)	(183)
Inventories	(249)	(18)	(572)	(69)	(248)	(472)
Prepaid expenses	29	(82)	107	(159)	(195)	(15)
Current portion of operating lease liability	-	-	-	(43)	-	-
Accounts payable and accrued expenses	151	1,332	(2)	4	(249)	(180)
Net (increase)/decrease in Working Capital	<u>(410)</u>	<u>(34)</u>	<u>(81)</u>	<u>(280)</u>	<u>(825)</u>	<u>(850)</u>
<b>Net cash Provided (used) by Operations</b>	<u>357</u>	<u>1,316</u>	<u>1,443</u>	<u>890</u>	<u>1,813</u>	<u>3,670</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>(90)</u>	<u>(250)</u>	<u>(550)</u>
<b>Net cash used in Investing</b>	<u>(553)</u>	<u>(1,475)</u>	<u>(1,034)</u>	<u>(90)</u>	<u>(250)</u>	<u>(550)</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)	65	(100)	(1,500)
Proceeds (repayment) of demand and promissory notes	(486)	(1,350)	(2,131)	-	-	-
Borrowings (repayment) from term loan	213	105	1,741	(808)	(1,208)	(1,125)
Capital lease obligations (repayment) proceeds	-	-	186	(31)	(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>
<b>Net cash provided by Financing</b>	<u>73</u>	<u>70</u>	<u>(382)</u>	<u>(774)</u>	<u>(1,526)</u>	<u>(3,145)</u>
Net change in Cash	(122)	(89)	28	26	37	(25)
Cash Beginning of Period	<u>793</u>	<u>671</u>	<u>581</u>	<u>609</u>	<u>609</u>	<u>646</u>
Cash End of Period	<u>\$ 671</u>	<u>\$ 581</u>	<u>\$ 609</u>	<u>\$ 635</u>	<u>\$ 646</u>	<u>\$ 621</u>

Source: Company reports and Taglich Brothers estimates

**Price Chart**



**Taglich Brothers Current Ratings Distribution**



<b>Investment Banking Services for Companies Covered in the Past 12 Months</b>		
Rating	#	%
Buy	2	9
Hold		
Sell		
Not Rated	1	25

### **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 MMMB 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:**

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)
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.

**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.**

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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.