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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 $0.77 — (OTC)

September 24, 2018

	FY2016 A	FY2017 A	FY2018 A	***FY2019 E***	***FY2020 E***
Revenue (in millions)	$12.6	$18.0	$27.5	***$30.5***	***$43.5***
Earnings (loss) per share	($0.14)	($0.02)	$0.01	***$0.03***	***$0.10***

52-Week range	$1.93 – $0.51	Fiscal year ends:	January
Shares outstanding a/o 9/14/18	31.9 million	Revenue/shares (ttm)	$0.87
Approximate float	16.5 million	Price/Sales (ttm)	0.9X
Market Capitalization	$25 million	Price/Sales (2020) E	0.6X
Tangible Book value/shr	($0.05)	Price/Earnings (2019) E	25.7X
Price/Book	NMF	Price/Earnings (2020) E	7.7X

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 lowering our twelve-month price target to $1.50 per share from $2.00 due to a reduced FY20 EPS forecast and diminished sector valuation.

MamaMancini's has substantial growth potential for its specialty prepared food product lines of authentic Italian meatballs. At July 31, 2018, its offerings were distributed at 12,500 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 surpassed $80 million in 2017 and should exceed $100 million in 2020.

MMMB reported (on 09-17-18) 2Q19 per share loss of ($0.01) on revenue of $5.6 million. We projected earnings of breakeven per share on revenue of $7.4 million. In 2Q18, EPS was breakeven on revenue of $7 million. 2Q19 results were impacted by changes in the purchasing offices in a number of major retail customers.

For FY19, we project EPS of $0.03 (prior was $0.06) on 10.6% sales growth to $30.5 million (prior was $34 million). The reduction in our forecast is due primarily to lower than anticipated 2Q19 results.

For FY20, we project EPS of $0.10 (prior was $0.14) on 42.8% sales growth to $43.5 million (prior was $48.6 million) reflecting product shelf placements reaching over 61,000 (prior was 62,000) on average for most of the year. Our forecast reflects gross and operating expense margins of 38.6% and 28.9%, respectively, compared to 37.6% and 31%, 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 $1.50 per share from $2.00 due to a reduced FY20 EPS forecast and diminished sector valuation. Our rating is based on a compound annual revenue growth rate of 36.3% to FY20 (from FY16) reflecting increased product shelf placements at retail and grocery locations to over 60,000 (in 2H20) of its slow cooked Italian style sauce and meatball offerings from 32,000 in FY16. At July 31, 2018, the number of retail and grocery locations distributed by the company was 12,500 for an approximate 32.5% 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 is providing operating leverage in FY19. 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 $1.50 per share implies shares could nearly double in the next twelve months. The company's forward P/E multiple is 7.3X (prior was 6.6X) compared to the peer group (see table on the right) of 19X (prior was 21.5X). We project EPS growth more than tripling in FY20 to $0.10 from our EPS forecast of $0.03 in FY19, compared to 57.5% EPS growth for five of its peers. We believe investors should accord a valuation multiple approaching the peer group based on forecasted EPS growth. We applied a 17X (prior was 18X) multiple to our FY20 EPS forecast of $0.10, discounted for execution risk, to obtain a year-ahead value of $1.50 per share.

Name	Symbol	Price 09-21-18	Market Cap in $Mil	Price to EBITDA 2018 E	Price to EBITDA 2019 E	P/E 2019 E	2020 E EPS Growth Rate	P/E 2020 E
B&G Foods Inc.	BGS	30.30	2015	5.8	5.7	14.0	3.7%	13.5
United Natural Foods Inc.	UNFI	30.97	1568	4.5	4.3	8.7	5.4%	8.3
Sunopta Inc.	STKL	7.20	625	9.4	6.6	NMF	243.0%	30.0
Sprouts Farmers Market Inc.	SFM	27.54	3658	10.8	9.6	19.8	14.4%	17.3
Farmer Brothers. Co.	FARM	27.35	464	9.0	7.5	31.4	20.8%	26.0
Average				**7.9**	**6.7**	**18.5**	57.5%	**19.0**
Company				**1/31/19**	**1/31/20**	**1/31/19**		**1/31/20**
MamaMancini's Holdings Inc.	MMMB	0.77	25	9.1	5.2	25.7	233.3%	7.7

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 cash earnings of $4.6 million in FY20, up from our FY19 cash earnings projection of $2.1 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.

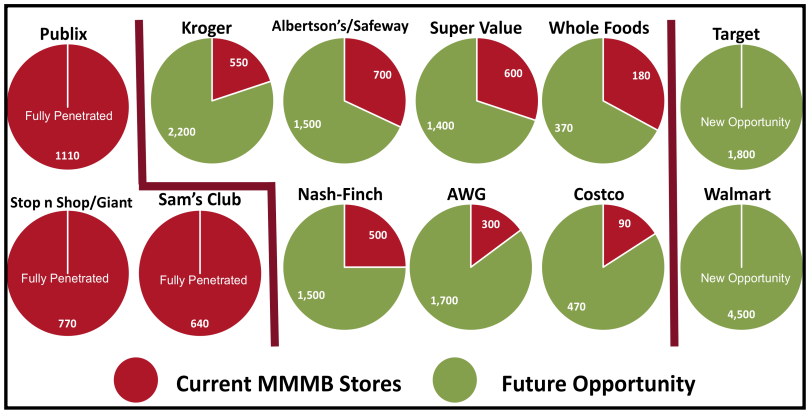
History

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 July 31, 2018, the company's distribution reached 12,500 or approximately 32.5% 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. MamaMancinis distributes (see picture on right – the company's January 2018 presentation) to 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 July 2018, product shelf placements reached approximately 42,300 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 – Summer 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.

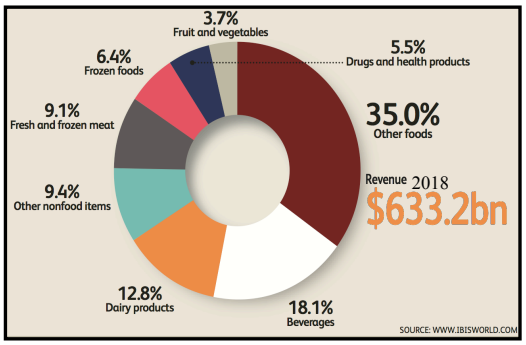
A significant competitive advantage the company should have as it builds on its brand awareness and merchandising campaigns is the taste and nutritional value of MamaMancini's offerings since 25% of consumers feel that traditional deli prepared food lacks health and nutrition and 16% believe it lacks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

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%. Technomic estimates that over the five years ended 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 2018, US sales of organic food and non-food products in 2017 was $49.4 billion, of which $45.2 billion were organic food sales for a 6.4% increase from 2016.



IBISWorld estimates the supermarkets and grocery stores industry will grow 1.6% annually to $697 billion in 2024 from an estimated $633 billion in 2018 (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 $63.4 billion in 2024, up from an estimated $57.6 billion in 2018.

Projections

Basis of Forecast

Our forecasts reflect the company growing its sales network of paid broker representatives. In July 2018, the company hired a new West Coast VP-sales, as well as appointing a new broker network for that region. In 2Q19, MMMB made approximately eight food broker changes to enhance future growth opportunities. 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 approximately 68,000 in nearly 16,000 locations, up from an estimated 55,000 in 14,000 retail and grocery locations at January 31, 2019. At July 31, 2018, the company had 42,300 product shelf placements from 12,500 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 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 38.6% 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 decreasing to 28.9% in FY20 from and estimated 31% in FY19. 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 10.6% to $30.5 million (prior was $34 million) due to the average annual number of product shelf placements increasing to nearly 48,000 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 $635 from $700 due primarily to changes in the purchasing offices in a number of major retail customers in 2Q19.

We project a 23.5% increase in gross profit to $11.4 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 increasing by approximately 89.4% to $2 million from $1.1 million in FY18 due to sales growth and gross margin expansion, offset in part by operating expense margin increasing to 31% from 29.8% in FY18.

We anticipate operating expenses increasing 15% to $9.4 million due primarily to G&A expense of $9.3 million compared to $8.1 million in FY18. G&A expense will increase to support sales growth and expand merchandising programs to increase product penetration at existing supermarket locations. We project an operating margin of 6.6% vs. 3.9%.

Non-operating expense should increase to $900,000 (interest expense of $810,000 and $90,000 in debt discount amortization) from $743,000 (interest expense of $680,000 and $63,000 in debt discount amortization). Higher interest expense is due primarily to a one-time $113,000 fee to extend the maturity date of its note with Manatuck Hill Partners.

We project net income of $1.1 million or $0.03 per share. We previously projected net income of $2.2 million or $0.06 per share.

Operations – FY20

We project net sales growth of 42.8% to $43.5 million (prior was $48.6 million) due to the average annual number of product shelf placements increasing to over 61,000 from nearly 48,000, 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 $710 from $635 in FY19. The increase should reflect increased customer penetration and higher reorder rates.

We project a 46.9% increase in gross profit to $16.8 million, driven by sales gains and gross margin improvement to 38.6% 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 $4.2 million from an estimated $2 million in FY19 due to sales growth, gross margin expansion, and operating expense margin decreasing to 28.9% from 31% in FY19.

We anticipate operating expenses increasing 33.4% to $12.6 million due primarily to G&A expense of $12.4 million compared to $9.3 million in FY19. G&A expense will increase to support sales growth. We project an operating margin of 9.7% vs. 6.6%.

Non-operating expense (exclusively interest expense) should decrease to $610,000 from a total of $900,000 (interest expense of $810,000 and $90,000 in debt discount amortization). The decrease in interest expense is due primarily to lower average debt balances.

We project net income of $3.6 million or $0.10 per share. We previously projected net income of $4.9 million or $0.14 per share.

Finances

For FY19, we project cash earnings of $2.1 million and a decrease in working capital of $374,000 due to a decrease in receivables, offset in part by an increase in inventories and a decrease in payables and accrued expenses. Cash from operations of $2.5 million is unlikely to cover capital expenditures and debt repayment reducing cash by $55,000 to $527,000 at January 31, 2019.

For FY20, we project cash earnings of $4.6 million and an increase in working capital of $2 million due primarily to decreases in accruals and payables and increases in inventories and receivables. Cash from operations of $2.6 million is unlikely to cover capital expenditures and debt repayments, reducing cash by $156,000 to $371,000 at January 31, 2020.

2Q19 and 1H19 Results

2Q19

For the three months ended July 31, 2018, net sales decreased 19.5% to $5.6 million compared to $7 million in the year-ago period. Lower sales reflects changes in the purchasing offices in a number of the company's major retailer customers that reduced volumes at some locations, as well as a very hard comparison from last year due to

extraordinarily high one-time customer inventory build. The company sold into 12,500 retail and grocery store locations compared to 11,900 in the year-ago period. The number of product shelf placements increased to 42,300 compared to 40,600 in 2Q18.

Gross profit decreased 12.4% to $2.1 million reflecting lower sales, partly offset by gross margins expanding to 36.6% from 33.6%. Gross margin improved due to manufacturing efficiencies and cost control.

Operating expenses decreased 2.8% to $1.9 million due primarily to lower freight costs and commissions reflecting lower sales (approximately $102,000 combined). Advertising, social media, and promotional expenses decreased $21,000 compared to the year-ago period, primarily due to fewer in-store demonstrations, as well as a $20,000 reduction in stock-based compensation for services rendered by employees and consultants, and $24,000 lower trade show and travel expenses. Partly offsetting the decreases in operating expenses were increases in payroll expense of $72,000, depreciation expense of $70,000 due to the purchase of new fixed assets, and a $30,000 increase in other G&A expenses. The company reported operating income of $130,000 compared to $365,000 in 2Q18. The decrease in operating income reflects lower sales, offset in part by gross margin expansion and lower operating expenses. The company's operating expense margin was to 34.3% from 28.4% in the year-ago period. Operating margin was 2.3%, down from 5.2% in the year-ago period.

Non-operating expense was $340,000 compared to $197,000 in 2Q18. Interest expense increased to $291,000 from $188,000. In 2Q19, interest expense included nearly $113,000 in non-recurring charges related to the extension of a promissory note to May 1, 2019. The non-operating expense increase reflects $49,000 in amortization expense related to the debt discount, up from $9,000 in the year-ago period.

Net loss to common shareholders was $210,000 or ($0.01) per share compared to net income to common shareholders of $124,000 or breakeven per share, after preferred dividends of $45,000. In 2Q19, there were no preferred dividends recorded. We projected EPS of $0.01 on sales of $7.4 million.

1H19

Net sales increased 8.3% to $13.4 million from $12.4 million due to selling products into higher volume locations in 1Q19, partly offset by lower 2Q19 results.

Gross profit increased 13.9% to $4.9 million reflecting higher sales and gross margins expanding to 36.5% from 34.7%. Gross margin improvement reflects the manufacturing efficiencies generated after its primary manufacturer (Joseph Epstein Food Enterprises) was acquired in November 2017.

Operating expenses increased 12.7% to $4.2 million from $3.7 million in the year-ago period, reflecting higher freight costs, commissions, royalty, and depreciation expenses, partly offset by a reduction in stock-based compensation for services rendered by employees and consultants. The company reported operating income increased 21.4% to $683,000 compared to $563,000. The company's operating expense margin was 31.4% from 30.2% in the year-ago period. Operating margin was 7.1%, an improvement from 6.3% in 1H18.

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Net Sales	13,383	12,363	8.3%
Cost of goods sold	8,492	8,068	5.3%
Gross Profit	4,891	4,295	13.9%
Total Operating Expenses	4,207	3,732	12.7%
Operating Income	683	563	21.4%
Total Other Income (Expense)	(570)	(399)	
Pre-Tax Income	114	164	NMF
Income Tax Expense (Benefit)	-	-	
Income (loss)	$ 114	$ 164	NMF
Less: Preferred dividends	-	92	
Net Income (loss)	114	73	
EPS -- Fully Diluted	$ 0.00	$ 0.00	NMF
Avg Shares Out-Fully Diluted	32,565	30,675	
EBITDA	1,100	930	18.3%
Tax Rate	*0.0%*	*0.0%*	
Margins			
Gross Margins	36.5%	34.7%	
Operating Margin	7.1%	6.3%	
Pre-Tax Margins	1.2%	1.8%	

Source: company reports

Non-operating expense was $570,000 compared to $399,000 in the year-ago period. The increase in non-operating expense was due primarily to interest expense increasing to $480,000 compared to $373,000 reflecting higher debt levels and one-time cost to extend the maturity date of a promissory note.

Net income to common shareholders was $114,000 or breakeven per share, compared to net income to common shareholders of $73,000 or breakeven per share, after preferred dividends of $92,000 in the year-ago period.

Finances
In 1H19, cash earnings of $621,000 and a decrease in working capital of $820,000 resulted in cash from operations of $1.4 million. The decrease in working capital reflects a decrease in receivables, partly offset by an increase in inventories and decreases in payables and accruals. Cash from operations and borrowings did not cover capital expenditures and repayment of debt. Cash decreased by $234,000 to $347,000 at July 31, 2018.

Capital Structure
At July 31, 2018, the company had total outstanding debt of $5.2 million, of which $4 million is short-term. Short-term debt includes note payable to Manatuck Hill Partners of $1.6 million, a line of credit of nearly $2 million, and a term loan of nearly $316,000. Long-term debt includes a term loan of $648,000 and notes payable to related party of $532,000.

On July 17, 2018, the company extended the maturity date of the Manatuck Hill Partners note to May 1, 2019. The company paid a one-time fee of nearly $113,000 to Manatuck or approximately 2% of the mutually agreed pro-forma balance payable, which included all accrued interest.

In September 2014, MMMB entered into a loan and security agreement with Entrepreneur Growth Capital (EGC), which contains a line of credit. The total facility (as amended in September 2016) provides for an aggregate principal amount of up to $3.2 million. In May 2018, the agreement was amended to extend the termination date to October 1, 2020. In June 2018, the line was increased by $300,000, which was personally guaranteed by the CEO. 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. On June 6, 2018, the company executed a 4% $300,000 secured promissory note with Entrepreneur Growth Capital LLC that will maturity on June 1, 2020.

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 July 31, 2018, the outstanding principal balance was $110,000. 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 April 30, 2018 was $532,000.

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:

Operating History
From February 2010 to July 31, 2018, the company's net accumulated deficit was $18 million. MamaMancini's ability to maintain and grow profitability achieved since 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.

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, 2018, 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 will increase its personnel resources and technical accounting expertise within the accounting function when funds are available.

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 September 21, 2018 average daily volume was approximately 22,100 shares. The company has a float of 16.5 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	2Q19A	FY2019E	FY2020E
ASSETS						
Current assets:						
Cash	$ 587	$ 671	$ 581	$ 347	$ 527	$ 371
Accounts receivable, net	1,477	1,818	3,085	1,750	1,860	2,109
Inventories	253	807	824	1,280	1,119	1,335
Prepaid expenses	154	180	262	319	319	250
Due from manufacturer - related party	2,249	-	-	-	-	-
Total current assets	**4,720**	**3,476**	**4,752**	**3,695**	**3,824**	**4,065**
Property and equipment plus deposits, net includes deposit on machinery	1,047	1,563	2,500	3,096	3,106	3,300
Deposits and Debt issuance costs, net	-	20	20	20	20	20
Total assets	**$ 5,767**	**$ 5,059**	**$ 7,272**	**$ 6,812**	**$ 6,950**	**$ 7,385**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable and accrued expenses	770	2,125	3,457	3,061	2,958	1,335
Capital leases payable	-	-	-	54	50	40
Line of credit	933	1,363	2,689	1,985	1,685	1,535
Term loan	120	140	107	316	300	-
Promissory note - related party	392	-	-	110	110	-
Notes payable	-	1,402	1,403	1,631	1,231	-
Convertible note payable, net	2,540	-	-	-	-	-
Total current liabilities	**4,754**	**5,030**	**7,656**	**7,156**	**6,334**	**2,910**
Term loan - net	320	513	652	648	488	488
Demand note, notes payable related party, and prommisory note, net	70	-	-	-	-	-
Capital leases payable - net	-	-	-	177	177	177
Notes payable - includes related party	-	2,198	900	532	532	471
Stockholders' equity:						
Common stock, $0.00001 par value; authorized 250,000,000 shares	0	0	0	0	0	0
Paid-in capital	14,955	15,825	16,345	16,464	16,585	16,885
Treasury stock and common stock subscribed	(149)	(149)	(149)	(150)	(150)	(150)
Retained earnings (deficit)	(14,182)	(18,358)	(18,130)	(18,016)	(17,016)	(13,396)
Total stockholders' equity	**623**	**(2,683)**	**(1,935)**	**(1,702)**	**(581)**	**3,339**
Total liabilities and stockholders' equity	**$ 5,767**	**$ 5,059**	**$ 7,272**	**$ 6,812**	**$ 6,950**	**$ 7,385**
SHARES OUT	26,508	27,375	31,753	31,866	31,850	31,860

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	**$ 30,458**	**$ 43,505**
Cost of goods sold	9,006	10,830	18,283	**19,017**	**26,700**
Gross Profit	3,597	7,219	9,261	**11,441**	**16,805**
Operating Expenses:					
Research and development	108	153	138	**137**	**140**
General and administrative	5,749	6,609	8,060	**9,290**	**12,435**
Total Operating Expenses	5,857	6,763	8,198	**9,427**	**12,575**
Operating Income (loss)	(2,259)	456	1,063	**2,013**	**4,230**
Other Income (Expense)					
Interest income (expense)	(555)	(729)	(680)	**(810)**	**(610)**
Amortization of debt discount	(262)	(29)	(63)	**(90)**	**-**
Total Other Income (Expense)	(1,252)	(757)	(743)	**(900)**	**(610)**
Pre-Tax Income	(3,512)	(301)	320	**1,114**	**3,620**
Income Tax Expense (Benefit)	-	-	-	**-**	**-**
Income (loss)	$ (3,512)	$ (301)	$ 320	**$ 1,114**	**$ 3,620**
Preferred dividends	67	205	92	**-**	**-**
Net Income (loss)	$ (3,579)	$ (506)	$ 228	**$ 1,114**	**$ 3,620**
EPS	$ (0.14)	$ (0.02)	$ 0.01	**$ 0.03**	**$ 0.10**
Avg Shares (000)	26,148	27,100	32,206	**33,957**	**34,660**
Adjusted EBITDA	$ (1,401)	$ 1,432	$ 2,069	**$ 2,870**	**$ 5,110**
Margins					
Gross Margins	28.5%	40.0%	33.6%	**37.6%**	**38.6%**
Operating Margin	(17.9%)	2.5%	3.9%	**6.6%**	**9.7%**
Pre-Tax Margins	(27.9%)	(1.7%)	1.2%	**3.7%**	**8.3%**
Research and development	0.9%	0.8%	0.5%	**0.5%**	**0.3%**
General and administrative	45.6%	36.6%	29.3%	**30.5%**	**28.6%**
Tax Rate	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
YEAR / YEAR GROWTH					
Net Sales	4.9%	43.2%	52.6%	**10.6%**	**42.8%**

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	1Q19A	2Q19A	3Q19E	4Q19E	**FY2019E**	1Q20A	2Q20A	3Q20E	4Q20E	**FY2020E**
Sales - net of slotting fees, discounts	$ 5,357	$ 7,005	$ 7,351	$ 7,829	$ 27,543	$ 7,742	$ 5,641	$ 8,000	$ 9,075	**$ 30,458**	$ 9,605	$ 10,150	$ 11,250	$ 12,500	**$ 43,505**
Cost of goods sold	3,415	4,653	4,991	4,839	18,283	4,913	3,579	4,975	5,550	**19,017**	6,000	6,300	6,850	7,550	**26,700**
Gross Profit	1,942	2,353	2,360	2,991	9,261	2,829	2,062	3,025	3,525	**11,441**	3,605	3,850	4,400	4,950	**16,805**
Operating Expenses:															
Research and development	34	33	28	60	138	30	37	35	35	**137**	35	35	35	35	**140**
General and administrative	1,711	1,954	1,915	2,808	8,060	2,245	1,895	2,400	2,750	**9,290**	2,885	2,900	3,175	3,475	**12,435**
Total Operating Expenses	1,745	1,987	1,942	2,869	8,198	2,275	1,932	2,435	2,785	**9,427**	2,920	2,935	3,210	3,510	**12,575**
Operating Income (loss)	198	365	418	122	1,063	554	130	590	740	**2,013**	685	915	1,190	1,440	**4,230**
Other Income (Expense)															
Interest income (expense)	(181)	(188)	(184)	(151)	(680)	(188)	(291)	(165)	(165)	**(810)**	(160)	(155)	(150)	(145)	**(610)**
Amortization of debt discount	(21)	(9)	(30)	(7)	(63)	(41)	(49)	-	-	**(90)**	-	-	-	-	**-**
Total Other Income (Expense)	(202)	(197)	(214)	(158)	(743)	(230)	(340)	(165)	(165)	**(900)**	(160)	(155)	(150)	(145)	**(610)**
Pre-Tax Income	(4)	168	203	(36)	320	324	(210)	425	575	**1,114**	525	760	1,040	1,295	**3,620**
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Income (loss)	$ (4)	$ 168	$ 203	$ (36)	$ 320	$ 324	$ (210)	$ 425	$ 575	**$ 1,114**	$ 525	$ 760	$ 1,040	$ 1,295	**$ 3,620**
Preferred dividends	47	45	-	-	92	-	-	-	-	**-**	-	-	-	-	**-**
Net Income (loss)	$ (51)	$ 124	$ 203	$ (36)	$ 228	$ 324	$ (210)	$ 425	$ 575	**$ 1,114**	$ 525	$ 760	$ 1,040	$ 1,295	**$ 3,620**
EPS	$ (0.00)	$ 0.00	$ 0.01	$ (0.00)	$ 0.01	$ 0.01	$ (0.01)	$ 0.01	$ 0.02	**$ 0.03**	$ 0.02	$ 0.02	$ 0.03	$ 0.04	**$ 0.10**
Avg Shares (000)	27,811	28,100	33,283	31,794	32,206	34,655	31,860	34,655	34,655	**33,957**	34,660	34,660	34,660	34,660	**34,660**
Adjusted EBITDA	$ 395	$ 535	$ 611	$ 529	$ 2,069	$ 751	$ 349	$ 810	$ 960	**$ 2,870**	$ 905	$ 1,135	$ 1,410	$ 1,660	**$ 5,110**
Margins															
Gross Margins	36.3%	33.6%	32.1%	38.2%	33.6%	36.5%	36.6%	37.8%	38.8%	**37.6%**	37.5%	37.9%	39.1%	39.6%	**38.6%**
Operating Margin	3.7%	5.2%	5.7%	1.6%	3.9%	7.1%	2.3%	7.4%	8.2%	**6.6%**	7.1%	9.0%	10.6%	11.5%	**9.7%**
Pre-Tax Margins	(0.1%)	2.4%	2.8%	(0.5%)	1.2%	4.2%	(3.7%)	5.3%	6.3%	**3.7%**	5.5%	7.5%	9.2%	10.4%	**8.3%**
Research and development	0.6%	0.5%	0.4%	0.8%	0.5%	0.4%	0.7%	0.4%	0.4%	**0.5%**	0.4%	0.3%	0.3%	0.3%	**0.3%**
General and administrative	31.9%	27.9%	26.0%	35.9%	29.3%	29.0%	33.6%	30.0%	30.3%	**30.5%**	30.0%	28.6%	28.2%	27.8%	**28.6%**
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%	44.5%	(19.5%)	8.8%	15.9%	**10.6%**	24.1%	79.9%	40.6%	37.7%	**42.8%**

Source: Company reports and Taglich Brothers estimates

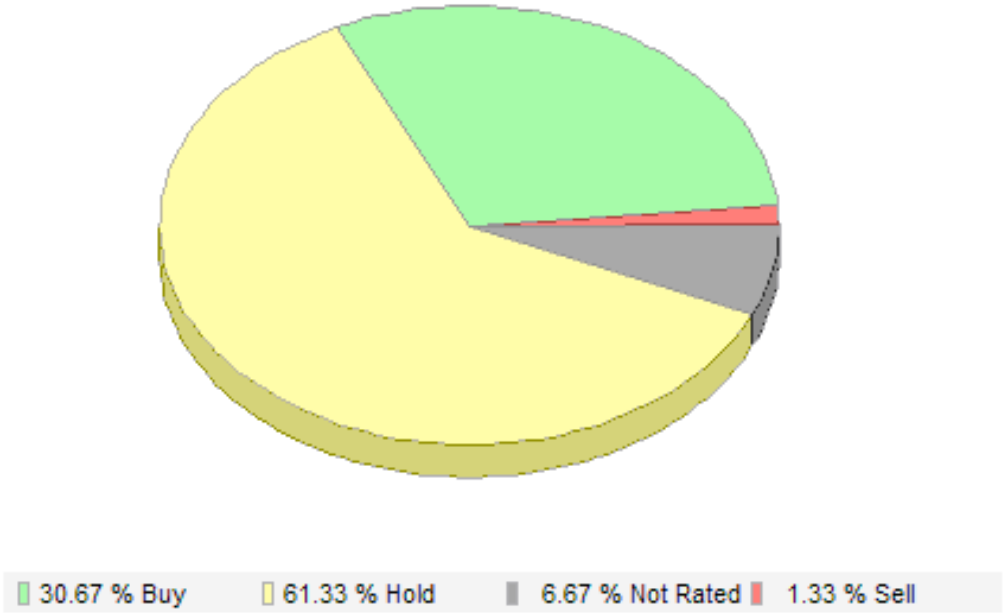
MamaMancini's Holdings, Inc.
Cash Flow Statement – Ending January 31
FY2016 – FY2020E
(in thousands)

	FY2016A	FY2017A	FY2018A	6 Mos19A	**FY2019E**	**FY2020E**
Cash Flows from Operating Activities						
Net Income (loss)	$ (3,512)	$ (301)	$ 320	$ 114	**$ 1,114**	**$ 3,620**
Depreciation	286	442	538	338	**680**	**690**
Amortization of debt issuance and discount costs	327	29	63	90	**90**	**-**
Share-based compensation	246	598	428	79	**200**	**300**
Loss on disposition of fixed assets and debt extinguishment	380	-	-	-	**-**	**-**
Cash earnings (burn)	(2,273)	767	1,350	621	**2,084**	**4,610**
Changes In:						
Accounts receivable	757	(341)	(1,267)	1,335	**1,225**	**(249)**
Inventories	48	(249)	(18)	(455)	**(294)**	**(216)**
Prepaid expenses	(47)	29	(82)	(57)	**(57)**	**69**
Due from manufacturer and deposit with manufacturer - related party	(36)	-	-	-	**-**	**-**
Accounts payable and accrued expenses	291	151	1,332	(3)	**(499)**	**(1,623)**
Net (increase)/decrease in Working Capital	1,013	(410)	(34)	820	**374**	**(2,020)**
Net cash Provided (used) by Operations	(1,260)	357	1,316	1,440	**2,458**	**2,590**
Cash Flows from Investing Activities						
Cash paid for fixed assets	(208)	(553)	(1,475)	(904)	(1,000)	(750)
Net cash used in Investing	(208)	(553)	(1,475)	(904)	**(1,000)**	**(750)**
Cash Flows from Financing Activities						
Proceeds from issuance of convertible preferred stock	1,580	-	-	-	**-**	**-**
Proceeds from issuance of common stock and excerise of options	-	-	-	40	**40**	**-**
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	(709)	**(1,000)**	**(150)**
Proceeds (repayment) of demand and promissory notes	650	(486)	(1,350)	(500)	**(900)**	**(1,231)**
Borrowings (repayment) from term loan	(258)	213	105	205	**205**	**(300)**
Lease obligations (payment) proceeds	-	-	-	201	**150**	**(205)**
Brrowings (repayment) from convertible note and notes payable -related party	125	(7)	-	(8)	**(8)**	**(110)**
Net cash provided by Financing	1,201	73	70	(771)	**(1,513)**	**(1,996)**
Net change in Cash	(268)	(122)	(89)	(234)	**(55)**	**(156)**
Cash Beginning of Period	855	793	671	581	**581**	**527**
Cash End of Period	$ 587	$ 671	$ 581	$ 347	**$ 527**	**$ 371**

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	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 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.

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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)

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.