

## 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

December 16, 2020

**MMMB \$1.81 — (OTC)**

	FY2018 A	FY2019 A	FY2020 A	FY2021 E	FY2022 E
Revenue (in millions)	\$27.5	\$28.5	\$34.8	<b>\$42.1</b>	<b>\$55.6</b>
Earnings (loss) per share	\$0.01	\$0.02	\$0.04	<b>\$0.10</b>	<b>\$0.19</b>

52-Week range	\$2.43 – \$0.77	Fiscal year ends:	January
Shares outstanding a/o 12/10/20	35.6 million	Revenue/shares (ttm)	\$1.21
Approximate float	16.7 million	Price/Sales (ttm)	1.5X
Market Capitalization	\$64 million	Price/Sales (2022) E	1.2X
Tangible Book value/shr	\$0.16	Price/Earnings (ttm)	22.6X
Price/Book	11.3X	Price/Earnings (2022) E	9.5X

*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 \$3.75 per share from \$3.25 due primarily to increased sector valuation and a reduced risk profile.***

***The company's reduced risk profile reflects the exercise of warrants that enabled MMMB to repay its outstanding debt as of November 19, 2020 as well as our cash per share forecast of \$0.17 in FY22, up from \$0.02 per share in FY19. We anticipate our cash earnings forecast should support the company's working capital needs to grow revenue 32% in FY22.***

***Supporting our forecasts are new product authorizations (nearly 4,000 locations) the company obtained in 3Q21, as well as the engagement of B&A Food Brokers that should enable MMMB to penetrate the food service industry more easily within the US Mid-Atlantic region, as well as strategic national accounts.***

***While COVID-19 pandemic conditions are likely to keep overall revenue growth contained in 4Q21, operating efficiencies at the company should drive net income growth during our forecast period. Operating efficiencies reflect past and ongoing programs to allow for the easy introduction of new products along with increased automation to reduce personnel and shipping costs.***

***MMMB reported (on 12-14-20) 3Q21 EPS of \$0.02 on 6.8% revenue growth to \$9.9 million. We projected EPS of \$0.02 on revenue of \$10.5 million. In 3Q20, EPS was \$0.01 on revenue of \$9.3 million.***

***For FY21, we reduced our EPS forecast by \$0.01 to \$0.10 on 20.8% sales growth to \$42.1 million (prior was \$43.5 million). Our reduced EPS forecast reflects average shares outstanding increasing to an estimated 34.8 million from 33.9 million, due to the exercise of warrants. Reduced sales reflects the COVID-19 environment.***

***For FY22, we are maintaining our EPS and sales forecasts of \$0.19 per share and \$55.6 million, respectively. We anticipate COVID-19 pandemic restrictions abating in 2H22 that is likely to support our 32% revenue growth forecast. Our EPS forecast reflects improved operating expense margin to 20.5% from 23.7% in FY21, as well as gross margin improving to 32.7% from an estimated 32% in FY21.***

***Please view our Disclosures on pages 13 – 15.***

## Appreciation Potential

**Maintaining Speculative Buy rating and increasing our twelve-month price target to \$3.75 per share from \$3.25 due primarily to increased sector valuation and a reduced risk profile.** The company's reduced risk profile reflects the exercise of warrants that enabled MMMB to repay its outstanding debt as of November 19, 2020, as well as our cash per share forecast of \$0.17 in FY22, up from \$0.02 per share in FY19. We anticipate our cash earnings forecast should support the company's working capital needs to grow revenue 32% in FY22.

In FY22, we anticipate operating expense margin improving to 20.5% from an estimated 23.7% in FY20. The operating efficiencies are from past and ongoing programs to allow for easy introduction of new products along with increased automation to reduce personnel and shipping costs.

Our rating should be supported by new 3Q21 product authorizations of nearly 4,000 locations from new and existing customers, and the engagement of B&A Food Brokers that should enable the company to more easily penetrate the food service industry within the US Mid-Atlantic region, as well as strategic national accounts.

**Our 12-month price target of \$3.75 per share implies shares could more than double over the next twelve months.** The company's forward P/E multiple is 9.5X (prior was 10.5X) compared to the peer group (see table on the right) of 25.78X (prior was 23.6X).

We project FY22 EPS growth of 90% to \$0.19 from our forecast of \$0.10 per share in FY21, compared to 11.6% EPS growth for its peers. We believe investors are likely to provide a valuation multiple approaching that of the company's peer group based on our forecasted 90% EPS growth and cash per share reaching \$0.17 in FY22, compared to \$0.02 in FY19, as well as the company being debt free as of November 19, 2020. We applied a 22X (prior was 20X) multiple to our FY22 EPS forecast of \$0.19, discounted for execution risk, to obtain a year-ahead value of approximately \$3.75 per share.

	Symbol	Price 12-15-20	Market Cap in \$Mil	P/E 2020 E (Dec.)	Earnings Growth Rate Est.	P/E 2021 E (Dec.)
B&G Foods Inc.	BGS	29.16	1874	12.5	(3.0%)	12.8
United Natural Foods Inc.	UNFI	15.20	831	4.8	(1.6%)	4.8
Sunopta Inc.	STKL	10.06	905	NMF	NMF	67.1
Sprouts Farmers Market Inc.	SFM	19.80	2335	8.7	(22.9%)	11.3
Hain Celestial Group Inc.	HAIN	37.83	3807	29.6	14.1%	25.9
Landec Corp.	LNDC	11.34	332	NMF	NMF	35.4
Sysco Corp.	SYY	74.31	37851	40.2	71.4%	23.4
Farmer Brothers. Co.	FARM	3.86	68	NMF	NMF	NMF
<b>Average</b>				<b>19.1</b>	<b>11.6%</b>	<b>25.8</b>
<b>Company</b>				<b>1/31/2021</b>		<b>1/31/2022</b>
MamaMancini's Holdings Inc.	MMMB	1.81	64	18.1	90.0%	9.5

Source: Taglich Brothers estimates and Yahoo Finance -- MMMB Year Ends Jan. 2021 and 2022, 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 its last nine quarters. We forecast MMMB to generate operating profits in FY21 and FY22 and produce cash earnings of \$7.9 million in FY22, up from our FY21 cash earnings projection of \$4.3 million and \$2.4 million reported in FY20.

**In our view this stock is suitable for risk-tolerant investors.** Revenue growth and reaching our earnings expectations for FY22/21 will depend on MMMB successfully increasing its penetration of supermarket locations and shelf placements, as well as continuing programs to increase operating efficiencies at its manufacturing facility.

## 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 include Meatball Pot Pie and Spaghetti and Meatballs.

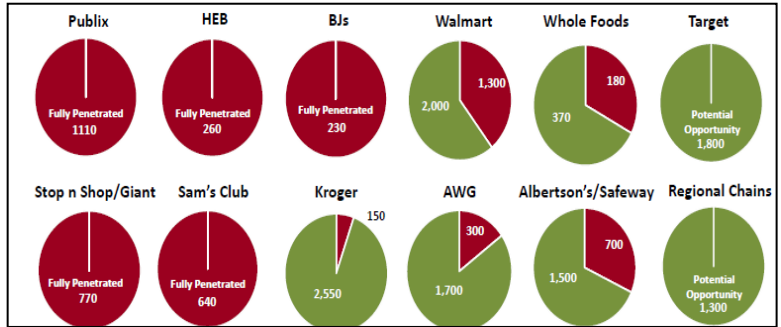
The company's all natural products contain a minimum number of ingredients and are generally derived from the original recipes of Anna "Mama" Mancini. The products are aimed at appealing to health-conscious consumers who seek to avoid artificial flavors, synthetic colors and preservatives that are used 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.

**Product Distribution Growth**

The Food Marketing Institute (FMI) estimates there are 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.



MamaMancinis distributes (see picture above – September 2020 presentation) to retail and grocery locations, with Publix, Stop n Shop/Giant, Sam's Club and BJ's locations fully penetrated. Five other supermarket stores still have significant growth opportunities in terms of location expansion. The company's aim is to develop merchandising and distribution programs with new customers such as Target (approximately 1,800 locations).

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 4Q20, MMMB had 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 3Q21, MMMB announced new product authorizations that includes a cycle rotation at select 1,500 Walmart locations, as well as additions in merchandising locations at 500 Whole Foods Kitchens, 500 Winn Dixie locations, and 170 Weis Supermarkets. Also, the company has authorizations to expand into 1,250 Publix Super Markets locations and select Sam's Club locations, and a Michigan distributor that serves 5,000+ accounts.

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

Due to the COVID-19 pandemic environment, the company has experienced unanticipated delays in entering the food service and alternate market channels, which could double its market size opportunity.

**Industry Dynamics**

The market for the company's specialty and prepared foods offerings of authentic Italian meatballs includes several perimeter sections of a supermarket, including deli-prepared foods, refrigerated meal kits, and the specialty section of the meat department such as the fresh hot bar (see chart at right – September 2020 presentation).

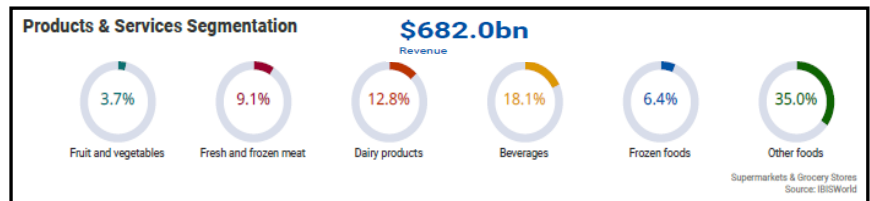
Consumer surveys, industry trends, and market growth indicate MamaMancini's product offerings are positioned for profitable growth through our forecast period. Consumer surveys funded by the Beef Checkoff



(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 2020 industry report published by the Specialty Foods Association indicated specialty foods achieved 10.7% annualized sales growth to \$158.4 billion in 2019 from approximately \$129.3 billion in 2017. The report projects 13.3% growth for the specialty food market in 2020. The first four months of 2020 saw specialty foods sales increase 17.3%, but due to the COVID-19 pandemic environment, sales are likely to slow each month for the rest of the year. Even with the COVID-19 pandemic environment, the report believes that grocery sales should remain above average through 2021 driven in part by growing online sales as fresh perimeter departments begin to reopen in the later part of the second half of calendar 2020.

In January 2020, statistics gathered and published by Statista indicate that total deli department sales in the US reached \$36.9 billion for the year ended June 8, 2019 compared to \$23.4 billion in 2014. 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.



IBISWorld estimates (see table on the right) the supermarkets and grocery stores industry will grow 1.2% annually to \$724 billion in 2025 from an estimated \$682 billion in 2020. Supermarket growth will be sustained as per capita disposable income increases and consumers continue shifting to premium, organic and all-natural brands. If the market share holds, fresh and frozen meats should reach \$65.9 billion in 2025, up from \$62.1 billion in 2020.

## Projections

### Basis of Forecast

Our forecasts reflect the company growing its sales network of paid broker representatives and eventual (delayed until 2H22 due to the COVID-19 pandemic) entry into the food service segment and Canada. Sales from the company's placements and new product introductions on QVC are likely to remain strong due primarily to the COVID-19 pandemic as stay at home consumers are ordering the company's products at a robust pace.

We anticipate product shelf placements on retail and grocery store shelves and deli departments increasing in the early part of FY22 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. Also, customer acceptance of new product launches such as pasta bowl meal component kits designed for supermarkets, club stores and food service customers should help drive sales.

While our forecast includes new 3Q21 product authorizations at Walmart, Whole Foods Kitchens, Winn Dixie and Weis Supermarkets, as well as 1,250 Publix Super Markets locations and select Sam's Club locations, we have reduced our prior sales growth expectation for FY21 to 20.8% from 24.9%. Our reduced sales growth forecast reflects 3Q21 results and a slower than anticipated return to normalcy within supermarkets' fresh deli and hot bar locations due to social distancing requirements stemming from the COVID-19 pandemic environment.

We project FY21 gross margin of 32%, up from 31.8% in FY20 due primarily to plant efficiencies that include automation of certain processes that were previously conducted by plant staff, restrained in part by the inclusion of

depreciation expense related to significant plant capacity additions made by the company and higher input costs in 9M21 stemming from the COVID-19 pandemic. In FY22, we anticipate gross margin expanding to 32.7% from our FY21 estimate of 32% due to the realization of plant efficiencies and reduced input costs (fresh beef and sausage) as the impact of the pandemic dissipates, offset in part by commencing initial product shipments to food service customers in 2H22 that are likely to carry lower margins.

Driving EPS growth should be ongoing programs initiated by the company to continually achieve streamlined operations in order to maximize operating leverage. We anticipate operating expense margin decreasing to 20.5% in FY22 from an estimated 23.7% in FY21. The improvement in our FY22 operating expense forecast is due primarily to streamlining G&A costs stemming from the company's ability to reduce personnel and freight costs.

During our forecast period, MMMB is unlikely to fully use its tax loss carry forwards of approximately \$9.5 million at January 31, 2020.

#### Operations – FY21

We project net sales growth of 20.8% to \$42.1 million (prior was \$43.5 million) due primarily to 3Q20 results and a slower than anticipated return to normalcy in 4Q21 within supermarkets' fresh deli and hot bar locations due to social distancing requirements stemming from the COVID-19 pandemic environment.

We project a 21.6% increase in gross profit to \$13.5 million driven by sales gains and gross margin expansion to 32% from 31.8% in FY20 reflecting plant efficiencies, partly offset by depreciation costs for plant improvements made in prior years and higher beef costs in 9M21 due to the COVID-19 pandemic. We project operating profits increasing 68.3% to \$3.5 million from \$2.1 million in FY20 due to sales growth, improving operating expense margin, and gross margin expansion. We project operating expense margin of 23.7% compared to 25.8% in FY20.

We anticipate operating expenses increasing 10.8% to \$10 million due to G&A expense of \$9.8 million compared to \$8.9 million in FY20. G&A expense should increase to support sales growth including expenses for enhanced cleaning at the company's manufacturing plant in order to maintain safe operations during the COVID-19 pandemic. We project an operating margin of 8.3% vs. 6% in FY20.

Non-operating expense should decrease to \$200,000 (includes \$18,000 in debt discount) from \$550,000 (includes \$67,000 in debt discount) due primarily to lower average debt balances.

We project net income of \$3.3 million or \$0.10 per share. We previously projected net income of \$3.6 million or \$0.11 per share. Our per share estimate reflects higher than anticipated average shares outstanding of 34.8 million compared to our prior forecast of 33.9 million due to the exercise of warrants.

#### Operations – FY22

We project net sales growth of 32% to nearly \$55.6 million (unchanged) due primarily to an estimated increase in shelf placements and shipping volumes to new and existing customers stemming from new authorizations in 3Q21, as well as anticipated revenue contribution from shipments to food service customers in 2H22.

We project a 35.1% increase in gross profit to \$18.2 million driven by sales gains and gross margin expansion to 32.7% from an estimated 32% in FY21 reflecting plant efficiencies. We project operating profits increasing 95.1% to \$6.8 million from an estimated \$3.5 million in FY21 due to sales growth, gross margin expansion, and operating expense margin improving to 20.5% from an estimated 23.7% in FY21.

We anticipate operating expenses increasing 14% to \$11.4 million due to G&A expense of \$11.2 million compared to an estimated \$9.8 million in FY21. G&A expense should increase to support sales growth including expenses for the expansion of product shipments to food service and Canadian customers in 2H22. We project an operating margin of 12.3% vs. 8.3%.

Non-operating expense (exclusively interest expense) should decrease to zero from an estimated to \$200,000 (includes \$18,000 in debt discount) due to the repayment of outstanding debt in November 2020. We project net income of \$6.8 million or \$0.19 per share (unchanged).

### Finances

For FY21, we project cash earnings of nearly \$4.3 million and an increase in working capital of \$639,000 due primarily to increases in inventories and decreases in payables. Cash from operations of \$3.7 million and nearly \$3.9 million in cash received from the exercise of warrants into common stock should cover capital expenditures, debt and capital lease repayments, increasing cash by \$2.9 million to nearly \$3.3 million at January 31, 2021.

For FY22, we project cash earnings of \$7.9 million and an increase in working capital of \$3.9 million due primarily to increases in receivables and inventories and decreases in payables. Cash from operations of \$4 million is likely to cover capital expenditures and capital lease repayments, increasing cash by \$3 million to \$6.3 million at January 31, 2022.

### **3Q21 and 9M21 Results**

#### 3Q21

Net sales increased 6.8% to \$9.9 million from \$9.3 million in the year-ago period. The increase in sales reflects increased product shipments to existing customers, as well as shipments to new customers.

Gross profit increased 7.7% to \$3.1 million reflecting higher sales and gross margin improvement to 31.6% from 31.3%. Gross margin improvement was due primarily to plant operating efficiencies.

Operating expenses decreased 2.5% to \$2.3 million from nearly \$2.4 million due to a \$203,000 decrease in advertising and promotions expenses reflecting lower promotional costs for merchandising, partly offset by higher spending on a Sirius Radio Campaign, as well as a \$34,000 reduction in investor relations costs. The decrease in operating expenses was partly offset by an \$112,000 increase in postage and freight costs, a \$56,000 increase in commissions due to higher sales, and a \$65,000 increase in payroll and related expenses due to the addition of a senior executive in 1Q21. Operating expense increases were partly offset by reductions in advertising and promotions of nearly \$83,000 due primarily to lower merchandising activity.

The company reported operating income increased 56.2% to \$787,000 from \$504,000 in 3Q20. The improvement reflects higher sales, gross margin expansion, and operating margin expense decreasing to 23.6% from 25.9% in the year-ago period. Operating margin was 8%, up from 5.4% in 3Q20.

Non-operating expense was \$53,000 compared to \$95,000 as interest expense decreased to \$46,000 from \$90,000 due to a lower debt balance. Each period reflects \$7,000 AND \$5,000 in amortization expense related to the debt discount, respectively.

Net income was \$734,000 or \$0.02 per share compared to income of \$409,000 or \$0.01 per share. We projected EPS of \$0.02 on sales of \$10.5 million.

#### 9M21

Net sales increased 26.9% to \$31.4 million from \$24.7 million due to shipments to new customers, as well as growth within the company's existing customer base.

Gross profit increased 26.4% to \$10.1 million reflecting higher sales, offset in part by gross margin compression to 32.1% from 32.2%. Gross margin compression was due primarily to higher raw material prices stemming from the COVID-19 pandemic, partially offset by plant operating efficiencies.

	In Thousands \$	9 Mos 21A	9 Mos 20A	% D
Net Sales		31,384	24,731	26.9%
Cost of goods sold		21,317	16,768	27.1%
<b>Gross Profit</b>		10,067	7,963	26.4%
Total Operating Expenses		7,497	6,529	14.8%
<b>Operating Income</b>		2,570	1,434	79.2%
Total Other Income (Expense)		(190)	(312)	
<b>Pre-Tax Income</b>		2,380	1,123	NMF
Income Tax Expense (Benefit)		-	-	
<b>Net Income (loss)</b>		2,380	1,123	NMF
<b>EPS -- Fully Diluted</b>	\$	0.07	0.04	NMF
Avg Shares Out-Fully Diluted		34,323	32,036	
<b>EBITDA</b>		3,231	2,048	57.8%
<i>Tax Rate</i>		0.0%	0.0%	
Margins				
Gross Margins		32.1%	32.2%	
Operating Margin		8.2%	5.8%	
Pre-Tax Margins		24.8%	12.6%	
Source: company reports				

Operating expenses increased 14.8% to \$7.5 million from \$6.5 million in the year-ago period. The increase reflects higher postage and freight costs, increases in professional fees, commissions, and payroll and related expenses, partly offset by a reduction in merchandising activity and travel related expenses.

The company reported operating income increased 79.2% to \$2.6 million compared to \$1.4 million in the year-ago period. The company's operating expense margin was 23.9% compared to 26.4% in the year-ago period. Operating margin was 8.2%, an improvement from 5.8% in 9M20.

Non-operating expense was \$190,000 compared to \$312,000 in the year-ago period. The decrease in non-operating expense was due primarily to interest expense decreasing to \$172,000 compared to \$294,000 reflecting a lower interest rate and a reduced level of debt.

Net income was nearly \$2.4 million or \$0.07 per share, compared to net income of \$1.1 million or \$0.04 per share.

### Finances

In 9M21, cash earnings of \$3 million and an increase in working capital of \$523,000 resulted in cash from operations of \$2.5 million. The increase in working capital primarily reflects an increase in inventories. Cash from operations and the issuance of common stock from the exercise of warrants covered capital expenditures and the repayment of debt and capital lease obligations. Cash increased nearly \$1.4 million to \$1.8 million at October 31, 2020.

### 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 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 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.

At October 31, 2020, the company had total outstanding debt of \$650,000 from its line of credit. The company reported on December 14, 2021 that it had repaid the balance on its line of credit and had no debt outstanding on its balance sheet from the cash received from the exercise of common stock warrants (no more warrants remain outstanding). The company estimates after the exercise of those common stock warrants shares outstanding approximate 36 million with cash on its balance sheet of \$3 million.

### **Competition**

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

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

### **Risks**

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

### Customer Concentration

In 9M21 (ended October 31, 2020), MMMB's two largest customers accounted for approximately 56% of gross sales compared to three customers accounting for 67% of gross sales in the year-ago period. MMMB does not have long-term contracts with its principal customers, which if lost, could diminish future sales. In 9M21, two customers accounted for approximately 41% of total gross outstanding receivables compared to three customers accounting for 61% in 9M20.

### Regulation

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

### Food Safety

MMMB's products are subject to numerous food safety and other laws and regulations regarding the manufacturing, marketing, and distribution of food products, as well as if those products cause injury or illness to consumers. The company's manufacturing operations are certified in the Safe Quality Food Program. These standards are integrated food safety and quality management protocols designed specifically for the food sector and offer a comprehensive methodology to manage food safety and quality simultaneously. The certification provides an independent and external validation that a product, process or service complies with applicable regulations and standards.

### Internal Controls

As of October 31, 2020, 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.

### Global Pandemic

A potential disruption of US economic conditions lies in the global spread of COVID-19 that could cause supply chain issues for MMMB which could adversely impact corporate operating results. Production could be materially adversely affected if inputs become scarce (beef, chicken, turkey), the need to close any of MMMB's facilities were to occur, and/or a critical number of its employees became too ill to work. Overall, uncertainties surrounding the pandemic could have a material adverse effect on the financial condition and/or results of the company's operations.

### Shareholder Control

Officers and directors collectively own nearly 52% of the outstanding voting stock (as of the SEC filing in May 2020). This group could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

### Miscellaneous Risk

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

### Trading Volume

Over the last three-months to December 15, 2020, average daily volume was approximately 47,400 shares. The company has a float of 16.7 million shares and 35.6 million outstanding shares as of December 10, 2020.



MamaMancini's Holdings, Inc.  
Consolidated Balance Sheets – Ending January 31  
FY2018 – FY2022E  
(in thousands)

	FY2018A	FY2019A	FY2020A	3Q21A	FY2021E	FY2022E
<b>ASSETS</b>						
Current assets:						
Cash	\$ 581	\$ 609	\$ 394	\$ 1,793	\$ 3,260	\$ 6,298
Accounts receivable, net	3,085	2,651	3,728	3,688	3,529	4,424
Inventories	824	1,348	1,246	1,560	1,635	2,491
Prepaid expenses	262	155	252	291	265	300
<b>Total current assets</b>	<b>4,752</b>	<b>4,763</b>	<b>5,620</b>	<b>7,332</b>	<b>8,689</b>	<b>13,513</b>
Property and equipment plus deposits, net includes deposit on machinery	2,500	2,885	2,806	3,022	3,050	3,100
Intangibles	-	-	-	88	88	88
Operating lease right of use assets, net	-	-	1,491	1,388	1,239	1,239
Deposits and Debt issuance costs, net	20	20	20	20	20	20
<b>Total assets</b>	<b>\$ 7,272</b>	<b>\$ 7,668</b>	<b>\$ 9,937</b>	<b>\$ 11,850</b>	<b>\$ 13,086</b>	<b>\$ 17,960</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current liabilities:						
Accounts payable and accrued expenses	3,457	3,062	3,553	3,513	3,180	1,038
Finance leases payable	-	54	105	182	225	250
Line of credit	2,689	-	-	-	-	-
Term loan	107	500	424	-	-	-
Operating lease liability	-	-	127	142	150	176
Notes payable	1,403	-	-	-	-	-
<b>Total current liabilities</b>	<b>7,656</b>	<b>3,616</b>	<b>4,208</b>	<b>3,838</b>	<b>3,555</b>	<b>1,464</b>
Term loan - net	652	1,914	-	-	-	-
Line of credit	-	2,612	2,997	650	-	-
Operating lease liability - net	-	-	1,372	1,257	1,257	1,257
Finance leases payable - net	-	163	315	529	600	625
Notes payable - includes related party	900	642	642	-	-	-
<b>Stockholders' equity:</b>						
Common stock, \$0.00001 par value; authorized 250,000,000 shares	0	0	0	0	0	0
Paid-in capital	16,345	16,547	16,695	19,490	20,662	20,762
Treasury stock and common stock subscribed	(149)	(150)	(150)	(150)	(150)	(150)
Retained earnings (deficit)	(18,130)	(17,677)	(16,144)	(13,764)	(12,839)	(5,999)
<b>Total stockholders' equity</b>	<b>(1,935)</b>	<b>(1,279)</b>	<b>402</b>	<b>5,577</b>	<b>7,674</b>	<b>14,614</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,272</b>	<b>\$ 7,668</b>	<b>\$ 9,937</b>	<b>\$ 11,850</b>	<b>\$ 13,086</b>	<b>\$ 17,960</b>
SHARES OUT	31,753	31,866	31,991	34,768	36,000	36,100

Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.  
Annual Income Statement – Ending January 31  
FY2018 – FY2022E  
(in thousands)

	<u>FY2018A</u>	<u>FY2019A</u>	<u>FY2020A</u>	<u>FY2021E</u>	<u>FY2022E</u>
Sales - net of slotting fees, discounts	\$ 27,543	\$ 28,474	\$ 34,837	<b>\$ 42,079</b>	<b>\$ 55,550</b>
Cost of goods sold	<u>18,283</u>	<u>18,580</u>	<u>23,766</u>	<b><u>28,617</u></b>	<b><u>37,360</u></b>
<b>Gross Profit</b>	9,261	9,894	11,071	<b>13,462</b>	<b>18,190</b>
Operating Expenses:					
Research and development	138	131	115	<b>121</b>	<b>200</b>
General and administrative	8,060	8,294	8,873	<b>9,836</b>	<b>11,150</b>
Total Operating Expenses	<u>8,198</u>	<u>8,425</u>	<u>8,988</u>	<b><u>9,957</u></b>	<b><u>11,350</u></b>
<b>Operating Income (loss)</b>	1,063	1,469	2,083	<b>3,505</b>	<b>6,840</b>
Other Income (Expense)					
Interest income (expense)	(680)	(882)	(483)	<b>(182)</b>	-
Amortization of debt discount	<u>(63)</u>	<u>(133)</u>	<u>(67)</u>	<b><u>(18)</u></b>	<u>-</u>
Total Other Income (Expense)	<u>(743)</u>	<u>(1,015)</u>	<u>(550)</u>	<b><u>(200)</u></b>	<u>-</u>
<b>Pre-Tax Income</b>	320	453	1,533	<b>3,305</b>	<b>6,840</b>
Income Tax Expense (Benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Income (loss)</b>	<u>\$ 320</u>	<u>\$ 453</u>	<u>\$ 1,533</u>	<b><u>\$ 3,305</u></b>	<b><u>\$ 6,840</u></b>
<b>Preferred dividends</b>	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Income (loss)</b>	<u>\$ 228</u>	<u>\$ 453</u>	<u>\$ 1,533</u>	<b><u>\$ 3,305</u></b>	<b><u>\$ 6,840</u></b>
<b>EPS</b>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<b><u>\$ 0.10</u></b>	<b><u>\$ 0.19</u></b>
Avg Shares (000)	<u>32,206</u>	<u>32,522</u>	<u>34,339</u>	<b><u>34,754</u></b>	<b><u>36,121</u></b>
Adjusted EBITDA	\$ 2,069	\$ 2,407	\$ 2,897	<b>\$ 4,391</b>	<b>\$ 7,840</b>
Margins					
Gross Margins	33.6%	34.7%	31.8%	<b>32.0%</b>	<b>32.7%</b>
Operating Margin	3.9%	5.2%	6.0%	<b>8.3%</b>	<b>12.3%</b>
Pre-Tax Margins	1.2%	1.6%	4.4%	<b>7.9%</b>	<b>12.3%</b>
Research and development	0.5%	0.5%	0.3%	<b>0.3%</b>	<b>0.4%</b>
General and administrative	29.3%	29.1%	25.5%	<b>23.4%</b>	<b>20.1%</b>
Tax Rate	0.0%	0.0%	0.0%	<b>0.0%</b>	<b>0.0%</b>
YEAR / YEAR GROWTH					
Net Sales	52.6%	3.4%	22.3%	<b>20.8%</b>	<b>32.0%</b>

Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.  
Income Statement Model – Ending January 31  
Quarters FY2020A – 2022E  
(in thousands)

	1Q20A	2Q20A	3Q20A	4Q20A	FY2020A	1Q21A	2Q21A	3Q21A	4Q21E	FY2021E	1Q22E	2Q22E	3Q22E	4Q22E	FY2022E
Sales - net of slotting fees, discounts	\$ 7,365	\$ 8,099	\$ 9,267	\$ 10,106	\$ 34,837	\$ 11,101	\$ 10,384	\$ 9,899	\$ 10,695	\$ 42,079	\$ 11,500	\$ 12,600	\$ 15,625	\$ 15,825	\$ 55,550
Cost of goods sold	4,994	5,408	6,366	6,998	23,766	7,373	7,170	6,774	7,300	28,617	7,820	8,435	10,545	10,560	37,360
<b>Gross Profit</b>	2,371	2,691	2,901	3,108	11,071	3,728	3,214	3,125	3,395	13,462	3,680	4,165	5,080	5,265	18,190
Operating Expenses:															
Research and development	25	25	33	32	115	29	26	31	35	121	50	50	50	50	200
General and administrative	1,866	2,216	2,365	2,427	8,873	2,722	2,381	2,307	2,425	9,836	2,500	2,600	2,950	3,100	11,150
Total Operating Expenses	1,891	2,240	2,397	2,459	8,988	2,752	2,407	2,338	2,460	9,957	2,550	2,650	3,000	3,150	11,350
<b>Operating Income (loss)</b>	480	451	504	649	2,083	976	807	787	935	3,505	1,130	1,515	2,080	2,115	6,840
Other Income (Expense)															
Interest income (expense)	(117)	(87)	(90)	(189)	(483)	(64)	(62)	(46)	(10)	(182)	-	-	-	-	-
Amortization of debt discount	(7)	(5)	(5)	(49)	(67)	(5)	(5)	(7)	-	(18)	-	-	-	-	-
Total Other Income (Expense)	(124)	(93)	(95)	(239)	(550)	(70)	(67)	(53)	(10)	(200)	-	-	-	-	-
<b>Pre-Tax Income</b>	356	358	409	410	1,533	906	740	734	925	3,305	1,130	1,515	2,080	2,115	6,840
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Income (loss)</b>	\$ 356	\$ 358	\$ 409	\$ 410	\$ 1,533	\$ 906	\$ 740	\$ 734	\$ 925	\$ 3,305	\$ 1,130	\$ 1,515	\$ 2,080	\$ 2,115	\$ 6,840
<b>Preferred dividends</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income (loss)</b>	\$ 356	\$ 358	\$ 409	\$ 410	\$ 1,533	\$ 906	\$ 740	\$ 734	\$ 925	\$ 3,305	\$ 1,130	\$ 1,515	\$ 2,080	\$ 2,115	\$ 6,840
<b>EPS</b>	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.03	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.10	\$ 0.03	\$ 0.04	\$ 0.06	\$ 0.06	\$ 0.19
Avg Shares (000)	32,098	31,982	32,091	34,339	34,339	33,946	33,544	35,726	35,800	34,754	36,110	36,120	36,125	36,130	36,121
Adjusted EBITDA	\$ 688	\$ 655	\$ 705	\$ 849	\$ 2,897	\$ 1,202	\$ 1,029	\$ 1,000	\$ 1,160	\$ 4,391	\$ 1,380	\$ 1,765	\$ 2,330	\$ 2,365	\$ 7,840
Margins															
Gross Margins	32.2%	33.2%	31.3%	30.8%	31.8%	33.6%	31.0%	31.6%	31.7%	32.0%	32.0%	33.1%	32.5%	33.3%	32.7%
Operating Margin	6.5%	5.6%	5.4%	6.4%	6.0%	8.8%	7.8%	8.0%	8.7%	8.3%	9.8%	12.0%	13.3%	13.4%	12.3%
Pre-Tax Margins	4.8%	4.4%	4.4%	4.1%	4.4%	8.2%	7.1%	7.4%	8.6%	7.9%	9.8%	12.0%	13.3%	13.4%	12.3%
Research and development	0.3%	0.3%	0.4%	0.3%	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%	0.4%
General and administrative	25.3%	27.4%	25.5%	24.0%	25.5%	24.5%	22.9%	23.3%	22.7%	23.4%	21.7%	20.6%	18.9%	19.6%	20.1%
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	(4.9%)	43.6%	12.4%	46.5%	22.3%	50.7%	28.2%	6.8%	5.8%	20.8%	3.6%	21.3%	57.8%	48.0%	32.0%

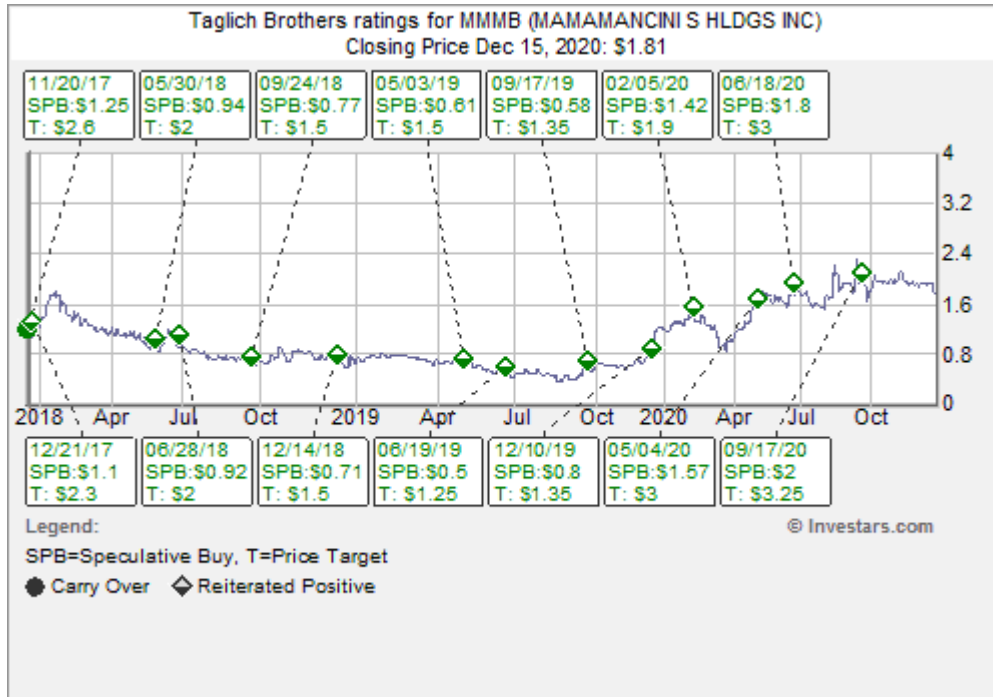
Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.  
Cash Flow Statement – Ending January 31  
FY2018 – FY2022E  
(in thousands)

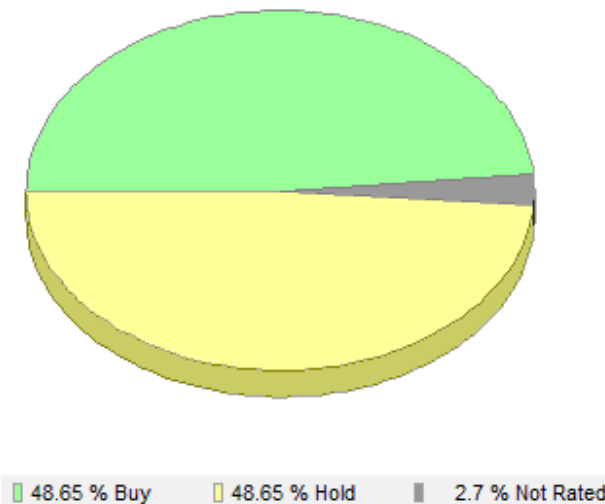
	FY2018A	FY2019A	FY2020A	9 Mos21A	FY2021E	FY2022E
<i>Cash Flows from Operating Activities</i>						
Net Income (loss)	\$ 320	\$ 453	\$ 1,533	\$ 2,380	\$ 3,305	\$ 6,840
Depreciation	538	679	640	489	725	800
Amortization of debt issuance and discount costs	63	133	68	18	25	-
Share-based compensation	428	162	94	51	100	100
Amortization of right of use assets	-	-	109	103	140	140
Cash earnings (burn)	<u>1,350</u>	<u>1,428</u>	<u>2,444</u>	<u>3,041</u>	<u>4,295</u>	<u>7,880</u>
<i>Changes In:</i>						
Accounts receivable	(1,267)	434	(1,077)	40	199	(895)
Inventories	(18)	(523)	101	(314)	(389)	(855)
Prepaid expenses	(82)	107	(43)	(39)	(13)	(35)
Current portion of operating lease liability	-	-	(101)	(100)	(63)	-
Accounts payable and accrued expenses	1,332	(2)	491	(111)	(373)	(2,142)
Net (increase)/decrease in Working Capital	<u>(34)</u>	<u>15</u>	<u>(629)</u>	<u>(523)</u>	<u>(639)</u>	<u>(3,927)</u>
<b>Net cash Provided (used) by Operations</b>	<u>1,316</u>	<u>1,443</u>	<u>1,815</u>	<u>2,518</u>	<u>3,657</u>	<u>3,953</u>
<i>Cash Flows from Investing Activities</i>						
Cash paid for fixed assets	<u>(1,475)</u>	<u>(1,034)</u>	<u>(268)</u>	<u>(304)</u>	<u>(400)</u>	<u>(550)</u>
Cash paid for intangible assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16)</u>	<u>(16)</u>	<u>-</u>
<b>Net cash used in Investing</b>	<u>(1,475)</u>	<u>(1,034)</u>	<u>(268)</u>	<u>(320)</u>	<u>(416)</u>	<u>(550)</u>
<i>Cash Flows from Financing Activities</i>						
Proceeds from issuance of common stock and exercise of warrants/options	-	40	-	2,743	3,867	-
Debt issuance and deferred offering costs	(25)	(120)	-	-	-	-
Proceeds (repayment) from credit line	1,339	(90)	385	(2,347)	(2,997)	-
Proceeds (repayment) of demand and promissory notes	(1,350)	(2,131)	-	-	-	-
Borrowings (repayment) from term loan	105	1,741	(2,058)	(442)	(442)	-
Capital lease obligations (repayment) proceeds	-	186	(89)	(111)	(160)	(365)
Borrowings (repayment) from convertible note and notes payable -related party	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>(642)</u>	<u>(642)</u>	<u>-</u>
<b>Net cash provided by Financing</b>	<u>70</u>	<u>(382)</u>	<u>(1,762)</u>	<u>(799)</u>	<u>(374)</u>	<u>(365)</u>
Net change in Cash	(89)	28	(216)	1,399	2,867	3,038
Cash Beginning of Period	<u>671</u>	<u>581</u>	<u>609</u>	<u>394</u>	<u>394</u>	<u>3,260</u>
Cash End of Period	<u>\$ 581</u>	<u>\$ 609</u>	<u>\$ 394</u>	<u>\$ 1,793</u>	<u>\$ 3,260</u>	<u>\$ 6,298</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	3	15
Hold		
Sell		
Not Rated		

**Important Disclosures**

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

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**Analyst Certification**

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

**Public Companies mentioned in this report:**

B&G Foods Inc.	(NYSE: BGS)	Farmer Brothers. Co.	(NASDAQ: FARM)
Conagra Brands	(NYSE: CAG)	Hormel Foods	(NYSE: HRL)
Inventure Foods	(NASDAQ: SNAK)	Sysco Corp.	(NYSE: SYY)
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.

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

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

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

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