

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

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MMMB \$1.49 — (NASDAQ)

	FY2020 A	FY2021 A	FY2022 A	FY2023 E	FY2024 E
Net Sales (in millions)	\$33.8	\$40.8	\$47.1	\$94.3	\$106.2
Earnings (loss) per share	\$0.04	\$0.12*	(\$0.01)**	\$0.03	\$0.14

52-Week range	\$2.24 – \$0.93	Fiscal year ends:	January
Shares outstanding a/o 12/12/22	36.3 million	Revenue/shares (ttm)	\$2.36
Approximate float	19.8 million	Price/Sales (ttm)	0.6X
Market Capitalization	\$54.1 million	Price/Sales (2024) E	0.5X
Tangible Book value/shr	\$0.01	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2024) E	10.6X

* Includes a deferred tax benefit of \$745,000 or \$0.02 per share ** Includes one-time acquisition related transaction expenses of \$748,000 or (\$0.02) per share
MamaMancini's Holdings, Inc., headquartered in East Rutherford, NJ, is a specialty prepared foods marketer and distributor of natural foods and prepared salads.

Key Investment Considerations:

Maintaining Speculative Buy rating and our twelve-month price target of \$2.75 per share.

MamaMancini's has substantial growth potential for its specialty prepared authentic Italian products and assortment of chicken-based dishes, olives, savory products, and salads through its T&L Creative Salads and Olive Branch subsidiaries. We estimate MMMB's Italian products are currently available in over 50,000 US shelf locations with the potential for an additional 10,500 shelf locations based on new product authorizations.

Supporting our forecasts are an increase in customer demand. In 3Q23, MMMB launched its offerings into three new customers and drive new items into existing customers, half of which were through the cross selling of its T&L products into legacy relationships. In 4Q23, the company has sold in and received orders from three new customers and shipped an incremental double digit portfolio of new items into existing customers.

MMMB reported (on 12-12-22) EPS of \$0.03 on net sales of 136.8% to \$25.7 million. In 3Q22, net sale were \$10.9 million with a net loss of \$5,000 or breakeven per share.

For FY23, we forecast EPS of \$0.03 on net sales growth of 100.2% to \$94.3 million. We previously forecasted a net loss per share of (\$0.02) on net sales of \$92.3 million. Our forecasts reflect strong 3Q23 results, which should be restrained the seasonally slower 4Q23.

For FY24, we forecast EPS of \$0.14 (unchanged) on net sales growth of 12.6% to \$106.2 million (unchanged) reflecting a full year contribution of six new customer launches in 2H23 along with expanding product placements within existing customers. Our EPS forecast anticipates gross margin improving to 24.2% (prior was 22%) from an estimated 20% in FY23, as raw material costs ease, benefits are seen from the implementation of a dedicated program to improve margins that begun in 2H23, as well as price increases that took hold in the latter part of FY23.

Please view our Disclosures on pages 14 – 16.

Appreciation Potential

Maintaining Speculative Buy rating and twelve-month price target of \$2.75 per share. Our rating reflects the substantial growth potential for the company's specialty prepared products that are marketed and sold in deli sections of supermarkets, groceries, convenience and large club stores. We estimate MMMB's Italian product portfolio is available in at least 50,000 US shelf locations, which should grow through our forecast period. Growth should be supported by an increase in customer demand. In 3Q23, MMMB launched its offerings into three new customers and drive new items into existing customers, half of which were through the cross selling of its T&L products into legacy relationships. In 4Q23, the company has sold in and received orders from three new customers and shipped an incremental double digit portfolio of new items into existing customers.

Our rating and forecasts should be supported by the December 2021 acquisitions of T&L Creative Salads, Inc. and Olive Branch, LLC.

Our 12-month price target of \$2.75 per share implies shares could appreciate nearly 85% over the next twelve months. According to finviz (a/o 12/13/22), the average forward P/E multiple for companies in the Packaged and Distribution Food sectors is 20.9X (unchanged). The company's forward P/E multiple is 9.4X (prior was 8.3X). We believe investors are likely to accord the sector valuation multiple based on our projection of the company generating significant net income in FY24. We applied a 20.9X (unchanged) multiple to our FY24 EPS forecast of \$0.14 (unchanged), discounted for execution risk, to obtain a year-ahead value of approximately \$2.75 per share.

MamaMancini's Holdings, Inc. valuation improvement is contingent upon quarterly net sales growth, expense leverage, cash earnings, and sustained quarterly profitability that began in 3Q23. We forecast MMMB to generate operating profits in FY24 of \$6.6 million compared to an estimated operating profit of nearly \$1.8 million in FY23, as well as estimated cash earnings of \$6.3 million in FY24, up from our FY23 cash earnings projection of \$2.6 million.

In our view this stock is suitable for risk-tolerant investors. Net sales growth and reaching our earnings expectations for FY24 will depend on MMMB successfully increasing its penetration of supermarket locations and shelf placements, as well as continuing programs to improve gross and operating margins.

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 that have become best sellers include ready to serve dinners and single-size pasta bowls. The company has 29 different product offerings that are packaged in different sized retail and bulk packages and sold to food retailers and food distributors. By the start of FY24, the company intends to have fully launched its meals-for-one product line that will include spaghetti and meatballs, chicken parmesan, chicken fettuccine alfredo, and sausage with pepper and onions in microwavable 14 ounce trays with the ability to double tray capacity to 28 ounces.

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 immigrated 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.

On December 29, 2021, MMMB acquired T&L Creative Salads, Inc. and Olive Branch, LLC. T&L Creative Salads offers its customers a line of chicken products, including grilled and breaded chicken breasts, chicken strips, as well

as a kosher salad line. Their offerings should be expanded into MMMB's national network of retailers and Club Stores. T&L Creative Salads, through their safe quality food level 2 certified USDA facility located in Farmingdale, New York, offers salads and prepared products to over 250 delis, bagel shops, smaller retail accounts and food distributors in the New York metropolitan area.

Olive Branch sells olives, olive mixes, and savory products to a limited number of large retail customers, primarily in pre-packaged containers. Olive Branch products are manufactured at the same facility as T&L in Farmingdale, NY.

In June 2022, the company acquired a 24% minority interest in Chef Inspirational Foods for \$1.2 million. Chef Inspirational Foods, based in West Palm Beach, Florida, and Long Island, New York, was founded in 2008 and sells fresh and frozen prepared foods for supermarkets, club stores, and distributors across the US with a focus on the Deli Department where it sells prepared salads, prepared entrees, and olives. MMMB has a twelve-month option to acquire the remaining 76% of Chef Inspirational Foods.

The company's mission is to position MMMB as a one stop-shop of product offering for prepared foods for in grocery, supermarket, club, and convenience stores. The company's vision should fit with the significant lifestyle changes that consumers faced over the last three years, with many focusing quick, clean and, fresh meals made with better ingredients at a price more affordable than eating out.

Product Distribution Growth

The Food Marketing Institute (FMI) estimates there are 38,300 supermarket locations in the US. Adding in the number of US club stores and convenience stores, locations selling groceries could approximate 300,000 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 some of its customers pictured on the right – December 2022 presentation) to retail and grocery locations, with Publix, Stop&Shop, Sam's Club and BJ's locations fully penetrated. Other supermarkets 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 and to obtain full year round distribution with existing club store customers such as Costco and Sam's Club. The revenue potential could be as much as \$25 million annually if the company were to obtain full year-round distribution at Costco stores in the US. Currently, the company has limited but growing distribution in US Costco locations.



The acquisitions of T&L Creative Salads and Olive Branch should provide MMMB with 3,000 brand new locations and over 10,000 spots on retailer shelves in FY23. Also, MMMB secured new authorizations and shipments of products into national and regional food retailers, club stores, and a distributor to a major European airline carrier, as well as the addition of T&L Creative Salads products into its existing relationships with Sam's Club.

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.

In August 2022, the company announced it secured a market test with H.T. Hackney Company, one of the largest wholesale distributors in the US, for the company's The Original Meatballs in a Cup and four branded Meals for One

products in 47 select US locations. Also announced were new customer authorizations representing 10,500 product placements on retailer and convenience store shelves, with shipments to begin in 3Q23. The company anticipates that by the start of FY23, significant strides will have been made to enter convenience stores in the US with its meatballs in a cup, pasta bowls, and some T&L Creative Salads offerings.

Industry Dynamics

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 market for the company's specialty and prepared foods offerings of authentic Italian meatballs includes several perimeter sections of a supermarket that are experiencing growth of approximately 8% to 10% annually. The section the company's products are in include deli-prepared foods, refrigerated meal kits, and the specialty section of the meat department such as the fresh hot bar (see chart above— data from December 2022 company presentation).

In April 2022, The Business Research Company (a market research and intelligence company) published a report indicating that the global specialty foods market should grow 7.1% to an estimated \$170.2 billion in 2022 from \$158.9 billion in 2021. By 2026, the global market is estimated to reach \$224.9 billion. Overall growth should be driven by younger people preferring at-home and healthy meals coupled with growing interest in having nutritious food for a healthy lifestyle. According to the Specialty Foods Association, they are twice as likely to plan at-home meals and give high preferences for specialty products to create interesting and healthy eating experiences.

In July 2022, IBISWorld estimated the supermarkets and grocery stores industry will grow 1.4% annually to \$846 billion in 2027 from \$776.3 billion in 2021.



Supermarket growth will be sustained as per capita disposable income increases and consumers continue shifting to premium, organic and all-natural brands, as well as price increases due to inflationary pressures. If the market share holds (see product segmentation table on bottom of prior page), fresh and frozen meats should reach \$115.1 billion in 2027, up from \$105.7 billion in 2021.

3Q23 and 9M23 Results

3Q23

Net sales increased 136.8% to \$25.7 million from \$10.9 million in 3Q22. The increase in net sales was due primarily to the company's December 2021 acquisitions of T&L Creative Salads, Inc. and Olive Branch, as well as adding new T&L products to existing MamaMancini's customers in both club stores and retail chains, and increasing the average SKU's carried per location.

Gross profit increased 140.5% to nearly \$6.6 million from \$2.7 million in the year-ago period stemming from net sales growth and gross margin improving to 25.5% from 25.1% in 3Q22. Gross margin improvement reflects

improved pricing relative to input commodity costs, as well as realizing procurement efficiencies being generated through the acquisitions of T&L Creative Salads and Olive Branch.

Operating expenses (primarily consisting of G&A expenses) increased 85.7% to nearly \$5.1 million compared to \$2.7 million in 3Q22. R&D expenses were \$24,000 compared to \$34,000 in the year-ago period. Higher operating costs reflect the inclusion of T&L Creative Salads, Inc. and Olive Branch operations. The key component increases in G&A expenses compared to last year were from payroll and related expenses (a \$660,000 increase) due primarily to executive hires and increased headcount from the 4Q22 acquisitions and hiring of additional accounting staff, freight costs (a \$110,000 increase) due to increased finished goods transportation rate increases and fuel surcharges, commission (a \$253,000 increase) stemming from increased sales, as well as professional fees (a \$158,000 increase) due to higher third-party accounting and technical expertise and auditing fees related to the additional complexity of the company's acquisitions. Also, the company's recorded a \$245,000 increase in allowance for doubtful accounts reflecting the company's anticipation of increasing macroeconomic risk.

The company reported an operating income of \$1.5 million compared to income of \$1,000 in 3Q22. The increase in operating profit reflects net sales growth, gross margin expansion, and operating margin expense improving to 19.7% from 21.5% in 3Q22.

Non-operating expense was \$187,000 compared to \$9,000 in 3Q22. The current period consisted of \$184,000 in interest expense and \$3,000 from amortization of debt discount. In 3Q22, interest expense was \$9,000.

MMMB reported a net income of \$1.1 million or \$0.03 per share after recording an income tax expense of \$286,000 and nearly \$72,000 of income from its equity investment in Chef Inspirational, as well as a preferred dividend of \$12,000. We projected a net loss of \$317,000 or (\$0.01) per share on net sales of \$22.9 million.

9M23

Net sales more than doubled to \$70.4 million from \$33.2 million in 9M22 due primarily to the December 2021 acquisitions of T&L Creative Salads, Inc. and Olive Branch along with an increase in MMMB's core product offerings, and expanding product placements within existing customers.

Gross profit increased 40.8% to nearly \$13 million from \$9.2 million in the year-ago period stemming net sales growth, partly offset from gross margin contraction to 18.5% from 27.8% in 9M22. Gross margin compression stems from increases in raw material and packaging costs, as well as high in-bound freight costs primarily in 1H23.

Total operating expenses increased 54.9% to nearly \$12.1 million compared to nearly \$7.8 million in 9M22 in order to support increased sales stemming from the December 2021 acquisition of T&L Creative Salads, Inc. and Olive Branch operations.

The company reported an operating income of \$928,000 compared to income of \$1.4 million in the year-ago period. Lower operating income reflects gross margin compression, partly offset by net sales growth and operating margin expense improving to 17.1% from 23.4% in 9M22.

	In Thousands \$	9 Mos 23A	9 Mos 22A	% D
Net Sales		70,371	33,231	111.8%
Cost of goods sold		57,385	24,007	139.0%
Gross Profit		12,986	9,224	40.8%
Total Operating Expenses		12,058	7,785	54.9%
Operating Income		928	1,438	NMF
Total Other Income (Expense)		(454)	11	
Pre-Tax Income		474	1,449	NMF
Chef Inspirational minority interest:		90	-	
Income Tax Expense (Benefit)		106	391	
Net Income (loss)	\$	458	1,058	NMF
Preferred dividends		(12)	-	
Net Income (loss)		446	1,058	NMF
EPS	\$	0.01	0.03	NMF
Avg Shares Out-Fully Diluted		36,349	36,177	
EBITDA		2,499	2,184	14.4%
Tax Rate		22.4%	27.0%	
Margins				
Gross Margins		18.5%	27.8%	
Operating Margin Expense		17.1%	23.4%	
Operating Margin		1.3%	4.3%	

Source: company reports

Non-operating expense was \$454,000 compared to income of \$11,000 in 9M22 due primarily to interest expense of \$447,000 in the current period compared to \$27,000 in the year-ago period. Amortization of debt discount was nearly \$10,000 compared to none in 9M22 and other income was nearly \$3,000 compared to \$38,000 last year.

The company reported net income of \$446,000 or \$0.01 per share compared to net income of \$1.1 million or \$0.03 per share.

Finances

In 9M23, cash earnings of \$1.7 million and a \$1.5 million decrease in working capital resulted in cash from operations of \$3.2 million. Cash from operations, borrowings from a credit line, and proceeds received from a preferred stock offering covered capital expenditures, payment made to acquire a 24% minority interest in Chef Inspirational Foods, repayment of capital lease obligations, and a term loan payment. Cash increased by \$2.6 million to nearly \$3.5 million at October 31, 2022.

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. On January 29, 2020, the facility was amended to increase the total available balance to \$4 million. On June 11, 2021, the facility was amended to increase the total available balance to \$4.5 million, as well as extend the maturity date to June 30, 2023. Advances under this 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 Chairman. At October 31, 2022, the outstanding balance was \$990,000.

On August 30, 2021, MMMB announced it secured an expanded credit facility with M&T bank in the amount of \$10.5 million for the purpose of acquisition financing at an interest rate of 3.5% above one-day LIBOR. On December 29, 2021, the company entered into a \$7.5 million term loan that matures on January 17, 2027. The outstanding balance was nearly \$6.6 million at October 31, 2022.

On December 29, 2021, upon closing of the acquisitions, the company executed a \$3 million promissory note. The 3.5% promissory note requires annual principal payments of \$750,000 payable on each anniversary of the closing. As of October 31, 2022, the outstanding balance under the note was nearly \$3.1 million.

On July 6, 2022, the company executed a proposed offering engagement letter with AGES Financial Services to act as a non-exclusive dealer-manager, placement agent, and/or financial advisor for a proposed issuance, or series of issuances, for up to \$5 million in 8% Series B Convertible Preferred Stock (the original issue price is \$25.00 per share, each convertible into 15 shares of MMMB common stock at an equivalent price of \$1.66 per share). The engagement period runs from July 5, 2022 through December 31, 2022.

On September 13, 2022, the company closed on the sale of 47,200 (total authorized is 200,000) preferred shares to accredited investors. On November 17, 2022, the Company held a final closing when it sold an additional 7,400 shares of its Series B Preferred Stock. Total gross proceeds were nearly \$1.4 million.

Projections

Basis of Forecast

Our forecasts reflect the two December 2021 acquisitions contributing at least \$40 million to net sales in FY23 with growth from additional customers occurring in FY24. Core MMMB growth should occur through securing recurring customer sales of products sold on QVC, the introduction of new products such as meatballs in a cup and pasta bowls, as well as new product line such as meals-for-one that will include spaghetti and meatballs, chicken parmesan, chicken fettuccine alfredo, and sausage with pepper and onions in microwavable 14 and 28 ounce trays.

Our net sales forecast through FY24 reflects a full year contribution of six new customer launches in 2H23 along with expanding product placements within existing customers. The company should continue the cross selling process of its T&L products into legacy relationships.

We project FY23 gross margin of 20%, down from 25.2% in FY22, but improving to 24.2% in FY24. The margin compression in FY23 will be due to significant inflationary pressures seen on raw material and packaging costs, as well as significantly higher in-bound freight costs that occurred in 1H23. The gross margin improvement in FY24

should occur as raw material costs ease and benefits are seen from the implementation of a dedicated program to improve margins that begun in 2H23.

At January 31, 2022 the company had federal and state tax loss carry forwards of approximately \$5.4 million and \$10 million, respectively. We anticipate that the company should exhaust its federal tax loss carry forwards during our forecast period. The company began recording income tax expense starting in 1Q22 and our forecast anticipates MMBB is likely to record income tax provisions or (benefits) through FY24.

Operations – FY23

We project net sales growth of 100.2% to \$94.3 million (\$92.3 million previously) due to 3Q23 results and the acquisitions T&L Creative Salads, Inc. and Olive Branch, LLC in 4Q22, as well as an increase in shelf placements and shipping volumes to new and existing customers stemming from new authorizations in FY22 and 9M23. We also anticipate an initial sales contribution in 2H23 from shipments of its new meals-for-one product line and meatballs in a cup to initial convenience store and supermarket customers.

We project gross profit increasing 59% to \$18.9 million from \$11.9 million in FY22 driven by net sales growth, but restrained by gross margin compression to 20% from 25.2% in FY22 reflecting significantly higher raw material, packaging, and inbound freight costs in 1H23, as well as a lower gross margin profile from the two December 2021 acquisitions. We project operating income increasing to nearly \$1.8 million from \$83,000 in FY22 due primarily to net sales growth and operating expense margin improving to 18.1% from 23.4% in FY22 (excludes a charge of \$749,000 in one-time acquisition costs), partly offset by gross margin compression.

We anticipate operating expenses increasing 55.1% to \$17.1 million from \$11.4 million (excludes a charge of \$749,000 in one-time acquisition costs). The increase reflects G&A expense of \$17 million compared to \$10.9 million (excluding items) in FY22. G&A expense should increase to support net sales growth driven by product placement programs to new and existing customers, as well as the hiring a new management team.

Non-operating expense should approximate \$632,000 (comprised of \$522,000 interest expense and \$13,000 amortization of debt discount) compared to an expense of \$38,000 (interest expense was \$73,000). The increase in interest expense reflects higher debt balances stemming from the December 2021 acquisitions of T&L Creative Salads and Olive Branch.

We project net income of \$989,000 or \$0.03 per share after recording income tax expense of \$246,000 and \$150,000 of income from its equity investment in Chef Inspirational Foods, as well as recording convertible preferred dividends of \$37,000. We previously forecast a net loss of \$547,000 or (\$0.02) per share, after approximately \$170,000 income tax benefit, \$57,000 contribution from Chef Inspirational Foods, and \$32,000 of preferred dividends. The swing to net income reflects stronger than anticipated 2H23 results.

Finances

For FY23, we project cash earnings of nearly \$2.6 million and a decrease in working capital of \$1.1 million. Cash from operations of nearly \$3.7 million, borrowings from a credit line, and proceeds from a preferred stock offering (closed in November 2022) should cover, capital expenditures, payment made to acquire a 24% minority interest in Chef Inspirational Foods, repayment of capital lease obligations, and a term loan payment. We anticipate cash increasing by \$1.6 million to \$2.4 million at January 31, 2023.

Operations – FY24

We project net sales growth of 12.6% to \$106.2 million (unchanged) due primarily to an increase in shelf placements and shipping volumes to new and existing customers, as well as a full year contribution of six new customer launches in 2H23 along with expanding product placements within existing customers. Also, the company should see a sales contribution from shipments of its meals-for-one product line and meatballs in a cup that was launched in 2H23.

We project gross profit increasing 36.4% to \$25.7 million from an estimated \$18.9 million in FY23 driven by net sales growth and gross margin expansion to 24.2% from an estimated 20% in FY23, reflecting inflationary pressures stabilizing and the implementation in 2H23 of a new pricing process to accurately and rapidly tracks inputs costs

ensuring specified margin profiles are achieved. We project an operating profit increasing to \$6.6 million from an estimated profit of \$1.8 million in FY23 due primarily to net sales growth and gross margin improvement.

We anticipate operating expenses increasing 11.6% to \$19.1 million from an estimated \$17.1 million in FY23. The increase reflects G&A expense of \$19 million compared to an estimated \$17 million in FY23. G&A expense should increase to support sales growth.

Interest expense should decrease to \$530,000 compared to an estimated interest expense of \$553,000 in FY23 due primarily to lower average debt balances, partly offset by higher interest rates.

We project net income of \$4.9 million or \$0.14 per share after recording an income tax provision of \$1.3 million and \$305,000 of income from its equity investment in Chef Inspirational Foods, as well as recording convertible preferred dividends of \$100,000. We previously forecast net income of \$5.2 million or \$0.14 per share, after recording an income tax provision of \$1.5 million and \$100,000 of income from its equity investment in Chef Inspirational Foods, as well as recording convertible preferred dividends of \$94,000.

Finances

For FY24, we project cash earnings of \$6.3 million and an increase in working capital of \$1.1 million. Cash from operations of \$5.3 million should cover capital expenditures, capital lease payments, and repayment of debt, increasing cash by \$917,000 to \$3.3 million at January 31, 2024.

Competition

MamaMancini's meatballs are sold within the gourmet and specialty pre-packaged food industry which has competitors specializing in global cuisine. Competition in this segment is 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. 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:

Inflationary Pressure

Once of the consequences of the global COVID-19 pandemic has been supply chain issues that resulted in increased raw material and packaging cost for MMMB which through 1H23 has adversely impacted corporate operating results. The pressure on operating results could continue if inputs prices of beef, chicken, turkey, packaging materials, and transportation increase at a faster rate than can be passed along to its retail customers. In 3Q23, the company began instituting a new pricing process to more accurately and rapidly track inputs costs that will strive to ensure every single sale made should provide a certain margin profile.

Integration of Acquisitions

MMMB acquired two companies in December 2021 (4Q22) and the successful integration of those operations will be key to the company's overall sales and operating income growth. Future acquisitions could involve substantial investment of funds or financings, as well as resulting in related expenses and also the potential to either dilute the interests of existing shareholders or result in the issuance or assumption of debt. Future acquisitions may require management's time and effort to generate revenues and operating profits that could take away from existing operations.

Regulation

The company's food products manufactured at its plant 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

At October 31, 2022, the company identified material weaknesses in its internal controls. The company identified that it lacked sufficient accounting staff to appropriately segregate duties and leverage decision makers to consolidate new entities and complete timely reporting of financial data and did not have sufficient orientation and experience with its new ERP systems platform that hindered productivity and required additional supervision delaying timely reporting of financial statements. To remediate the weaknesses, the company intends to recruit a corporate controller with associated staff and retain third party ERP systems expertise.

Potential Dilution

The company may, if market conditions permit, issue additional common equity that could include convertible preferred stock in order to have a cash cushion. Any additional increase in common or convertible common equity would dilute existing shareholders. The closing on the company's convertible preferred offering should add over 708,000 common shares once converted.

Shareholder Control

Officers and directors collectively own 45.3% of the outstanding voting stock (as of SEC filing in July 2022). 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 13, 2022, average daily volume was approximately 60,800 shares. The company has a float of 19.8 million shares and 36.3 million outstanding shares.

MamaMancini's Holdings, Inc.
Consolidated Balance Sheets – Ending January 31
FY2020 – FY2024E
(in thousands)

	FY2020A	FY2021A	FY2022A	3Q23A	FY2023E	FY2024E
ASSETS						
Current assets:						
Cash	\$ 394	\$ 3,191	\$ 851	\$ 3,479	\$ 2,406	\$ 3,323
Accounts receivable, net	3,728	3,974	7,628	6,893	6,692	6,978
Inventories	1,246	1,195	2,891	3,564	3,771	4,023
Prepaid expenses	<u>252</u>	<u>520</u>	<u>269</u>	<u>380</u>	<u>400</u>	<u>425</u>
Total current assets	5,620	8,879	11,638	14,316	13,268	14,749
Property and equipment plus deposits, net includes deposit on machinery	2,806	2,964	3,679	3,579	3,575	3,550
Intangibles	-	88	1,985	1,618	1,562	1,185
Goodwill	-	-	8,633	8,633	8,633	8,633
Operating lease right of use assets, net	1,491	1,352	3,596	3,323	3,375	3,375
Deferred tax asset, net	-	745	489	351	400	450
Equity method investment in Chef Inspirational	-	-	-	1,290	1,315	1,475
Deposits and Debt issuance costs, net	20	20	12	52	52	100
Total assets	<u>\$ 9,937</u>	<u>\$ 14,048</u>	<u>\$ 30,032</u>	<u>\$ 33,164</u>	<u>\$ 32,180</u>	<u>\$ 33,517</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable and accrued expenses	3,553	3,707	6,479	8,066	7,542	7,039
Finance leases payable	105	191	218	180	180	125
Term loan	424	-	1,235	1,503	1,500	1,500
Operating lease liability	127	148	293	378	378	275
Promissory note - related party	-	-	760	839	750	750
Liability for Series B Preferred shares to be issued, net	-	-	-	185	-	-
Total current liabilities	<u>4,208</u>	<u>4,045</u>	<u>8,985</u>	<u>11,151</u>	<u>10,350</u>	<u>9,689</u>
Term loan - net	-	-	6,207	5,043	5,043	3,543
Line of credit	2,997	-	765	990	990	990
Promissory note - related party	-	-	2,250	2,250	1,490	740
Operating lease liability - net	1,372	1,218	3,339	2,993	2,993	2,400
Finance leases payable - net	315	475	376	296	251	128
Notes payable - includes related party	642	-	-	-	-	-
Stockholders' equity:						
Preferred stock, \$0.00001 par value;						
Series B convertible preferred stock, 200,000 shares authorized						
Common stock, \$0.00001 par value; authorized 250,000,000 shares	0	0	0	0	0	0
Paid-in capital	16,695	20,536	20,588	22,473	22,553	22,603
Treasury stock and common stock subscribed	(150)	(150)	(150)	(150)	(150)	(150)
Retained earnings (deficit)	<u>(16,144)</u>	<u>(12,077)</u>	<u>(12,329)</u>	<u>(11,883)</u>	<u>(11,340)</u>	<u>(6,427)</u>
Total stockholders' equity	<u>402</u>	<u>8,310</u>	<u>8,110</u>	<u>10,441</u>	<u>11,063</u>	<u>16,026</u>
Total liabilities and stockholders' equity	<u>\$ 9,937</u>	<u>\$ 14,048</u>	<u>\$ 30,032</u>	<u>\$ 33,164</u>	<u>\$ 32,180</u>	<u>\$ 33,517</u>
SHARES OUT						
Series B convertible preferred stock - outstanding	-	-	-	47	55	55

Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.
Annual Income Statement – Ending January 31
FY2020 – FY2024E
(in thousands)

	FY2020A*	FY2021A	FY2022A	FY2023E	FY2024E
Sales - net of slotting fees, discounts	\$ 33,750	\$ 40,759	\$ 47,084	\$ 94,271	\$ 106,155
Cost of goods sold	23,766	28,019	35,230	75,420	80,450
Gross Profit	9,984	12,739	11,854	18,851	25,705
Operating Expenses:					
Research and development	115	111	121	117	100
General and administrative	7,786	9,151	11,650	16,980	18,975
Total Operating Expenses	7,901	9,261	11,771	17,097	19,075
Operating Income (loss)	2,083	3,478	83	1,754	6,630
Other Income (Expense)					
Interest income (expense)	(483)	(138)	(73)	(622)	(590)
Amortization of debt discount	(67)	(18)	(2)	(13)	(12)
Other Income (expense)	-	-	38	3	-
Total Other Income (Expense)	(550)	(156)	(38)	(632)	(602)
Pre-Tax Income	1,533	3,322	45	1,122	6,028
Income (loss) from equity method investment in Chef Inspirational	-	-	-	150	305
Income Tax Expense (Benefit)	-	(745)	296	246	1,320
Net Income (loss)	<u>\$ 1,533</u>	<u>\$ 4,067</u>	<u>\$ (252)</u>	<u>\$ 1,026</u>	<u>\$ 5,013</u>
Dividends on convertible Series B preferred stock	<u>-</u>	<u>-</u>	<u>-</u>	<u>37</u>	<u>100</u>
Net Income (loss) - to common shareholders	<u>\$ 1,533</u>	<u>\$ 4,067</u>	<u>\$ (252)</u>	<u>\$ 989</u>	<u>\$ 4,913</u>
EPS	<u>\$ 0.04</u>	<u>\$ 0.12</u>	<u>\$ (0.01)</u>	<u>\$ 0.03</u>	<u>\$ 0.14</u>
Avg Shares (000)	<u>34,339</u>	<u>34,017</u>	<u>35,702</u>	<u>36,151</u>	<u>36,356</u>
Adjusted EBITDA	\$ 2,897	\$ 4,350	\$ 1,838	\$ 3,824	\$ 8,230
Margins					
Gross Margins	29.6%	31.3%	25.2%	20.0%	24.2%
Operating Margin	6.2%	8.5%	0.2%	1.9%	6.2%
Pre-Tax Margins	4.5%	8.2%	0.1%	1.2%	5.7%
Research and development	0.3%	0.3%	0.3%	0.1%	0.1%
General and administrative	23.1%	22.5%	24.7%	18.0%	17.9%
Tax Rate	0.0%	(22.4%)	665.5%	21.9%	21.9%
YEAR / YEAR GROWTH					
Net Sales	23.5%	20.8%	15.5%	100.2%	12.6%

* Restated for a revenue recognition change adopted in 4Q21

Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.
Income Statement Model – Ending January 31
Quarters FY2022A – 2024E
(in thousands)

	1Q22A	2Q22A	3Q22A	4Q22A	FY2022A	1Q23A	2Q23A	3Q23A	4Q23E	FY2023E	1Q24E	2Q24E	3Q24E	4Q24E	FY2024E
Sales - net of slotting fees, discounts	\$ 10,313	\$ 12,065	\$ 10,853	\$ 13,853	\$ 47,084	\$ 21,831	\$ 22,846	\$ 25,694	\$ 23,900	\$ 94,271	\$ 25,305	\$ 26,985	\$ 27,615	\$ 26,250	\$ 106,155
Cost of goods sold	6,969	8,695	8,124	11,442	35,230	17,970	20,120	19,130	18,200	75,420	19,550	20,600	20,350	19,950	80,450
Gross Profit	3,344	3,369	2,729	2,411	11,854	3,860	2,727	6,564	5,700	18,851	5,755	6,385	7,265	6,300	25,705
Operating Expenses:															
Research and development	23	31	34	33	121	27	41	24	25	117	25	25	25	25	100
General and administrative	2,469	2,754	2,694	3,734	11,650	3,573	3,516	5,041	4,850	16,980	4,700	4,750	4,800	4,725	18,975
Total Operating Expenses	2,492	2,784	2,728	3,767	11,771	3,599	3,557	5,066	4,875	17,097	4,725	4,775	4,825	4,750	19,075
Operating Income (loss)	852	585	1	(1,356)	83	261	(831)	1,499	825	1,754	1,030	1,610	2,440	1,550	6,630
Other Income (Expense)															
Interest income (expense)	(10)	(8)	(9)	(47)	(73)	(124)	(139)	(184)	(175)	(622)	(155)	(150)	(145)	(140)	(590)
Amortization of debt discount	-	-	-	(2)	(2)	(4)	(3)	(3)	(3)	(13)	(3)	(3)	(3)	(3)	(12)
Other Income (expense)	38	-	-	-	38	-	3	-	-	3	-	-	-	-	-
Total Other Income (Expense)	27	(8)	(9)	(49)	(38)	(128)	(139)	(187)	(178)	(632)	(158)	(153)	(148)	(143)	(602)
Pre-Tax Income	879	577	(8)	(1,405)	45	133	(970)	1,312	647	1,122	872	1,457	2,292	1,407	6,028
Income (loss) from equity method investment in Chef Inspirational	-	-	-	-	-	-	19	72	60	150	40	50	145	70	305
Income Tax Expense (Benefit)	248	145	(2)	(95)	296	29	(209)	286	140	246	190	320	500	310	1,320
Net Income (loss)	\$ 632	\$ 432	\$ (5)	\$ (1,310)	\$ (252)	\$ 104	\$ (743)	\$ 1,026	\$ 507	\$ 1,026	\$ 722	\$ 1,187	\$ 1,937	\$ 1,167	\$ 5,013
Dividends on convertible Series B preferred stock	-	-	-	-	-	-	-	12	25	37	25	25	25	25	100
Net Income (loss) - to common shareholders	\$ 632	\$ 432	\$ (5)	\$ (1,310)	\$ (252)	\$ 104	\$ (743)	\$ 1,086	\$ 542	\$ 989	\$ 737	\$ 1,212	\$ 2,057	\$ 1,212	\$ 4,913
EPS	\$ 0.02	\$ 0.01	\$ (0.00)	\$ (0.04)	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ 0.03	\$ 0.01	\$ 0.03	\$ 0.0203	\$ 0.03	\$ 0.06	\$ 0.03	\$ 0.14
Avg Shares (000)	36,191	36,224	35,729	34,665	35,702	36,149	35,811	36,318	36,325	36,151	36,335	36,350	36,365	36,375	36,356
Adjusted EBITDA	\$ 1,080	\$ 841	\$ 263	\$ (347)	\$ 1,838	\$ 707	\$ (271)	\$ 2,063	\$ 1,325	\$ 3,824	\$ 1,430	\$ 2,010	\$ 2,840	\$ 1,950	\$ 8,230
Margins															
Gross Margins	32.4%	27.9%	25.1%	17.4%	25.2%	17.7%	11.9%	25.5%	23.8%	20.0%	22.7%	23.7%	26.3%	24.0%	24.2%
Operating Margin	8.3%	4.8%	0.0%	(9.8%)	0.2%	1.2%	(3.6%)	5.8%	3.5%	1.9%	4.1%	6.0%	8.8%	5.9%	6.2%
Pre-Tax Margins	8.5%	4.8%	(0.1%)	(10.1%)	0.1%	0.6%	(4.2%)	5.1%	2.7%	1.2%	3.4%	5.4%	8.3%	5.4%	5.7%
Research and development	0.2%	0.3%	0.3%	0.2%	0.3%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
General and administrative	23.9%	22.8%	24.8%	27.0%	24.7%	16.4%	15.4%	19.6%	20.3%	18.0%	18.6%	17.6%	17.4%	18.0%	17.9%
Tax Rate	28.2%	25.2%	27.6%	6.8%	665.5%	22.1%	21.5%	21.8%	21.6%	21.9%	21.8%	22.0%	21.8%	22.0%	21.9%
YEAR / YEAR GROWTH															
Net Sales	(4.8%)	17.7%	12.1%	38.6%	15.5%	111.7%	89.4%	136.8%	72.5%	100.2%	15.9%	18.1%	7.5%	9.8%	12.6%

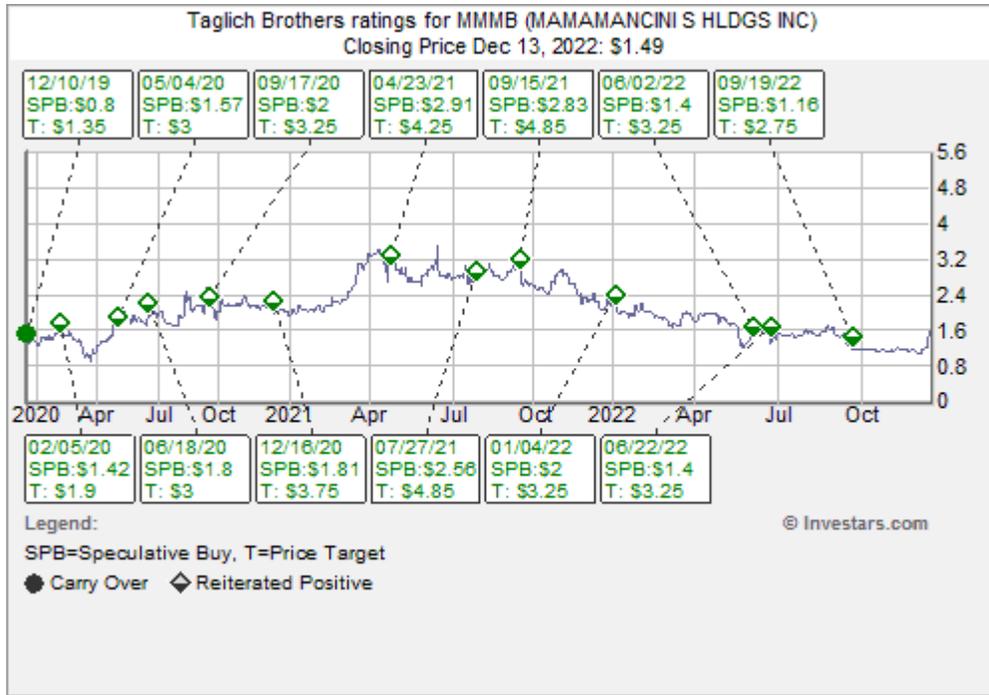
Source: Company reports and Taglich Brothers estimates

MamaMancini's Holdings, Inc.
Cash Flow Statement – Ending January 31
FY2020 – FY2024E
(in thousands)

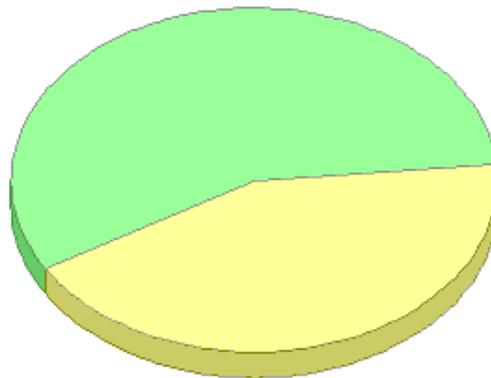
	<u>FY2020A</u>	<u>FY2021A</u>	<u>FY2022A</u>	<u>9 Mos22A</u>	<u>FY2023E</u>	<u>FY2024E</u>
<i>Cash Flows from Operating Activities</i>						
Net Income (loss)	\$ 1,533	\$ 4,067	\$ (252)	\$ 458	\$ 989	\$ 4,913
Depreciation	640	663	779	679	900	900
Amortization of debt issuance and discount costs	68	18	2	10	13	12
Amortization of intangibles	-	-	44	367	490	490
Share-based compensation	94	53	33	36	50	50
Income from equity method investment in Chef Inspirational	-	-	-	(90)	(150)	(305)
Amortization of right of use assets	109	138	191	273	273	273
Cash earnings (burn)	2,444	4,939	797	1,732	2,564	6,333
<i>Changes In:</i>						
Accounts receivable	(1,077)	(246)	(938)	735	936	(286)
Deferred tax asset	-	(745)	296	98	98	-
Inventories	101	51	(475)	(673)	(880)	(252)
Prepaid expenses	(43)	(268)	254	(112)	(131)	(25)
Current portion of operating lease liability	(101)	(133)	(169)	(261)	-	-
Accounts payable and accrued expenses	491	99	1,176	1,665	1,063	(503)
Security deposits	-	-	(32)	-	-	-
Net (increase)/decrease in Working Capital	(629)	(1,241)	113	1,452	1,086	(1,066)
Net cash Provided (used) by Operations	<u>1,815</u>	<u>3,699</u>	<u>910</u>	<u>3,184</u>	<u>3,650</u>	<u>5,267</u>
<i>Cash Flows from Investing Activities</i>						
Cash paid for fixed assets	(268)	(419)	(862)	(508)	(675)	(750)
Cash paid for intangible assets	-	(33)	-	-	-	-
Acquisition of businesses, net	-	-	(10,409)	(500)	(500)	-
Net cash used in Investing	<u>(268)</u>	<u>(452)</u>	<u>(11,271)</u>	<u>(1,008)</u>	<u>(1,175)</u>	<u>(750)</u>
<i>Cash Flows from Financing Activities</i>						
Proceeds from advance/completed preferred convertible stock offering	-	-	-	1,365	1,365	-
Proceeds from issuance of common stock and exercise of warrants/options	-	3,788	19	26	35	-
Proceeds (repayment) from credit line	385	(2,997)	765	225	225	-
Proceeds (repayment) of demand and promissory notes	-	-	-	-	(750)	(750)
Borrowings (repayment) from term loan	(2,058)	(442)	7,500	(905)	(1,500)	(2,500)
Cash paid for financing fees	-	-	(64)	(57)	(57)	-
Capital lease obligations (repayment) proceeds	(89)	(156)	(199)	(190)	(200)	(250)
Payment of preferred B dividends	-	-	-	(11)	(37)	(100)
Borrowings (repayment) from convertible note and notes payable -related party	-	(642)	-	-	-	-
Net cash provided by Financing	<u>(1,762)</u>	<u>(450)</u>	<u>8,021</u>	<u>452</u>	<u>(920)</u>	<u>(3,600)</u>
Net change in Cash	(216)	2,797	(2,340)	2,629	1,555	917
Cash Beginning of Period	609	394	3,191	851	851	2,406
Cash End of Period	<u>\$ 394</u>	<u>\$ 3,191</u>	<u>\$ 851</u>	<u>\$ 3,479</u>	<u>\$ 2,406</u>	<u>\$ 3,323</u>

Source: Company reports and Taglich Brothers estimates

Price Chart



Taglich Brothers Current Ratings Distribution



57.14 % Buy | 42.86 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	5	26
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. An employee of Taglich Brothers owns or has a controlling interest in MMMB of 15,000 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 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:

Conagra Brands	(NYSE: CAG)	Hormel Foods	(NYSE: HRL)
Sysco Corp.	(NYSE: SYY)	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.

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.