Zacks Small-Cap Research

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Jammin Java Corp. (JAMN-OTCQB)

JAMN: 1Q FY 2016 results; Net sales +21.7%; Gross margin 30.9%; EcoCup to ship on July 29th.

Current Recommendation	**Buy**
Prior Recommendation	N/A
Date of Last Change	10/13/2013
Current Price (06/17/15)	$0.24
Six- Month Target Price	**$0.51**

OUTLOOK

Jammin Java is a growth company in the premium coffee industry. Management is implementing a growth strategy based on multi-channel geographic penetration and brand awareness-based volume growth. Management's goals for fiscal 2016 are to generate revenue growth of 77% to $17 million and generate positive EBITDA in the fourth fiscal quarter. The company is positioned to benefit from the product cycles of the K2.0 brewer and recyclable EcoCup™ capsules. A subscription service is available on the company's website.

SUMMARY DATA

52-Week High	**$0.32**
52-Week Low	**$0.14**
One-Year Return (%)	**-31.75**
Beta	**4.33**
Average Daily Volume (shrs.)	**271,625**
Shares Outstanding (million)	**125.546**
Market Capitalization ($mil.)	**$29.6**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**13.4**
Insider Ownership (%)	**12.0**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2016 Estimate	**N/M**
P/E using 2017 Estimate	**12.0**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Beverages-Soft**
Zacks Rank in Industry	**6 of 17**

ZACKS ESTIMATES

Net Revenue
(in thousands of $)

	Q1 (Apr)	Q2 (Jul)	Q3 (Oct)	Q4 (Jan)	Year (Jan)
2014	817 A	1,605 A	2,193 A	1,029 A	5,654 A
2015	2,121 A	2,078 A	2,517 A	2,184 A	8,901 A
2016	2,581 A	3,500 E	4,900 E	5,950 E	17,088 E
2017					22,500 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Apr)	Q2 (Jul)	Q3 (Oct)	Q4 (Jan)	Year (Jan)
2014	-$0.00 A	-$0.01 A	-$0.01 A	-$0.04 A	-$0.07 A
2015	-$0.02 A	-$0.03 A	-$0.02 A	-$0.02 A	-$0.09 E
2016	-$0.01 A	-$0.01 E	-$0.00 E	-$0.00 E	-$0.02 E
2017					$0.02 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

Quarterly EPS may not equal annual EPS total due to rounding.

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KEY POINTS

- Jammin Java Corp. is a producer, marketer and distributor of premium roasted gourmet coffees sold under the **brand name of Marley Coffee**.
- Management executed a **growth strategy** of geographic expansion through multiple distribution channels, which has driven dramatic revenue growth over the last three fiscal years. For fiscal 2016, **management's goals** include generating **$17 million in gross revenues** (which translates to 77% top-line growth and **achieving positive EBITDA in the fourth quarter of this fiscal year**. Operationally, the company plans to build deeper relationships with existing customers to improve turn rates and to continue growing distribution by expanding into key accounts. However, we believe the keys to attaining management's goal will be the **introduction of EcoCups** and the level of success of the **e-commerce subscription model**.
- **Expanded distribution network** through
  - National and regional grocery chains (Ahold, BI-LO, Winn Dixie, Kroger, Safeway, etc.)
    - The domestic availability of Jammin Java's coffees and teas through the retail grocery channel expanded geographically from southern California in 2010 to a national footprint in 2013. Additional distribution agreements are continually being announced.
  - Independent domestic distributors, like United Natural Foods and Gourmet Merchants Int'l
  - E-tailers, such as amazon.com, cooking.com, coffeewiz.com, shoffee.com, etc.
  - Alternative distribution through vending (in partnership with AVT) and BikeCaffe coffee carts.
  - Internationally in Canada, Chile, Japan, the UK, Continental Europe, South America (specifically Chile, Peru, Uruguay, Mexico and Colombia), South Korea and Japan.
  - Jammin Java continues to gain penetration in the domestic grocery market with Marley Coffee, which is available at approximately **7,200 shelves in the U.S**. In **Canada**, Marley Coffee is currently available at approximately **2,000 stores**, driven by Marley's partnership with Mother Parkers.
- **New product innovation**:
  - In November 2011, Jammin Java **entered the ground coffee segment** with **8 oz. bags** of ground coffee.
  - In November 2012, Jammin Java **entered the fast growing single-serve market** with **RealCups**™, a K-Cup compatible product.
  - In early October 2013, ***Smile Jamaica***, Jamaican Blue Mountain coffee blend, was launched
  - In early March 2014, Marley Coffee launched several new products, specifically, **Rainforest Alliance Certified versions** of Buffalo Soldier, Mystic Morning and Smile Jamaica and two new flavor blends: **Catch a Fire** (Jamaican chili flavor) and **Spiced Root Rum** (Jamaican rum flavor).
  - In the second half of 2015, management anticipates that Marley Coffee will be available in **recyclable EcoCup**™ capsules, which will be compatible with all K-Cup brewers, including the future Keurig Green Mountain K2.0.
  - Management anticipates all Marley Coffee RealCups will be K2.0 brewer-compatible sometime in mid-2015.
- During 2013, Jammin Java benefitted from approximately **$4.8 million in capital** through the settlement of trade payables with **Ironridge Global IV, Ltd**. The funds are allowing for an accelerated pace of distribution expansion.
- In April 2014, **Mother Parkers Tea & Coffee** entered into a strategic transaction with Jammin Java by purchase 7,333,529 Units of Jammin Java for **$2.5 million**.
- Management continues to build awareness and promote increased distribution through attending trade shows, new distribution events, etc.
- Through sponsorship agreements, Marley Coffee has strategic partnerships with the Denver Broncos, Colorado Rockies, Colorado Rapids, the Ottawa Sports and Entertainment Group (Ottawa REDBLACKS CFL, Ottawa 67's OHL and Ottawa Fury FC NASL teams) and Colorado Buffaloes (both football and basketball teams).
- Management continues to aggressively pursue strategies to increase distribution, marketing and product innovation.
- We maintain our Buy rating and adjust our price target to $0.51.

RECENT NEWS

EcoCups™

Management of Marley Coffee **anticipates shipping recyclable EcoCup™ capsules on July 29, 2015**. EcoCups are compatible with all K-Cup brewers, including the new Keurig Green Mountain K2.0 platform. Also, EcoCup will be available for use with loose leaf tea. The development of the EcoCup enhances the sustainability value embodied by the Marley Coffee brand. With this green technology, Marley Coffee should garner further market share, especially with environmentally conscious consumers, and has the potential to grow the single-serve beverage category, itself.

EcoCups should be a **key driver** for the single-serve category to continue growing and achieve higher penetration of U.S. households as consumers with sustainability concerns adopt the single-serve platform. Jammin Java's management calls the EcoCup advantage a **game changer** and **competitive differentiator**. All of Marley Coffee's single-serve products are expected to be transitioned to the EcoCup format during calendar 2015.

The launch of the Recyclable RealCup will be accompanied by multi-city promotional tasting and demonstration tours supported by public relations efforts and social media. Six-week campaigns will address each targeted market in order to drive trial.

As the single-serve beverage market continues to grow, concerns have been raised about the impact on the environment. In an interview with The Atlantic, the inventor of K-Cups, John Sylvan, stated he has regrets that K-Cups are disposable but not recyclable. A "Kill the K-Cup" campaign has arisen, especially on social media with videos on YouTube and #KilltheK-Cup on Twitter. Though Keurig Green Mountain is committed to making all K-Cup packs recyclable by 2020, Mother Parkers is expected to begin recyclable EcoCups™ of Marley Coffee this year.

Added Distribution Depth

The company is gaining additional shelf space at certain premium retailers. H-E-B will add four new SKUs effective July. Also, Wegmans is adding three RealCup SKUs here in June. In addition, Kroger has added Smile Jamaica capsules on approximately 1,300 shelves.

E-Commerce Vertical

The company launched its revitalized e-Commerce model with an enhanced subscription coffee service on the Marley Coffee website at https://shop.marleycoffee.com/subscriptions. For the last two years, online purchase requests have been fulfilled by distribution partner sites like amazon, coffeewiz.com, officedepot.com and SHOP.COM. However, Marley's new Coffee-of-the-Month subscription service is internally controllable and definitely expandable. Management plans to capture this potentially significant revenue stream and with its low fulfillment cost structure.

The company has augmented the benefits of using the online platform by the "My Cup" series, which allows online customers to purchase exclusive small batch, single origin, limited-release, specialty coffees. The first "My Cup" batch offering is a 10-ounce bag of whole bean Congo Kivu in hand-labeled and hand-numbered bags.

New Sponsorships

On June 2, 2015, Marley Coffee announced that the company is an official sponsor of the 2015 Youth Action Island Summit which took place between June 5th and 7th in Cape Eleuthera, The Bahamas. The event is a three-day gathering of activists, artists, scientists, educators and island youth to discuss and

generate solutions to the plastic pollution on island nations. Marley Coffee also sponsored a student ambassador from Jamaica to attend and represent the company at the summit.

Expanded International Distribution Announcement

On April 28, 2015, the company announced distribution expansion in Chile with two foodservice chains in Chile (Castaño with over 80 coffee shops and 44 of 53 Subway® sandwich stores in Chile), several major grocery retailers (including 100 Unimarc stores and 50 Tottus supermarkets) and Wal-Mart Stores (initially at over 30 locations with potential to expand to an additional 120 stores in Chile).

Financial Results for First Quarter of Fiscal 2016

On June 16, 2015, Jammin Java (JAMN) d/b/a Marley Coffee reported financial results for the first fiscal quarter ending April 30, 2015. **Net revenues increased 21.7% YOY** to $2.58 million, primarily due to expanded distribution into the retail grocery market and continued growth of other distribution channels. Gross income increased 76.0% to $796,615 and **the gross profit margin expanded 951 basis points (bps)** from 21.3% to 30.9%.

Operating expenses decreased 27.4% as G&A expenses declined 36.9% to $492,824, primarily due to **cost-cutting efforts** and the **streamlining of existing operations**. Compensation and benefits declined 14.1% to $972,806 due to a decrease of staff and more efficient operations. Selling & marketing expenses decreased 36.7% to $521,116 as a result of reduce advertising campaigns in new markets though management expects to continue making significant marketing investments toward brand building in order to expand the customer base during the remainder of the year.

The company's net loss contracted 37.4% from $1,913,189 ($0.02 per diluted share) to $1,197,545 ($0.01 per diluted share). Average weighted shares outstanding increased 18.5 to 124.9 million, primarily from the settlement of the Ironridge Global Partners transactions (which extinguished $4.8 million of accounts payable and accrued expenses through the issuance of common shares), along with the issuance of 7.3 million shares to Mother Parkers. Management anticipates that the company's working capital needs for the next 12 months should be met through operations, future equity offerings, a recently entered $0.5 million line of credit and the company's largest supplier of products (which appears to be Mother Parkers) recently agreeing to extend terms of payment from 30 days to 120 days.

Management continues to anticipate that gross revenues during fiscal 2016 to approximate $17 million with most of the growth being expected to occur in the second half of the year. The projection is based on several drivers: increasing average SKUs per store from the current 3 to 4, generating trial and repeat through marketing and sampling partnerships, and growing the international business. Marley Coffee has distribution reach into over 9,200 stores in North America (7,200 stores in the US and 2,000 in Canada). This fiscal year, management plans to focus on existing accounts. Promotions and trial programs instituted during fiscal 2015 increased product velocity, especially at some larger accounts like Kroger, Safeway and HEB. Internationally, Marley Coffee continues to gain traction through the efforts of partners.

Financing

To help finance Marley Coffee's growing sales base, Mother Parkers has verbally agreed to extend payables from 30 days to 120 days, which will free up approximately $1.5 million in working capital.

On June 9, 2015 (but with an effective date of February 16, 2015), Jammin Java entered into a $500,000 unsecured Revolving Line of Credit Agreement with Colorado Medical Finance Services, LLC (d/b/a Gold Gross Capital LLC). Funds borrowed accrue at an interest rate of 17.5% per annum.

OVERVIEW

Headquartered in Denver, Jammin Java Corp. (JAMN: OTCQB) is a producer, marketer and distributor of sustainably-grown, ethically-farmed, artisan-roasted premium coffees sold under the brand name of Marley Coffee. **All the company's coffees are positioned as USDA Organic, Fair Trade Certified and/or Rainforest Alliance Certified**. The company also distributes tea and has the rights to sell coffee-related products (cups, mugs, milk steamers, grinders, brewing machines, etc.) with the Marley trademark, along with chocolates. Management is **developing deeper distribution** in the retail channels of grocery, online sales, service & hospitality, office coffee service and club stores. Currently, Marley Coffee is **available at approximately 7,200 locations**.

Jammin Java was founded in February 2008 by Rohan Marley, son of reggae entertainer Bob Marley, as Marley Coffee Inc. Through a series of business development initiatives, Marley Coffee Inc. has been transformed into Jammin Java Corp. Rohan's vision is to produce and acquire sustainably-grown coffee and market the artesian-roasted beans under the Marley Coffee brand, which reflects the personality of Bob Marley. Rohan Marley acts as a brand ambassador for the many Marley licensed brands, including Marley Coffee. Awareness of Marley Coffee has been greatly enhanced through events celebrating new distribution opportunities where Rohan has been present. Other marketing efforts include social media (Twitter and Facebook), tradeshows, general advertising and public relations.

The company is targeting a specific market niche within the specialty gourmet coffee industry that wishes to support sustainable farming practices while enjoying premium and super-premium specialty coffees. Management's core business model involves the implementation of a multi-channel geographic penetration strategy, which entails expanding distribution both through multiple channels and through geographic expansion. The use of multiple distribution channels increases the awareness and presence of the company's coffees. Through distributors and direct relationships, Jammin Java provides organic, sustainable coffees through the channels of supermarkets, E-tailers, Office Coffee Service (OCS), independent distributors, foodservice, vending and automated retailing. Geographically, the company's operations were concentrated in the western US and western Canada until 2012, when the company entered into a multitude of relationships across the US, Canada and overseas. Sales cycles for national grocery and retail chains are very long and the efforts made to broaden distribution last year came to fruition during fiscal 2014.

Marley Coffee's strategy is to establish strong retail grocery distribution in major metropolitan areas across North America and drive consumer purchasing decisions through brand awareness, customer satisfaction by trial and consumption of Marley coffees in the office and at Kiosks. **Jammin Java coffee products are currently available at approximately 7,200 stores**, which represents approximately a 21% retail grocery market share. During fiscal 2016, management is pursuing opportunities to build deeper relationships with existing customers and to continue growing distribution by expanding into key accounts.

Sales growth over the last three fiscal years has been very robust. The company has transitioned from a development stage to an operating company. In the process, Jammin Java reported nine consecutive quarters of triple-digit sales growth during the 2013 and 2014 fiscal years. The challenge of maintaining positive working capital during this period of rapid growth was been met by 1) equity capital financing of trade payables by Ironridge Global IV, Ltd., a firm specializing in consumer nondurable investments and which now owns a substantial equity position in Jammin Java and 2) a strategic relationship with Mother Parkers Tea and Coffee, which took an equity stake in Jammin Java and will provide marketing support for Marley Coffee.

Strategic Relationship with Mother Parkers

Mother Parkers Tea & Coffee Inc. is a family-owned company based in Ontario that produces Marley Coffee's RealCup single-serve capsules and is also a major food service distributor of Marley Coffee in

Canada, which accounted for 20% of Jammin Java's sales in fiscal 2013.[1] Mother Parkers was instrumental in developing many Canadian relationships, and as a result, distributes Marley Coffee to Loblaw's, Sobeys (245 stores in Ontario), Metro (120 stores in Ontario), IGA (280 stores in Quebec), COOP (50 stores), ID Foods and all Bed Bath & Beyond stores in Canada. Jammin Java distributes directly to other retailers, such as London Drugs and Best Buy in Canada.

In July 2014, Mother Parkers Tea & Coffee was instrumental in expanding the distribution of Marley Coffee's RealCups with the addition of three major Canadian grocery chains, namely Loblaws, Longos and Safeway. Loblaws controls approximately 70 stores under 17 banners across Canada, but primarily in British Columbia, Ontario and Quebec, while Longos operates 25 stores in Ontario. **Safeway**, which serves western Canada with over 150 supermarkets, was acquired by Sobeys in 2013.

To further reinforce the collaboration between the two companies, **Mother Parkers took an equity stake** in Jammin Java (d/b/a Marley Coffee) during April 2014. In addition, Mother Parkers received a seat on the Advisory Board of Marley Coffee. The private offering of 7,333,529 Units provided net proceeds of **$2.5 million** to Jammin Java, which will be used fund Marley's Coffee's expansion. Each Unit consists of one share of common stock and one three-year warrant to purchase one share of common stock at $0.51135 per share.

SPONSORSHIP AGREEMENTS

Partnerships with athletic sports teams are part of the company's overall strategy to promote the Marley brands, which stimulates demand for local office coffee route business. Marley Coffee has forged strategic sponsorship agreements to enhance brand exposure in several sports venues. Not only does Marley Coffee have signage at the locations, but also will be the coffee provider during the games, often on an exclusive basis. Agreements have been signed at the home venues of the Denver Broncos football team (Sports Authority Field at Mile High Stadium), Colorado Rockies baseball team (Coors Field), Colorado Rapids soccer team (Dick's Sporting Goods Park), the Ottawa REDBLACKS CFL, the Ottawa 67's OHL, the Ottawa Fury FC NASL teams (these three at TD Place in Ottawa), the Colorado Buffaloes football team (University of Colorado's Folsom Field) and Colorado Buffaloes basketball team (Coors Event Center). Marley Coffee is headquartered in Denver. Management's connections with Ottawa include Rohan Marley (Chairman) having played professional football for the Ottawa Rough Riders at Lansdowne Park (now TD Place) and Brent Toevs (CEO) being an Ottawa native and long-time Rough Riders season ticket holder.

On September 5, 2013, Marley Coffee entered into a two-year strategic partnership with the Denver Broncos Football Club. During the 2013 and 2014 NFL seasons, Marley Coffee will receive advertising time on the Stadium Vision electronic signage system during every Broncos home game. In addition, Marley Coffee RealCups will be available within the suites at Sports Authority Field at Mile High.

In March 2014, Marley Coffee entered into a **five-year partnership contract** with the **Colorado Rockies**. The partnership platform includes Marley Coffee being the exclusive coffee provider at concession stands, suites, restaurants, cafés and the clubhouse in Coors Field, along with being designated as a "Proud Coffee Partner of the Colorado Rockies." Not only does the Marley Coffee logo appear on co-branded coffee & hot chocolate cups, but also Marley Coffee has signage along the left field line and a presence on menu boards throughout the stadium. At every home game, additional brand exposure will come from a full-page color advertisement in the Rockies Magazine and a main scoreboard matrix announcement.

[1] Concentration of sales was not broken out by individual customers for fiscal 2014; however, in fiscal 2013, four customers accounted for 73% of net revenues (the second largest was Mother Parkers) and in fiscal 2014, three customers accounted for 57% of net revenues (one of which was Mother Parkers).

On May 12, 2014, Marley Coffee announced the signing a **five-year partnership contract** with the **Colorado Rapids**, Denver's Major League Soccer club. Marley Coffee is now the exclusive coffee served at Dick's Sporting Goods Park and the designated Official Coffee of the Colorado Rapids. Marley Coffee will be served at concession stands, suites and the Restaurant Club. Also large, static advertising sign will be located on the concourse, and at some home games, Marley Coffee BikeCaffes will be stationed outside the stadium.

In August 2014, Marley Coffee entered into a **two-year partnership contract** with the Ottawa Sports and Entertainment Group to be the exclusive coffee provider at **TD Place** in Ottawa. TD Place is the home of the Ottawa **REDBLACKS** Canadian Football League (CFL) team, the Ottawa **67's** Ontario Hockey League (OHL) team and the Ottawa **Fury FC** North American Soccer League (NASL) team. The agreement includes Marley Coffee being the exclusive coffee provider at concession stands and all staff departments, along with LED signage at the Ottawa REDBLACKS and Fury FC regular season home games. Also, Marley Coffee will receive advertising on Stadium Vision at every event hosted at TD Place by the Ottawa Sports and Entertainment Group.

In September 2014, Marley Coffee signed a **four-year partnership contract** with the University of Colorado and Buffalo Sports Properties to be the official coffee of the Colorado Buffaloes football and basketball teams and to be the **exclusive coffee provider** at the University of Colorado's **Folsom Field** and **Coors Event Center**. The agreement includes Marley Coffee being the exclusive coffee provider at concession stands and in the suite and club levels. Also, Marley Coffee will receive logo placement on the video board and rotational messaging on the LED ribbon boards. During each Colorado Buffaloes home football game, a BikeCaffe selling Marley Coffee beverages and merchandise will be located on the stadium concourse.

In early 2015, Marley Coffee sponsored two winter events in Colorado: **Icelantic's 4th Annual Winter on the Rocks concert** on January 30th at the Red Rocks Amphitheatre in Morrison and the **2015 FIS Alpine World Ski Championships** between February 2nd and 15th in Vail and Beaver Creek. At the Winter on the Rocks concert, Marley Coffee served espresso beverages, drip coffee and hot chocolate in the vendor village while at the Alpine World Ski Championships Marley Coffee was available at all VIP hospitality areas, Red Tail Finish Stadium, various concession areas and throughout Beaver Creek Village.

PRODUCTS

Jammin Java offers a portfolio of coffee and tea products that overtime has expanded both by new product introductions and by format. Initially offered only in bags of whole beans, the form of coffee products has been augmented by developing single-serve pods, fractional packages and RealCups™, along with the introduction of ground coffee in bags. In addition, package sizing has been improved to better target specific distribution channels and to enhance merchandising effectiveness. All Marley coffees are composed of quality Arabica coffee beans that are organically grown and ethically farmed.

During the summer of 2011, a significant catalyst would jump start the growth of Marley Coffee through the introduction of variety of new products and development of traditional and innovative distribution channels. On August 8, 2011, it was announced that the licensing agreement between Jammin Java and Marley LLC had been amended. Prior to this date, Marley Coffee LLC was responsible for retail, grocery and online distribution while Jammin Java concentrated on the OCS and wholesale markets. The amended license consolidated all distribution channels under Jammin Java and expanded the product breadth to include ready-to-drink coffee drinks, teas, chocolates and coffee-related equipment (e.g. machines and grinders). Also, under the terms of the amended license, Jammin Java Corp. could now conduct business as Marley Coffee in order to reduce confusion in the marketplace. Within a couple of months, the OCS and foodservice product lines were revamped. By October, internet web sites like Cooking.com and amazon.com were selling the **new pods** in 15-count and 18-count boxes, along with

newly designed 2.5 oz. fractional portion packages of ground coffee and tea. The products are available through many OSC providers on their websites too.

Product Timeline

•	June 11, 2009	Marley Coffee LLC introduces **12 oz. bags** of *Mystic Morning* Wake Up, *Simmer Down*, *One Love*, *Lively Up!* and *Jammin Java* (all whole bean)
•	December 2010	Marley Coffee LLC introduces *Talkin' Blues* (100% Jamaica Blue Mountain)
•	March 2011	Jammin Java introduces **2.2 lb. (1 kg.) bags** and **2.5 oz. (71 g.) fractional packages** of ground coffee of *Lion's Blend*, *Kingston City Roast* and *Mountain Roast* for OSC and foodservice channels
•	April 2011	Introduce *Buffalo Soldier* and discontinue *Jammin Java* Bold Full City Roast
•	April 27, 2011	Introduce ***single-serve pods*** at NAMA OneShow
•	June 2011	Introduce *Top Rankin* (100% Jamaica Grade 1 beans)
•	August 8, 2011	All Marley Coffee brands consolidated under Jammin Java
•	October 2011	Introduce *Get Up, Stand Up*
•	October 2011	Single-serve pods available on Cooking.com and amazon.com
•	Nov. 2, 2011	Introduce ***8 oz. bags of ground coffee***
•	Late 2011	Introduce 2 lb. bags and discontinue 2.2 lb. bags
•	May 1, 2012	Introduce ***RealCups***™ at NAMA OneShow
•	Sept. 16, 2012	Two patents expire on Green Mountain Coffee's K-Cups
•	November 2012	Marley Coffee RealCups™ begin shipping
•	August 16, 2013	Garden of Life launches Marley Coffee flavored Raw Protein Raw Meal
•	Sept. 6, 2013	Introduce ***Marley Coffee Espresso Capsules*** for Martello Cafe Machines
•	October 2, 2013	Introduce ***Smile Jamaica*** (Jamaican Blue Mountain coffee blend)
•	March 2014	Introduce ***Catch a Fire*** and ***Spiced Root Rum***
•	August 29, 2014	Agreement for availability with **Bevyz** single-serve, multi-drink system
•	Sept. 25, 2014	Agreement with **SDS** for ViBEration at-home carbonation system pods
•	November 27, 2014	*One Love* becomes available in Keurig **K2.0-compatible** format
•	First quarter 2015	Other Marley Coffee blends to be available in **K2.0-compatible** format
•	July 29, 2015	First shipments of first EcoCups™ expected

By November, Jammin Java **launched a product line of ground coffee** for the retail grocery market. The certified organic coffees of *Mystic Morning*, *Lively Up!*, *One Love*, *Simmer Down*, *Buffalo Soldier* and *Get Up Stand Up* became available in **8 oz. bags** of pre-ground coffee. Not only did the addressable market dramatically increase since the ground market is approximately three times larger than the whole bean market in the U.S., but also the package sizes were realigned to 8 oz. and **2 lb. bags**. Prior to this announcement, Marley coffees had been only in the formats of whole bean, pods and individual fractional packs of pre-ground coffee.



In a **milestone event**, on May 1, 2012, Jammin Java expanded into the single-serve arena with the announcement of Marley Coffee single-serve **RealCups**™, a new line of coffee and tea products compatible with Keurig K-Cup brewer systems. Again, the addressable market radically increased to tremendous opportunities, especially in the retail and office coffee service (OCS) distribution channels. The proliferation of Keurig K-cup machines and other Keurig compatible brewers that brew single-serve beverages was an important driver of the growth in premium coffee consumption over the last five years. Two months after Green Mountain Coffee's K-Cup patents expired in September, Marley Coffee

RealCups began shipping in four varieties (*One Love*, *Lively Up, Talkin' Blues and Get Up, Stand Up*) in an assortment of counts (12-count & 24-count boxes, and 36-count variety packs). The response to the introduction of Real Cups was overwhelming with over 500,000 RealCups being shipping during the first month of distributing the single-serve product. Many subsequent retail and OSC relationships were subsequently announced.



Jammin Java / Marley Coffee offers 8.0 oz. (retail) and 2 lb. (food service) whole bean and ground coffee bags of *Mystic Morning*, *Lion's Blend*, *Buffalo Soldier*, *Kingston City Roast*, *Lively Up, Simmer Down and Get Up Stand Up*. Also, three single-source coffees are offered: *One Love* (Ethiopian Yirgacheffe), *Talkin Blues* (100% Jamaica Blue Mountain) and *Top Rankin (*100% Grade 1 Jamaica Blue Mountain).

Smile Jamaica, a blend of 20% Jamaican Blue Mountain and 80% of Rainforest Alliance Certified coffee and **Rainforest Alliance Certified versions** of *Buffalo Soldier* and *Mystic Morning* and *Smile Jamaica* were introduced in 2013. **New products in 2014** were two new flavor blends in the RealCup format: ***Catch a Fire*** (Jamaican chili flavor) and ***Spiced Root Rum*** (Jamaican rum flavor).

Marley Coffee blends are becoming available in Keurig Green Mountain **K2.0-compatible** RealCups, which will enable Marley Coffee to be used with the Keurig Green Mountain K2.0 brewer platform. On November 27, 2014, Mother Parkers Tea & Coffee announced that Marley Coffee's **One Love** coffee blend was obtainable in **K2.0-compatible** RealCup capsules. In addition, management anticipates that Marley Coffee will begin shipping recyclable **EcoCups** in July 29, 2015.

The Sustainable Philosophy Conveyed by the Marley Brand

Though almost all consumer packaged goods companies pay lip service to sustainability with initiatives designed to invoke demand for products based on green credentials, consumers are both overwhelmed by the multitude of sustainability stamps of approval and also wary of the genuineness of intent espoused by these companies. Jammin Java was founded on the principle of **sustainability**, which is specifically related to the company's natal event when Rohan Marley acquired a property in the Blue Mountain region of Jamaica. His father's dream of farming and Rohan's passionate interviews convey that Marley Coffee is built upon the philosophy of providing socially and environmentally responsible products. Consumers should have no doubt that sustainability is integrated into every aspect of Marley Coffee's business.

Marley Coffee is committed to supporting sustainable and organic farming practices, along with the ethical responsibility to support coffee-growing communities worldwide. The company's products are

labeled with at least one of the following: USDA Organic, Fair Trade Certified and/or ITAL. Each has different connotations.









A core value and competitive strength of Marley Coffee are the company's **commitments to sustainability and philanthropy**. Jammin Java was founded on the principle of sustainability, and Marley Coffee is built upon the philosophy of providing socially and environmentally responsible products. The company continues to financially support the **Chepstow Basic School** in Jamaica. In addition, Marley Coffee has already contributed $83,000 to the **WaterWise Initiative**, and will donate $0.01 for every RealCup sold. The project creates vetiver wetland sites along the Kolla River in coffee-growing Sidama region of Ethiopia. The tall wetland grass with deep roots naturally filters the water from coffee-cherry mills before the water flows back into the Kolla River. Thus, in a sustainable way, the water returns to a clear state and can be used for cooking and washing, and also for cleaning clothes and watering livestock.

RISKS

- Jammin Java has helped fund the company's operations and rapid distribution growth through the issuance of common shares in consideration for services rendered and accrual of salaries for several of officers and employees. In early 2014, management indicated its plan to transition from equity-based compensation to cash compensation in fiscal 2015; however, management now plans to continue this practice during the current fiscal year. All told, common stock was used in lieu of cash to satisfy expenses of $2,375,156 in fiscal 2013, $2,110,826 in fiscal 2014 and $2,419,817 in fiscal 2015. Nonetheless, successful companies in the consumer staples sector generate strong cash flow once a critical mass of shelf space is attained. Knowledgeable executives at two companies closely attuned to the coffee beverage industry (Ironridge Global IV and Mother Parkers Tea & Coffee) have decided to take sizable equity positions in Jammin Java. Obviously, these industry professionals believe in Jammin Java's future and are helping funding the distribution channel growth of this nascent beverage company.
- Approximately 50% of Jammin Java's revenues are generated by Marley Coffee RealCups, which is directly dependent on the popularity and use of the Keurig® Brewing system platform.
- Jammin Java's vendor concentration is increasing. In the first fiscal quarter of 2015, three vendors accounted for 82% of purchases. This year, during the first fiscal quarter of 2016, two vendors accounted for 86% of purchases. The loss of one of these key vendors would have a material negative impact on the company's revenues and financial well-being.
- The company is currently in litigation with Sky Consulting Group, with which the company had a coffee distributor agreement for Korea. Since Jammin Java reported $295,759 in sales from South Korea during the first fiscal quarter of 2016, the company must be using an alternative method of distribution. Currently, the case is in arbitration.
- Current liabilities have increased disproportionately relative to current assets resulting in negative working capital of $1.9 million. The major culprit is $2.48 million in accounts payable to Mother Parkers for roasting services. On the other hand, Mother Parkers is a significant shareholder of Jammin Java and also is responsible for $810,498 of the company's accounts receivable. In addition, Mother Parkers has agreed to extend the terms of payment from 30 days to 120 days to help fund Marley Coffee's growth.

VALUATION

Generally, the appropriate valuation methodology for consumer non-durable companies is based on P/E (Price/Earnings) reflecting the sector's characteristics of profitability and cash flow generation. However, Jammin Java is in the emerging growth phase of its corporate history and is still in the early stage of establishing its grocery store distribution footprint. With the majority of locations of availability in the grocery channel having been announced in the last nine months, the full potential and financial impact of management's distribution strategy has yet to be observed financially.

The appropriate **valuation methodology** for Jammin Java is based on **price-to-sales** (P/S) due the character of the company's enterprise, namely a small-capitalization company, currently with negative profitability, but with an expected sales profile that should continue to grow rapidly as the company's coffee products begin to appear on grocery shelves and the OCS channel increases brand awareness. Price-to-sales valuation incorporates the company's ability to generate revenues with the expectation that ultimately the growing revenue stream will manifest itself into positive earnings when the break-even point is surpassed.

Jammin Java's revenue profile is expected to continue experiencing rapid growth since the significant distribution agreements with the major grocery chains of Safeway and Kroger are relatively recent. In the valuation process, it is important to incorporate a mechanism which takes into account that Jammin Java experienced **triple-digit revenue growth during fiscal 2013 and 2014**, and **69% net revenue growth in fiscal 2015**. Comparable companies should share this same fundamental attribute of revenue growth. Regretfully, smaller, rapidly-growing coffee companies cannot be valued currently since they have been acquired, namely Diedrich Coffee, Timothy's Coffees, Tully's Coffee, D.E Master Blenders (Douwe Egberts), Caribou Coffee, etc. It is typical for the price-to-sales multiples of young firms that appear to have vast potential to be well above those of moderately growing companies, sometimes expanding well above 30 times trailing twelve-month (TTM) sales.

The P/S valuation range for comparable coffee-related companies with moderately growing sales profiles (relative to Jammin Java) is between 2.7 and 6.8 times TTM revenues with a mean P/S valuation of 4.7 times, namely Starbucks, Green Mountain Coffee Roasters and Dunkin Brands. Tim Hortons was acquired by Burger King in the fourth quarter of 2014 at 4.0 times TTM revenues.

Industry Comparables	**% Chg YTD**	**P/E Current FY**	**EPS Growth 5Yr Est**	**TTM Price/ Book**	**TTM Price/ Sales**	**TTM Gross Margin**
JAMMIN JAVA CORP.	40.5	N/M	20.0	9.3	2.9	20.8%
S&P 500	1.8	17.4	10.8	7.2	3.4	N/A
Industry Mean	13.2	28.1	16.1	10.9	4.7	57.7%
Industry Median	5.7	28.1	16.2	13.2	4.5	54.2%
KEURIG GREEN MTN.	-36.9	22.6	16.2	5.0	2.7	38.5%
STARBUCKS CORP.	29.1	33.6	17.7	13.2	4.5	54.2%
DUNKIN BRANDS	25.7	28.1	14.3	14.3	6.8	80.4%
Recent Industry Acquisition		**Acquiror**				
TIM HORTONS INC.		Burger King	10.6	11.4	4.0	39.4%

Since Jammin Java has the potential and is expected to generate meaningful increased revenues over the upcoming quarters, our price target is based on a price-to-sales ratio valuation **using estimated forward revenues**. Given the company's exposure to the attractive premium coffee industry, extremely strong revenue growth exhibited by reported financial results and rapidly growing grocery-store presence, we are projecting TTM revenues of $13.6 million through October 2015. Based on evaluating current price-to-sales multiples of comparable companies within the industry and an expectation that Jammin Java will be valued at **4.7 times** projected TTM sales, our **target** for Jammin Java remains **$0.51**.

The valuation process for small and mid-cap companies is also dependent upon profiling the potential level of a specific company's profitability through gross margin analysis, and then applying that input to help verify the price-to-sales valuation methodology. Analyzing a company's level of profitability is often the most important aspect of equity valuation analysis. Utilizing the gross margin, which takes into account the company's structural costs, it should be noted that JAMN's gross margin has improved to 25.2%. Fundamentally, the company's new distribution opportunities are skewed towards RealCups (and in the future, EcoCups), which have higher gross margins than whole bean or ground coffee products.

Industry comparables should be carefully chosen such that the character of revenues and the related profitability are similar. Accordingly, coffee-related companies with low gross margins appear not to be valid comparables, along with firms whose coffee operations do not generate at least half the company's revenues.

BALANCE SHEET &PROJECTED INCOME STATEMENT

JAMMIN JAVA CORP.							
Year ending January 31	1/31/2010	1/31/2011	1/31/2012	1/31/2013	1/31/2014	1/31/2015	4/30/2015
ASSETS							
Cash	27,513	2,467	835,878	0	857,122	443,189	72,031
Restricted cash	-	-	-	65,382	0	0	0
Accounts receivable	-	-	34,782	415,721	1,085,947	1,154,25	1,732,24
Notes receivable -related party	-	-	-	-	2,724	0	0
Inventory	-	-	-	-	354,932	197,581	153,86
Prepaid expenses	-	218,163	144,726	173,264	1,163,914	18,986	11,66
Other current assets	-	0	41,560	24,387	41,430	3,784	3,421
Total Current Assets	**27,513**	**220,630**	**1,056,946**	**678,754**	**3,506,069**	**1,817,79**	**1,973,22**
Property and equipment, net	1,294	555	9,903	19,705	440,194	381,24	395,49
License agreement	0	640,000	766,00	705,66	657,00	0	0
Intangible assets	-	-	-	-	47,525	734,753	718,42
Deferred financing costs	-	-	-	43,490	0	0	0
Other assets	-	-	-	-	15,716	23,567	23,567
Goodwill	-	-	-	-	88,162	0	0
TOTAL ASSETS	**28,807**	**861,185**	**1,832,849**	**1,447,61**	**4,754,66**	**2,957,36**	**3,110,72**
Liabilities and Stockholders' Equity							
Accounts payable	6,973	24,061	22,48	762,663	1,181,510	12,694	772,886
Payable to Ironridge in common shares	-	-	-	-	369,589	0	0
Accounts payable- related party	-	-	-	2,258	0	2,480,206	2,480,20
Accrued expenses	0	0	14,723	92,58	123,856	477,22	266,72
Accrued royalty & other exp. - related party	-	-	-	30,073	219,799	81,078	58,60
Bank Overdraft	-	-	-	8,931	0	0	0
Notes payable - related party	37,911	47,936	51,275	9,454	0	0	0
Secured promissory note, net	-	-	-	320,075	0	0	0
Notes payable - current	-	-	-	0	4,965	0	298,948
Derivative liability	-	-	-	120,006	0	0	0
Total Current Liabilities	**44,884**	**71,997**	**88,483**	**1,346,046**	**1,899,71**	**3,051,20**	**3,877,37**
TOTAL LIABILITIES	**44,884**	**71,997**	**88,483**	**1,346,046**	**1,899,71**	**3,051,20**	**3,877,37**
Common stock	98,910	69,297	76,74	79,377	103,166	124,69	125,54
Shares due from Ironridge	0	0	0	0	0		
Additional paid-in-capital	358,604	1,294,717	4,708,487	7,081,011	16,514,630	23,825,294	24,348,867
Subscription receivable	(50,000)	-	-	-	-	-	-
Accumulated deficit	(423,591)	(574,826	(3,040,865)	(7,058,818	(13,762,848)	(24,043,83	(25,241,069
Total Stockholders' Equity	(16,077)	789,188	**1,744,366**	**101,570**	**2,854,948**	**(93,847)**	**(766,656)**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**28,807**	**861,185**	**1,832,849**	**1,447,61**	**4,754,66**	**2,957,36**	**3,110,72**
Shares outstanding	98,910,594	69,297,65	76,744,15	79,373,54	104,085,210	124,691,74	125,545,91

JAMMIN JAVA CORP.

Income Statement	FY	1Q	2Q	3Q	4Q	FY
	FY 2012	FY2013	FY201	FY2013	FY2013	FY 2013
Period ending	1/31/2012	4/30/2012	7/31/2012	10/31/2012	1/31/2013	1/31/2013
Revenue	**402,698**	309,614	559,485	536,055	411,278	**1,816,432**
Cost of sales:						
Cost of sales products	340,395	234,533	492,728	382,741	324,216	1,434,218
Total cost of sales	340,395	234,533	492,728	382,741	324,216	1,434,218
Gross Income	**62,303**	75,081	66,757	153,314	87,062	**382,214**
Operating Expenses:						
Compensation and benefits	939,317	575,663	635,066	567,668	659,389	2,437,786
Selling and marketing	221,888	177,778	124,994	191,566	(232,108)	262,230
General and administrative	1,369,372	216,060	277,712	237,774	731,965	1,463,511
Farming cost	-	-	-	-	-	-
Impairment of property and equipment	-	-	-	-	-	-
Impairment of license	0	0	0	36,000	0	36,000
Total operating expenses	2,530,577	969,501	1,037,772	1,033,008	1,159,246	4,199,527
Other income (expense):						
Interest income	2,474	310	103	48	(461)	0
Interest (expense)	(239)	(69)	(15,320)	(53,896)	(80,895)	(150,180)
Other income (expense)	0	0	0	(11,200)	(39,260)	(50,460)
Total other income (expense)	2,235	241	(15,217)	(65,048)	(120,616)	(200,640)
Net Income (Loss)	**(2,466,039)**	(894,179)	(986,232)	(944,742)	(1,192,800)	**(4,017,953)**
Net loss per share:						
Basic and diluted loss per share	(0.03)	(0.01)	(0.01)	(0.01)	(0.02)	(0.05)
Wgted avg. shares - basic & diluted	74,393,386	76,744,150	76,744,150	77,618,723	78,500,000	77,338,169
Gross Margin	15.5%	24.2%	11.9%	28.6%	21.2%	21.0%

Income Statement	FY	1Q	2Q	3Q	4Q	FY
	FY 2013	FY2014	FY201	FY2014	FY2014	FY 2014
Period ending	1/31/2013	4/30/2013	7/31/2013	10/31/2013	1/31/2014	1/31/2014
Gross Revenue	**1,820,945**	846,181	1,634,570	2,277,290	1,319,915	**6,077,956**
Discounts and allowances	4,513	29,132	29,132	84,172	291,309	433,745
Net Revenue	**1,816,432**	817,049	1,605,438	2,193,118	1,028,606	**5,644,211**
Cost of sales:						
Cost of sales products	1,434,218	318,161	1,133,359	1,382,067	2,106,959	4,940,546
Total cost of sales	1,434,218	318,161	1,133,359	1,382,067	2,106,959	4,940,546
Gross Income	**382,214**	498,888	472,079	811,051	(1,078,353)	**703,665**
Operating Expenses:						
Compensation and benefits	2,437,786	275,157	411,996	686,241	925,557	2,298,951
Selling and marketing	262,230	168,243	37,719	15,777	42,542	182,251
General and administrative	1,463,511	369,772	416,946	758,635	1,135,102	2,762,485
Farming cost	-	-	-	-	-	-
Impairment of property and equipment	-	-	-	-	-	-
Impairment of license	36,000	0	0	0	0	0
Total operating expenses	4,199,527	813,172	866,661	1,460,653	2,103,201	5,243,687
Other income (expense):						
Interest income	0	0	0	0	0	0
Interest (expense)	(150,180)	(107,498)	(1,176)	(244)	494	(108,424)
Other income (expense)	(50,460)	3,135	(319,321)	(728,705)	(1,010,693)	(2,055,584)
Total other income (expense)	(200,640)	(104,363)	(320,497)	(728,949)	(1,010,199)	(2,164,008)
Net Income (Loss)	**(4,017,953)**	(418,647)	(715,079)	(1,378,551)	(4,191,753)	**(6,704,030)**
Net loss per share:						
Basic and diluted loss per share	(0.05)	(0.00)	(0.01)	(0.01)	(0.04)	(0.07)
Wgted avg. shares - basic & diluted	77,338,169	83,903,387	90,108,517	96,466,602	103,766,462	93,430,025
Gross Margin	21.0%	61.1%	29.4%	37.0%	-104.8%	12.5%

JAMMIN JAVA CORP.

Income Statement	FY	1Q	2Q	3Q	4Q	FY
	FY 2014	FY 201	FY 201	FY 201	FY 201	FY 201
Period ending	1/31/2014	4/30/2014	7/31/2014	10/31/2014	1/31/2015	1/31/2015
Gross Revenue	**6,077,956**	2,141,037	2,078,746	2,841,504	2,508,504	**9,569,791**
Discounts and allowances	433,745	19,916	344	324,300	323,864	668,424
Net Revenue	**5,644,211**	2,121,121	2,078,402	2,517,204	2,184,640	**8,901,367**
Cost of sales:						
Cost of sales products	4,940,546	1,668,376	1,583,243	1,766,469	1,937,233	6,955,321
Total cost of sales	4,940,546	1,668,376	1,583,243	1,766,469	1,937,233	6,955,321
Gross Income	**703,665**	452,745	495,159	750,735	247,407	**1,946,046**
Operating Expenses:						
Compensation and benefits	2,298,951	1,132,148	1,047,086	1,055,159	1,231,496	4,465,889
Selling and marketing	1,012,789	822,773	887,465	677,122	762,914	3,150,274
General and administrative	1,931,947	780,600	760,046	603,744	662,906	2,807,296
Farming cost	-	-	-	-	-	-
Impairment of property and equipment	-	-	-	-	-	-
Impairment of license	0	0	0	0	0	0
Total operating expenses	5,243,687	2,735,521	2,694,597	2,336,025	2,657,316	10,423,459
Other income (expense):						
Interest income	0	0	0	0	0	0
Interest (expense)	(108,424)	(437)	315	(940)	(2,967)	(4,029)
Other income (expense)	(2,055,584)	370,024	(815,963)	(1,353,608)	4	(1,799,543)
Total other income (expense)	(2,164,008)	369,587	(815,648)	(1,354,548)	(2,963)	(1,803,572)
Net Income (Loss)	**(6,704,030)**	(1,913,189)	(3,015,086)	(2,939,838)	(2,412,872)	**(10,280,985)**
Net loss per share:						
Basic and diluted loss per share	**(0.07)**	(0.02)	(0.03)	(0.02)	(0.02)	**(0.09)**
Wgted avg. shares - basic & diluted	93,430,025	105,390,682	117,348,177	123,234,667	125,234,667	120,201,082
Gross Margin	12.5%	21.3%	23.8%	29.8%	11.3%	21.9%

Income Statement	FY	1Q	2Q E	3Q E	4Q E	Est.
	FY 2015	FY2016	FY2016	FY2016	FY201	FY 2016
Period ending	1/31/2015	4/30/2015	7/31/2015	10/31/2015	1/31/2016	1/31/2016
Gross Revenue	**9,569,791**	2,738,379	3,500,000	4,900,000	5,950,000	**17,088,379**
Discounts and allowances	668,424	156,952	175,000	196,000	357,000	884,952
Net Revenue	**8,901,367**	2,581,427	3,325,000	4,704,000	5,593,000	**16,203,427**
Cost of sales:						
Cost of sales products	6,955,321	1,784,812	2,261,000	3,175,200	3,747,310	10,968,322
Total cost of sales	6,955,321	1,784,812	2,261,000	3,175,200	3,747,310	10,968,322
Gross Income	**1,946,046**	796,615	1,064,000	1,528,800	1,845,690	**5,235,105**
Operating Expenses:						
Compensation and benefits	4,465,889	972,806	977,670	982,558	992,384	3,925,418
Selling and marketing	3,150,274	521,116	523,722	526,340	531,604	2,102,781
General and administrative	2,807,296	492,824	495,288	497,765	502,742	1,988,619
Farming cost	-	-	-	-	-	0
Impairment of property and equipment	-	-	-	-	-	0
Impairment of license	0	0	0	0	0	0
Total operating expenses	10,423,459	1,986,746	1,996,680	2,006,663	2,026,730	8,016,819
Other income (expense):						
Interest income	0	0	0	0	0	0
Interest (expense)	(4,029)	(7,105)	(7,141)	(7,176)	(7,212)	(28,634)
Other income (expense)	(1,799,543)	-	-	-	-	0
Total other income (expense)	(1,803,572)	(7,105)	(7,141)	(7,176)	(7,212)	(28,634)
Net Income (Loss)	**(10,280,985)**	(1,197,236)	(939,820)	(485,039)	(188,252)	**(2,810,347)**
Net loss per share:						
Basic and diluted loss per share	(0.09)	(0.01)	(0.01)	(0.00)	(0.00)	(0.02)
Wgted avg. shares - basic & diluted	120,201,082	124,879,545	125,879,545	135,679,545	136,679,545	130,779,545
Gross Margin	21.9%	30.9%	32.0%	32.5%	33.0%	32.3%

HISTORICAL ZACKS RECOMMENDATIONS



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The current distribution is as follows: Buy/Outperform- 22.5%, Hold/Neutral- 61.7%, Sell/Underperform – 12.9%. Data is as of midnight on the business day immediately prior to this publication.