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Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

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iFresh Inc. (IFMK-NASDAQ)

Zacks Initiates Coverage of iFresh Inc. (IFMK)

On projected TTM sales (as the four new company-owned stores open during 2018), our share price target is $16.00, which is predicated on attaining a second quartile P/S multiple of 1.56.

Current Price (03/23/18)	$9.22
Valuation	**$16.00**

OUTLOOK

iFresh Inc. is a specialty Chinese/Asian grocery chain that owns and operates **nine retail supermarkets** and **manages** another **six stores** for a fee. The company is **vertically-integrated** with a **well-developed** supply and distribution network comprised of **two wholesale businesses**. **Growth is being driven by the acquisition and development of new store locations**, along with its **online sales platform**, including WeChat. The **recent news** of a LOI to acquire 75% of **Fujian Fuding Seagull Fishing** would enhance iFresh's supply chain capabilities while at the same time tilt the company's sales mix towards food distribution.

SUMMARY DATA

52-Week High	**$18.24**
52-Week Low	**$4.62**
One-Year Return (%)	**-45.2**
Beta	**N/A**
Average Daily Volume (shrs.)	**75,960**
Shares Outstanding (millions)	**14,220**
Market Capitalization ($ mil.)	**$131.1**
Short Interest Ratio (days)	**0.28**
Institutional Ownership (%)	**0.4**
Insider Ownership (%)	**79.8**
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 2018 Estimate	**N/M**
P/E using 2019 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Retail-Supermarket**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2016	30.6 A	31.9 A	32.0 A	29.5 A	131.2 A
2017	30.3 A	31.9 A	35.7 A	28.6 A	130.9 A
2018	32.5 A	33.3 A	37.5 E	34.6 E	138.0 E
2019					158.0 E

Earnings per Share

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2016	N/A	N/A	N/A	N/A	$0.30 A
2017	$0.01 A	$0.02 A	$0.08 A	$0.01 A	$0.13 A
2018	-$0.02 A	$0.00 A	$0.06 E	$0.06 E	$0.10 E
2019					$0.14 E

Zacks Projected EPS Growth Rate - Next 5 Years % **12**

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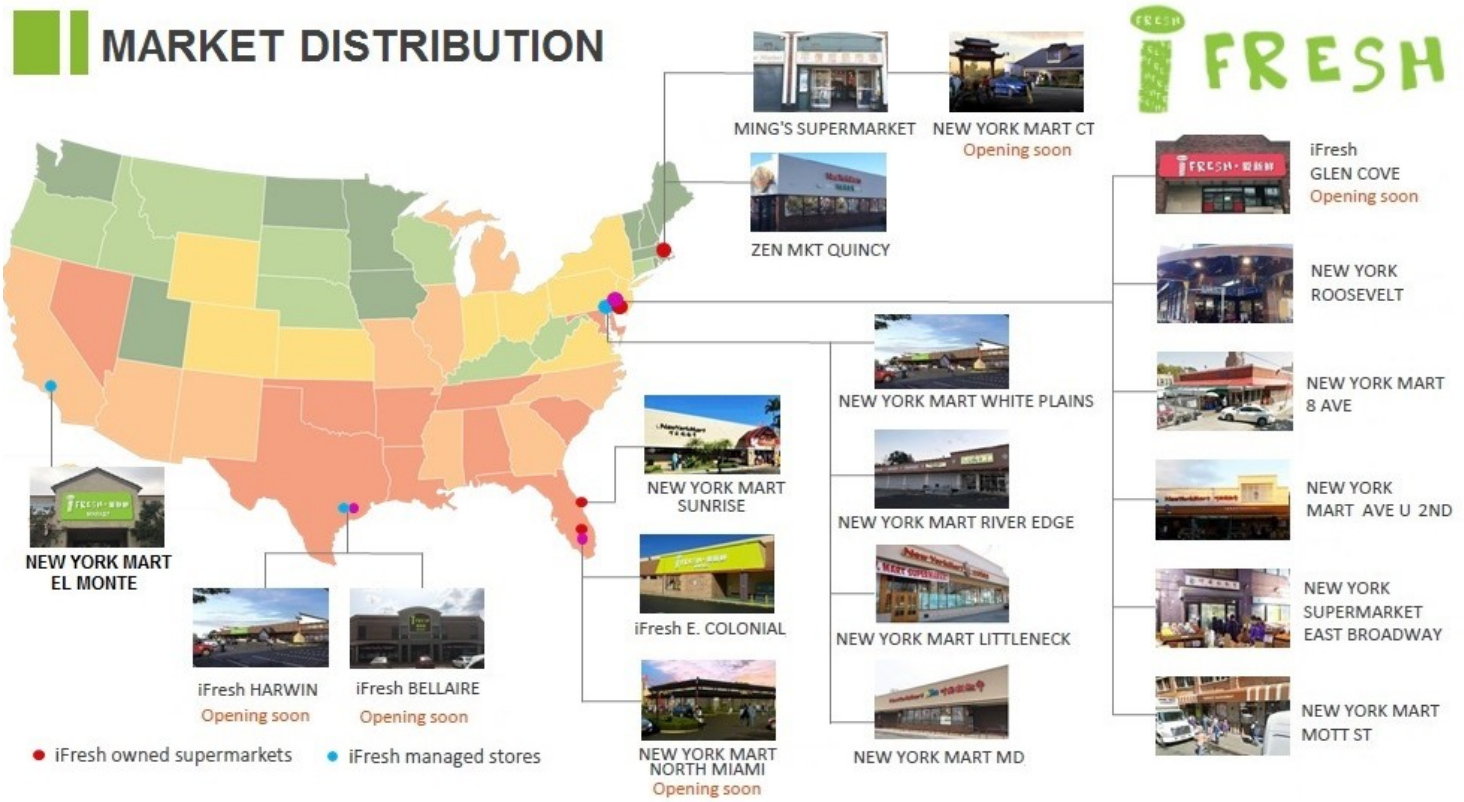
KEY POINTS

- iFresh Inc. (IFMK) is specialty Chinese/Asian grocery chain that owns and operates **nine retail supermarkets**, located primarily in the Greater New York City and Greater Boston areas with two of the stores in Florida. An additional four stores are slated to open during 2018.
    - Furthermore, the company **manages six other stores** through management contracts with another contract scheduled to begin during 2018
    - In addition, iFresh owns and operates **two wholesale businesses**
    - The company also has an **online shopping initiative**
- Management is implementing a **Growth Through Acquisition** strategy.
    - Attractive economics of opening new stores that are refurbished after acquisition
- iFresh is a **vertically-integrated** specialty supermarket chain.
    - Two in-house wholesale businesses (Strong America Limited and New York Mart Group Inc.)
    - Supply agreements (sometimes exclusive) and strong relationships with farms help ensure a reliable supply of quality, specialty Chinese vegetables, fruits, seafood and live aquatic food offerings.
- Management has a deep cultural understanding of the unique consumption habits of its target consumer, primarily Chinese/Asian Americans.
- In February 2017, a business combination with E-compass Acquisition Corp. (a SPAC) allowed iFresh (and its subsidiary, NYM Holding, Inc.) to fast-track the process of becoming a **publicly-traded company**.
- iFresh is well positioned to expand its chain of ethnic supermarkets along the East Coast, and ultimately throughout the U.S. where there are concentrations of Chinese populations.
- We initiate coverage with a target of $16.00.



OVERVIEW

Headquartered in Long Island City, NY, iFresh Inc. (IFMK) is a specialty Chinese/Asian grocery chain that owns and operates **nine retail supermarkets**, located primarily in the Greater New York City (five stores) and Greater Boston (two stores) areas, along with two stores in Florida (one in Sunrise and the other in Orlando). An additional four stores are slated to open during 2018. Furthermore, the company **manages another six stores** through management contracts another one scheduled to open in 2018. In addition, iFresh owns and operates **two wholesale businesses** (Strong America Limited and New York Mart Group, Inc.).

iFresh Inc.

Store	City Location	Retail Square Footage	Year Opened	Street Address	Initial Cost
Owned Stores					
New York Mart	New York, NY	7,500	2001	75 East Broadway	N/A
New York Mart	New York, NY	12,400	2001	128 Mott St	N/A
New York Mart	Boston, MA	23,356	2009	1102 Washington St	$2,700,000
New York Mart	Brooklyn, NY	8,900	2010	17-21 Ave U	N/A
New York Mart	Flushing, NY	18,000	2011	142-41 Roosevelt Ave	N/A
New York Mart	Brooklyn, NY	10,080	2011	6023 8th Ave	$1,300,000
New York Mart	Sunrise, FL	15,033	2012	10065 Sunset Strip	N/A
New York Mart	Quincy, MA	14,241	2013	733 Hancock St	$700,000
iFresh E. Colonial	Orlando, FL	20,370	2017	2415 E. Colonial Dr	$1,050,000
Stores Planned To Open Soon					
iFresh Glen Cove	Carle Place, NY	22,859	est. 1H 2018	192 Glen Cove Rd	$779,446
New York Mart CT	Milford, CT	18,878	est. 1H 2018	804 Boston Post Rd	$3,500,000
New York Mart North Miami	N. Miami Beach, FL	25,088	est. 1H 2018	551 NE 167th St	$4,049,450
iFresh Bellaire	Houston, TX	18,878	est. late-2018	9600 Bellaire Boulevard	N/A

In January 2016, iFresh launched **its online shopping initiative**, adding a mobile app (NYMart) in May of that year. The online shopping and delivery service currently covers the Greater New York Area, including the surrounding suburban Chinese populations in New Jersey and Connecticut. The online sales channel has significant potential for growth as it accelerates the company's ability to extend geographic coverage without the capital costs required to open new stores.



iFresh's **online shopping initiative** is especially targeting Asian Americans who reside outside of traditional Chinese communities. In order to enjoy traditional oriental cuisine, this group of Asian Americans usually must make a long distance, weekly shopping trip to Chinatown or compromise by using local small grocery stores with limited selections and generally high prices. iFresh's online alternative can satisfy this unfulfilled demand.

iFresh is active on **WeChat**, a widely-used, multi-purpose, Chinese social media mobile app. Customers of iFresh easily **pre-order fresh items**; the orders are viewed by others, prompting them also to order the same products.

Also, iFresh recently began accepting Alipay, a familiar method of payment for Chinese with accounts denominated in Chinese Yuan. Using an online/mobile app, customers are able to pay for items using **Alipay's Mobile Wallet**.

iFresh is **well positioned to expand its chain of ethnic supermarkets** which offer diverse and unique product lines catering to Asian tastes. Importantly, the company's in-house wholesale facilities, import capabilities, distribution network and domestic sourcing agreements for fresh produce (particularly fruit, vegetables and live seafood) provide **economies of scale** and other competitive advantages.

GROWTH THROUGH ACQUISITION

The primary driver of the company's sales and gross profit growth is expected to be the acquisition and opening of new stores under the iFresh banner. Currently, management is targeting metropolitan locations with large, concentrated Asian populations on the East Coast.

Retail Supermarkets

The specialty Chinese/Asian supermarket market is highly fragmented. Within the industry structure of this ethnic niche grocery store market, iFresh selectively seeks out locations in Chinese and other Asian population centers in order to increase the company's revenue base and to benefit from the company's internal supply chain capacity. Initially, **management plans to expand geographically on the East Coast along the I-95 corridor** (with a focus on urban areas with large, concentrated Asian populations) from its current store portfolio assembled through a successful track record of strategic development since 2009.



iFresh opened its first retail supermarket as a *New York Mart* store in August 2001. Located in in Manhattan's Chinatown at 75 East Broadway, the store catered to the unique, and sometimes exotic,

tastes of the growing Chinese population in that community. The company had previously established a wholesale business (Strong America Limited) in 1995 that imports food and groceries from China and other East Asian countries.

In 2009, the company expanded into Boston by acquiring Ming's Supermarket and converting it to a *New York Mart*. Recognizing the operational synergies and profit opportunities of further expanding into the supermarket arena, iFresh opened additional stores (under the *New York Mart* banner) in Manhattan, Brooklyn and Flushing between 2010 and 2011. Then in 2012, iFresh opened its first supermarket in Florida, located in the Chinatown area of Sunrise (11 miles west of Fort Lauderdale). In 2013, iFresh expanded its footprint in the Greater Boston Area by acquiring Zen Market in Quincy and transforming it into a *New York Mart*.

On February 10, 2017, iFresh's predecessor company (NYM Holding, Inc.) merged through a **business combination with a Special Purpose Acquisition Company** (E-compass Acquisition Corp.), establishing iFresh as a publicly traded company. The transaction has **enhanced iFresh's access to capital**, which in turn will help support management's growth plans.

Also, the transaction made iFresh the first publicly listed Chinese/Asian supermarket chain in the U.S. To celebrate the completion of a business combination with E-Compass Acquisition Corp. and the company's listing on NASDAQ, Long Deng, Chairman and CEO of iFresh, rang the opening bell on February 14, 2017 at NASDAQ's MarketSite studio at Times Square.

As part of the business combination with E-compass Acquisition Corp. that was consummated on February 10, 2017, iFresh received an option to acquire an additional four supermarkets after the merger but prior to March 31, 2017 for an aggregate consideration of up to $10 million. Though the option agreement expired unexercised; subsequently, iFresh announced the acquisition of five locations between July and October 2017, several of which are be refurbished before opening during 2018.

iFresh – E. Colonial, Florida

In July 2017, iFresh expanded in Florida by acquiring Mia Supermarket in Orlando. The store (now referred to as iFresh E. Colonial) is in the process of being rebranded as an *iFresh* store.

iFresh – Glen Cove, Carle Place, New York

On July 13, 2017, iFresh acquired a store location in **Garden City** (Long Island, New York) at 192 Glen Cove Road (Roosevelt Field Mall). Formerly a Golfsmith store, the retail space is being renovated into a 22,859 square-foot grocery store offering a selection of Asian fresh produce, dry goods, packaged foods, snacks, beverages and household items. **Management expects to open the store in the first half of calendar 2018**. The store's opening will expand iFresh's brick-and-mortar presence into Long Island with the service area being expanded even further through NYMart, the company's mobile app. Fresh purchased the location (business, lease and equipment) by acquiring 100% of the ownership interests of iFresh Glen Cove Inc. from Long Deng for 50,000 shares of IFMK (worth $645,500). After accounting for internal cash transfers, the net purchase consideration was $779,446.

iFresh – Milford, Connecticut

On October 2, 2017, iFresh acquired a store located in **Milford** (Connecticut) at 804 Boston Post Rd. Previously the location housed M&M Farms, which closed in December 2011. The store is currently under renovation and **expected to open during the first half of calendar 2018**. The renovations include expanding the square footage of the building, constructing a food court, adding retail space and improving the ambience with Chinese architecture, including iconic Chinatown gates. The retail space is expected to accommodate two Oriental-themed businesses, most likely a snack shop and a beauty salon/spa. The store will expand iFresh physical footprint into Connecticut, and the service area will be enhanced by offering the company's e-commerce mobile app. iFresh purchased the location (business,

lease and equipment) by acquiring all of the shares of New York Mart CT, Inc**.** from Long Deng for $3,500,000.

Artist Renditions of New Stores Currently Under Renovation



North Miami Beach, FL



Milford, CT

iFresh – North Miami Beach, Florida

On October 2, 2017, iFresh acquired a store in **North Miami Beach** located at 551 NE 167th Street, an area dubbed North Miami Beach's Chinatown. Formerly a Toys"R"Us store, the retail space is being renovated to be one of the largest Asian supermarkets in South Florida (25,088 square feet) when it is **expected to be opened during the first half of calendar 2018**. The location is expected to feature a food court and retail leasing space, along with being embellished with iconic Chinese architecture. iFresh purchased the location (business, lease and equipment) by acquiring all of the shares of New York Mart N. Miami Inc. (owned by Long Deng and Yang Yu Gao) for $3,500,000 and 45,000 shares of IFMK.

iFresh – Bellaire, Houston

On October 24, 2017, iFresh announced plans to open a supermarket in **Houston** to be located in Dynasty Plaza at 9600 Bellaire Boulevard. The 18,878 square-foot location is currently being renovated and is **expected to open during the summer of 2018**.

Expansion Strategy

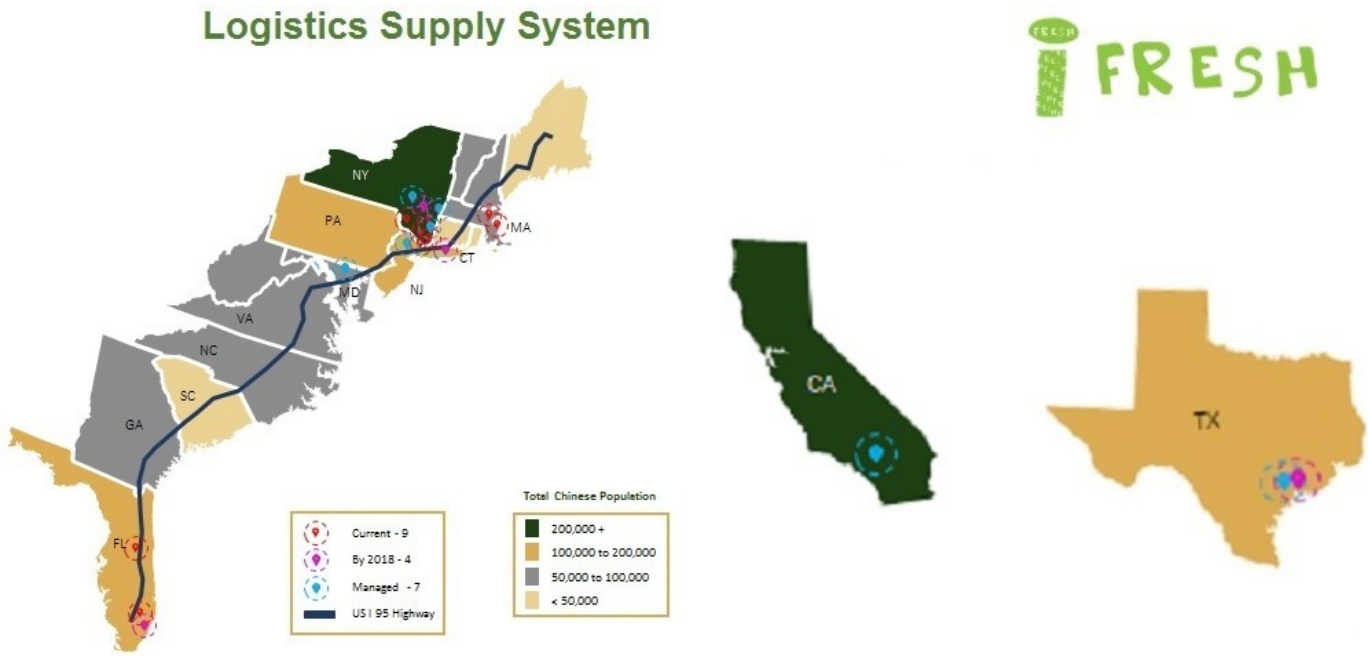
Management's **Growth Through Acquisition** strategy is supported by certain competitive strengths of iFresh:

1) A deep understanding of the **taste and payment preferences** of the Chinese population in the United States, and specifically opening stores in areas of dense populations of this targeted group
2) A **logistics system** that can efficiently deliver fresh perishables and unique imported items along the I-95 corridor on the East Coast (and potentially along the I-5 corridor on the West Coast)
3) A **supply system** that provides a smooth stream of fresh perishables (seafood, fruit and vegetables), not only traditional items like shrimp, lobsters and fish, but also items specifically catering to Chinese preferences, such as live shrimp, live fish, live king crab, live crystal (aka snow) crabs, Geoduck clams, live razor clams, live snails, along with specialty Chinese fruit and vegetables.



New Store Costs

Currently, the opening of a typical new store is anticipated to require a net cash investment (which is comprised of the costs of acquisition, renovation and initial working capital) of approximately $2.5 million. Under iFresh's business model, a typical new store is expected to generate sales of $9 million in the first year of operation, $16 million in the second year and $17 million during the third year. As a store develops its customer base and matures, sales volume builds, margins expand and EBITDA increases. Management's expectations for Adjusted EBITDA are $0.3 million, $1.0 million and $1.2 million during the first three years of operation. It takes a new store several years to achieve the level of operating performance of iFresh's existing stores.



WHOLESALE BUSINESS

iFresh is **vertically-integrated** with a **well-developed supply chain**. Packaged food products and housewares are imported from China and other East Asian countries. Additionally, fresh vegetables, fruits and seafood are sourced from farms in New Jersey and Florida. Product is funneled through two in-house wholesale businesses: **Strong America Limited** (imported goods) and **New York Mart Group, Inc**. (fresh seafood and produce) to the company's stores as well to various types of retailers in the Greater New York City area This internal proprietary delivery network provides **economies of scale** as well as enhanced negotiating power with upstream vendors.

iFresh's two wholesale businesses provide more than 6,000 wholesale products both to the company's retail supermarkets and to over 1,000 external wholesalers, other retail grocery stores and restaurants. As of September 30, 2017, iFresh's wholesale facilities supplied about 41% of the company's internal product procurement, up from 31% during fiscal 2017.

Import - Export

The company's wholesale business has its roots in Strong America Limited, which was established in 1995 initially as importer of mushrooms for Chinese grocery stores in the New York City area. Recognizing the growing need for specialty Asian groceries, Strong America began importing a more

diverse selection of groceries for re-sale to various types of retailers and merchants not only around New York City, but also in New Jersey, Pennsylvania, Maryland, Massachusetts and Florida.

iFresh, through its Strong America wholesale business, imports over 2,000 items, primarily from mainland China, Thailand and Taiwan, which together comprise 95% of the company's total imports. Strong America is the exclusive distributor in certain areas of nine well-known overseas brands: Shuang Deng cooking wine, Gu Yue Long Shan yellow wine, Bai Lu rice noodles, Igagoe soy sauce, A-Sha snacks and noodles, You Joy seasonings, Hao Ren Jia seasonings and spices, Da Hong Pao seasonings spices and Bei Da Huang bean flour.

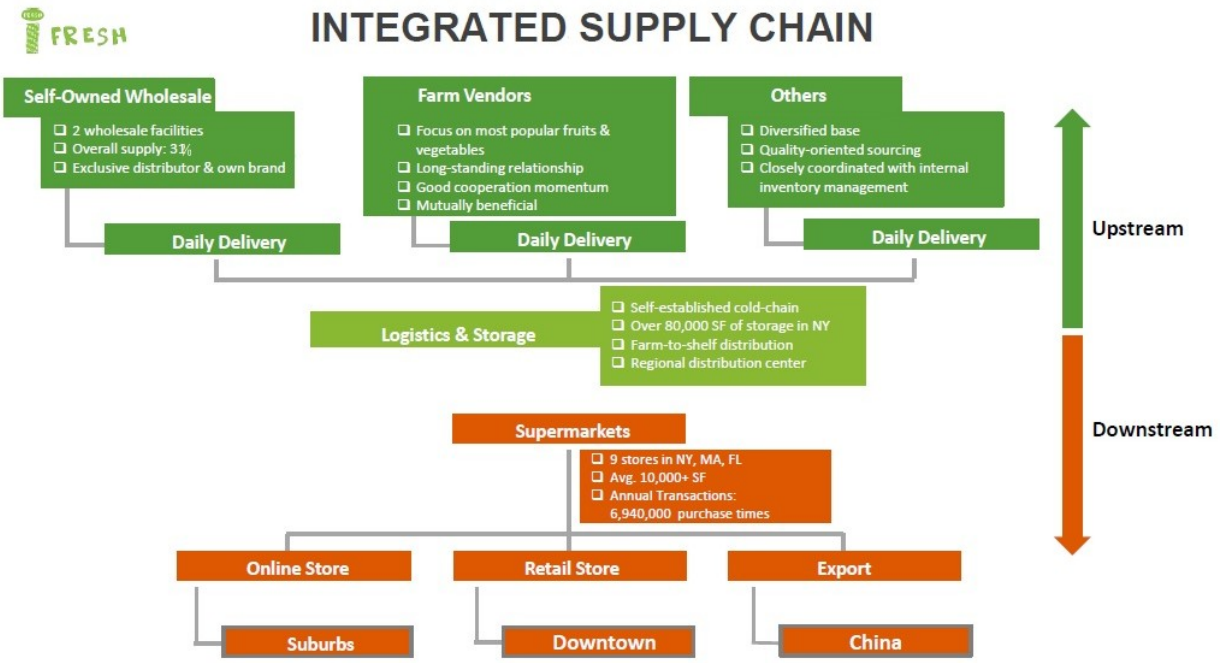


Strong America also owns the company's eight self-owned food brands: Family Elephant rice, Feiyan noodles, Green Acre dried beans, fruit & vegetables, Golden Smell line of products, Redolent congee, Double Lantern cooking wine, SeaStar frozen seafood and Huang Duan Xiang rice noodles. All are considered daily staple food products in the diet of Chinese and other Asian consumers.



Fresh Produce (Perishables)

Through its New York Mart Group wholesale business, iFresh has developed strong relationships with certain orchards and farms that produce Chinese specialty fruits & vegetables, and hence benefits from reliable sources of **supply for domestically grown Chinese specialty fruits and vegetables**. In October 2017, iFresh entered into exclusive fruit and vegetable supply agreements Spring Farm WPB Inc. and Dragon Seeds LLC. Spring Farm operates three farms that specialize in organically growing Asian vegetables and fruits. A 350-acre farm in Pemberton, NJ produces various melons, such as radish, bitter melon, long squash, Taiwan okra and winter melon eggplant. Two farms in Florida (one in Loxahatchee and the other in Vero Beach) grow longan, litchi, papaya, loquat, yu choy mue, gai lan mue, water spinach, Shanghai mue and bok choy mue. Dragon Seeds LLC has a 15-acre farm in Vero Beach FL that specializes in organically growing Mibao dragon fruit. Long Deng, iFresh's Chairman and CEO, is a majority owner of both Spring Farm WPB Inc. and Dragon Seeds, LLC.



In January 2018, iFresh entered into an **exclusive seafood agreement** with **Sunray Venus, LLC**, which operates aquafarms (one hatchery and two nursery bivalve facilities, a freshwater fish farm, a lobster facility and a shrimp farm) in Florida. The aquiculture company also operates a vegetable farm and fruit farm, also in Florida. Sunray Venus specializes in producing bivalves (clams, oysters, mussels and scallops) and distributing seafood. The agreement will help provide a high quality, consistent year-round supply of farmed seafood to iFresh. Sunray Venus, LLC is majority-owned by Long Deng, Chairman and CEO of iFresh.

Cold-chain Logistics System

iFresh has developed a distinctive in-house **cold-chain logistics system**, which is capable of collecting, transporting and delivering fruits, vegetables, live seafood, live aquatic products and frozen goods to more than 20 states in the Eastern U.S. Furthermore, the company exports live lobsters to China.

The company has developed multiple cooling and packaging procedures for each species of food product. For example, the temperature and oxygen density of the water in the transportation tank is adjusted depending on the species of live fish or swimming shrimp being conveyed. Hibernation technology is employed to help maintain the quality and extend the shelf life of live lobster and crabs. Different storage techniques are utilized to store and deliver fruits and vegetables.

MANAGEMENT FEES

iFresh manages certain stores that are owned by others in exchange for a management fee. During fiscal 2017, iFresh earned $149,486 in management fees from New York Mart, Inc. ($46,170), Pacific Supermarkets Inc. (Elmhurst store: $57,669) and NY Mart MD Inc. (Rockville store: $45,647).

In mid-November 2017, the company announced several new management agreements. In November, iFresh entered into management agreements to manage iFresh Harwin in Houston, TX and iFresh El Monte in El Monte, CA. Long Deng, Chairman and CEO of iFresh, owns both stores. Subsequently, iFresh Harwin opened on November 18th and iFresh El Monte opened on November 22nd.

With iFresh having entered into management contracts to manage stores in Texas and California, it indicates even larger expansion potential, especially since there are also several metropolitan areas in the Mid-West and on the West Coast with highly concentrated Asian populations.

iFresh Inc.

Managed Stores	City Location	Retail Square Footage	Year Contract Began	Street Address	Annual Mgt Fee
New York Mart	Elmhurst, NY	N/A	2010	7501 Broadway	$57,669
New York Mart	Little Neck, NY	16,594	2017	249-26 Horace Harding Expy	$46,170
New York Mart	Rockville, MD	26,770	2017	15108 Frederick Rd	$45,647
New York Mart	White Plains, NY	28,561	2017	22 Barker Ave	N/A
New York Mart	River Edge, NJ	10,000	2017	625 Kinderkamack Rd	N/A
iFresh El Monte	El Monte, CA	24,800	2017	11850 Valley Blvd	N/A
Contract To Begin During 2018					
iFresh Harwin	Houston, TX	38,931	est. 2018	5708 S. Gessner Rd	N/A

In December 2017, iFresh announced management agreements for an additional four stores: New York Mart in Little Neck, NY, New York Mart in White Plains, NY, New York Mart in River Edge, NJ and New York Mart in Rockville, MD. The Little Neck store is owned by Long Deng while the Rockville store is partially owned by Long Deng.

SPECIALTY ASIAN SUPERMARKET NICHE

The management of iFresh has a deep cultural understanding of the unique consumption habits of its target consumers: Asian Americans, primarily Chinese Americans. The distinctive eating habits of this consumer group are not satisfied with the current offerings by mainstream supermarket chains in the U.S. National and regional supermarket chains have multiple, convenient store locations but offer only a limited selection of Chinese and Asian specialty foods.

Asian Americans prefer to buy fresh and shop often for culturally unique fresh produce, seafood and other groceries. Through its logistical sourcing system and delivery network, iFresh has the ability to obtain and distribute assortments of the distinctive seafood, meats, fruits and vegetables preferred by this niche market. iFresh's primary competitors tend to be unsophisticated single-store retailer stores, usually operated as privately-owned family businesses. With its highly developed supply chain, iFresh offers a more diverse product selection sourced from the U.S., Southeast Asia, Japan and Korea.

iFresh offers globally-sourced food products with a **special focus on perishable categories** of seafood, fruits and vegetables. Asian Americans utilize unique cooking styles (such as steaming, wokking and hot-pot cooking) that require fresh ingredients. Some **seafood and aquatic products** are available live, such as catfish, eels, shrimp, scallops, clams (including geoduck), Alaska king crab, snails, frogs and turtles. In some stores, live fish are available in fish tanks. Fresh species of **whole fish** (also available prepared as steaks and filets) are displayed on ice as well as jelly fish and squid. Also, Asian Americans use certain fish parts for popular dishes like fish head soup and fish tail soup.

In the **meat category**, the company offers super-thinly-sliced hot-pot meat, animal parts, organ meats and other rare cuts (which cater to Asian tastes and cooking styles) in addition to mainstream traditional cuts, such as steaks, cube and ribs.



Vegetables are an important daily staple for Asian Americans and compose the majority of their daily diet. iFresh offers a fresh supply of many **unique vegetables** that are culturally desired, such as Shanghai baby bok choy, Chinese yams, Chinese cabbages, vine spinaches, snap beans, winter gourds and baby Chinese kale, longan and lychee. To maintain only a fresh inventory of vegetables, iFresh discounts vegetables after 7:00 PM in order to sell out all vegetables on daily basis; this practice also lowers the storage costs, improving profitability.



iFresh Sunrise FL



iFresh Rockville MD

iFresh also offers exotic, **specialty fruit species**, usually on a seasonal basis, for example, dragon fruit pitaya, star fruit, rambutan, long yan, longan, lychee, kohlrabi, golden melons, hami melons and bitter (aka winter) melons.



Bitter Melon



Dragon Fruit Pitaya



Longan



Lychee



Rambutan

At some store locations, iFresh provides hot prepared Chinese cuisines, such as Char Siu, qingtuan dumplings, roasted duck, roasted goose and an assortment of dim sums. All prepared food is made daily and discounted after 7:00 PM.



Perishables (vegetables, seafood, meat, fruit and hot prepared food) constitute approximately 64% of iFresh's total annual sales during fiscal 2017, up from 60.2% during fiscal 2016.



Orlando, FL



Orlando, FL



Flushing, NY

Also available are frozen goods, dried foods, canned goods, rice, rice products, flour products, tofu, noodles, candies, bakery products, along with various Chinese and Asian snacks, spices, seasonings, vinegars, soy sauces, black bean sauce, Sriracha, pepper oils, chilly oils, sesame oils, oyster sauces, bean paste, cooking wines and various housewares (cookware, cooking utensils, kitchenware, etc.).

IFRESH BECOMES PUBLICALLY-LISTED VIA A TRANSACTION WITH A SPAC

E-compass Acquisition Corp. and NYM Holding, Inc. (the business operations of iFresh) entered into the Acquisition Agreement on July 25, 2016, and the **business combination was consummated on February 10, 2017**. As a result, iFresh became a publically-listed company, adding tremendous intangible value to the iFresh brand and also capital to accelerate the company's **geographic expansion** along the I-95 corridor and the **further development of its vertically-integrated model**, especially by strengthening the **supply chain** of food products and advancing the **online and mobile sales platforms**.

E-Compass Acquisition Corp. was incorporated on September 23, 2014 as a Special Purpose Acquisition Company (SPAC), a development stage company formed for the express purpose of raising capital from investors through an initial public offering (IPO) in order to acquire (or merge with) one or more operating businesses through a business combination. E-Compass completed an IPO (initial public offering) of Units on August 18, 2015, raising over $42 million, of which approximately $40,850,000 was deposited into a trust account.

The buyers of the E-Compass Units invested in a collective investment structure where the sponsors were given a blank check to buy an undisclosed operating company. At the time of E-compass' IPO, the anticipated acquisition target(s) were unidentified, though the targeted industries were e-commerce and consumer retail. Initially, the focus was on businesses operating in the People's Republic of China, Hong Kong and/or Macau, but in early 2016, the slow-down in the Chinese economy caused the focus to shift to U.S. based enterprises.

A SPAC is classified as a blank check company (SIC code 6770). After raising capital from the public through an IPO, a SPAC has no operations, only cash reserves, and is usually structured to adhere to the many protective requirements for investors under Rule 419[i]. In addition, a SPAC is also a special type of shell company known as a clean shell. Legacy shell companies usually have had operations, a history of losses and/or an expectation of continuing losses. However, a SPAC is differentiated from these existing public shells in that it is a newly-formed clean shell company that has become a publically-traded entity through an offering of shares and warrants in a process known as a Unit IPO.

In 2016, E-Compass Acquisition Corp. approached NYM Holding, Inc., and ultimately, on July 25, 2016, a merger agreement was signed. The final terms for the business combination were reached. Two important key terms were:

- iFresh must secure a loan of at least $15 million to help finance the company post-acquisition.
    - On December 23, 2016, the company entered into a $25 million Senior Secured Credit Agreement, which included a $15,000,000 term loan that was funded on January 2017
- iFresh received an option to acquire an additional four supermarkets after merger but prior to March 31, 2017 for an aggregate consideration of up to $10 million.
    - Subsequently, the option agreement expired unexercised; however, the acquisitions were subsequently announced during the second half of 2017.

On February 10, 2017, the business combination was consummated, which included the following transactions:

- NYM stockholders received $5 million in cash and 12,000,000 shares of IFMK common stock
- 1,937,967 shares of E-compass were redeemed for $20,154,857 from the Trust account
- Shares of E-compass that were not redeemed received iFresh common shares (1 for 1 basis)
- 4,310,010 E-compass rights were converted into 431,000 IFMK common shares (10 for 1 basis)

RECENT NEWS

Supply Agreement / Potential Acquisition

On January 3, 2018, iFresh announced that the company had entered into an **exclusive seafood agreement** with **Sunray Venus, LLC**, which operates aquafarms (one hatchery and two nursery bivalve facilities, a freshwater fish farm, a lobster facility and a shrimp farm) in Florida. The aquiculture company also operates a vegetable farm and fruit farm, also in Florida. Sunray Venus specializes in producing bivalves (clams, oysters, mussels and scallops) and distributing seafood. The agreement will help provide a high quality, consistent year-round supply of farmed seafood to iFresh. Sunray Venus, LLC is majority-owned by Long Deng, Chairman and CEO of iFresh.

On October 30, 2017, iFresh announced that the company had entered into an **exclusive vegetable and fruit agreement** with **Spring Farm WPB**, Inc., which operates three farms that specializes in organically growing Asian vegetables and fruits. Long Deng, iFresh's Chairman and CEO, is a majority owner of Spring Farm WPB.

- Pemberton, NJ (350 acres) - melons, such as radish, bitter melon, long squash, Taiwan okra and winter melon eggplant
- Loxahatchee, FL (65 acres) – longan, litchi, papaya and loquat
- Vero Beach, FL (370 acres) - yu choy mue, gai lan mue, water spinach, Shanghai mue and bok choy mue

On October 19, 2017, iFresh announced that the company had entered into an **exclusive dragon fruit agreement** with **Dragon Seeds, LLC**, which operates a 15-acre farm in Vero Beach, FL that specializes in organically growing Mibao dragon fruit. Long Deng, iFresh's Chairman and CEO, is a majority owner of Dragon Seeds, LLC.

On March 20, 2018, iFresh announced the signing of a non-binding **Letter of Intent** (LOI) **to acquire 75% of Fujian Fuding Seagull Fishing Food Co**., Ltd. in a cash and stock deal worth approximately 525 million RMB ($83 million). Located in Fuding City, Fujian Province, mainland China, Seagull Fishing offers a variety of aquaculture services, including seafood breeding, farming, fishing and processing, and generated sales of approximately 1.2 billion RMB ($190 million) in 2017. According to the company's web site, Seagull Fishing has 100,000 square meters of marine farming cages, 30,000 square meters in plant area and 20,000 tons of cold storage capacity. The company is export-oriented with over 80% of its products being exported (mainly to Japan, South Korea, U.S., Australia, Canada and Europe). Its products are segmented into three categories:

- Refrigerated seafood (yellow croakers)
- Frozen seafood (approximately 32 species of frozen seafood, including yellow croakers, shrimp, squid, eel etc.)
- Ready-to-eat dried seafood (dried shrimp, dried octopus, dried anchovies)

Seagull Fishing appears to be a dominate force in supplying the yellow croaker market.

The completion of the acquisition would enhance iFresh's supply chain and result in an improved product selection at New York Mart/iFresh retail locations. The prospective transaction would also fundamentally change the business mix of iFresh. Management is proceeding with its formal due diligence and expects to sign a definitive agreement within 90 days.

Company-Owned Store News

On October 24, 2017, iFresh announced plans to open a company-owned supermarket in **Houston** to be located in Dynasty Plaza at 9600 Bellaire Boulevard. The 18,878 square-foot location is currently being renovated and is expected to open during the summer of 2018.

Managed-Store Program (Management Agreements)

On December 4, 2017, iFresh announced that the company entered into **management agreements** to manage **four stores**: New York Mart (located in Little Neck, NY), New York Mart White Plains (White Plains), New York Mart River Edge (River Edge, NJ) and New York Mart MD (Rockville, MD). The Little Neck and Rockville stores are partially owned by Long Deng.

On November 15, 2017, iFresh entered into management agreements to manage **two stores**: **iFresh Harwin** in Houston, TX, which subsequently opened on November 18 and **iFresh El Monte** in El Monte, CA, which opened on November 22. Long Deng, Chairman and CEO of iFresh, owns both stores.

Engagement with Western Union

On January 18, 2018, iFresh announced that Western Union Company has been engaged to provide global payment, money transfer and money order services at iFresh supermarket locations.

Engagement with Alipay's Mobile Wallet

On February 15, 2018, iFresh announced that Alipay's Mobile Wallet will become a method of payment at iFresh locations in early March. **Alipay** is a digital payment platform, which is a very popular method of online and mobile payment for Chinese consumers accepted by more than 40 million merchants in over 38 countries. This e-commerce wallet enables seamless cross-border mobile payment for the purchase of goods at iFresh.

Engagement with Cushman & Wakefield

On February 5, 2018, iFresh announced that it has retained **Cushman & Wakefield**, Inc. as the company's exclusive real estate services agent. Cushman & Wakefield (a global real estate services firm with revenues of $6 billion) will help iFresh find, negotiate and secure locations across the U.S. as the company pursues its national expansion plans.

VALUATION

Generally, the appropriate valuation methodology for food retailers is based on EV/EBITDA (Enterprise Value/Earnings Before Interest, Depreciation and Amortization) reflecting the sector's characteristics of profitability and cash flow generation. P/E (Price/Earnings) can also be utilized for mature, slow-growing food retailers with a moderate amount of debt. However, if a food retailer is in the early phases of its life cycle, the **applicable valuation metric** becomes **Price-to-Sales** (P/S). Price-to-Sales valuation incorporates the company's ability to generate revenues with the expectation that the growing revenue stream ultimately will manifest itself into increasing EBITDA and earnings as newly opened stores gain traction and mature.

The supermarket industry is highly competitive. Not only is the marketplace highly saturated with traditional food retailers, but also competition continues to grow from external non-traditional industry players, such as supercenters, warehouse clubs, e-commerce platforms, etc. As a result, participants in the food retailing industry have low single-digit net profit margins and low valuation price-to-sales multiples.

For comparative purpose, the examination of the current P/S valuation range for **large supermarket companies** (e.g. Ingles, Kroger, Weis Markets, etc.) with moderately growing or stagnant sales profiles is very low, between 0.13 and 0.32 times TTM revenues with a mean P/S valuation of 0.22 times.

To secure a competitive edge, managements turn to store design, unique food selections and alternative formats (which include specialty departments, such as pre-cooked meals, fresh perishables, organic foods, delis, bakeries, fresh fish, cheese islands, ethnic foods, etc.) to generate incremental traffic and increase ticket sales. In addition, consumer preferences are changing as online grocery shopping and mobile payment options gaining share.

As food retailers move up the value chain, P/S multiples tend to be higher. **Specialty food retailers**, especially those that specialize on fresh produce, currently trade between 0.14 and 0.72 times TTM revenues with a mean P/S valuation of 0.38 times. For example, like iFresh, Sprouts Farmers Market, a natural and organic supermarket chain, offers fresh foods at affordable prices and is experiencing growth through acquisitions and new store development.

Part of iFresh's strategic plan is to control its supply chain of its fresh products, along with its in-house distribution network through two subsidiaries. **Food distributors** trade at slightly higher P/S multiples, between 0.17 and 1.10 times TTM revenues with a mean P/S valuation of 0.45 times. For example, like iFresh, G. Willi-Food International Ltd. understands consumption habits of and targets a particular consumer group with particular and unique food products. Based in Israel, G. Willi sources and distributes various specialty food products, primarily Kosher, worldwide.

Lastly, iFresh is pursuing the acquisition of 75% of Fujian Fuding Seagull Fishing Food Co., a seafood farming, fishing and distribution company. **Seafood distributors** trade at even higher P/S multiples, between 0.35 and 2.12 times TTM revenues with a mean P/S valuation of 1.05 times. Headquartered in Bergen, Norway, Marine Harvest produces and delivers farmed salmon products globally while the target of iFresh's recent acquisition announcement, Fujian Fuding Seagull Fishing Food Co., is well known for breeding and distributing yellow croakers

Industry Comparables	**% Chg YTD**	**P/E CFY**	**EPS Gr 5Yr Est**	**Price/ Book**	**Price/ Sales**	**Price/ CF**
iFRESH INC	-29.0	N/M	8.5	24.8	0.97	23.5
Industry Maximum	16.6	40.9	22.0	5.0	2.13	20.0
Industry Minimum	-28.1	8.7	3.5	0.8	0.14	1.5
S&P 500	1.4	17.9	10.8	12.4	4.30	18.4
SUPERMARKETS						
INGLES MARKET A	-3.5	11.3	3.2	1.2	0.13	4.1
KROGER CO	-14.6	11.4	5.9	3.0	0.22	4.7
WEIS MARKETS INC	-7.4	10.5	N/A	1.0	0.32	7.7
VILLAGE SUPERMARKET	10.9	14.4	N/A	1.2	0.21	7.8
Industry Average	**-3.7**	**11.9**	**4.6**	**1.6**	**0.22**	**6.1**
SPECIALTY FOOD RETAILERS						
CASEYS GENERAL STORES	-0.8	27.3	12.6	3.1	0.59	11.6
NATURAL GROCERS	-16.7	35.4	3.5	1.2	0.16	4.6
SMART & FINAL STORES	-28.1	20.8	4.5	1.1	0.14	1.5
SPROUTS FARMERS MARKET	0.3	19.3	13.0	5.0	0.72	13.7
WM MORRISON SUPERMARKETS	-0.7	16.2	7.5	1.3	0.31	7.8
Industry Average	**-9.2**	**23.8**	**8.2**	**2.3**	**0.38**	**7.8**
FOOD DISTRIBUTORS						
CHEFS WAREHOUSE	16.6	33.0	22.0	2.7	0.43	20.0
PERFORMANCE FOOD GROUP	-6.2	19.5	21.0	3.2	0.17	12.5
SYSCO CORP	-0.3	12.6	9.7	4.0	0.50	9.3
US FOODS HOLDINGS	6.6	17.5	16.1	2.8	0.30	13.0
UNITED NATURAL FOODS	-12.5	13.9	8.2	1.2	0.21	10.1
G WILLI-FOOD INT'L LTD	-1.7	40.9	N/A	0.8	1.10	13.1
Industry Average	**0.4**	**22.9**	**15.4**	**2.5**	**0.45**	**13.0**
SEAFOOD DISTRIBUTORS						
MARINE HARVEST	13.5	16.5	21.7	3.4	2.13	12.1
HIGH LINER FOODS	-26.4	8.7	20.7	1.1	0.35	N/A
THAI UNION GROUP PLC LTD	-1.5	15.4	8.7	2.1	0.70	17.3
Industry Average	**-4.8**	**13.5**	**17.0**	**2.2**	**1.06**	**14.7**

Finding **comparable companies** to iFresh is challenging. The company is in the emerging growth phase of its corporate history and in the early stage of establishing its grocery store footprint. The full potential and financial impact of management's store expansion strategy still lies ahead. Comparable companies to iFresh should be within the food industry and be providing differentiated food products (preferably fresh or specialty) to a targeted consumer group. We believe that **the appropriate valuation comparables** are Sprouts Farmers Market (SFM), G. Willi-Food International (WILC), Marine Harvest (MHG.NO), Thai Union Group (TH: TU) and High Liner Foods (CA: HLF).

iFresh is in the emerging growth phase of its corporate history. The company is still in the early stages of establishing its grocery store footprint and supply chain network. In addition, the company has already embraced digital retailing with social media sales drivers (WeChat), e-commerce ordering with delivery options and mobile payment capabilities (Alipay) that specifically cater to its target consumer group. The full potential and financial impact of management's strategy has yet to be observed financially.

Due the character of the company's enterprise, namely a small-capitalization company in the specialty food retail/distribution business with an expected growing sales profile, we expect iFresh to attain a second quartile P/S ratio versus the comparable companies listed above. On projected TTM sales (as the four new company-owned stores open during 2018), our **share price target is $16.00**, which is predicated on attaining a P/S multiple of 1.56.

RISKS

- iFresh's growth is expected to be driven primarily by acquiring and opening new stores, which not only requires capital, but also contributes lower margin sales to the company's business mix until the customer base for each of new stores is established. If sufficient capital cannot be obtained, the timetable of company's growth plan will be affected. Generally it requires about two years from the opening of a new store for the location to reach the average corporate margins.
- iFresh leases its store locations. The inability to renegotiate expiring leases on favorable terms could negatively impact the company's growth and profitability.
- Sales of perishable products (vegetables, seafood, meat, fruit and hot prepared food) constituted approximately 64% of iFresh's total annual sales during fiscal 2017. Supply disruptions could have an adverse effect on operating results.

INSIDER AND INSTITUTIONAL OWNERSHIP

As of September 30, 2017, Long Deng, iFresh's Chairman and CEO) beneficially owned 11,280,000 common shares representing approximately 80% of the shares outstanding. Long Deng received the bulk of the shares through the consummation of the business combination by which New York Mart Holding shareholders were issued 12,000,000 common shares of IFMK, of which 11,120,000 shares were received by Long Deng. In July 2017, an additional 50,000 shares were issued to Long Deng for the acquisition of iFresh Glen Cove Inc. Part of the 45,000 shares paid for New York Mart N. Miami Inc. were received by Long Deng.

As of September 30, 2017, institutions owned 59,489 shares of iFresh (or 0.4% of the shares outstanding).

BALANCE SHEET

iFresh Inc. Balance Sheet	3/31/2016	3/31/2017	9/30/2017
ASSETS			
Cash and cash equivalents	551,782	2,508,362	1,016,352
Accounts receivable, net	1,814,533	2,272,011	3,345,880
Inventories, net	8,200,557	9,796,984	11,322,782
Prepaid expenses	473,608	981,017	1,874,874
Advances to related parties	-	14,852,083	16,665,703
Total current assets	**11,040,480**	**30,410,457**	**34,225,591**
Property and equipment, net	9,770,382	9,290,674	10,008,894
Intangible assets, net	1,433,333	1,300,001	1,233,335
Security deposits	925,477	912,346	1,089,777
Deferred income taxes	-	86,799	350,373
Advances to related parties	5,368,002	-	-
TOTAL ASSETS	**28,537,674**	**42,000,277**	**46,907,970**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable	10,545,342	12,364,071	14,101,997
Deferred revenue	145,497	206,737	201,470
Bank loans, net	30,185	1,144,568	1,167,764
Notes payable	208,059	262,578	241,434
Capital lease obligations	48,303	51,376	48,581
Accrued expenses	1,026,871	730,392	802,993
Taxes payable	1,693,872	1,769,398	1,507,106
Other payables	654,175	501,213	481,653
Total current liabilities	**14,352,304**	**17,030,333**	**18,552,998**
Bank loans, net	3,561,609	12,779,838	15,745,693
Notes payable	424,291	379,376	380,784
Capital lease obligations	40,468	59,907	82,013
Deferred rent	4,930,154	5,424,134	5,893,684
Other payables	37,800	34,800	67,800
Deferred taxes	79,422	-	
Total Liabilities	**23,426,048**	**35,708,388**	**40,722,972**
Stockholders' Equity			
Preferred stock	-	-	-
Common stock	1,200	1,410	1,417
Paid in Capital	9,445,346	9,075,025	9,211,426
Accumulated deficit	(4,334,920)	(2,784,546)	(3,027,845)
Total shareholder's equity	**5,111,626**	**6,291,889**	**6,184,998**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**28,537,674**	**42,000,277**	**46,907,970**
Shares outstanding	12,000,000	14,103,033	14,173,033

PROJECTED INCOME STATEMENT

iFresh Inc.

Income Statement

(For Fiscal Years Ending March 31)	Year ending 3/31/2016	Year ending 3/31/2017	Year ending 3/31/2018 E
Sales			
Net sales (third parties)	125,021,947	121,826,207	126,083,572
Net sales (related parties)	6,203,277	9,050,553	11,871,346
Net Sales	**131,225,224**	**130,876,760**	**137,954,918**
Cost of goods sold (third parties)	91,738,333	87,610,153	89,719,660
Cost of goods sold (related parties)	5,520,917	8,162,545	9,381,681
Occupancy costs	7,367,155	7,219,860	7,636,167
Cost of Goods Sold & Occupancy Costs	**104,626,405**	**102,992,558**	**106,737,508**
Gross profit	**26,598,819**	**27,884,202**	**31,217,409**
Selling, general and administrative	20,718,062	25,734,216	31,125,848
Income (loss) from operations	**5,880,757**	**2,149,986**	**91,561**
Interest (expense)	(215,494)	(303,894)	(858,813)
Other income (expense)	992,620	1,360,616	2,269,415
Total other income (expense):	**777,126**	**1,056,722**	**1,410,602**
Income (loss) before income tax	6,657,883	3,206,708	1,502,164
Provision for income tax benefit (expense)	(3,016,874)	(1,656,334)	(119,305)
Net Income (loss)	**3,641,009**	**1,550,374**	**1,382,859**
Net eanings per share (basic and diluted)	**$0.30**	**$0.13**	**$0.10**
Wgtd. avg. shares outstanding	12,000,000	12,282,325	14,153,977

iFresh Inc.

Income Statement (For Fiscal Years Ending March 31)	Year ending 3/31/2016	Quarter ending 6/30/2016	Quarter ending 9/30/2016	Quarter ending 12/31/2016	Quarter ending 3/31/2017	Year ending 3/31/2017
Sales						
Net sales (third parties)	125,021,947	28,685,300	29,862,331	32,327,248	30,951,328	121,826,207
Net sales (related parties)	6,203,277	1,604,592	2,024,569	2,589,866	2,831,526	9,050,553
Net Sales	**131,225,224**	**30,289,892**	**31,886,900**	**34,917,114**	**33,782,854**	**130,876,760**
Cost of goods sold (third parties)	91,738,333	20,778,908	22,376,055	23,805,176	20,650,014	87,610,153
Cost of goods sold (related parties)	5,520,917	1,331,392	1,354,187	1,916,501	3,560,465	8,162,545
Occupancy costs	7,367,155	1,840,067	1,765,386	1,791,325	1,823,082	7,219,860
Cost of Goods Sold & Occupancy Costs	**104,626,405**	**23,950,367**	**25,495,628**	**27,513,002**	**26,033,561**	**102,992,558**
Gross profit	**26,598,819**	**6,339,525**	**6,391,272**	**7,404,112**	**7,749,293**	**27,884,202**
Selling, general and administrative	20,718,062	6,225,909	6,130,117	6,485,191	6,892,999	25,734,216
Income (loss) from operations	**5,880,757**	**113,616**	**261,155**	**918,921**	**856,294**	**2,149,986**
Interest (expense)	(215,494)	(43,574)	(46,718)	(62,260)	(151,342)	(303,894)
Other income (expense)	992,620	245,238	263,203	249,834	602,341	1,360,616
Total other income (expense):	**777,126**	**201,664**	**216,485**	**187,574**	**450,999**	**1,056,722**
Income (loss) before income tax	6,657,883	315,280	477,640	1,106,495	1,307,293	3,206,708
Provision for income tax (expense)	(3,016,874)	(137,535)	(219,279)	(497,929)	(801,591)	(1,656,334)
Provision for income tax benefit (expense)	**3,641,009**	**177,745**	**258,361**	**608,566**	**505,702**	**1,550,374**
Net eanings per share (basic and diluted)	**$0.30**	**$0.01**	**$0.02**	**$0.05**	**$0.04**	**$0.13**
Wgtd. avg. shares outstanding	12,000,000	12,000,000	12,000,000	12,000,000	13,129,246	12,282,325

Income Statement (For Fiscal Years Ending March 31)	Year ending 3/31/2017	Quarter ending 6/30/2017	Quarter ending 9/30/2017	Quarter ending 12/31/2017	Quarter ending 3/31/2018 E	Year ending 3/31/2018 E
Sales						
Net sales (third parties)	121,826,207	30,127,855	30,764,800	33,702,943	32,268,470	126,864,068
Net sales (related parties)	9,050,553	2,400,671	2,575,092	2,160,248	2,361,820	9,497,831
Net Sales	**130,876,760**	**32,528,526**	**33,339,892**	**35,863,191**	**34,630,291**	**136,361,900**
Cost of goods sold (third parties)	87,610,153	21,702,740	22,765,456	24,696,520	22,415,385	91,580,101
Cost of goods sold (related parties)	8,162,545	1,991,930	1,960,566	1,811,041	1,838,566	7,602,103
Occupancy costs	7,219,860	1,942,842	1,893,762	1,834,247	1,807,234	7,478,085
Cost of Goods Sold & Occupancy Costs	**102,992,558**	**25,637,512**	**26,619,784**	**28,341,808**	**26,061,185**	**106,660,289**
Gross profit	**27,884,202**	**6,891,014**	**6,720,108**	**7,521,383**	**8,569,105**	**29,701,610**
Selling, general and administrative	25,734,216	7,484,823	7,476,204	7,760,568	7,765,566	30,487,161
Income (loss) from operations	**2,149,986**	**(593,809)**	**(756,096)**	**(239,185)**	**803,540**	**(785,550)**
Interest (expense)	(303,894)	(167,539)	(208,844)	(214,452)	(235,897)	(826,732)
Other income (expense)	1,360,616	201,905	1,017,510	133,526	550,000	1,902,941
Total other income (expense):	**1,056,722**	**34,366**	**808,666**	**(80,926)**	**314,103**	**1,076,209**
Income (loss) before income tax	3,206,708	(559,443)	52,570	(320,111)	1,117,643	290,659
Provision for income tax benefit (expense)	(1,656,334)	290,910	(27,336)	39,061	(234,705)	67,930
Net Income (loss)	**1,550,374**	**(268,533)**	**25,234**	**(281,050)**	**882,938**	**358,589**
Net eanings per share (basic and diluted)	**$0.13**	**($0.02)**	**$0.00**	**($0.02)**	**$0.06**	**$0.03**
Wgtd. avg. shares outstanding	12,282,325	14,116,589	14,166,440	14,219,132	14,166,440	14,167,150

HISTORICAL STOCK PRICE



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