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Zacks Small-Cap Research

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Sadot Group, Inc. (SDOT-NASDAQ)

SDOT: Muscle Maker Inc. has rebranded itself to Sadot Group Inc. In addition, the Sadot commodity subsidiary continues to generate substantial levels of revenue. The ticker has changed from GRIL to SDOT.

Utilizing a DCF valuation process containing conservative estimates combined with other valuation methodologies, we believe SDOT could be worth $5.00 per share.

Current Price (07/27/23)	$1.25
Valuation	**$5.00**

OUTLOOK

In late 2022, the company began its evolution from a consumer-focused, U.S. restaurant business into a global, food-focused organization with two distinct business units. The company's largest operating unit is its newly created subsidiary, Sadot LLC, which is an international food supply chain company engaged in trading and shipping sustainable food and commodities such as soybean meal, wheat and corn. Sadot Group's legacy business is its collection of 50+ restaurants, including Pokémoto Hawaiian Poké and Muscle Maker Grill, plus the subscription-based meal service SuperFit Foods. We believe SDOT stock is substantially undervalued at this time.

SUMMARY DATA

52-Week High	**$1.60**
52-Week Low	**$0.30**
One-Year Return (%)	**231.60**
Beta	**1.23**
Average Daily Volume (sh)	**332,551**
Shares Outstanding (mil)	**32.2**
Market Capitalization ($mil)	**$51.7**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**16**
Insider Ownership (%)	**3**
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/A**
P/E using 2023 Estimate	**N/A**
P/E using 2024 Estimate	**3.80**
Zacks Rank	**N/A**

Risk Level	**Medium**
Type of Stock	**Small-Value**
Industry	**Food Service**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	$1.3 A	$2.7 A	$3.4 A	$2.9 A	$10.3 A
2022	$2.9 A	$2.9 A	$2.8 A	$153.0 A	$161.7 A
2023	$213.0 A	$195.3 E	$211.5 E	$193.8 E	$813.5 E
2024					$826.0 E

EPS / Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	-$0.31 A	-$0.07 A	-$0.02 A	-$0.10 A	-$0.50 A
2022	-$0.07 A	-$0.06 A	-$0.07 A	-$0.07 A	-$0.27 A
2023	-$0.04 A	-$0.03 E	-$0.02 E	-$0.02 E	-$0.11 E
2024					$0.32 E

Quarterly revenues may not equal annual revenues due to rounding. Quarterly EPS may not equal annual EPS due to rounding, dilution or intangibles.

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WHAT'S NEW

Rebranding

Muscle Maker Inc. is rebranding itself to Sadot Group Inc. The company has quickly established itself as an emerging player in the global food supply chain. Sadot provides innovative and sustainable supply chain solutions that address the world's growing food security challenges.

Sadot connects producers and consumers around the world by sourcing agri-commodity products from producing geographies such as North and South America, Africa and the Black Sea and delivering these products to markets in Southeast Asia, China and the Middle East/North Africa region.

Sadot Group currently operates within three key verticals of the global food supply chain including,

1) global agri-commodity sourcing and trading operations for food/feed products such as soybean meal, wheat and corn,
2) farm operations producing grains and tree crops in Southern Africa, and
3) food service operations with more than 50 restaurants across the U.S.

Sadot remains headquartered in Ft. Worth, Texas with subsidiary operations in Miami, Dubai, Singapore, Kyiv and Zambia. The company continues to grow, diversify its operations, and increase human and financial capital, but still maintains its core mission – to source and provide healthier foods. The new stock ticker is SDOT and will be effective July 27th, 2023. It remains listed on the NASDAQ market.

Recent news

The company also announced that Sadot LLC generated $45.7 million in revenues in June 2023 which brings total revenue generation for this subsidiary to approximately $518.3 million since inception in November 2022.

Earlier in the month, the company announced that it has amended its current Services Agreement with AGGIA LLC FZ, the primary operator of the Sadot LLC subsidiary. The new addendum modifies the formula by which Sadot Group will issue shares of common stock earned by AGGIA for net income generated through the Sadot LLC division from 80% of net income to 40% of net income. The overall intended effect will be to substantially reduce the quarterly non-cash expenses related to stock issuances to AGGIA, streamline the reporting processes, and is expected to have a positive impact on the company's overall financial performance.

CEO Michael Roper stated*, "This addendum reflects AGGIA's continued support and confidence in their performance going forward. We believe this addendum will significantly clarify our financial reporting and improve our quarterly reported net income. While the fundamental terms of the agreement have not changed, i.e., AGGIA has nominated eight new board members, they still have the opportunity to earn up to 14,424,275 shares of stock, etc. The new addendum, however, is expected to cut our quarterly stock-based expense in half and more than triple the amount of net income from Sadot that will accrue to MMI's bottom line. This is a significant improvement in our reporting processes and efforts to enhance shareholder value."*

Valuation and estimates

There are no changes to our price target and estimates at this time as we await the release of the company's 2nd quarter earnings.

NOTE: The information below does not reflect the name and ticker change at this time and will be amended within the next report that discusses 2nd quarter earnings and other matters.

KEY INVESTMENT POINTS

Source: sadotgroupinc.com

- Muscle Maker Inc. (MMI), (NASDAQ:GRIL), has evolved into a diversified, global food company with two distinct business units: 1) Sadot LLC – an international agricultural commodity supply-chain organization and 2) MMI Restaurant Group – an operator and franchisor of 50+ healthier-for-you fast casual concepts plus a subscription based, fresh prep meal provider with 30+ points of distribution with in-home and national delivery.

- Sadot LLC was formed in November of 2022 through a material agreement with Aggia LLC FZ. Sadot is engaged in international commodity farming, trading, shipping, sourcing and production of key ingredients such as soybean meal, corn, wheat, and food oils.

- MMI Restaurant Group's key concepts include Pokémoto Hawaiian Poké, Muscle Maker Grill and SuperFit Foods (subscription meals). The key growth driver is their national franchising program behind Pokémoto.

- The company is led by a well-seasoned management team with experience in M&A, SEC regulations, strategic planning, as well as restaurant development with experience at national chains such as Quiznos, Taco Bueno, Dickey's BBQ and Rocky Mountain Chocolate Factory.

- The company has approximately $6.4 million in cash on the balance sheet and $947,000 in debt as of 3/31/23. The company was founded in 1995 as Muscle Maker Grill and went public in 2020. The current market capitalization is approximately $39 million.

- The creation of Sadot is expected to generate significantly higher revenues and net income for the company in 2023 and beyond. The Sadot subsidiary has generated approximately $8.74 million in net income in its first two quarters of operations and produced approximately $361 million in revenues since inception through March 31, 2023.

- MMI is currently undergoing a complete renaming and rebranding process that will better reflect the change in business and operations that the company has undergone. MMI believes that this is a crucial step to eliminate confusion that exists in the market today after the recent change from a US centric restaurant chain to a participant in the global Agri-food supply-chain.

- We believe GRIL stock is worth **$5.00** based on a conservative discounted cash flow (DCF) calculation and a peer multiple comparison.



Source: musclemakerinc.com

OVERVIEW



Source: sadotgroupinc.com

With the formation of Sadot in late 2022, MMI has evolved from a U.S.-centric restaurant business into a global, food-focused organization. As of March 31, 2023, MMI consisted of two distinct operating units:

Sadot LLC

MMI's largest operating unit is a global agri-commodities company engaged in trading and shipping of food and feed (soybean meal, wheat, corn, etc.) through dry bulk cargo ships to and from markets such as Brazil, Canada, China, India, Japan, Malaysia, Philippines, Poland, Romania, Ukraine and Vietnam. Sadot operates in a unique competitive landscape that is populated by industry giants such as the ABCD commodity companies (ADM, Bunge, Cargill, Louis-Dreyfus) as well as many regional organizations. Sadot seeks to diversify over time, incorporating its values of healthy consumption, ESG and sustainability, to form a forward-looking global agri-foods company.

MMI Restaurant Group

The restaurant group is MMI's legacy business with two fast casual restaurant concepts, Pokémoto Hawaiian Poké® and Muscle Maker Grill®, plus a fresh-prep meal service, SuperFit Foods™, with 30+ points of distribution plus in-home and national delivery.

As of March 31, 2023, the MMI Restaurant Group included 19 company-owned restaurants, including the SuperFit Foods™ kitchen, and 26 franchised restaurants. The MMI Restaurant Group seeks to develop Pokémoto® into a national restaurant brand through franchising.

The company is led by a well-seasoned management team with experience in M&A, SEC regulations, strategic planning, as well as restaurant development. The Aggia team also has extensive experience in agricultural supply chain related businesses.

The company has approximately $6.4 million in cash on the balance sheet and $947,000 in debt as of 03/31/23. Due to the addition of the Sadot subsidiary, revenues increased significantly in 2022 and are expected to increase even more in 2023.

The company was founded in 1995 and went public in 2020. The current market capitalization is approximately $39 million.

BUSINESS SEGMENTS

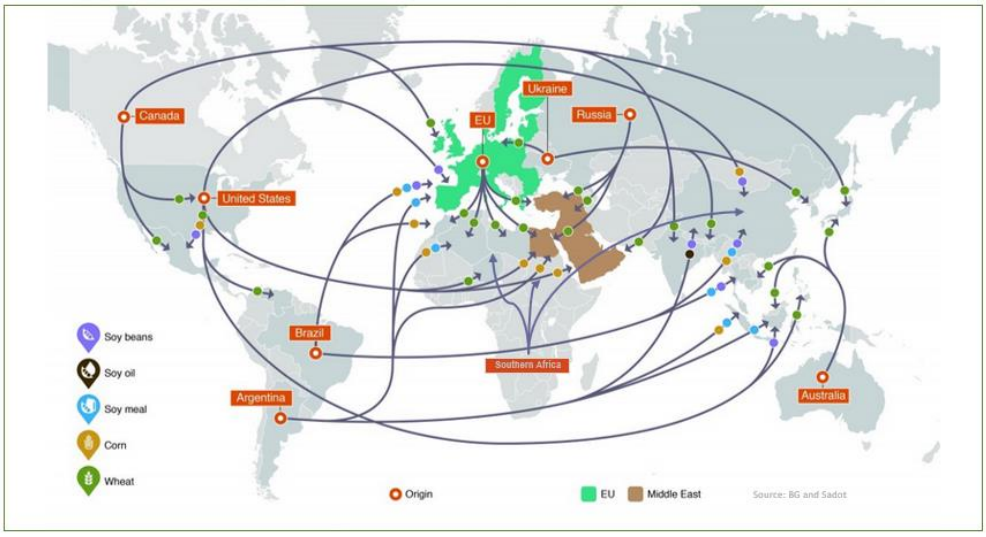
Sustainable Food Supply Chain Operations

Source: musclemakerinc.com

On November 18, 2022, Muscle Maker announced the formation of a new subsidiary, Sadot LLC, and a material agreement with Aggia LLC FC. Sadot is a US-based company involved in meeting the sustainability challenges of the global food supply chain and communities. Sadot produces, connects and monitors global food supply chains from point of origination to point of consumption for plant-based human and animal foods.

Sadot's team of experienced professionals implements its strategy of forward-thinking and diversification in all aspects of its business: geographical, operational, products and funding sources. Management sees this diversification as a main growth driver that will allow the company to take part in solving the significant challenges the world faces in providing food security to an ever-growing population and depleting farmlands, while spearheading commercial climate control initiatives throughout the network. Aggia was hired to perform the day-to-day operations of Sadot. Aggia executives have extensive, longstanding backgrounds and expertise in the food and agriculture supply chain industries. Specific expertise includes moving various grains, wheat, soybeans and other food products around the world via cargo ships. A typical shipment contains 25,000 to 75,000 metric tons of products with values ranging between $5 million to $40 million per shipment.

The agricultural commodity shipping business is traditionally centered on high revenue, lower-margin transactions. The company believes it can improve on these margins over time by owning and managing sustainable farms, as well as shipping and processing capabilities of the products it deals with. This would allow them to control the sustainability and quality of products at the farm level and experience increased margins from supplying owned products to the supply chain.



Sadot currently ships to/from the following markets:

- Canada
- Brazil
- Japan
- Philippines
- India
- Malaysia
- Poland
- Romania
- China
- Ukraine
- Viet Nam

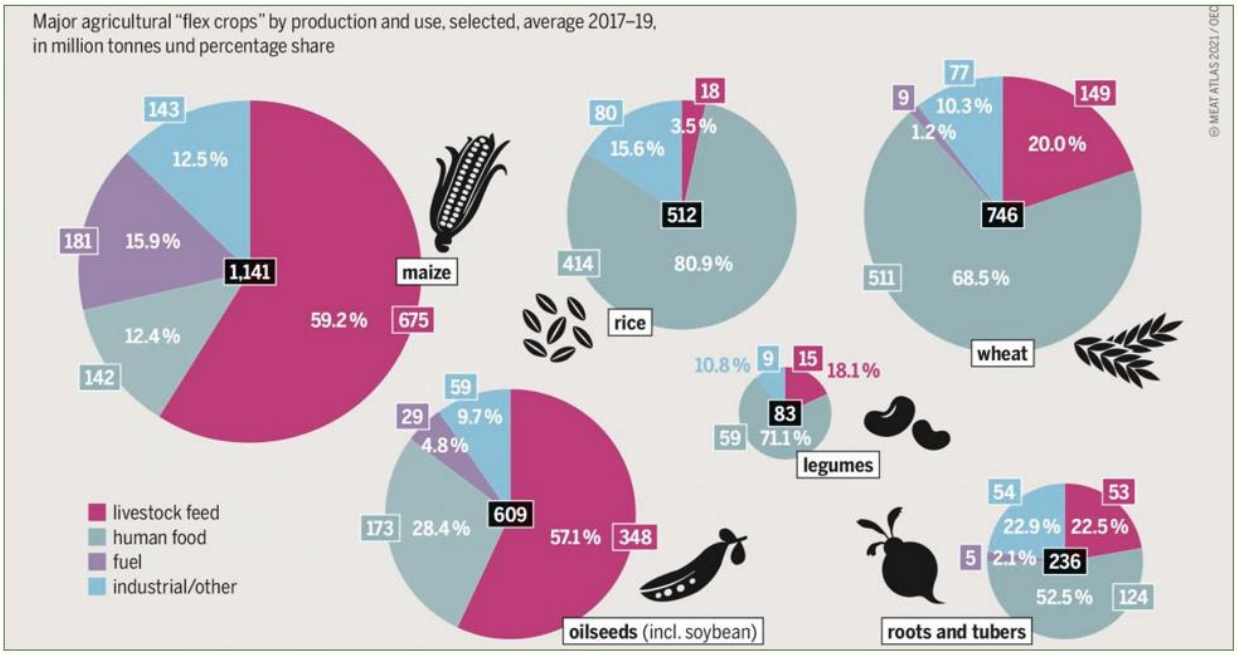
Sadot plans to enhance its North American (U.S. & Canada) sourcing capabilities.

In addition, Sadot recognizes the potential in Africa, currently serving mostly local markets.

Source: musclemakerinc.com

In addition, the company is in the process of cultivating banking relationships with international financiers with the goal of developing more elaborate financial instruments. This would allow Sadot to conduct

different types of transactions with higher financial returns and enter into additional Agri-Commodity products and operational verticals that yield higher margins. As this field is highly leveraged, these banking relationships are highly important for the company's growth.



Source: musclemakerinc.com

As consideration for Aggia providing food and commodity related services to Sadot, the company agreed to issue shares of MMI common stock to Aggia at a per share price of $1.5625, subject to Sadot generating net income measured on a quarterly basis. Upon Sadot generating net income for any fiscal quarter, the company shall issue Aggia a number of shares equal to the net income for such fiscal quarter divided by the agreed upon per share price. The maximum number of shares to be issued is 14,424,275 representing 49.999% of the number of issued and outstanding shares of common stock at the time of the agreement. This would represent $22.5 million in net income in total being generated by Sadot.

In addition, once Aggia has been issued a number of shares constituting 19.99% of the issued and outstanding shares of the company, no additional shares shall be issued to Aggia unless and until this transaction has been approved by the shareholders of the company. In the event that the share cap has been reached, then the remaining portion of the net income not issued as shares shall accrue as a debt payable by Sadot to Aggia until such debt has reached a maximum of $71,520,462. On February 28, 2023, the shareholders of Muscle Maker, Inc approved the transaction.

Muscle Maker will determine Sadot's net income or net loss on a quarterly basis. Aggia will have ten days to object to such determination in writing. The debt shall be represented by one or more promissory notes of Sadot issued to Aggia. The promissory notes will be non-interest bearing and will be due and payable seven years from issuance. All positive net income shall remain in Sadot for further investment into the Sadot business.

Based on certain net income thresholds, Aggia will have the right to nominate up to eight people to the Board of Directors, seven of which will meet the independence requirements of the NASDAQ exchange. Upon Sadot generating an initial $3.3 million in net income, Aggia shall nominate two additional persons as directors of the Board. Upon Sadot generating a total of $6.6 million in net income, Aggia shall nominate two additional people as directors of the Board. Upon Sadot generating a total of $9.9 million in net income, Aggia shall nominate three additional persons as directors of the Board. All candidates as Designated Directors will be subject to the reasonable acceptance of the Board and appropriate

background checks. As of March 2023, five of eight Aggia related representatives have been appointed to the MMI's board of directors. Benjamin Petel, an Aggia-nominated board member, is the managing member representative of Sadot LLC reporting to MMI CEO Mike Roper





Source: musclemakerinc.com

MMI Restaurant Group Operations

Source: musclemakerinc.com

The MMI Restaurant Group is comprised of three unique concepts – all competing within the healthier-for-you space. Pokémoto and Muscle Maker Grill compete in the fast casual restaurant segment (Chipotle, Sweetgreen, etc.) and SuperFit Foods competes in the fresh prep, subscription meal segment (Hello Fresh, Blue Apron, etc.).

Source: musclemakerinc.com

Pokemoto Hawaiian Poke - Pokémoto was acquired by MMI in May 2021 and is expected to be the growth engine for the Company's restaurant operations. Pokémoto restaurants are fast casual style restaurants that specialize in Hawaiian-inspired poké bowls, wraps and salads. Poké is a native Hawaiian cuisine made up of diced fresh fish with strong influences from Japanese and Korean cuisine. Consumers are offered a highly customizable meal in a bowl, salad or wrap. Hawaiian poké is trending in popularity in the restaurant industry and is a unique segment that is healthy, customizable, popular with millennials and Gen-Zs, offers unique flavor profiles and is visually appealing in a way that is suitable for being photographed for posting on social media applications.

Pokémoto offers consumers the option to highly customize their order every time. Consumers move down a linear production line (similar to Chipotle operations) customizing their bowl from a wide selection of ingredients. Pokémoto offers seven types of protein including sushi grade tuna, salmon, chicken, shrimp, lobster seafood salad, SPAM or tofu. Customers then pick a base of white/brown rice or salad, select from over 40 mix-ins/toppings including avocado, kani salad, pickled daikon, hijiki seaweed,

masago, caviar, mandarin oranges, edamame, mango, roasted cashews or wonton crisps and then topped off with over eight proprietary sauces that are made in house daily.

This concept requires little to no cooking as everything is either raw (tuna, salmon, veggies and fruits) or pre-cooked (chicken and shrimp). The only cooking done is soup and rice. Because of this feature and the fact that consumers customize their orders, store labor requirements compared to most restaurants may be reduced. In addition, training becomes much easier when you are not cooking or requiring recipes to be followed while consumers customize their menu options. This creates a consistent product across all Pokémoto restaurants as the company expands into additional markets. In addition, because there is little or no cooking, store build outs usually do not require expensive hoods, fire suppression systems, deep fryers, grills, and ovens making the potential cost of building out a location very favorable when compared to other restaurant concepts.



Source: musclemakerinc.com

The company currently has 33 Pokemoto Hawaiian Poke locations with 16 being company owned and 17 being franchised. The company has signed franchise agreements to open an additional 45 units as of April 2023

Source: musclemakerinc.com

Muscle Maker Grill – Founded in 1995, Muscle Maker Grill provides its guests with healthier versions of mainstream-favorite dishes that taste great, are affordable and enjoyable to eat. Muscle Maker Grill's diverse menu was created for everyone – fitness enthusiasts, those starting their journey to a healthier lifestyle, and people trying to eat better while on-the-go. Providing "Great Food with Your Health in Mind", the menu features items such as grass-fed steak and all-natural chicken, as well as options that satisfy a

variety of dietary preferences from vegetarians to the low-carb consumer and guests following a gluten-free diet.

This restaurant concept is the legacy business for the company and can be described as a fast casual style restaurant specializing in “healthier for you” high quality, made to order, lean protein-based meals. These meals feature all-natural chicken breast, grass fed beef, lean turkey, shrimp, and plant-based items. These lean proteins are paired with healthy side dishes such as avocado, quinoa, spinach, broccoli, cauliflower rice, whole wheat pasta, sweet potato fries and complemented with proprietary specialty sauces with zero carb, fat free or gluten free options.

The company currently has 14 Muscle Maker Grill locations with five being company owned and nine being franchised to 3rd parties.



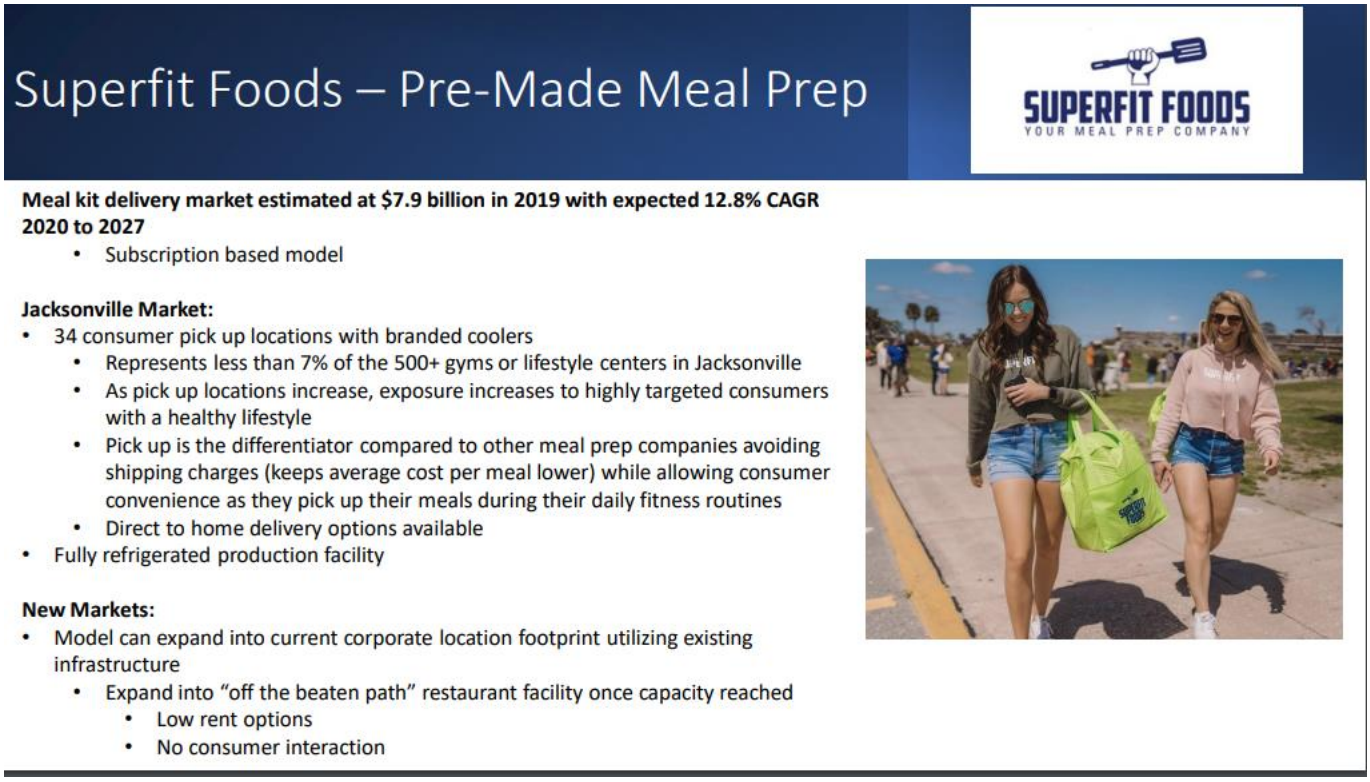
Source: musclemakerinc.com

Source: musclemakerinc.com

SuperFit Foods – In March 2021, the company acquired SuperFit Foods which is located in Jacksonville, Florida and focuses solely on meal plans. The business operates with a centralized kitchen that prepares all meals for distribution to consumers twice per week. This is a subscription-based business model where consumers order their meals through the SuperFitfoods.com website and are charged automatically every week. There are over 175 meal plan options to choose from as well as various healthy juices, snacks and desserts. The meal plans focus on specific dietary needs such as vegetarian, high protein, gluten free and low calorie.

SuperFit Foods' distribution process is different than many meal prep companies. While other meal plan companies ship meals directly to consumers' homes, the SuperFit Foods model uses company-owned coolers placed at 34 designated pick-up locations throughout the Jacksonville, Florida market. Pick up locations are placed inside wellness centers such as gyms, yoga studios, and other lifestyle locations. SuperFit Foods delivers twice per week by independent contractors to these locations and consumers conveniently pick up their orders after their workouts or during their daily routines. This model allows the food to be kept fresh and refrigerated, reduces shipping costs to consumers, and provides a more efficient distribution model. The company does offer direct shipment to homes, but this represents a small percentage of overall segment revenues.

Currently, SuperFit Foods operates in one market in Jacksonville, Florida.



Source: musclemakerinc.com

GROWTH STRATEGY

Sadot – MMI sees the Sadot business as the primary growth engine for the company. Sadot seeks to diversify over time into a sustainable and forward-looking global agri-foods company. The current agri-commodity business model typically carries 2%-3% transaction net margins. MMI believes it can grow and increase margins through other related services. These include logistics and supply chain management, transportation in the form of owning dry bulk ships, owning or managing farming & processing facilities, and becoming engaged in the carbon credit markets. Also, geographical diversification can add to growth as the company gains operational, sourcing and sales capabilities in a growing number of jurisdictions around the world. Financial diversification is also important as the company tries to create an abundance of trade and supply-chain related international banking and source of funds. This will allow Sadot to operate across a variety of products and locations, as well as manage a larger capacity of products.

MMI Restaurant Group - The company's growth efforts in the restaurant operations will focus on franchising the Pokémoto concept. The company believes the Pokémoto model allows for higher levels of store openings across many markets without the burden of having to spend its capital needed for physical store openings.

The company believes there is a unique opportunity to significantly grow this brand within the Hawaiian Poke segment of the restaurant industry. The Hawaiian Poke segment is fragmented with the largest company having approximately 65-85 locations today. The industry is full of independently owned or smaller "mom-and-pop" locations, so the industry is ready for a company to enter the market and become a significant player in the segment.

The startup and franchise costs for a Pokemoto unit are lower than similar sized restaurant franchise concepts. Franchisee investment costs are only expected to range between $37,500 to $300,000, partially due to the absence of grills, hood systems, and deep fryers. There are also lower labor costs due to the absence of cooking and lower levels of training due to this concept being a customer driven menu concept. The franchise agreement typically calls for an initial franchise fee of up to $25,000 and payment to MMI a 6.0% royalty on net sales as well as a 1.0% marketing fee.

ADDRESSBLE MARKET & GROWTH OPPORTUNITIES

The continued global population growth, which may hit nine billion by 2037 according to the United Nations, may put food, grain, and staple farmers under stress to feed the growing population. The advancement of emerging market populations to developed market populations will increase this potential strain. Food security is a growing global concern that must be addressed by controlling the various parts of the food supply chain from the farms to the end customer. Sadot is poised to take advantage of these needs by creating a comprehensive, global food company that stretches from sustainable farming, agricultural commodity shipping and trading, distribution, production and ultimately reaches consumers through restaurant, franchising and meal prep companies.

The current global grain market is approximately $1.5 trillion with a CAGR of 9.5% according to the *Business Research Company*. Primary markets in which Sadot operates include Brazil, Canada, China, India, Japan, Malaysia, the Philippines, Poland, Romania, Ukraine, and Vietnam. Primary commodities for Sadot at this time are wheat, rice, soybean, coarse grains (corn, barley, sorghum, oats, rye), oils and oilseeds. Sadot competes against large global commodity-oriented firms such Archer Daniel Midlands, Cargill, Bunge and Louis-Dreyfus as well as mid-sized trading firms such as Glencore, Wilmar, Olam, Adecoagro, JB Sanfilippo, TreeHouse Foods, and Hain.

Because of its smaller size, Sadot is able to move much more nimbly and leverage the team's years of experience and their deep global relationships. Sadot has the benefit of being a young and agile company, yet with an experience of a seasoned entity. Current and planned operational hubs include the U.S., Latin America, the U.K., Switzerland, Singapore, Dubai, Ukraine, Zambia, and Mauritius.

The healthy fast casual restaurant market size was valued at $125.6 billion in 2019 and is expected to reach $209.1 billion by 2027 according to Allied Market Research. The CAGR from 2021 to 2027 is expected to exceed 10%. The industry continues to be fragmented and the markets are poised for consolidation and vertical integration.

The recent emergence of delivery and pickup creates new growth opportunities for the restaurant industry in general as well as for meal plan companies. This is driven primarily by the busy lifestyles of working families and students. In addition, pickup and delivery can reduce food waste and simplifies healthy eating. Meal plans in particular are widely considered to be low-cost alternatives to junk food. The direct-to-consumer pickup and delivery markets are expected to grow from $8.7 billion in 2022 to $19.3 billion in 2029, a CAGR of approximately 12.0%.

COMPANY HISTORY

The first Muscle Maker Grill restaurant was established in the city of Colonia, New Jersey in 1995. Muscle Maker, Inc. (MMI), a Nevada corporation was incorporated in Nevada on October 25, 2019. MMI was a wholly owned subsidiary of Muscle Maker, Inc (MMI-Cal), a California corporation incorporated on December 8, 2014, but the two merged on November 13, 2019, with MMI as the surviving entity.

In March 2021, MMI acquired the assets of SuperFit Foods, located in Jacksonville, Florida. With this acquisition, the company became the owner of the trade name SuperFit Foods. SuperFit Foods is differentiated from other meal prep services by allowing customers in the Jacksonville Florida market to order online via the company's website or mobile app and pick up their fully prepared meals from 34 company-owned coolers located in gyms and wellness centers.

In May 2021, MMI acquired all the related corporate entities to Pokemoto Hawaiian Poke restaurants. At that time, Pokemoto had fourteen locations in four states – Connecticut, Rhode Island, Massachusetts, and Georgia.

In November 2022, the company announced the formation of a new subsidiary, Sadot LLC, and a material agreement with Aggia LLC FC. The Sadot business is focused on the sourcing, shipping and trading of food (and feed) commodities such as soy meal, corn, wheat, and food oils. Aggia was hired to perform the day-to-day operations of Sadot.

FINANCIAL REVIEW

1st quarter 2023 financial results

The company reported 1st quarter 2023 financial results on May 10th which showed a substantial increase in revenues due to the creation of the Sadot subsidiary in late 2022. Consolidated revenues were $213 million compared to only $3.0 million for the 1st quarter of 2022. Sadot operations comprised $210.4 million of consolidated revenues with restaurant operations adding $2.6 million in revenues.

Non-GAAP adjusted EBITDA from operations was $2.4 million in the quarter compared to a ($1.5) million loss in the 1st quarter of 2022. Adjusted EBITDA adds back stock compensation related to the AGGIA arrangement with Sadot. GAAP EBITDA was a loss of ($427,000).

In the 1st quarter, Sadot completed 19 transactions in 11 countries with an average revenue per transaction of $11.1 million. The average cost of goods sold was $10.8 million, which created an average transaction margin of approximately 2.5%. Net income attributed to Sadot for the quarter was $4.3 million.

Cash on the balance sheet as of 3/31/23 was $6.4 million with net working capital of $6.4 million. Total debt stood at $947,000 and the total lease liability was $2.3 million.

Subsequent to the end of the 1st quarter, on April 13, 2023, the company announced a new share repurchase program. Under the program, the company is authorized to purchase shares of its common stock with a value of up to $2.0 million in open market transactions at the discretion of management.

CEO Michael Roper stated, *"We are pleased to report that Muscle Maker had a successful first quarter of the year, marked by a significant move towards becoming a diversified global food organization. This transformation was made possible by the creation of our wholly owned subsidiary, Sadot LLC. Our shift to diversify our U.S.-centric restaurant business towards a more globally focused food organization is*

proving out by the progress we have made thus far is encouraging, and we are confident that we are on the right path to realizing our vision for a more diversified and successful future."

Segment results

The Sadot business generated $210.4 million in revenues during the quarter with net income of $4.25 million for a net margin of approximately 2.0%. Transaction (or trading) net margin was approximately 2.5%. The lower than expected margins are partially due to the seasonality of the business in which winter months often carry lower margin transactions.

Restaurant revenues during the quarter came in at $2.9 million, with $2.7 million of that coming from company owned restaurants. Revenues from company owned restaurants decreased from the prior year period due to the closure of underperforming units. The operating loss in the restaurant operations for the quarter was ($407,000).

2022 results

The company's 2022 reported financials also showed the material change in revenues created by the Sadot subsidiary. Revenues for the year were over 15 times higher than 2021 due to the addition of $150.6 million in Sadot revenues. Legacy restaurant-related revenues increased 7.4% to $11.1 million. Revenues from Muscle Maker Grill restaurants were $4.4 million, Pokemoto revenues were $4.9 million, SuperFit foods contributed $1.3 million, and the Hybrid division generated $383,270 in revenues. Approximately 91% of the revenue was derived from company owned stores as the rapid expansion of franchised operations had not occurred yet during 2022.

Corporate SG&A was $6.1 million and consolidated loss from operations totaled ($8.1) million. The company recorded a stock-based consulting expense of $3.6 million related to the stock payments to be made to Aggia based on 2022 Sadot performance results. This is considered a non-cash expense similar to traditional stock-based compensation.

For fiscal year 2022, the combined restaurant operations were not profitable on a consolidated basis due to inflationary and labor pressures and the company's planned growth strategies. On an equal comparison to 2021 excluding unusual items, all cost metrics improved year over year. Restaurant operating loss for the period was ($1.1) million.

Cash used in operations for the period was ($198.6) thousand and capital expenditures totaled $596.6 thousand. A new addition to capital spending items were deposits on farm properties related to the purchase of farmland to support Sadot operations. This totaled $4.9 million in 2022.

MANAGEMENT

Michael J. Roper
Chief Executive Officer

Mr. Roper has served as Chief Executive Officer of Muscle Maker since May 1, 2018. Mr. Roper has unique experience ranging from owning and operating several franchise locations through the corporate executive levels. From May 2015 through October 2017, Mr. Roper served as Chief Executive Officer of Taco Bueno where he was responsible for defining strategy and providing leadership to 162 company-owned and operated locations along with 23 franchised locations. From March 2014 through May 2015, Mr. Roper served as the Chief Operating Officer of Taco Bueno. Prior to joining Taco Bueno, Mr. Roper was a franchise owner and operator of a IMS Barter franchise and held several roles with Quiznos Sub from 2000 to 2012 starting as a franchise owner and culminating in his appointment as the Chief

Operating Officer/Executive Vice President of Operations in 2009. Mr. Roper received a Bachelor of Science in Business and General Management from Northern Illinois University.

Jennifer Black
Chief Financial Officer

Ms. Black is an experienced Chief Financial Officer with a demonstrated history of working with public and private equity backed organizations. Prior to joining the company, from September 2018 through December 2021, Ms. Black served as the Chief Financial Officer for Eagle Pressure Control and Talon Pressure Control which are oilfield service companies. From October 2015 through September 2018, Ms. Black served as the Controller for AG Resource Management, a private equity backed agriculture lending company, and as the Controller for Basic Energy Services, an oil and gas services company, from January 2013 through October 2015. Ms. Black has also held various other roles including Vice President of SEC reporting with OMNI American Bank and Audit Manager with RSM McGladrey. Ms. Black is a Certified Public Accountant and a Chartered Global Management Accountant. Ms. Black received a Master of Business Administration from Jack Welch Management Institute in 2018 and Bachelor of Science in Accounting and Finance from Texas Tech University in 2003.

Kevin Mohan
Chief Investment Officer & Executive Chair, Board of Directors

Mr. Mohan has served as the Company's Chief Investment Officer and as the Executive Chair of the Board since April 2018. From April 2018 through May 2018, he also served as the Company's Interim President. From June 2012 through January 2018, Mr. Mohan served as the VP of Capital Markets for American Restaurant Holdings, Inc., a company focused on acquiring and expanding fast casual restaurant brands.

Benjamin Petel
Managing Member Representative - Sadot LLC

Mr. Petel has served as Managing Member Representative of Sadot since 2022. From 2019 through 2022, he was engaged as a Business Development Specialist and consultant to various agriculture and food companies, spanning from corporate finance and M&A to commercial development and operational control. Mr. Petel received a Bachelor of Arts in Business Administration and General Management from Bar-Ilan University.

Kenneth Miller
Chief Operating Officer

Mr. Miller has served as Chief Operating Officer of the company since September 2018. Mr. Miller has served in the restaurant business for an extensive portion of his career. Mr. Miller served as the Senior Vice President of Operations for Dickey's BBQ Restaurant from April 2018 through September 2018 and in various capacities with Taco Bueno Restaurants, LP from October 2013 through April 2018 culminating in the position of Senior Vice President of Operations. Mr. Miller received a Bachelor of Arts in Business/Exercise Science from Tabor College in 1991.

Aimee Infante
Chief Marketing Officer

Ms. Infante joined MMI in 2014 and has served as MMI's CMO since 2019. She started as MarCom Manager in 2014 and was promoted to Marketing Director in 2015, then VP Marketing in 2016. Prior to joining the Company, she served in various marketing roles with Qdoba Mexican Grill (2010-2014).

RISKS

- Sadot

  - The global Agri-commodity markets are tied to global geopolitical fluctuations, as well as weather, disease and other inherent risks of international business markets.

  - Commodity price risk – Commodity prices fluctuate, affecting the supply and demand of the market. However, as Sadot deals mainly in staple commodities, there is a consistently growing market that will experience occasional fluctuations in revenues or net margins.

  - Global geopolitical and economic conditions, such as those seen in the Ukraine/Russia war or the Covid-19 pandemic, can have a profound negative effect on company processes and operations.

  - Factors that can influence commodity prices and Sadot operating results include geopolitical shifts, seasonality, weather & disease, technology, market conditions, and macro-economic factors.

- MMI Restaurant Group

  - Inflationary pressures across all services, equipment, commodities, labor, rent and other areas of the business may cause a negative impact on operating and financial results. The company may not be able to pass on these increased costs in the form of price increases to consumers or find alternative options to reduce costs. This would negatively affect restaurant gross and operating margins. The global supply chain is currently experiencing extensive inflationary pressures across most segments of the economy.

  - Future global pandemics may have material negative effects on the company's restaurant operations due to lockdowns and other business closures.

  - The restaurant industry is fiercely competitive with many large restaurant operators having far greater capital and resources than the MMI Restaurant Group. The company expects competition in each of its markets to continue to be intense because consumer trends are favoring limited-service restaurants that offer healthy-inspired menu items made with better quality products, and many limited-service restaurants are responding to these trends.

- The company may need additional capital to fund operations, which, if obtained, could result in substantial dilution or significant debt service obligations. The company may not be able to obtain additional capital on commercially reasonable terms, which could adversely affect overall liquidity and financial position.

- The company's restaurant growth strategy depends in part on opening new restaurants in existing and new markets and expanding the franchise system, particularly in the Pokemoto division. The company may be unsuccessful in opening new franchised restaurants or establishing new markets, which could adversely affect growth metrics. The ability to open new restaurants and sell franchises is dependent upon a number of factors including the ability to identify available and suitable restaurant sites, to reach acceptable agreements regarding the lease or purchase of locations, have available financing required to acquire and operate a restaurant, and the ability to hire, train and retain the skilled management and other employees necessary to meet staffing needs.

INSIDER TRADING AND OWNERSHIP

MMI executives and directors own approximately 3.37% of shares outstanding. Due to the Sadot/Aggia agreement, we expect that Aggia and its affiliates will own 19.99% of Muscle Maker Inc. at the end of the 2023 fiscal year.

Name of beneficial owner	Number of shares beneficially owned [1]	Percentage of shares outstanding prior to offering [1]
5% Stockholders:		
Armistice Capital LLC [2]	3,201,897	9.85%
Catalytic Holdings 1 LLC [3]	1,129,052	6.56%
Thoroughbred Diagnostics, LLC [4]	979,000	5.28%
Joey Giamichael [5]	1,622,908	5.54%
Directors and Named Executive Officers:		
Kevin Mohan [6]	189,537	*
Michael J. Roper [7]	183,000	*
Jennifer Black [8]	59,500	*
Kenneth Miller [9]	49,192	*
Aimee Infante [10]	16,352	*
Stephen Spanos [11]	75,959	*
A.B. Southall, III [12]	155,035	*
Paul L. Menchik [13]	123,723	*
Jeff Carl [14]	77,339	*
Malcolm Frost [15]	71,083	*
Phillip Balatsos [16]	60,132	*
All executive officers and directors as a group (11 persons)	1,066,849	3.63%

Source: Muscle Maker SEC Filings

VALUATION

Our primary valuation tool utilizes a Discounted Cash Flow process which assumes ongoing high levels of revenue generation from Sadot, albeit lumpy at times.

The net income margin for Sadot is expected to expand to 3.0% by 2025 and slowly expand to 4.0% in subsequent years. Our base case assumes steady franchise growth in the Pokemoto expansion as well as reaching fast casual restaurant margins over the long-term. Utilizing a conservative 12.0% discount rate, we arrive at a price target of approximately **$5.00** per share.

We believe this to be a conservative valuation target because if net margins in the Sadot business increase at a faster rate than expected, valuations could range between $5.00 and $10.00 per share. We believe the majority of the value within our target price is derived from the Sadot subsidiary.

We expect the Sadot subsidiary to generate approximately $19.8 million in net income in 2023 (exclusive of stock-based compensation). Using a peer group 2023 average P/E multiple of 9.0x, the Sadot business alone could be worth $5.50-$6.00 on a relative basis. The peer group used in this calculation includes ADM, BG, GNLCY, WLMIY, AGRO, and OLAM.

For the restaurant operations, using a 2023 Prices/Sales peer group average multiple of 1.56x creates a value in the $0.50-$0.80 range for the Muscle Maker Restaurant Group based on 2023 estimated restaurant group revenues. The peer group used in this calculation includes BROS, DNUT, LOCO, KRUS, PBPB, and FRWG.

On a consolidated basis, if the company was able to earn our GAAP EPS estimate of $0.32 in 2024, Muscle Maker stock would be trading at an unusually low P/E ratio of 3.5x forward earnings.

SUMMARY

We believe MMI has the potential to significantly grow both of its operating units over time.

- The Sadot business has already proven that it can generate substantial revenues as well as net profits. The margin profile for Sadot could materially improve over time as more value-added services are offered by the company.

- Pokémoto franchise growth could be substantial over the next 3-5 years due to low initial franchise costs and an underpenetrated food concept.

The management team and members of the board of directors have extensive experience and involvement in high growth companies. The team at Aggia, who are responsible for day-to-day operations at Sadot, also has extensive experience in the global agricultural supply chain.

We believe MMI has the potential to grow both revenues and earnings at very robust double-digit growth rates for the foreseeable future if they are able to execute on their plans for Sadot as well as restaurant franchise expansion. The company's current stock price does not likely reflect that potential level of profitable growth going forward and we believe the stock to be significantly undervalued at this time.



Source: musclemakerinc.com



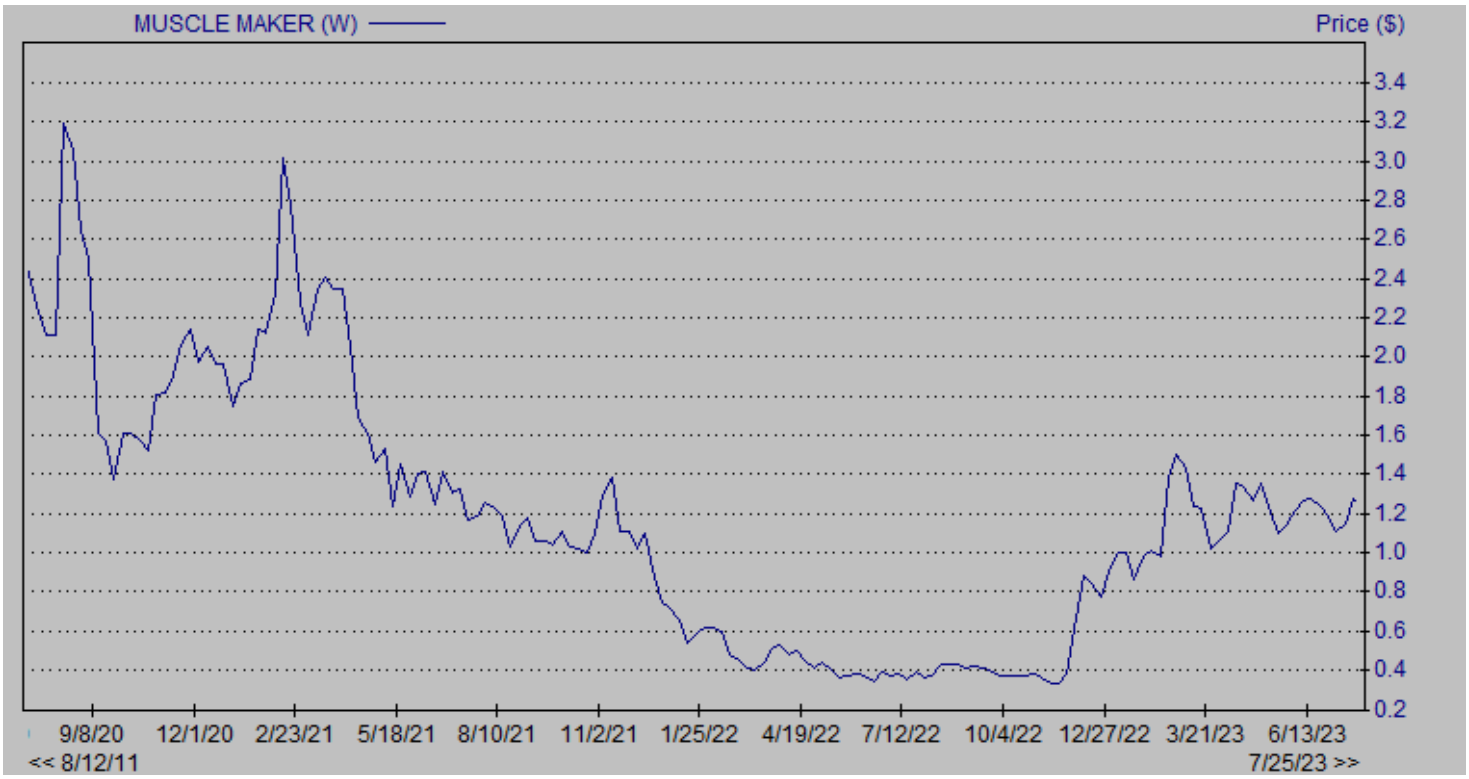
Source: musclemakerinc.com

PROJECTED INCOME STATEMENT

Income Statement		Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Sadot Sales		**0**	**150,585,644**	**795,000,000**	**802,950,000**	**810,979,500**
Growth				*427.9%*	*1.0%*	*1.0%*
Sadot Expenses		**0**	**146,037,204**	**775,125,000**	**781,270,350**	**786,650,115**
Sadot Operating Profit		**0**	**4,548,440**	**19,875,000**	**21,679,650**	**24,329,385**
Margin		*N/A*	*3.0%*	*2.5%*	*2.7%*	*3.0%*
Restaurant Sales		**10,349,636**	**11,112,773**	**18,528,401**	**23,096,674**	**28,027,871**
Growth		*131.4%*	*7.4%*	*66.7%*	*24.7%*	*21.4%*
Restaurant Operating Expenses		**9,074,669**	**11,270,052**	**18,270,994**	**21,953,597**	**26,091,738**
%		*N/A*	*7.5%*	*2.3%*	*2.7%*	*3.2%*
Restaurant Operating Profit		**1,274,967**	**(157,279)**	**257,406**	**1,143,077**	**1,936,133**
Margin		*N/A*	*-1.4%*	*1.4%*	*4.9%*	*6.9%*
Depreciation & Amort		**1,206,505**	**2,015,048**	**2,532,000**	**2,785,200**	**3,063,720**
Pre-Opening and Post-Closing Expenses		**31,829**	**313,379**	**520,000**	**598,000**	**687,700**
% of sales		*N/A*	*0.2%*	*0.1%*	*0.1%*	*0.1%*
General & Administrative Expenses		**8,094,509**	**6,149,801**	**7,347,000**	**5,053,230**	**5,305,892**
% of sales		*#DIV/0!*	*4.1%*	*0.9%*	*0.6%*	*0.7%*
Franchise Ad Expenses		**188,539**	**80,536**	**64,000**	**70,400**	**84,480**
% of sales		*#DIV/0!*	*0.1%*	*0.0%*	*0.0%*	*0.0%*
Stock-Based Consulting Fees		**0**	**3,601,987**	**14,459,000**	**0**	**0**
% of sales		*N/A*	*2.4%*	*1.8%*	*0.0%*	*0.0%*
Operating Income		**(8,246,415)**	**(7,769,590)**	**(4,789,594)**	**14,315,897**	**17,123,727**
Margin		*#DIV/0!*	*-5.2%*	*-0.6%*	*1.8%*	*2.1%*
EBITDA		**(7,039,910)**	**(2,152,555)**	**12,201,406**	**17,101,097**	**20,187,447**
Margin		*N/A*	*-1.4%*	*1.5%*	*2.1%*	*2.5%*
Other Expenses/(Income)		**(59,267)**	**(186,223)**	**(750,205)**	**(78,218)**	**(160,025)**
%		*N/A*	*-0.1%*	*-0.1%*	*0.0%*	*0.0%*
EBIT		**(8,187,148)**	**(7,583,367)**	**(4,039,389)**	**14,394,115**	**17,283,752**
%		*N/A*	*-5.0%*	*-0.5%*	*1.8%*	*2.1%*
Total Interest Exp (net)		**0**	**6,730**	**56,820**	**53,118**	**53,118**
%		*N/A*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Profit Before Tax		**(8,187,148)**	**(7,590,097)**	**(4,096,209)**	**14,340,998**	**17,230,634**
%		*N/A*	*-5.0%*	*-0.5%*	*1.8%*	*2.1%*
Income Tax		**0**	**23,681**	**78,000**	**717,050**	**2,584,595**
% Effective Rate		*0.0%*	*-0.3%*	*-1.9%*	*5.0%*	*15.0%*
% Cash Tax Rate		*0.0%*	*-0.3%*	*-1.9%*	*5.0%*	*15.0%*
Minority Interests		**0**	**0**	**0**	**0**	**0**
Net Profit		**(8,187,148)**	**(7,613,778)**	**(4,174,209)**	**13,623,948**	**14,646,039**
%		*N/A*	*-5.1%*	*-0.5%*	*1.7%*	*1.8%*
Non-recurring income (expense)		(125,448)	(347,110)			
Average Diluted Shares Outstanding		16,467,393	28,558,586	37,405,394	43,187,000	43,187,000
Reported FD EPS		(0.50)	(0.28)			
Zacks Cash EPS		**(0.50)**	**(0.27)**	**(0.11)**	**0.32**	**0.34**
Zacks EPS		**(0.50)**	**(0.27)**	**(0.11)**	**0.32**	**0.34**

Source: Zacks analyst

HISTORICAL STOCK PRICE



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