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Zacks Small-Cap Research

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Sadot Group, Inc. (NASDAQ:SDOT)

SDOT: Sadot Group reports 3rd quarter operating results which showed continued high levels of revenue generation in the core agri-foods subsidiary.

Utilizing a DCF valuation process containing conservative estimates combined with other valuation methodologies, we believe SDOT could be worth **$3.50** per share.

Current Price (11/15/23)	$0.71
Valuation	**$3.50**

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. The company also added a Farm segment in the 3rd quarter. Sadot's legacy business is its collection of 50+ restaurants which includes Pokémoto Hawaiian Poké and Muscle Maker Grill concepts. We believe SDOT stock is substantially undervalued at this time.

SUMMARY DATA

52-Week High	**$1.60**
52-Week Low	**$0.31**
One-Year Return (%)	**85.2**
Beta	**1.21**
Average Daily Volume (sh)	**177,189**
Shares Outstanding (mil)	**46.6**
Market Capitalization ($mil)	**$26.5**
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	**2.8**

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	$160.3 A	$182.2 A	$182.1 E	$737.6 E
2024					$752.6 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	$0.01 A	-$0.14 A	$0.03 E	-$0.14 E
2024					$0.22 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

3rd Quarter Financial Results

Sadot Group reported 3rd quarter 2023 results on November 14th which showed a large jump in revenues compared to the prior year period. Consolidated revenues increased to $182.2 million from $2.8 million in the prior year period which was driven by the creation of Sadot LLC in November 2022. Commodity related revenues were approximately $180.0 million and restaurant division revenues totaled $2.2 million. The company segmented farm operations for the first time in the 3rd quarter which generated revenues of $511,000.

Consolidated operating income was negative ($3.9) million which was largely due to unusual expenses related to the corporate rebranding and non-cash write-downs of goodwill and intangible assets totaling $1.6 million. These two write-downs were related to the restructuring efforts at the restaurant operations. GAAP net loss was ($5.3) million, or ($0.14) per diluted share.

Traditional EBITDA in the quarter was negative ($4.6) million compared to negative ($1.4) million in the prior year period. Adjusted EBITDA, which eliminates unusual items and stock compensation, was negative ($842,000) for the quarter compared to an adjusted EBITDA loss of ($1.4) million in the prior year period. For the first nine months of 2023, the company generated operating cash flow losses of ($8.7) million which was primarily driven by investments in the agri-foods division.

Cash balances at the end of the quarter were $2.4 million and the company had positive working capital of $8.9 million. Total debt was $3.7 million. Shareholders' equity improved to $25.4 million which was an increase from $16.6 million at the end of 2022.

During the quarter, the Sadot Agri-Food segment completed 27 transactions with an average revenue per transaction of approximately $6.6 million and an average cost of goods sold of $6.5 million. These transactions took place in 16 different countries. Net income in this segment was $1.9 million, which equates to a segment net margin of 1.1%. The company expects margins in this segment to significantly increase over time due to increasing vertical integration and diversification of transaction types.

In the 3rd quarter, the company began segmenting its Farm operations in its filings and reports. Sadot officially completed the acquisition of farmland in Zambia in southern Africa on August 18, 2023. The acquisition includes approximately 5,000 acres of farmland in the Mkushi Region. Farm operations are expected to provide a reliable supply of grains and tree crops such as (mango and avocado. In August 2023, the company achieved its first successful harvest of premium grade winter wheat, yielding 987 metric tons and selling at $515 per metric ton resulting in revenue of approximately $511,000. In October 2023, the Company planted approximately 540 hectares (1,334 acres) of maize and approximately 314 hectares (775 acres) of soybeans.

For the Food Service operations, the company had 47 total units with 34 being the Pokemoto concept and the other 13 being the Muscle Maker Grill brand. 25 of the Pokemoto units are franchised and 9 are company owned. The company is in the process of selling company owned units and may retain 2 or 3 at military bases or for training purposes. Of the Muscle Maker Grill units, 11 are franchised and 2 are company owned.

There are currently over 50 signed Pokemoto franchise agreements in which the stores have not yet opened. The company recently announced the restaurant division is undergoing a restructuring which will reduce restaurant operating expenses and lower working capital demands (see below for details). During the quarter, the restaurant segment generated $2.2 million in revenues and a net loss of ($2.3) million, which is inclusive of non-cash write downs of goodwill and other intangibles totaling $1.6 million.

Sadot Agri-Foods

The company continues to report strong monthly revenue generation for the Sadot agri-commodity segment which year-to-date has totaled approximately $547 million.

	2023
Jan	$58.5
Feb	$58.0
Mar	$93.8
Apr	$58.9
May	$52.8
Jun	$45.7
Jul	$53.0
Aug	$67.0
Sep	$59.0

Sadot's goal in the agri-foods business is to diversify the company's participation in virtually all segments of the global food supply chain. This will increase margins as the company moves into different markets and other verticals in order to generate cost synergies. Diversification across markets and verticals is also expected to help stabilize the overall income stream, which will support additional finance options can counterparty security. Diversity also improves overall risk management as one of the key hedging instruments when dealing in global commodity markets.



Source: sadotgroupinc.com

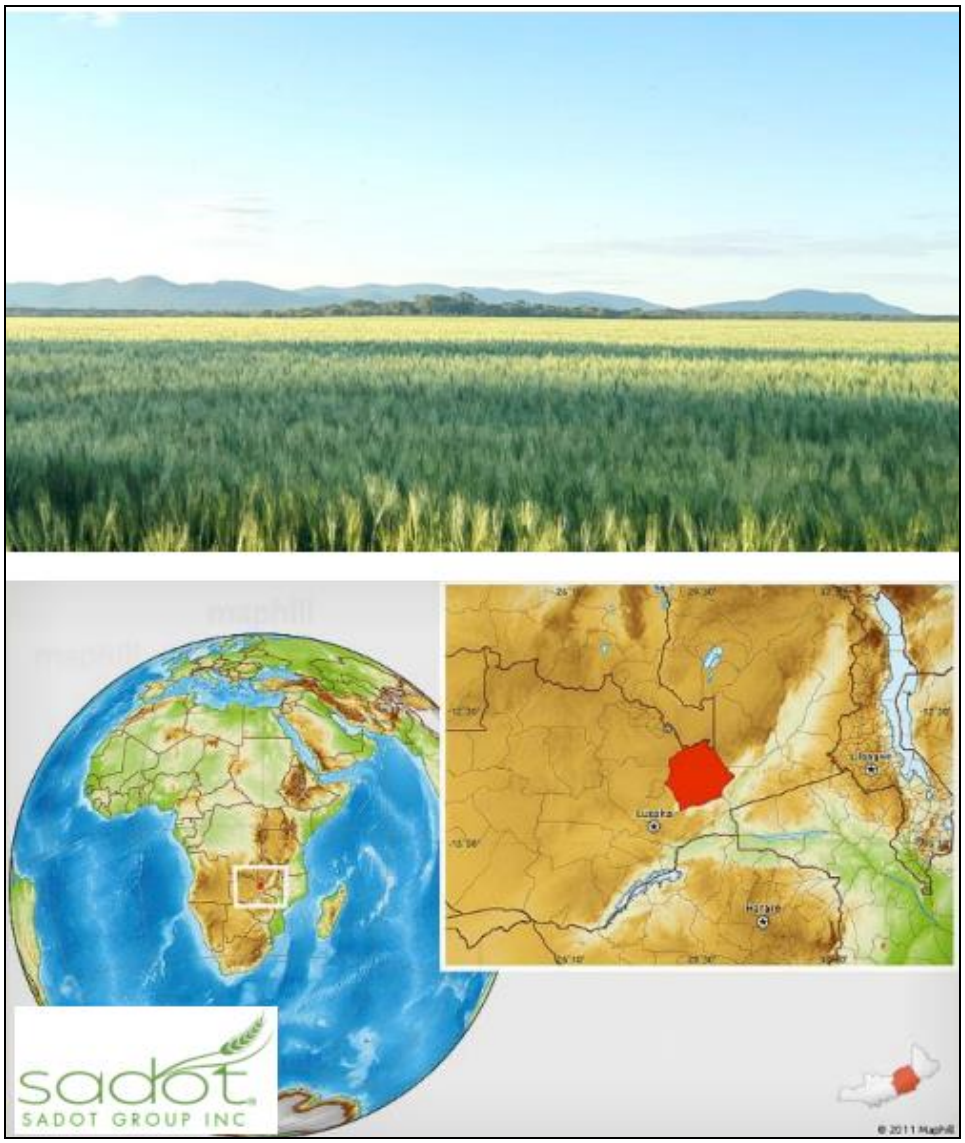
Closing of Farm Acquisition

On August 18, 2023, the company closed on its previously announced acquisition of grain and tree crop producing farmland located in Zambia's Mkushi Region. The Farm produces high demand grains such as wheat, soy and corn along with mango and avocado on approximately 4,942 acres of farmland.

The Mkushi Farmland was initially developed in 2004 and is situated in the heart of the Mkushi Region of Zambia which has a bountiful climate for crops with rich soil and high levels of rainfall. Sadot hired an experienced team of farm managers who are currently farming 1,345 acres of corn, 775 acres of soybean, 270 acres of wheat, 180 acres of Hass Avocado for local and export plus 50 acres of Tommy Atkins Mango. These crops represent roughly half of the Farm's acreage and additional acreage will be planted to increase revenues and market presence.

In September 2023, the Farm produced a strong wheat harvest of approximately 987 metric tons. This generated over $500,000 in revenue at a rate of $515 per metric ton. In October 2023, more planting occurred which was comprised of 540 hectares (1,334 acres) of maize (corn) with an estimated yield of 4,952 metric tons. In addition, 314 hectares (775 acres) of soybean were planted with an expected harvest of 942 metric tons.

In addition, Sadot Group announced that it is actively participating in discussions to form a collaborative pilot program with local farmers in Zambia. Through this program, Sadot Zambia will provide access to seeds, fertilizers, and other services to approximately 1,200 local small farmers in the region. This initiative, when executed, is expected to positively impact the livelihoods of the participating farmers, as well as enhance the company's position in the region while presenting a potential future revenue stream.



Source: sadotgroupinc.com

Company CEO Michael Roper stated, *"The expansion into farm operations aligns with the Sadot Group's strategic goal of increasing margins through vertical integration. The Farm is expected to accrue multiple benefits to Sadot Group as it expands our position as an international agri-foods company. The Farm has the potential to provide a steady and reliable supply of grains and tree crops, which are currently experiencing constant demand and yielding higher margins."*

He further commented, *"Second, the consistent production of these crops has the potential to elevate our trading operations with more sophisticated types of trades along with associated higher margins. In addition, the asset purchase is expected to improve access to credit facilities allowing for larger agri-commodity trades and improved margins. Lastly, the Farm has the potential to provide a fresh source of revenue by operating as a regional hub for smaller farmers in the region. By providing future warehousing and distribution services for their products, the Sadot Group will not only aid these farmers in reaching wider markets but may also help them optimize their agricultural practices."*

Latest Corporate Update

The company provided an overall company update on October 3, 2023, which covered the Farm business (mentioned above), Sadot Agri-Foods, and the Restaurant operations.

Sadot Agri-Foods is the company's largest operating division and is the key revenue driver for the parent company. Since forming the Sadot Agri-Foods Operations, the company has quickly established itself as a player in the global agriculture commodity trading, shipping and logistics space. Sadot Agri-Foods is actively sourcing agri-food commodity products from producing geographies such as the Americas, Africa and the Black Sea Region and delivering to markets in Southeast Asia, China and the Middle East/North Africa region. The company has also recently announced Sadot Latam LLC as its latest addition within the Sadot Agri-Foods operational unit, marking its further expansion into the agri-food commodity trading market.

In the restaurant segment, the company remains fully engaged in the restructuring of the legacy restaurant operations. The company is refranchising company-owned units and closing underperforming locations while focusing on growing Pokémoto brand through franchising. This will decrease restaurant operating expenses and increase franchise royalty revenues. This will potentially strengthen the company's financial position and allow them to redirect resources towards the agri-food businesses. The Pokémoto concept has garnered significant interest among potential franchisees because of its low cost of entry and straightforward operating model.

The company will maintain ownership of two military base restaurants and one training location in Wichita, Kansas. The company has closed two Muscle Maker Grill (MMG) company-owned locations and have two additional locations listed for sale. Lastly. the company is still actively pursuing the sale of its Superfit Foods concept, a subscription-based fresh meal service based in Jacksonville, Florida.

Standby Equity Purchase Agreement

On September 22, 2023, Sadot Group entered into a Standby Equity Purchase Agreement (SEPA) with a Cayman Islands exempt limited partnership, Yorkville, under which the company has the right to sell to Yorkville up to $25 million of common stock. Sadot will have the right, but not the obligation, from time to time at its discretion to direct Yorkville to purchase a specified number of shares of common stock by delivering written notice to Yorkville. While there is no mandatory minimum amount for any advance, it may not exceed an amount equal to 100% of the average of the daily traded amount during the five consecutive trading days immediately preceding the advance.

The shares of common stock purchased under the agreement will be purchased at a price equal to 97% of the lowest daily volume weighted average price of the shares of common stock during the three consecutive trading days commencing on the date of notice.

As part of the agreement, Yorkville has agreed to advance $4.0 million to Sadot in the form of convertible promissory notes. The maturity date will be one year after the advance is made. Yorkville may convert the convertible notes into shares of common stock at a conversion price equal to the lower of $1.11495 or 95% of the lowest daily VWAP during the seven consecutive trading days immediately preceding the conversion (with a floor price of $0.33).

Valuation and Estimates

We adjust our revenue and earnings estimates after reviewing 3rd quarter results. We now expect 2023 consolidated revenue of $737.6 million and GAAP EPS of ($0.14). Our new 2024 EPS estimate is $0.22.

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 2026 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. We adjust our price target to **$3.50** to reflect higher prevailing interest rates affecting our discounted cash flow calculation and the possibility of dilution from the company's Standby Equity Purchase Agreement

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 exceed $5.00 per share. We believe the majority of the value within our target price is derived from the Sadot subsidiary.

On a consolidated basis, if the company was able to earn our GAAP EPS estimate of $0.22 in 2024, Sadot Group stock would be trading at an unusually low P/E ratio of 2.8x forward earnings.

RECENT HIGHLIGHTS

Rebranding

Muscle Maker Inc. recently rebranded 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 was effective as of July 27th, 2023. It remains listed on the NASDAQ market.

Restaurant Restructuring

On August 3rd, the company announced new developments in its restaurant group. The company plans to reduce operating expenses and overhead as well as working capital demands by closing underperforming units while refranchising most of the company owned units. There will be a shift to a primarily franchise, royalty generating business model focused on the Pokemoto concept. Franchisees of Muscle Maker Grill restaurants will have the option to remain as Muscle Maker Grills, convert to Pokémoto. or become a dual-branded Pokémoto/Muscle Maker Grill. In addition, the company will seek strategic alternatives for the subscription based Superfit Foods concept. The company has indicated there is already interest in this business from outside parties.

Sadot Group CEO stated, *"These actions will allow us to strengthen our balance sheet and reallocate funds towards growing the agri-foods supply chain business, reinforcing our commitment to increasing shareholder value by focusing on our path to profitability, market diversification, and a strengthened brand presence."*

Other News

In July 2023 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.

In June 2023, the company announced a strategic agreement which expands commodity trade routes into the Americas. This expansion was created by a strategic agreement between Sadot's agri-food operations and newly formed Buenaventura Trading LLC based in Miami FL. Buenaventura's team has extensive experience and exposure to new trade routes throughout the Americas by adding multiple sourcing and trading consultants to Sadot with backgrounds from several of the largest international food supply chain organizations. The planned Americas trade routes are intended to generate accretive value for the company by tapping into the thriving market demand for agricultural products across Central and South America.

KEY INVESTMENT POINTS



Source: sadotgroupinc.com

- Sadot Group is 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 $2.4 million in cash on the balance sheet and $3.7 million in debt as of 9/30/23. The company was founded in 1995 as Muscle Maker Grill and went public in 2020. The current market capitalization is approximately $26.5 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 $6.9 million in net income and $367.9 million in revenues in the first half of 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 SDOT stock is worth **$3.50** based on a conservative discounted cash flow (DCF) calculation and a peer multiple comparison.



Source: sadotgroupinc.com

BUSINESS SEGMENTS

Sustainable Food Supply Chain Operations

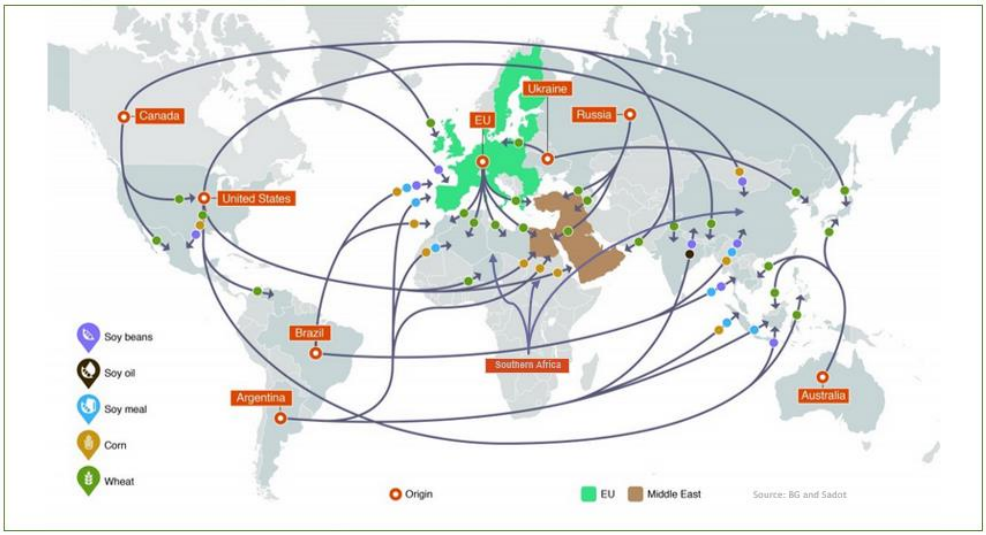


Source: sadotgroupinc.com

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:

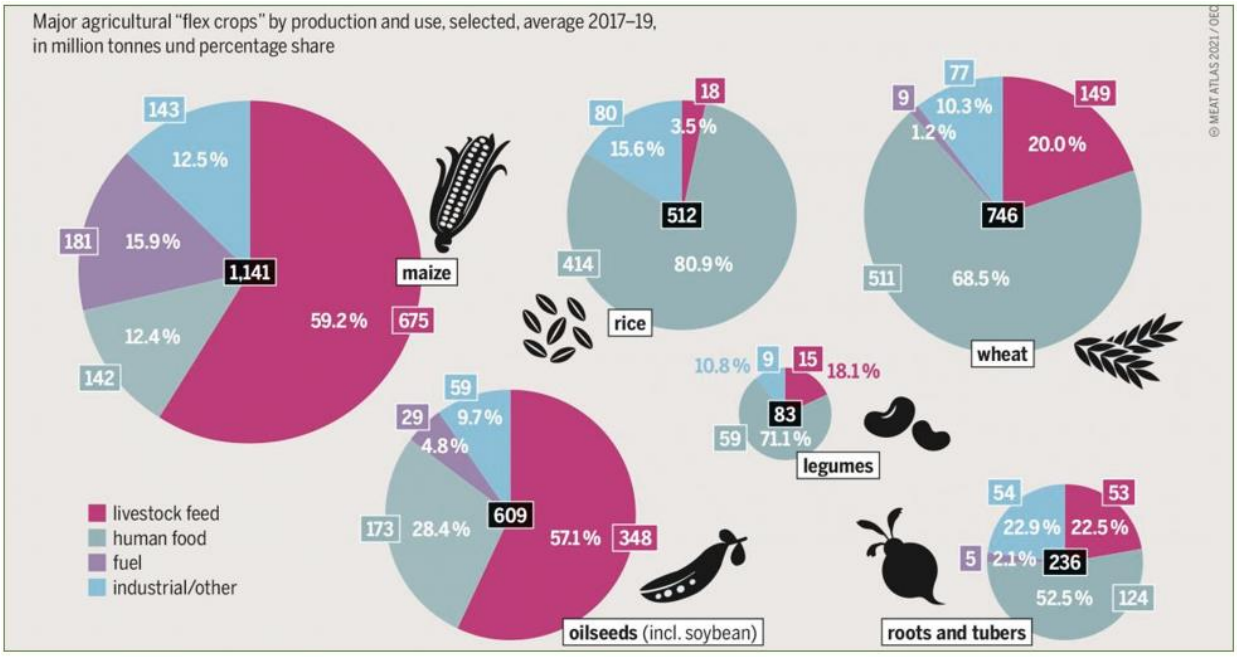
- Canada
- Brazil
- Japan
- Philippines
- India
- Malaysia
- Poland
- Romania
- China
- Ukraine
- Viet Nam

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: sadotgroupinc.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: sadotgroupinc.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: sadotgroupinc.com

MMI Restaurant Group Operations

Source: sadotgroupinc.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: sadotgroupinc.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: sadotgroupinc.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.

Source: sadotgroupinc.com

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.



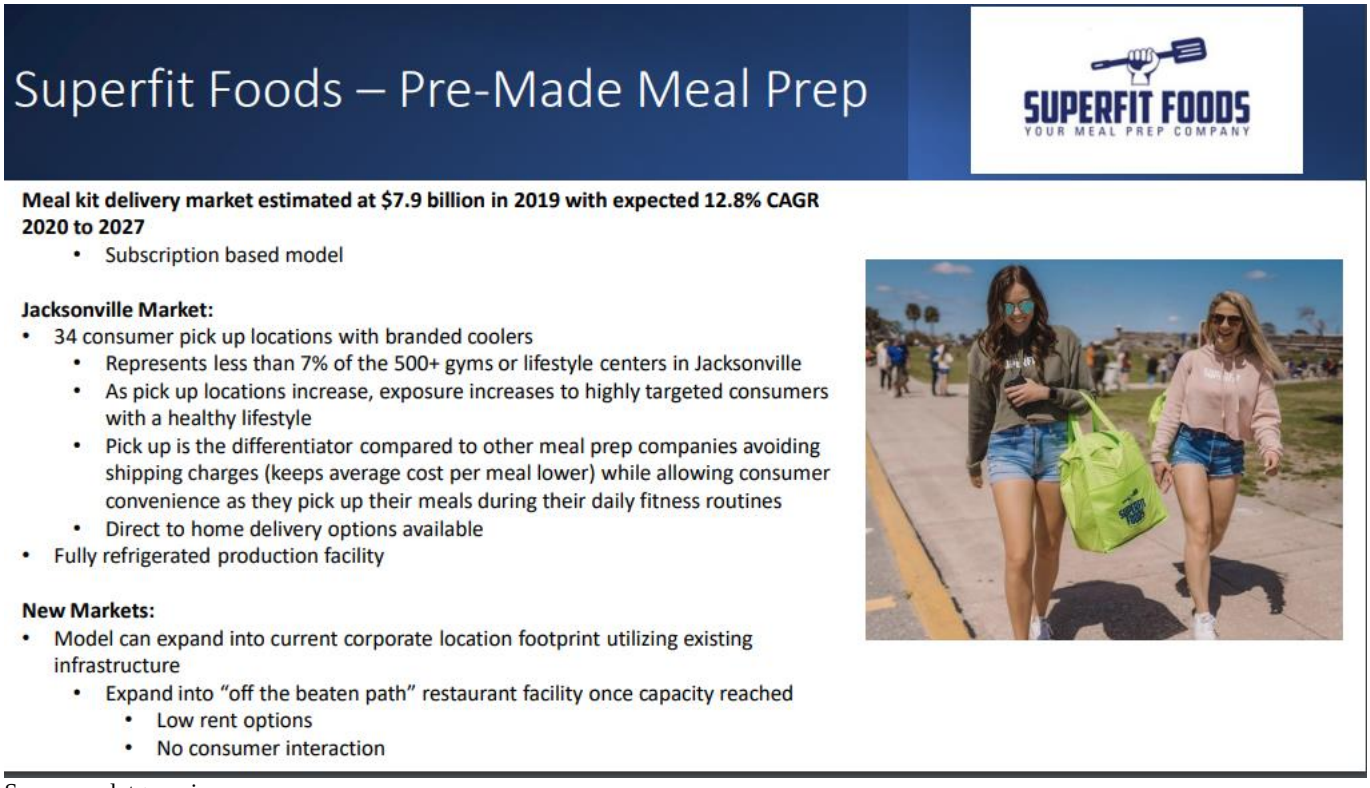
Source: sadotgroupinc.com

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.

Source: sadotgroupinc.com

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.

In August 2023, the company announced it was looking at strategic alternatives for this business.



Source: sadotgroupinc.com

GROWTH STRATEGY

Sadot – The company 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 the 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.

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

SUMMARY

We believe the company 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.



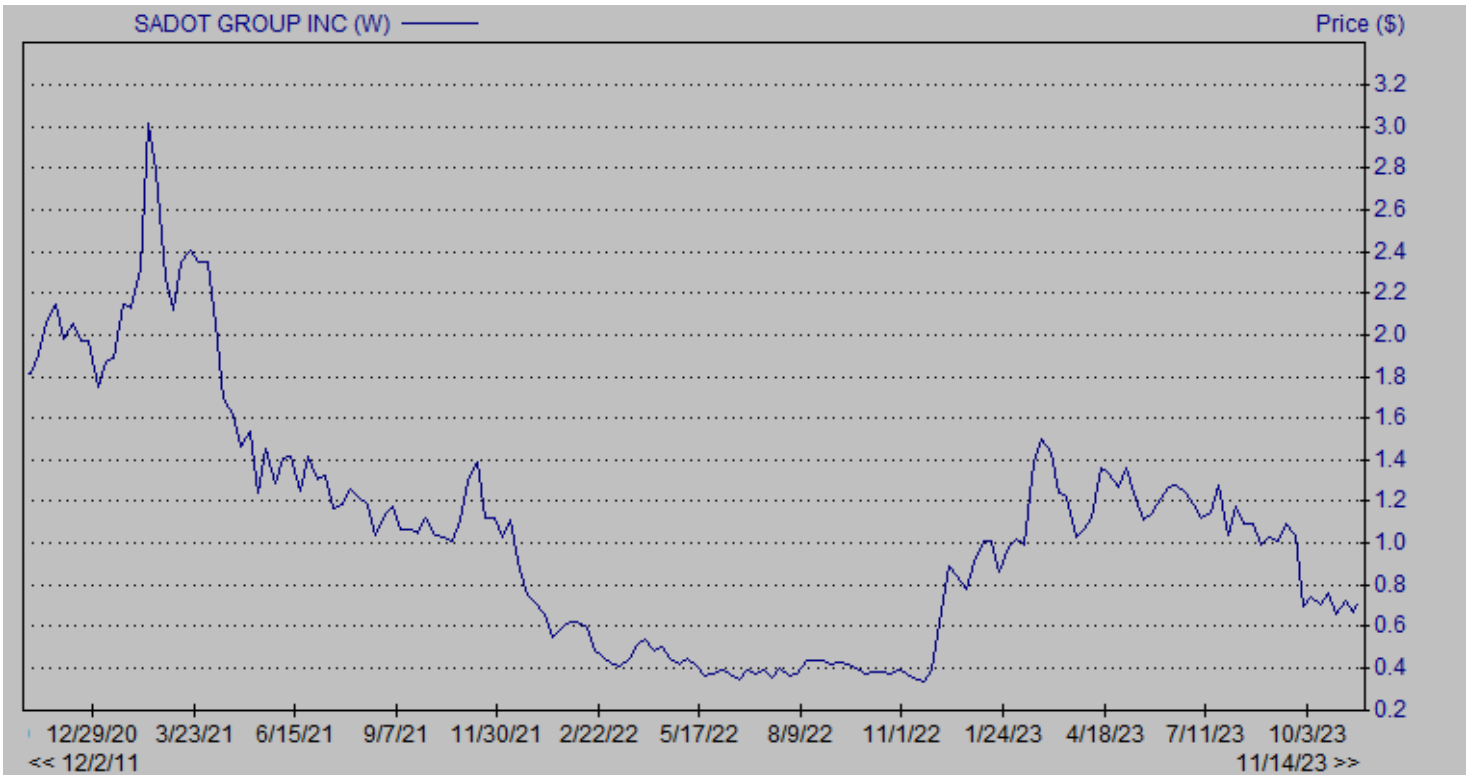
Source: musclemakerinc.com

PROJECTED INCOME STATEMENT

	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
REVENUES					
Sadot Agri-Foods	**150,585,644**	**726,481,641**	**741,011,273**	**755,831,499**	**770,948,129**
Sadot Farm		**1,000,000**	**2,000,000**	**3,000,000**	**4,500,000**
Restaurant Operations	**11,112,773**	**10,076,000**	**9,572,200**	**11,486,640**	**12,635,304**
Other		0	0	0	0
TOTAL REVENUES	**161,698,417**	**737,557,641**	**752,583,473**	**770,318,139**	**788,083,433**
OPERATING EXPENSES					
Sadot Agri-Foods	**146,037,204**	**715,161,462**	**722,313,076**	**735,314,712**	**746,344,432**
Sadot Farm		**1,300,000**	**1,800,000**	**2,625,000**	**3,825,000**
Restaurant Operations	**12,248,842**	**12,500,000**	**9,380,756**	**11,163,100**	**12,167,779**
Corp SG&A	**11,529,521**	**13,254,000**	**8,000,000**	**8,800,000**	**9,680,000**
TOTAL EXPENSES	**169,815,567**	**742,215,462**	**741,493,832**	**757,902,811**	**772,017,211**
OPERATING PROFIT					
Sadot Agri-Foods	**4,548,440**	**11,320,179**	**18,698,197**	**20,516,787**	**24,603,696**
Sadot Farm	**0**	**(300,000)**	**200,000**	**375,000**	**675,000**
Restaurant Operations	**(1,136,069)**	**(2,424,000)**	**191,444**	**323,540**	**467,525**
Corp SG&A	**(11,529,521)**	**(13,254,000)**	**(8,000,000)**	**(8,800,000)**	**(9,680,000)**
TOTAL OPERATING PROFIT	**(8,117,150)**	**(4,657,821)**	**11,089,641**	**12,415,327**	**16,066,222**
OPERATING MARGINS					
Sadot Agri-Foods	***3.0%***	***1.6%***	***2.5%***	***2.7%***	***3.2%***
Sadot Farm		***-30.0%***	***10.0%***	***12.5%***	***15.0%***
Restaurant Operations	***-10.2%***	***-24.1%***	***2.0%***	***2.8%***	***3.7%***
Other					
TOTAL OPERATING MARGINS	***-4.8%***	***-0.6%***	***1.5%***	***1.6%***	***2.1%***
Other Income	186,223	(1,100,000)	(456,889)	(456,889)	(671,259)
Interest Expense	(6,730)	(401,333)	(401,333)	(401,333)	(401,333)
PRETAX INCOME	**(7,937,657)**	**(6,159,155)**	**10,231,419**	**11,557,106**	**14,993,629**
Income Taxes	(24,771)	100,000	(24,769)	(24,768)	(24,767)
NET INCOME	**(7,962,428)**	**(6,059,155)**	**10,206,650**	**11,532,338**	**14,968,862**
Shares Outstanding	*28,558,586*	*42,013,000*	*46,605,232*	*46,605,232*	*46,605,232*
Earnings Per Share	**$ (0.28)**	**$ (0.14)**	**$ 0.22**	**$ 0.25**	**$ 0.32**

Source: Zacks analyst

HISTORICAL STOCK PRICE



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