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# Zacks Small-Cap Research

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## Sadot Group, Inc. (NASDAQ: SDOT)

**SDOT: Sadot Group releases full year 2023 financial and operating results and updates investor community on the Sadot Agri-Foods business outlook.**

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 (4/8/24) | $0.30 |
| **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, Sadot Agri-Foods, which is a vertically integrated international food supply chain company engaged in trading and shipping sustainable food and commodities such as soybean meal, wheat and corn. Sadot's legacy business is its collection of 50+ restaurants which includes Pokémoto Hawaiian Poké and Muscle Maker Grill concepts. We believe SDOT is poised for profitable growth over the long term and the stock to be significantly undervalued at this time.

### SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$1.60** |
| **52-Week Low** | **$0.28** |
| **One-Year Return (%)** | **-70.4** |
| **Beta** | **0.97** |
| **Average Daily Volume (sh)** | **208,700** |
| **Shares Outstanding (mil)** | **51.8** |
| **Market Capitalization ($mil)** | **$16.9** |
| **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 2024 Estimate** | **N/A** |
| **P/E using 2025 Estimate** | **3.75** |

| | |
|---|---|
| **Risk Level** | **Medium** |
| **Type of Stock** | **Small-Value** |
| **Industry** | **Agriculture Trading** |

### ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 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 | $171.2 A | $726.7 A |
| 2024 | $215.1 E | $161.9 E | $184.0 E | $172.4 E | $733.4 E |
| 2025 | | | | | $731.9 E |

**EPS / Loss Per Share**

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 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 | $0.00 A | -$0.18 A |
| 2024 | -$0.03 E | -$0.04 E | -$0.02 E | -$0.01 E | -$0.10 E |
| 2025 | | | | | $0.08 E |

Quarterly revenues may not equal annual revenues due to rounding. Quarterly EPS may not equal annual EPS due to rounding, dilution or intangibles. EPS estimates may be Zacks cash EPS.

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## WHAT'S NEW

Full Year 2023 Results

For the 2023 fiscal year ending December 31, 2023, total revenues increased to $726.7 million compared to $161.7 million in 2022. 2023 was the first full year of operations for the new commodity related segment, Sadot Agri-Foods. Commodity related revenues were $717.5 million and restaurant sales were $8.1 million. Consolidated gross profit was $9.9 million in 2023 compared to $4.4 million for the prior year period.

Net income in the commodity segment for the year was $9.2 million and in the restaurant segment, there was a net loss of ($2.7) million. Restaurant net earnings were significantly affected by impairment charges totaling $1.6 million. Non-GAAP adjusted EBITDA from operations was $0.1 million in 2023 compared to a ($2.0) million loss in 2022. Operating cash flow was a use of cash of ($13.1) million as the company invested heavily in its Sadot Agri-Foods subsidiary by using its own balance sheet to facilitate trading activity.

Cash at year end was $1.3 million and net working capital improved to $8.3 million. Total assets increased to $178.1 million compared to $27.2 million in 2022. Total company debt was $7.1 million of which $3.6 million was convertible debt under the SEPA agreement.

Restaurant Segment Update

Sadot Group recently decided to explore strategic alternatives for its restaurant operations in order to focus solely on its commodity related businesses. The company has engaged Lisiten Associates in New York who are specialists in the sale of restaurant concepts. The company is unable to provide a timeline on when, or if, a transaction will occur. Since the acquisition of Pokemoto in 2021, the company has increased the size of its restaurant operations substantially and currently has over 60 franchise agreements for new Pokemoto locations that have not yet opened.

Trade Finance Arrangements

The company indicated that it has approximately $15-$20 million in trade financing arrangements in place. The ability to use trade finance arrangements is crucial to increasing margins in the Sadot Agri-Foods segment as it does not typically utilize the company's own capital or balance sheet. Trade finance arrangements can come from a multitude of sources including traditional banks, finance companies, and private investors. Trade finance arrangements can take the form of letters of credit, guarantees, insurance, export finance, trade credit, factoring, or supply chain finance.

Growing Demand

Sadot Group sees growing demand for its services as the demand for food and feed is projected to grow significantly through the end of the century. This demand will likely place stress on the global food supply chain. With the pivot to the agri-foods supply chain sector, Sadot Group sees significant growth potential in providing sustainable solutions to address the world's food security issues.

Feeding the world's growing population is a significant challenge. The United Nations projects that the global population will grow from today's 8.1 billion to 9.7 billion by 2050 and 10.1 billion by 2100, with growth concentrated in developing countries.

Urban expansion, global warming, and corrupted farmland contribute to a steady decrease in fertile agricultural land needed to grow grains and legumes which are the building blocks of nutrition and human health. The growing middle class populations in developing countries within Africa and Asia result in

more calorie per capita consumption in general and specifically, growth in demand for animal proteins. Both of these factors increase the demand for feed related commodities for animals.

Also, a growing part of the world's population is in areas that have highly limited agricultural potential and require systems in place to provide a steady in-flow of food products.

New Brazilian Trading Group

On January 9, 2024, the company announced that it had executed an agreement with two distinguished professionals in the international grain trading business, Flavio de Campos and Paulo de Sa, in order to begin operations and management of a new trading arm called Sadot Brasil Ltda., a wholly owned subsidiary of Sadot LLC.

Sadot Brasil will source and export grains such as soybean, soybean meal, wheat and corn. This expansion has the potential to generate multiple benefits for Sadot LLC as it further expects to substantiate the company's position as an international agri-foods company operating in many important grain producing geographies in the world.

The company continues to expand its operations in the various verticals of the global food and feed supply chain including farming, sustainability, and the trading and shipping of agri-commodities. The inception of Sadot Brasil Ltda. has the potential to provide growth in the trading verticals, managed by experienced industry professionals.

New Investor Presentation

On December 20, 2023, the company released a new investor presentation in conjunction with its Annual Shareholder Meeting and can be found here.

Valuation and Estimates

We maintain our price target of **$3.50** as the company's ability to generate significant levels of free cash flow should occur within the majority of our 10-year DCF time frame.

We adjust our 2024 revenues and EPS estimates based on recent financial results. For 2024, we expect $733.4 million in revenues and an EPS loss of ($0.10) per share. We expect Sadot to generate positive net income in 2025.

We also note that SDOT stock is selling below tangible book value per share. Based on $19.6 million in tangible shareholders equity as of December 31, 2023 and 51,752,691 shares outstanding as of March 20, 2024, we calculate that tangible book value per share is approximately $0.56.

The current stock price does not likely reflect the potential levels of profitable growth going forward and instead mostly reflects short-term dilution related to a dilutive capital instrument that was part of the SEPA transaction executed in September 2023.



Source: sadotgroupinc.com

## OTHER RECENT NEWS

Sadot Agri-Foods

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

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 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."*

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.

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).

## KEY INVESTMENT POINTS

Source: sadotgroupinc.com

- Sadot Group is a diversified, global food company with two distinct business units: 1) Sadot LLC (Sadot Agri-Foods) – an international agricultural commodity supply-chain organization and 2) Sadot Food Service – an operator and franchisor of 50+ healthier-for-you fast casual concepts plus a subscription based, fresh prep meal provider with over 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.

- In August 2023, the company acquired 4,942 acres of farmland in Zambia, Africa which produces high demand grains such as wheat, soy and corn along with mango and avocado.

- Sadot Food Service'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 recently decided to explore strategic alternatives for its restaurant operations in order to focus solely on its commodity related businesses.

- 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. With the formation of Sadot Agri-Foods, the company was able to bring in an experienced management team with expertise in commodities and trading through Aggia LLC.

- The company has approximately $1.3 million in cash on the balance sheet and $7.1 million in debt as of 12/31/23. The company was founded in 1995 as Muscle Maker Grill and went public in 2020. The current market capitalization is approximately $16.9 million.

- The creation of Sadot generated significantly higher revenues for the company in 2023 and is expected to continue in 2024 and beyond. The Sadot Agri-Foods division generated approximately $9.2 million in net income and $717.5 million in revenues in 2023.

- 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

### Sadot Agri-Foods

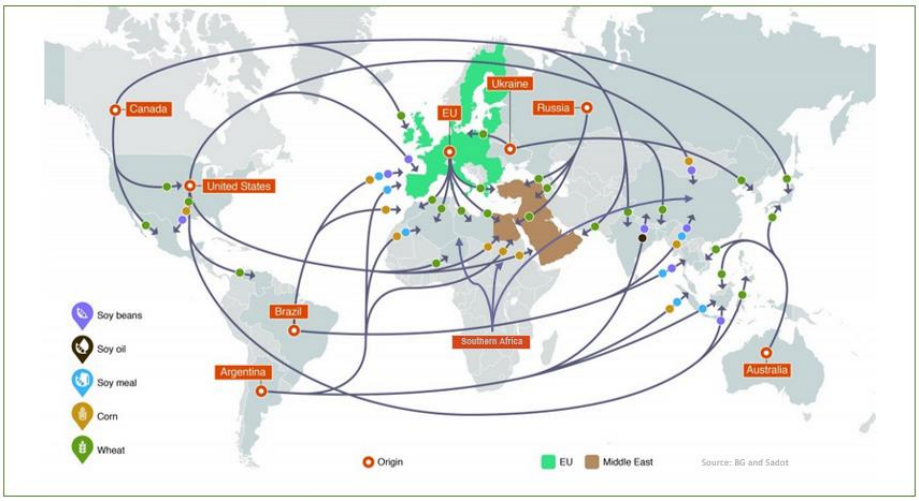


Source: sadotgroupinc.com

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. This generally includes sourcing commodities from the Americas, Africa and the Black Sea region and delivering to markets in Southeast Asia, China and the Middle East.

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. 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:

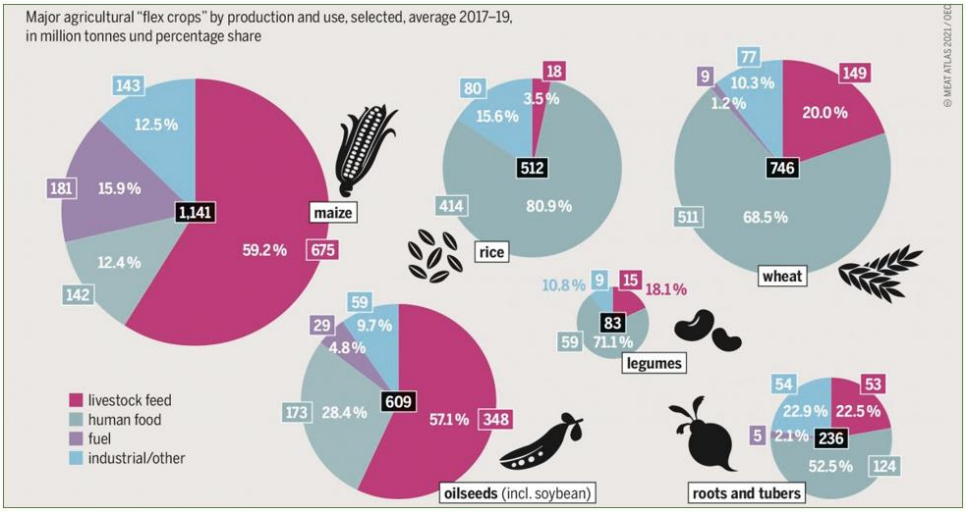
- Canada
- Brazil
- Japan
- Philippines
- India
- Malaysia
- Poland
- Romania
- China
- Ukraine
- Viet Nam

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 Sadot 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.

In July 2023, the company amended the original agreement as it pertains to Aggia compensation. Under this Addendum, the company issued 8.9 million shares of common stock which represented the 14.4 million shares that Aggia was entitled to receive pursuant to the Services Agreement less the 5.6 million shares that have already been issued. The company will not issue Aggia in excess of 14.4 million Shares representing 49.9% of the number of issued and outstanding shares of common stock as of the effective date of the original agreement.

These shares vest on a progressive schedule at a rate equal to the net income of Sadot Agri-Foods, calculated quarterly divided by $3.125, which for accounting purposes equals 40.0% of the net income of Sadot Agri-Foods, calculated quarterly divided by $1.25. During the 30 day period after July 14, 2028, Aggia may purchase any shares not vested. All shares not vested or purchased by Aggia, shall be repurchased by the company from Aggia at a share price of $0.0001 per share.



Source: sadotgroupinc.com

**Sadot Food Service**

The Sadot Food Service segment 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.).

Sadot Group recently decided to explore strategic alternatives for its restaurant operations in order to focus solely on its commodity related businesses. The company has engaged Lisiten Associates in New York who are specialists in the sale of restaurant concepts. The company is unable to provide a timeline on when, or if, a transaction will occur. Since the acquisition of Pokemoto in 2021, the company has increased the size of its restaurant operations substantially and currently has over 60 franchise agreements for new Pokemoto locations that have not yet opened.

Pokemoto Hawaiian Poke - Pokémoto was acquired by Sadot in May 2021. 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.

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.

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.

## ADDRESSABLE MARKET & GROWTH OPPORTUNITIES

The continued global population growth, which may hit nine billion people 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 markets to developed markets 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 as 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.

## MANAGEMENT

**Michael J. Roper**
Chief Executive Officer

Mr. Roper has served as Chief Executive Officer of Sadot Group 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 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 Agri-Foods

  - 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.

- Sadot Food Service

  - 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 Sadot 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

The percentage ownership information below is based on 51,752,691 shares outstanding as of March 20, 2024. Aggia LLC owns 24.43% of outstanding shares and management and board members own approximately 3.82% of outstanding shares.

| Name of beneficial owner | Number of shares beneficially owned [1] | Percentage of shares outstanding prior to offering [1] |
|---|---|---|
| **5% Stockholders:** | | |
| Aggia LLC FZ [2] | 12,492,069 | 24.43 % |
| Armistice Capital LLC [3] | 3,201,897 | 6.26 % |
| **Directors and Named Executive Officers:** | | |
| Kevin Mohan [4] | 524,537 | * |
| Michael J. Roper [5] | 523,015 | * |
| Jennifer Black [6] | 251,300 | * |
| Kenneth Miller [7] | 80,892 | * |
| Aimee Infante [8] | 40,852 | * |
| Stephen Spanos [9] | 147,515 | * |
| Jeff Carl [10] | 160,625 | * |
| Ray Shankar [11] | 10,151 | * |
| Hannah Oh [12] | 10,151 | * |
| Benjamin Petel [13] | 131,397 | * |
| Marvin Yeo [14] | 9,361 | * |
| Paul Sansom [15] | 9,361 | * |
| Mark McKinney [16] | 8,143 | * |
| David Errington [17] | 35,143 | * |
| Dr. Ahmed Khan [18] | 10,881 | * |
| All executive officers and directors as a group (15 persons) | 1,953,324 | 3.82 % |

Source: Sadot Group SEC Filings

## SUMMARY

We believe the company has the potential to significantly grow the Sadot Agri-Foods business over time and generate significant levels of profitability and free cash flow. The agri-foods business should be able to increase margins going forward now that the company is vertically integrated after its farm purchase as well as considering it now has trade finance agreements in place.

Sadot Group sees growing demand for its agri-foods services as the demand for food and feed is projected to grow significantly through the end of the century. This demand will likely place stress on the global food supply chain. With the pivot to the agri-foods supply chain sector, Sadot Group sees significant growth potential in providing sustainable solutions to address the world's food security issues.

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 Agri-Foods, also has extensive experience in the global agricultural supply chain.

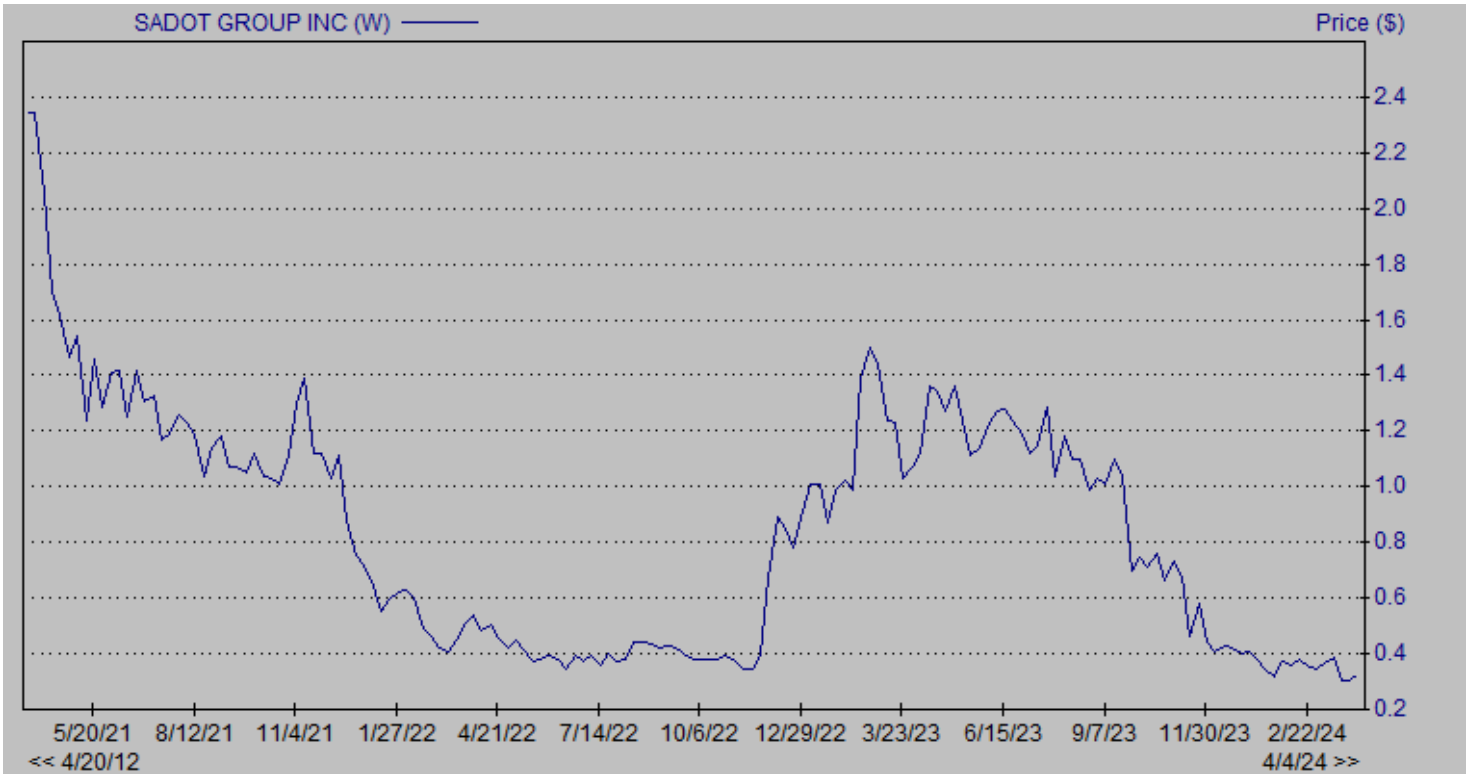
The company's current stock price does not likely reflect that potential level of profitable growth going forward and we believe SDOT stock to be significantly undervalued at this time.

## PROJECTED INCOME STATEMENT

| Income Statement | Dec-22 | Dec-23 | Dec-24 | Dec-25 | Dec-26 |
|---|---|---|---|---|---|
| **Total Revenues** | **161,698,417** | **726,686,000** | **733,402,060** | **731,927,871** | **739,247,149** |
| *Growth* | | *349.4%* | *0.9%* | *-0.2%* | *1.0%* |
| **Cost of Goods Sold** | **157,306,804** | **716,755,000** | **721,548,104** | **712,827,104** | **715,678,412** |
| *%* | *104.5%* | *99.9%* | *98.4%* | *97.4%* | *96.8%* |
| **Gross Profit** | **4,391,613** | **9,931,000** | **11,853,956** | **19,100,767** | **23,568,737** |
| *%* | *#DIV/0!* | *1.4%* | *1.6%* | *2.6%* | *3.2%* |
| **Depreciation & Amort** | **2,015,048** | **1,808,000** | **1,717,600** | **1,631,720** | **1,794,892** |
| **Pre-Opening and Post-Closing Expenses** | **313,379** | **583,000** | **437,250** | **0** | **0** |
| *% of sales* | *0.2%* | *0.1%* | *0.1%* | *0.0%* | *0.0%* |
| **General & Administrative Expenses** | **6,035,000** | **9,404,000** | **7,993,400** | **8,393,070** | **8,812,724** |
| *% of sales* | *3.7%* | *1.3%* | *1.1%* | *1.1%* | *1.2%* |
| **Franchise Ad Expenses** | **80,536** | **73,000** | **80,300** | **0** | **0** |
| *% of sales* | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |
| **Stock-Based Consulting Fees** | **3,716,000** | **6,192,000** | **5,500,000** | **3,000,000** | **3,000,000** |
| *% of sales* | *2.3%* | *0.9%* | *0.7%* | *0.4%* | *0.4%* |
| **Operating Income** | **(7,768,350)** | **(8,129,000)** | **(3,874,594)** | **6,075,977** | **9,961,121** |
| *Margin* | *-4.8%* | *-1.1%* | *-0.5%* | *0.8%* | *1.3%* |
| **EBITDA** | **(2,037,302)** | **(129,000)** | **3,343,006** | **10,707,697** | **14,756,013** |
| *Margin* | *-1.3%* | *0.0%* | *0.5%* | *1.5%* | *2.0%* |
| **Other Expenses/(Income)** | **(186,223)** | **(2,180,000)** | **(5,104)** | **(18,054)** | **(48,158)** |
| *%* | *-0.1%* | *-0.3%* | *0.0%* | *0.0%* | *0.0%* |
| **EBIT** | **(7,582,127)** | **(5,949,000)** | **(3,869,490)** | **6,094,031** | **10,009,280** |
| *%* | *-4.7%* | *-0.8%* | *-0.5%* | *0.8%* | *1.4%* |
| **Total Interest Exp (net)** | **6,730** | **469,000** | **1,435,000** | **1,250,710** | **500,710** |
| *%* | *0.0%* | *0.1%* | *0.2%* | *0.2%* | *0.1%* |
| **Net Profit Before Tax** | **(7,588,857)** | **(6,418,000)** | **(5,304,490)** | **4,843,321** | **9,508,570** |
| *%* | *-4.7%* | *-0.9%* | *-0.7%* | *0.7%* | *1.3%* |
| **Income Tax** | **25,000** | **(15,000)** | **0** | **726,498** | **1,901,714** |
| *% Effective Rate* | *-0.3%* | *0.2%* | *0.0%* | *15.0%* | *20.0%* |
| *% Cash Tax Rate* | *-0.3%* | *0.2%* | *0.0%* | *15.0%* | *20.0%* |
| **Minority Interests** | **0** | **(218,000)** | **(200,000)** | **(200,000)** | **(200,000)** |
| **Net Profit** | **(7,613,857)** | **(6,185,000)** | **(5,104,490)** | **4,316,823** | **7,806,856** |
| *%* | *-4.7%* | *-0.9%* | *-0.7%* | *0.6%* | *1.1%* |
| Non-recurring income (expense) | (347,110) | (1,638,000) | | | |
| Average Diluted Shares Outstanding | 28,558,586 | 34,940,559 | 51,752,000 | 51,752,000 | 51,752,000 |
| Reported FD EPS | (0.28) | (0.22) | | | |
| **Zacks Cash EPS** | **(0.27)** | **(0.18)** | **(0.10)** | **0.08** | **0.15** |
| **Zacks EPS** | **(0.27)** | **(0.18)** | **(0.10)** | **0.08** | **0.15** |

Source: Zacks analyst

## HISTORICAL STOCK PRICE



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