Zacks Small-Cap Research

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# MamaMancini's Holdings (MMMB-OTCQB)

**MMMB**: Relationship with QVC continues to expand

| | |
|---|---|
| **Current Recommendation** | **Buy** |
| Prior Recommendation | N/A |
| Date of Last Change | 01/04/2014 |
| Current Price (10/26/15) | $0.65 |
| **Six- Month Target Price** | **$2.50** |

## OUTLOOK

MamaMancini's Holdings is a growth company in the specialty food industry. Management is aggressively pursuing strategies to build the MamaMancini's brand and to drive sales growth through 1) the addition of new retail locations, 2) increasing the number of shelf placements at each location and 3) new product introductions. The relationship with QVC continues to strengthen. New product offerings being developed by the recently hired Chef Christopher Styler are expected to be available soon that will broaden MamaMancini's presence on this ecommerce platform. We maintain our Buy rating.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$2.10** |
| **52-Week Low** | **$0.51** |
| **One-Year Return (%)** | **-59.04** |
| **Beta** | **1.05** |
| **Average Daily Volume (shrs.)** | **4,683** |
| **Shares Outstanding (million)** | **26.1** |
| **Market Capitalization ($ mil.)** | **$17.0** |
| **Short Interest Ratio (days)** | **N/A** |
| **Institutional Ownership (%)** | **0** |
| **Insider Ownership (%)** | **52** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/M** |
| **P/E using 2014 Estimate** | **N/M** |
| **P/E using 2015 Estimate** | **N/M** |

| | |
|---|---|
| **Risk Level** | **Above Average** |
| **Type of Stock** | **Small-Growth** |
| **Industry** | **Food-Misc.** |

## ZACKS ESTIMATES

**Revenue (changed to January FY during 2014)**
(in millions of $)

| | Q1 (Apr) | Q2 (Jul) | Q3 (Oct) | Q4 (Jan) | Year (Jan) |
|---|---|---|---|---|---|
| 2014 | 1.77 A | 1.70 A | 2.17 A | 3.10 A | 8.74 A |
| 2015 | 2.58 A | 2.25 A | 3.76 A | 3.75 A | 12.34 A |
| 2016 | 3.35 A | 2.74 A | 4.27 E | 4.27 E | 14.63 E |
| 2017 | | | | | 18.30 E |

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

| | Q1 (Apr) | Q2 (Jul) | Q3 (Oct) | Q4 (Jan) | Year (Jan) |
|---|---|---|---|---|---|
| 2014 | -$0.03 A | -$0.04 A | -$0.02 A | -$0.05 A | -$0.13 A |
| 2015 | -$0.03 A | -$0.03 A | -$0.03 A | -$0.07 A | -$0.16 A |
| 2016 | -$0.04 A | -$0.04 A | -$0.01 E | -$0.01 E | -$0.09 E |
| 2017 | | | | | -$0.01 E |

Zacks Projected EPS Growth Rate - Next 5 Years % **25**

**Company changed to January FY during 2014. See model in report.**

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## KEY POINTS

- MamaMancini's is a **specialty packaged food company** focused on manufacturing, marketing and distribution of specialty (Italian) pre-prepared, frozen and refrigerated all natural food products under the MamaMancini's brand name.
- MamaMancini's products are sold primarily at supermarkets, big-box stores and mass market retailers, including Kroger, BJ's and Costco. Retail distribution has grown from 4,000 locations with 16,000 shelf placements at the end of calendar 2013 to 11,350 stores and 33,900 shelf placements as of July 31, 2015.
- Management is focused on driving sales growth by **expanding its presence in the retail distribution channel** through
  - expanding the number of retail locations at which MamaMancini's products are available
  - increasing the number of shelf placements at each location
  - introducing new products
- The **branding strategy** includes a marketing program that is designed to build consumer awareness and drive consumer purchase through radio advertising, in-store merchandising, promotional discounts and couponing, along with Daniel Mancini's blogs, tweets, demonstrations and roadshows.
  - Management continues to build brand awareness at trade shows, such as the International Deli, Dairy and Bakery Show held in Atlanta in early June. Also, the company participates at investor conferences in order to inform and update current and prospective investors about MamaMancini's potential and progress. For example, management presented at the Marcum MicroCap Conference in New York City on May 28th, LD Micro Invitational in Los Angeles on June 1st and the Liolios Gateway Conference in San Francisco on September 10th.
- The company's **relationship with QVC** is both **driving sales** and **building brand awareness**.
  - QVC provides a direct delivery conduit for MamaMancini's products through the QVC ecommerce platform.
  - Executive Chef Christopher Styler was hired as Head of New Product Development and is responsible for developing new products in order to expand MamaMancini's product offerings on QVC.
  - Thus far, MamaMancini's has made eight presentations on QVC.
- Management is committed to innovative **product launches** in order to further drive sales growth. During the first half of this fiscal year, the company launched 10 new products. Currently, the company is producing 17 versions of MamaMancini's products.
- Management continues to execute its growth strategy by introducing new products, increasing the number of distributors and engaging independent sales representatives through agent contracts.
- Management plans to up-list to NASDAQ. As the former CEO of Alpine Lace Brands Inc. (a NASDAQ-listed. deli cheese company), CEO Carl Wolf is well aware of the advantages of being listed on NASDAQ.
- MamaMancini's is in the emerging growth phase of its corporate history and is still in the early stage of establishing its grocery store distribution footprint. The full potential and financial impact of management's distribution strategy has yet to be observed in the company's financial reports.
- We maintain our Buy rating.

## RECENT NEWS

***MamaMancini's Ranked as the Fastest Growing Beef Meatball by Nielsen***

The successful execution of management's growth strategy was recognized in early August by Nielsen, which **ranked MamaMancini's as the fastest growing beef meatball** in the meat department of grocers in the United States. For the 52-week period ending June 6, 2015, sales dollars of MamaMancini's beef meatballs grew 50% versus the same period a year ago.

***QVC Relationship***

On June 22, 2015, Dan Mancini, MamaMancini's brand ambassador, appeared on QVC in his debut of marketing the company's meatballs. Within minutes, the QVC audience responded to the company's products, and the entire offerings of **beef and turkey meatballs** were sold out. Due to the very positive response, within days, MamaMancini's was invited back. On June 30th, the company again presented its beef and turkey meatballs, and again the meatballs sold out from Dan Mancini's reappearance. Over the initial 63-day period, MamaMancini's branded meatballs generated $1.0 million in sales for QVC. The strong positive reaction by consumers is driving an expansion of the relationship.

Thus far, MamaMancini's has made eight presentations on QVC and is expected to expand the product offerings available on this ecommerce platform. In August 2015, MamaMancini's hired Executive Chef Christopher Styler as Head of New Product Development. Chef Styler is responsible for **developing new products in order to expand MamaMancini's offerings on QVC** beyond the initial two products sold on QVC, namely beef and turkey meatballs. Today, pork meatballs are also available. Advance ordering for six pounds of MamaMancini's meatballs and sauce for the week of November 9th and December 7th are currently on QVC.com, along meatballs and sauce for immediate delivery and on auto-delivery. Other potential new product offerings being developed by Chef Styler are expected to be available soon. In addition, Chef Styler is expected to develop new products for distribution to conventional retail supermarkets.

The opportunity to continue to present on QVC not only **drives sales**, but also helps **build brand awareness**, along with stimulating customer trial. Another benefit of a relationship with QVC is that the products remain on QVC's website. After selling out the allotments for the on-air presentations, MamaMancini's has restocked inventory for QVC and continues to provide product at www.QVC.com today.

***New Order Update***

On September 25, 2015, MamaMancini's announced the receipt of new orders from multiple customer accounts. The new orders are to be distributed to more than 500 locations of food retailers, including **Albertsons**, **Marsh Supermarkets**, **King Kullen Supermarkets**, **Shoppers Food** and **The Fresh Market**. In addition, MamaMancini's products will be supplied to **C&S Wholesale Grocers**, **SuperValu**, **Costco's Holiday Market** (at select locations in the northeast US) and more than 100 **Lowe's Supermarkets** (in the southwestern US).

***Second Fiscal Quarter Results***

On September 14, 2015, MamaMancini's Holdings announced financial results for the second fiscal quarter July 31, 2015. During the second fiscal quarter, **sales (net of slotting fees and discounts) increased 21.8%** to $2,739,200 versus $2,249,768 generated during the comparable quarter last year as management executed on its growth strategy of expanding distribution in alternative channels of distribution. In its QVC debut, the company both drove sales and built brand awareness through sell-outs of its beef and turkey meatballs. Since June, MamaMancini's has presented these two SKUs seven times, and **QVC continues to provide a direct delivery conduit for MamaMancini's products through the QVC ecommerce platform**. During the quarter, the company signed several first-time customers including new authorizations at 105 Food City locations in the Southeast, 97 Marsh Food Stores in the Midwest, 97 Lowes Food stores also in the Southeast and select Northeast locations of Costco. As a result, **product placements** in retail, supermarket and club stores **increased 14.9% YOY** from approximately 29,500 shelves as of July 31, 2014 to approximately 33,900 on July 31, 2015.

Despite the robust year-over-year comparison, sequentially, sales declined 18.3% as the effect of the lower demand summer season (which last year led to a 12.9% sequential decline) was exacerbated by management's decision to selectively target accounts with higher margins and higher growth potential while terminating certain lower margin and non-performing agreements. By optimizing the points of

distribution through the evaluation the growth potential and distribution costs of each account, management has effectively fine-tuned the distribution footprint, which should improve the gross margin and cash flow going forward. Consequentially, product placements declined 9.8% to 33,900 from 37,600 shelves on April 30, 2015. The number of retail and grocery locations selling MamaMancini's products also declined 8.7% sequentially from 11,500 to 10,500, though YOY locations increased 22.1%.

The gross margin contracted 562 basis points (bps) to 23.7% versus 29.3%, primarily due to charges for the liquidation of obsolete inventory because of a changeover to new product sizes. Consumer comments indicated that taste and freshness of MamaMancini's products were the drivers of purchase decisions while the company's larger 22-ounce package was not a significant factor. As a result, packaging was redesigned to the industry-standard 16-ounce size, which will result in a reduction of raw material costs. Also, an under-utilization of production facilities during the lower demand summer season resulted in a $130,000 charge from not meeting its monthly minimum purchase hurdle of $933,000 of product. Management estimates that the gross margin would have expanded to roughly 30% if the charges had not been incurred. General and administrative expenses decreased 0.8% to $1,390,625 as a $171,000 decrease in stock-based compensation more than offset a $45,000 increase in postage & freight expenses, a $40,000 increase in professional fees that were paid to Spartan Capital Securities for financing advisory services and a $25,600 increase in depreciation expense due to new fixed asset purchases. Other expenses increased by $210,660 to $237,370, which consisted of $124,705 in interest expense, $83,437 of amortization expense (related to the debt discount for the convertible note issued to Manatuck) and $29,228 of amortization expense related to the closing of the convertible note.

For the fiscal quarter, the company reported a net loss of $1,000,306 (or $0.04 per diluted share) compared to a loss of $793,398 (or $0.03 per diluted share) in the comparable quarter last year. Average shares outstanding increased 2.5% to 26,085,916 shares.

Working capital decreased $2.2 million to $173,782, primarily due to the $1.7 million convertible note due May 2016 rolling from a long-term obligation to a current liability, along with decreases in accounts receivable and cash. Management believes that the issuance of demand notes and preferred stock during the first half, along the existing lines of credit, should enable the company to meet the working capital requirements through the end of the current fiscal year. During the second fiscal quarter, $350,000 was received for the issuance of additional Series A preferred stock. Subsequent to the quarter end, two private placements were completed providing the company with net proceeds of $160,950.

***Management Guidance***

Management anticipates reporting an operating loss in fiscal 2016 as the business continues to be developed and expanded. In addition to investments to gain initial distribution through slotting fees and special marketing events and promotional campaigns to induce initial trial, the costs of additional personnel and marketing/sales support to develop further distribution reach and generate sales are impinging on profitability until sales reach approximately $3 million per quarter, when management expects the gross margin to begin expanding.

Management anticipates achieving a 45% gross margin when sales reach $44 million annually ($11 million quarterly) through economies of scale, namely direct sourcing of ingredients, achieving manufacturing efficiencies and reducing per unit packaging and freight costs. In addition, the gross margin is expected to benefit from management's strategy of concentrating on sales orientated to the fresh food sections of supermarket where consumers are less price-sensitive, especially the fresh deli, hot bar and prepared sandwich counter departments as well as the refrigerated packaged meal and fresh pasta cases.

Management continues to execute its growth strategy of adding new accounts, introducing new products and growing average revenue per client by not only increasing the number of locations, but also striving for incremental product placements in supermarkets and grocery stores. Additionally, the company has begun efforts to develop distribution into the food service industry, especially to colleges and

commissaries in addition to sandwich, burger and Italian sub quick-serve stores. Also, management expects to expand its offerings available on QVC in the fall of 2015 and into 2016.

**Marketing Advisory Board Formed**

On July 9, 2015, the company announced the formation of a Marketing Advisory Board. Michael Kaufman (partner of Astor Group), Jeffrey Kolton (founder of Franchise Market Ventures, LLC), Christian Moritz (consumer marketing and business strategy executive) and Mark Schwartz (Managing Director, North America for Neo@Ogilvy) were appointed as the Advisory Board first members. The Marketing Advisory Board held its inaugural meeting on July 10, 2015 in New York City.

**Financing**

On April 9, 2015, MamaMancini's and Manatuck Hill Partners, LLC entered into a letter agreement whereby the maturity date of the $2.0 million 14% convertible redeemable debenture issued to Manatuck was extended from February 19, 2016 to May 19, 2016 in consideration for the issuance of 30,000 shares. Originally, the convertible debenture was issued on December 19, 2014 to Manatuck, along with 200,000 shares of restricted common stock.

On June 11th, the company closed a $1.0 million private placement of 20 Units, each of which is composed of 500 shares of Series A 8% Convertible Preferred Stock and one warrant. Each share of Series A Convertible Preferred Stock is convertible into 80 common shares (conversion price is $1.25 per share) and each warrant can purchase an additional 80 common shares (plus a number of shares for accrued but unpaid declared dividends) at a price of $1.25 per share. Insiders participated heavily in the offering (including the conversion of prior demand notes/convertible debentures) with $600,000 being allocated to CEO Carl Wolf and $250,000 to other members of the Board of Directors. Spartan Capital Securities, LLC, a FINRA-registered placement agent, conducted the private placement and is authorized to offer up to an additional 180 Units plus another 40 Units if an overallotment is authorized.

During the second fiscal quarter, $350,000 was received for the issuance of additional Series A preferred stock. Subsequent to the quarter end, two private placements were completed providing the company with net proceeds of $160,950.

Management believes that existing cash, along with net proceeds from the demand notes payable ($440,000 of which ultimately were converted into Units) and convertible notes (approximately $1.73 million net of debt discount), along with the line of credit (with a current maximum of $1.5 million) is sufficient to meet the company’s working capital requirements for the remainder of the current fiscal year.

## OVERVIEW

Headquartered in East Rutherford, NJ, MamaMancini’s Holdings, Inc. (MMMB: OTCQB) is a specialty packaged food company focused on manufacturing, marketing and distribution of specialty (Italian) pre-prepared, frozen and refrigerated all natural food products under the MamaMancini’s brand name, but especially beef, turkey, chicken and pork meatballs with sauce. MamaMancini’s products are sold in approximately 11,700 retail locations in the United States, predominately in the Northeast and Southeast.

Management is focused on both **expanding the breadth** of the distribution network of the company’s products towards a strong nationwide footprint and **intensifying the depth** of the product portfolio to garner additional product placements at each location. The branding strategy includes marketing programs designed to build consumer awareness and customer trial through targeted radio advertising, social media, in-store merchandising, promotional discounts, couponing, consumer product tastings, demonstrations and special merchandising events.

Management is committed to new product launches in order to further spur sales growth and increase product placements. As part of the ongoing product development program, 10 new products were introduced during the first and second quarters of current fiscal year. Management is also contemplating expanding the existing marketplace of 36,000 grocery stores and mass merchants by assessing the potential of an additional 200,000 locations of convenience stores, drug stores and gas stations.

The goals of **management's growth strategy** include **increasing the number of retail locations** that carry MamaMancini's products from the current 11,350 stores (October 2015) to 36,000 and increasing total shelf placements from the current 33,900 (as of July 2015) to 300,000, which includes **increasing the penetration per store** (measured by the number of SKUs per location) from the current 3.36 to 5.0 short-term and to 10.0 longer-term. Financially, management recently (July 2015) raised its long-term gross margin target from 40% to 45%, which is expected to be achieved by a combination of economies of scale and the upgrade of production equipment.

Sequentially, quarterly sales have been growing consistently in the range of 3.7% and 27.8% on a 4-quarter rolling basis as the company broadens its reach in the supermarket, mass market, big-box and club store segments of the retail distribution channel. For the 2013 calendar year, net sales increased 90.7% over 2012. At the end of 2013, management changed the company's reporting period from a calendar year to a fiscal year ending January 31$^{st}$, making the calculation of Year-Over-Year (YOY) sales growth in 2014 somewhat challenging. Nevertheless, it appears that net sales have been growing at around a 50% YOY pace over the last 12 months. However, management advises that quarterly revenue is subject to variability since retailers have variable purchasing and promotion plans throughout the year, which may result in uneven revenue results. MamaMancini's sales are concentrated with four customers representing approximately 66% of gross sales.

In March 2013, MamaMancini's Holdings, Inc. began trading under the symbol MMMB subsequent to a reverse triangular merger with Mascot Properties Acquisition Corp. that occurred in January 2013.

## CORPORATE EVOLUTION OF MAMAMANCINI'S

Daniel Dougherty (aka Daniel Mancini) began to earnestly develop a commercial version of his grandmother's Italian meatballs during 2007. In 2008, he approached Carl Wolf, the former CEO of Alpine Lace Brands Inc. (a NASDAQ-listed. deli cheese company), with his product idea for MamaMancini's meatballs. Soon thereafter, a licensing agreement was signed, and the recipe was perfected in Daniel Mancini's test kitchen. After the April 2009 appearance on the Martha Stewart Show with the company's first product, *Mancini's Meatballs and Sunday Sauce*, MamaMancini's was selling frozen meatballs online and locally in about 200 supermarkets in New Jersey. With the assistance of a PR firm (The Door), Daniel Mancini further developed brand awareness with press in The New York Times, The Wall Street Journal, The New York Daily News, USA Today and People Magazine, among others. Daniel Mancini also appeared on the TODAY Show's Cooking School series, The Daily Buzz, Mr. Food Access Hollywood LIVE, CBS Local TV and Fox Business News.

MamaMancini's utilizes a network of food brokers, appointed/engaged independent agents and the company's employees to garner additional points of distribution. By the end of 2012, MamaMancini's had three full time regional and national sales persons (in addition to Founder Daniel Mancini, CEO Carl Wolf and President Matt Brown) to solicit business with supermarket chains, big-box stores and club retailers in the U.S. In calendar 2014, MamaMancini's signed another seven broker sales representatives to aid in the distribution of the company's products, including, Southern Food Brokers (Alabama, Tennessee, Mississippi, Louisiana and Arkansas), Try Angle Foods (for BJ Club Stores), Marketing Management Inc. (Target Stores), R&R Sales and Marketing (Michigan, Ohio and select accounts from Kentucky to Nebraska), Absolute Sales (Southern California, Oregon and Washington) and Daymon Associates (select accounts in the New York metropolitan area). Today, MamaMancini's has appointed/engaged more than 30 sales representatives/brokers to solicit shelf space for the company's products.

**Corporate Timeline**

| | | |
|---|---|---|
| • | 2007 | Daniel Mancini develops initial Beef Meatballs in Sauce product |
| • | 2008 | Daniel Mancini approaches Carl Wolf |
| • | January 1, 2009 | Development and License Agreement signed with Daniel Dougherty |
| • | April 2009 | Selling online and at approximately 200 locations in NJ |
| • | February 22, 2010 | Form MamaMancini's LLC and commence corporate operations |
| • | February 22, 2010 | Development and License Agreement assigned to MamaMancini's LLC |
| • | March 5, 2012 | MamaMancini's LLC converts into MamaMancini's Inc. |
| • | March 11, 2013 | MamaMancini's Holdings, Inc. begins trading under symbol MMMB |
| • | December 31, 2013 | Achieve 16,000 product placements at 4,000 locations |
| • | February-April 2014 | Introduce 7 new products, bringing line to 14 products |
| • | May-July 2014 | Introduce 3 new products, increasing portfolio to 17 products |
| • | October 31, 2014 | Achieve 37,000 product placements at 11,700 locations |
| • | April 30, 2015 | Achieve 37,600 product placements at 11,500 locations |
| • | June 22, 2015 | Debut on QVC |

In March 2013, MamaMancini's Holdings, Inc. began trading under the symbol MMMB subsequent to a reverse triangular merger with the shell of Mascot Properties Acquisition Corp. that occurred in January 2013. At the time, 20,054,000 shares were issued as a result of the merger/acquisition. Prior to the transaction, in March 2012, MamaMancini's Inc. had entered into a share exchange with MamaMancini's LLC in which unit holders of the Limited Liability Corporation had exchanged their ownership units for 15,000,000 shares of MamaMancini's Inc., along with 223,404 5-year options exercisable at $1.00.

## PRODUCTS

MamaMancini's offers a portfolio of all-natural Italian food products that overtime has expanded through new product introductions, portion resizing and packaging enhancement. MamaMancini's products utilize domestic inspected meats, Italian tomatoes, genuine Romano cheese, real eggs and other all-natural ingredients that not only provide an authentic Italian taste profile, but also qualify as "all natural" as per the definition of the U.S. Department of Agriculture (no artificial ingredients, minimally processed, etc.). MamaMancini's products are positioned as a healthy, convenient and authentic Italian meal option that does not contain any artificial ingredients and is available at a slight premium price point, competitively priced versus other premium brands and slightly higher than commodity prepared foods.

The key attributes of the company's products are that they

1) contain all natural and high quality ingredients,
2) represent traditional Italian fare and
3) are convenient to prepare.

Convenience of preparation and tastefulness both have strong impacts on the consumption of food products. MamaMancini's uses only domestic inspected beef, turkey, pork and chicken meats, whole Italian tomatoes, imported Pecorino Romano cheese, real eggs and other all natural ingredients. The recipes and sauces utilize higher-cost quality ingredients to provide the authentic flavor and aroma profiles of traditional Italian fare. Finally, with almost every MamaMancini's product being ready-to-serve within 12 minutes, simple preparation through the use of a microwave oven provides convenience of preparation for both consumers and institutional food service operators.

**Current Line of 17 Products**




All of the company's products are derived from the original, traditional family recipes of Anna Mancini, the Brooklyn grandmother of founder Daniel Dougherty aka Daniel Mancini. He was taught how to make her meatballs and authentic Italian sauce at age 15. Today, all new products are being developed under the January 1, 2009 Development and License Agreement with Daniel Dougherty.

In February 2010, MamaMancini's LLC launched its initial line of all-natural Italian food products. The company's initial signature product was ***MamaMancini's Sunday Sauce and 6 Large Beef Meatballs***. Originally available in a 24-ounce package, the product contained 7 ingredients: "beef, whole fresh eggs, Romano cheese, onion, parsley, a pinch of salt and pepper and just the right amount of breadcrumbs." Another early staple product in the company's portfolio was ***MamaMancini's Sunday Sauce and 6 Large Turkey Meatballs*****.** Both were available in frozen and refrigerated formats.

By 2012, the company's product family also included 16-ounce ***Sunday Sauce and 4 Large Beef Meatballs***, 16-ounce ***Sunday Sauce and 4 Large Turkey Meatballs***, 18-ounce **Sunday Sauce** and 18-ounce **Marinara Sauce**.

Over time, the names of the products were repositioned from ***Sunday Sauce*** to ***Slow Cooked Italian Sauce***. Furthermore, product lines with chicken meatballs and pork sausage meatballs were added.

Also, additional package sizes were introduced, including a 20-ounce package, a 2.5 lb. Club package with 12 meatballs and a 4.5 lb. bulk pack. Today, the standard size is 22 ounces with 8 meatballs, which is considered the optimal size for use with a one-pound box of pasta.

**Product innovation** is a key to growth, particularly in case of consumer staples companies. The segment is highly competitive with companies continuously developing new products to gratify or alter consumer tastes and preferences. New product rollouts are catalysts for the growth of not only sales, but also brand awareness, retail shelf placements and retail store distribution. Other firms must follow suit in order to retain or build market share, necessitating continued innovations and accompanying marketing support. The introduction of new products not only further enforces brand identity, but also helps garner improved penetration in existing retail locations.

**MamaMancini's has entered a prolific period of new product introductions**. During the last 12 months, the company has launched 10 new products in the following categories: Antibiotic-Free Meatballs, Gluten-Free Beef Meatballs, Mama's Mac-n-Cheese Stuffed Meatballs and Pasta Dinners.

During the **first quarter of fiscal 2015**, the company launched **seven new products**, namely:

- Feb. 26, 2014 Antibiotic-Free *Slow Cooked Italian Sauce and 8 Beef Meatballs*
- Feb. 26, 2014 Antibiotic-Free *Slow Cooked Italian Sauce and 8 Turkey Meatballs*
- March 19, 2014 *Mac n' Mamas*™ (rigatoni pasta, crushed meatballs, sauce and cheeses)
- 1Q/FY2015 *Orecchiette with Broccoli and Pork Meatballs*
- 1Q/FY2015 Gluten-Free *Slow Cooked Italian Style Sauce and 8 Beef Meatballs*
- 1Q/FY2015 Gluten-Free *Slow Cooked Italian Style Sauce and 8 Turkey Meatballs*
- 1Q/FY2015 Stuffed Beef Meatballs with Five Cheese Centers

**Antibiotic-Free Meatballs**

Beginning in February 2014, MamaMancini's began offering antibiotic beef and turkey meatball products. The two new products (Slow Cooked Italian Sauce and 8 Antibiotic-Free Beef Meatballs & Slow Cooked Italian Sauce and 8 Antibiotic-Free Turkey Meatballs) contain meatball products from animals that were on strict vegetarian diets, which were free from animal by-products, hence, antibiotic and hormone free. MamaMancini's antibiotic products were tested for 18 months in a well-known grocery store chain in the western U.S. before their national launch with updated packaging.



Antibiotic Free Turkey



Antibiotic Free Beef

***Mama's Mac-n-Cheese***

In March 2014, MamaMancini's introduced Mac n' Mamas™, a rigatoni pasta mixed with Italian tomato sauce, crushed all-natural meatballs, mozzarella and ricotta cheese. This product pairs pasta with crushed MamaMancini's beef meatballs and the company's tomato meat sauce.

***Gluten-Free Beef Meatballs***



Gluten Free Beef



Gluten Free Turkey

***Stuffed Meatballs***



Stuffed Meatballs with Five Cheese Centers



Stuffed Meatballs Chicken Parmigiana Style



Stuffed Meatballs Chicken Florentine Style

During the second fiscal quarter of 2015, the company launched several new products, namely:

- 2Q/FY2015 Stuffed Meatballs Chicken Parmigiana Style
- 2Q/FY2015 Stuffed Meatballs Chicken Florentine Style
- 2Q/FY2015 Bolognese Sauce and Fusilli Pasta

New products being introduced into the marketplace include a new individual serving pack of meatballs and sauce, which can be used for sandwiches or pasta dishes. The product targets the food service industry for quick preparation at convenience stores, movie theaters and chain restaurants. Also, a jumbo meatball and sauce pack has been developed for the club stores. These new product offerings expand the company's market opportunities in food service and club store segments. This summer, MamaMancini's is planning on introducing a meatloaf product.

MamaMancini's maintains a continuing research and development program to develop new products and improve existing products for both retail and food services venues. Many products are under development, some based upon Ms. Mancini's traditional recipes and others derived from the original recipes. Products under development are subject to a Development and License Agreement with Daniel Dougherty that was entered into on January 1, 2009. **Other products under development** include Chicken Marsala, Beef Meatloaf, Turkey Meatloaf, Italian Meatball Soup, Flavored Poultry Meatballs, Vegetarian Meatballs and Spicy Meatballs n' Sauce.

## STRATEGY

Management is implementing a multifaceted strategy to expand the MamaMancini's brand - a line of all natural authentic Italian food products with authentic taste and flavor profiles that are highly convenient to prepare and serve. Led by Chairman and CEO Carl Wolf, who successfully built the Alpine Lace cheese brand which was acquired by Land O'Lakes, MamaMancini's is driving sales growth by expanding its presence in certain segments of the retail distribution channel (primarily supermarkets, mass merchants, big-box and club stores) through 1) **the addition of new retail locations**, 2) **increasing the number of shelf placements at each location** and 3) **new product introductions**. Management closely monitors the metrics of retailer locations, retailer shelf placements and SKUs per retailer location and also provides the data to the investment community in the company's quarterly filings.

The company is building brand awareness and driving consumer purchase through a **marketing campaign**, which focuses on radio advertising (Sirius XM) and social media, along with Daniel Mancini's blogs, tweets (@danielmancini), recipes, demonstrations and roadshows. The advertising campaigns are part of the company's branding strategy, which is designed to build consumer awareness and stimulate customer trial.

A 19-week national radio advertising program was undertaken on Sirius XM Radio between late-December 2012 and the beginning of May 2013. The campaign was composed of 13 weeks of running 1,500 commercials per week and 6 weeks off. In early August through December 2014, the company conducted a national consumer radio advertising campaign on Sirius XM and Political Talk Radio. Also, commercials were featured on Bloomberg and CNBC. Approximately 10,000 commercials were aired during the campaign. The company's 2015 Winter/Spring Sirius XM radio advertising campaign ran throughout the first six months of 2015 with over 6,000 commercials being aired in order to encouraging current customers to encourage their supermarkets to stock MamaMancini's products, especially the company's new products of gluten-free meatballs and stuffed meatballs. Targeted Sirius XM channels included Howard Stern, CNN, Fox News, CNN Headline News, MSNBC, CNBC, Comedy Central, Stars, ESPN and Entertainment Weekly. A special campaign on the Howard Stern channels included over 150 live or voiced live spots and over one 100 "MamaMancini's The Meatball Lovers Meatball" commercials.

MamaMancini's Holdings commissioned a Market Research survey in order to determine brand awareness, customer loyalty and purchase intent. The survey was conducted by Veraquest among 3,000 adult consumers during mid-December 2014. Brand awareness of MamaMancini's is fairly low (only 15% among meatball purchasers), but for consumers that have tried MamaMancini's products, customer loyalty is high with 91% of existing purchasers indicating that they would likely or probably buy again (**64% would definitely buy again** and 28% would probably buy again) Only 2% would not buy again.

**Management's goal is to increase brand awareness to over 50% among meatball purchasers** over the next 18 months.

Management has made a concerted effort to gain a presence in **big-box and club retailers**. In mid-2013, a special line of products applicable to the club stores (e.g. Costco and Sam's Club) was introduced. MamaMancini's current penetration of big-box and club retailers reaches 20% at seasonally peak periods. Management is targeting 80% penetration on a year-round basis.

Thus far, management's efforts have resulted in strong double-digit sales growth. Going forward, management anticipates developing the MamaMancini's brand for food service, industrial and export markets.

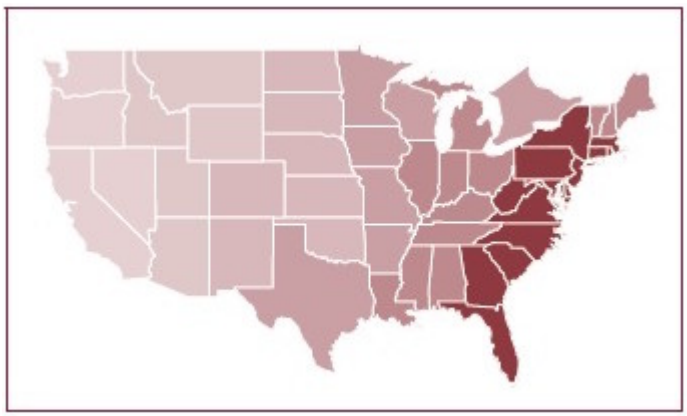
On **the production side**, management anticipates expanding the gross margin through the adoption of new, automated, high-speed production equipment. Also, the company expects the gross margin to expand as the product mix migrates toward its new higher-margin products, such as antibiotic, gluten-free, entrée and stuffed varieties. Furthermore, management intends to mollify the impact of higher commodity beef costs and attain its traditional gross margin in the near future. Additionally, management anticipates that packaging costs will decrease as the company benefits from economies of scale of longer runs that are associated with a growing sales base.

## NORTH AMERICAN DISTRIBUTION

MamaMancini's has delivered a healthy rate of expansion in terms of sales, store locations and shelf placements. The company's customers are located throughout the United States, though the larger concentrations are in the northeast and southeast.

The company's products are sold through a commission broker network to retail chains (principally supermarket and mass market retailers) and to distributors directly. All of the company's full-time employees and Daniel Mancini, along with a select number of sales representatives, sell MamaMancini's products.

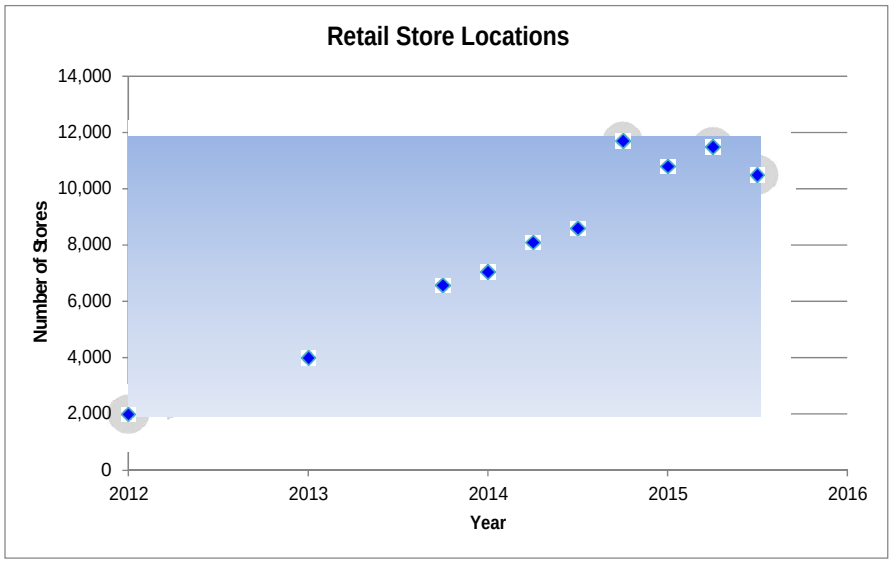
Starting in 2008, Daniel Mancini began selling frozen meatballs at a local **Whole Foods Market** store. Distribution expanded to Whole Foods stores located nearby in the New Jersey-New York City area (approximately 24 stores). Thereafter, an online platform was created. Distribution expanded to approximately 200 supermarkets in the New Jersey area by April 2009. Over the next 12 months, MamaMancini's products (both frozen meatballs and hot meatballs at the deli bar) were being placed at **Garden of Eden Gourmet** (full service grocers with four locations in New York), **A&P** (which includes A&P, Waldbaums and Superfresh stores) and **Kings Food Markets** (an upscale food market chain with stores in northern New Jersey, New York and Connecticut).



A number of new retailers signed on to carry MamaMancini's product in late-2010 through early 2011, including **Publix** (operates over 1,000 stores throughout the Southeast U.S. with locations in Florida, Georgia, Alabama, South Carolina, Tennessee and North Carolina), **Giant Eagle** (417 supermarkets located in western Pennsylvania, Ohio, northern West Virginia and Maryland), **Brookshire Grocery Company** (151 stores operating in Texas, Louisiana and Arkansas), **Giant Food of Maryland** (subsidiary of Royal Ahold that operates 170 supermarkets located in Delaware, Maryland, Virginia and Washington, D.C.), **Key Food Stores Co-op** (cooperative of independently-owned supermarkets in and around New York City, Long Island, New Jersey and Pennsylvania), **Harris Teeter** (chain of 231 supermarkets in North Carolina, South Carolina, Virginia, Georgia, Tennessee, Florida, Maryland, Delaware and the District of Columbia) and **King Kullen** (37 locations around Long Island). By the end of 2011, management estimated MamaMancini's products were located in approximately 2,000 retail locations.

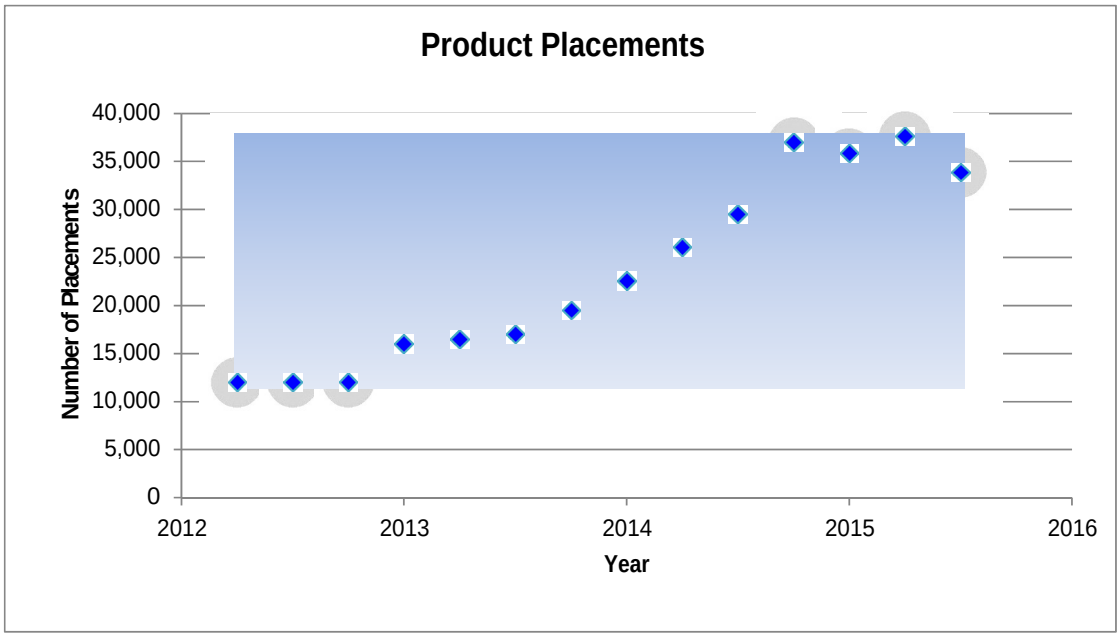
During 2012, the company added **Shop Rite Supermarkets** (a cooperative chain of supermarkets serving 346 stores in New Jersey, New York, Connecticut, Delaware, Maryland and Pennsylvania), **Price Chopper** (aka **Market 32** is an upscale grocer with 135 stores in New England and New York), **Food Emporium** (a subsidiary of A&P with stores on Long Island and in three New York City boroughs), **Shaw's Supermarkets** (135 stores operating in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont), **Stop n Shop** (more than 380 supermarkets in Connecticut, Rhode Island, Massachusetts, northern New Jersey and downstate New York), **Foodtown Grocery Stores** (supermarket cooperative with 55 in New York, New Jersey and eastern Pennsylvania) and **The Fresh Marke**t (chain of 160 gourmet supermarkets operating in 25 states located in the Southeast, Midwest, Mid-Atlantic, Northeast, and Western U.S.).

Distribution continued to expand during 2013 with the addition of **Costco Wholesale Corporation** (membership-only warehouse club with 451 domestic stores, which is the second largest retailer in the United States in terms of sales), **Costco Canada** (the Canadian subsidiary of Costco Wholesale Corporation with 87 stores), **The Kroger Company** (the largest supermarket chain in North America in terms of stores with 2,424 locations), **Rouses Supermarkets** (chain of 37 grocery markets in Louisiana, Alabama and Mississippi), **Lunds & Byerly's** (27 upscale supermarkets in the Minneapolis-St. Paul area of Minnesota), **Shoppers Food** (a division of SuperValu with stores located in Washington DC, Maryland and Northern Virginia), **Market Basket** (chain of 73 supermarkets in New Hampshire, Massachusetts and Maine), **Central Markets** (9 gourmet grocery stores owned by H-E-B Grocery Company), **BI-LO** (operates 214 grocery stores in South Carolina, North Carolina, Tennessee and Georgia), **Marsh Supermarkets** (97 locations in Indiana and Ohio) and **Bashas'** (family-run chain of markets under four distinct formats with more than 130 stores, primarily serving Arizona). As of December 31, 2013, MamaMancini's products were being sold at 7,040 retail locations and carried on approximately 22,600 shelves in supermarkets and club stores in North America.



In the first half of 2014, MamaMancini's gained new authorizations and distribution with **Weis Markets** (chain of 165 in Pennsylvania, Maryland, New York, New Jersey and West Virginia), **Ingles Markets** (regional supermarket chain with 201 locations serving Alabama, Georgia, North Carolina, South Carolina, Tennessee and Virginia), **Save Mart Supermarkets** (operates 243 supermarkets located in northern California and northern Nevada), **Gelson's Markets** (fine foods retailer serving southern California with 17 stores), **Reasor's Groceries** (employee-owned grocery store chain with 18 locations in the vicinity of Tulsa Oklahoma), **Central Grocers Cooperative** (cooperative distributing to about 240 member-owner grocery stores in Iowa, Indiana, Illinois and Wisconsin), **King Soopers** – Denver (supermarket brand of Kroger in the Rocky Mountain Region), **Monterrey Provisions** (distributor of specialty and natural food products in California) and **Kmart** (Ohio Division).

Between June and July 2014, MamaMancini's received new initial orders and distributions with **URM** (wholesaler serving independent stores in Oregon & Washington), **Certco** (wholesaler to independent stores in Wisconsin & Iowa), **Jewel Stores** (a SuperValu retailer in Illinois & Indiana), **Associated Wholesale Grocers** (wholesaler in Louisiana), **Piggly Wiggly** (co-operative in Alabama), **Brookshire Grocers** (retailer in Texas), the Los Angeles Division of **Costco**, **Spartan Stores** (food distributor and grocery store retailer headquartered Michigan and serving 167 corporate-owned retail stores in 44 states and oversea) and **Unified Grocers of Northern California** (retailer-owned wholesale grocery cooperative). Also, MamaMancini's initiated relationships with **SuperValu** in Georgia (SuperValu is the third-largest food retailing company in the United States), **Woodman's Markets** (employee-owned supermarket operating 15 stores in Wisconsin), **Clover Mountain Foods** (food distributor for delis, bakeries, markets, grocery stores and food service operators in Indiana, Kentucky, Ohio, West Virginia, Pennsylvania, Maryland, New Jersey and Delaware), **Lucky Stores, Gourmet Guru** (all natural and organic retail food distributor serving customers on the East Coast from Massachusetts to Virginia) and **Nash-Finch** (the second largest publicly traded wholesale food distributor in the US prior to merging with Spartan Stores). As of October 31, 2014, MamaMancini's products are available at 11,700 retail locations and carried on approximately 37,000 shelves.




In March 2015, multiple new authorizations were announced: Harris Teeter (subsidiary of Kroger at 212 locations), **Lowes Markets** ( at 97 locations), Giant Eagle (417 locations), Whole Foods (approximately 25 locations in Pacific NW Region), **United Grocers** - Texas (66 locations), **Pay Less Grocers** - Guam, **Thriftway/Red Apple Stores** (64 locations in WA & OR), **Harvest Foods** (40 locations in ID, OR, MT & WA), Homeland Stores (in test), Reasor's Foods (105 potential locations in OK) **Associated Wholesale Grocers** Retail Markets (53 locations in MO & NB), **Costco San Francisco**, **Costco Texas** (partial distribution), BJ's (all 200 units), **Sysco** (for Kettle programs in Columbia, SC and Charlotte, NC) and 160

locations of **Weis Supermarkets** (for take-out food, hot bars, grab-n-go pre-pack meals and a kettle sandwich program). Also, multiple new authorizations were announced that were expected to ship in April. The new authorizations are **Harris Teeter** (subsidiary of Kroger, at 212 locations), **Lowes Markets** (at 97 locations), **Giant Eagle** (417 locations), **Whole Foods** (approximately 25 locations in Pacific NW Region), **United Grocers - Texas** (66 locations), **Pay Less Grocers - Guam**, **Thriftway/Red Apple Stores** (64 locations in WA & OR), **Harvest Foods** (40 locations in ID, OR, MT & WA), **Homeland Stores** (in test), **Reasor's Foods** (105 potential locations in OK) and **AWG Retail Markets** (53 locations in MO & NB).




On March 9, 2015, MamaMancini's Holdings announced a major merchandising initiative, a **kettle program to boost sales of** MamaMancini's **bulk-pack meatballs** through meal programs. The company is targeting food service distributors, supermarkets, take-out meal programs, kiosks at high volume public locations and mass market retailers. Several supermarkets (including A&P, Waldbaums, Food Emporium, Super Fresh and Pathmark) will participate at several of their locations. In the food service industry, approximately 400 customers of Sysco (SYY) have committed to the kettle program. Sysco represents a significant opportunity for further distribution expansion of MamaMancini's products through the food service channel.

On March 30, 2015, the company announced a **partnership with Groucho's Deli**, a deli restaurant franchise with 27 locations in South and North Carolina. Beginning on April 1st, Groucho's Deli is introducing a new **Kettle Program** with MamaMancini's products entitled "Meatball Dipper." Groucho's Deli serves high quality meats and cheeses, famous sandwich dressings (Formula 45 Sauce™), potato salad, coleslaw and now MamaMancini's meatballs. Groucho's Deli is ranked on Entrepreneur magazine's 36th annual Franchise 500 list.

MamaMancini's is deepening relationships with its customers as evidenced by the sequential increased product placements and the company's top 12 customers (which include Publix, Shop Rite, Stop n Shop, Costco and The Fresh Market) increasing their volume by 33% YOY (year over year) during the first quarter of fiscal 2016. MamaMancini's is attempting to transition product offerings away from frozen food aisle and towards the prepared food market and fresh deli departments where consumers are less price-sensitive. Success would result in raising the company's gross margin. A multi-faceted program at A&P has resulted in the placement of MamaMancini's beef meatballs in the cold deli, hot bar and pizza departments. At 160 Weis Stores, MamaMancini's products are at the cold bar, hot bar and sandwich stations, which is soon to be repeated at 1,500 Spartan Nash Stores. Also, a co-op advertising merchandising initiative, which includes a branded promotion campaign, is planned for 1,100 Publix stores.

## VALUATION

Generally, the appropriate valuation methodology for food companies is based on EV/EBITDA (Enterprise Value/Earnings Before Interest, Depreciation and Amortization) reflecting the sector's characteristics of profitability and cash flow generation. P/E (Price/Earnings) can also be utilized for mature, slow-growing food companies with a moderate amount of debt. However, if a company is experiencing negative profitability, either due to adverse fundamental circumstances or being in the early phases of the company's life cycle, the applicable valuation metric becomes Price-to-Sales (P/S).

In the case of MamaMancini's, the appropriate valuation methodology is based on P/S due the character of the company's enterprise, namely a small-capitalization company, currently with negative profitability, but with an expected rapidly growing sales profile that should ultimately result in profitable operations as the company's products achieve increased distribution and brand awareness. Price-to-Sales valuation incorporates the company's ability to generate revenues with the expectation that the growing revenue stream ultimately will manifest itself into positive EBITDA and also positive earnings when the break-even point is surpassed.

| ***Industry Comparables*** | **% Chg YTD** | **P/E Current FY** | **EPS Growth 5Yr Est** | **QTRLY YOY Revenue Growth** | **TTM Price/ Book** | **TTM Price/ Sales** | **TTM EV/ EBITDA** |
|---|---|---|---|---|---|---|---|
| **MAMAMANCINI'S HLDGS.** | -65.8 | N/M | 25.0 | 21.8 | 18.1 | 1.2 | -5.4 |
| S&P 500 | 0.8 | 17.2 | 10.8 | N/A | 5.9 | 3.6 | 15.5 |
| Industry Mean | 4.9 | 23.6 | 11.4 | N/M | 4.5 | 1.9 | 15.1 |
| Industry Median | 0.0 | 22.3 | 10.3 | N/M | 3.0 | 1.8 | 12.7 |
| CAMPBELL SOUP CO. | 16.9 | 19.8 | 4.3 | -8.6 | 11.6 | 2.0 | 13.0 |
| CONAGRA FOODS | 16.8 | 19.4 | 6.6 | 1.1 | 5.3 | 1.2 | 11.6 |
| GENERAL MILLS | 11.1 | 20.4 | 6.7 | -1.4 | 6.6 | 2.0 | 12.7 |
| KELLOGG CO. | 10.0 | 20.5 | 8.4 | -5.1 | 9.6 | 1.8 | 19.8 |
| MONDELEZ INT'L | 29.2 | 26.4 | 10.1 | -9.2 | 3.1 | 2.3 | 18.2 |

For comparative purpose, the examination of the current P/S valuation range for large packaged food companies (e.g. Campbell Soup, ConAgra, General Mills, Kellogg and Mondelez International) with moderately growing or stagnant sales profiles is between 1.2 and 2.3 times TTM revenues with a mean P/S valuation of 1.9 times. The tight cluster of valuations around the mean is attributable to the relatively stable growth rates of processed food companies.

MamaMancini's revenue profile is expected to continue experiencing rapid growth since the significant distribution agreements with the major and regional grocery chains continue to be announced. Geographically, the company can deepen penetration in the eastern U.S. and also broaden distribution in the Midwest and Western regions of the country. Also, the company is experiencing rapid growth as a participant in the faster-growing specialty food industry.

In the valuation process, industry comparables should be carefully chosen such that the character and growth rate of revenues are similar. It is important to incorporate a mechanism which takes into account that MamaMancini's is experiencing solid double-digit revenue growth on a quarterly YOY basis, currently 29.8% for the most recently reported quarter. Comparable companies should share this same fundamental attribute of revenue growth. It is typical for the P/S multiples of young firms that appear to have vast potential to be well above those of moderately growing companies, sometimes expanding well above 7 times trailing twelve-month (TTM) sales.

Comparable fast growing food companies are not common. Few small and mid-cap companies generate quarterly revenue growth above 10% on a YOY basis, let alone 21.8% like MamaMancini's. Similar consumer staple companies that generally reporting quarterly growth in excess of 7.5% YOY currently trade at significant premiums due to their growth potential, specifically between 1.6 and 11.4 times sales with a mean P/S valuation of 3.5 times. However, based on our experience as a Food and Beverage analyst, the 11.4 times sales for Monster Beverage is unusual, and we believe that for valuation purposes, the top P/S multiple for a high growth consumer staple company should be approximately 5.0 times sales.

Yet MamaMancini's is in the emerging growth phase of its corporate history and is still in the early stage of establishing its grocery store distribution footprint. The full potential and financial impact of management's distribution strategy has yet to be observed in the company's financial reports.

| ***Industry Comparables*** | **% Chg YTD** | **P/E Current FY** | **EPS Growth 5Yr Est** | **QTRLY YOY Revenue Growth** | **TTM Price/ Book** | **TTM Price/ Sales** | **TTM EV/ EBITDA** |
|---|---|---|---|---|---|---|---|
| **MAMAMANCINI'S HLDGS.** | -65.8 | N/M | 25.0 | 21.8 | 18.1 | 1.2 | -5.4 |
| S&P 500 | 0.8 | 17.2 | 10.8 | N/A | 5.9 | 3.6 | 15.5 |
| Industry Mean | -4.6 | 27.9 | 13.9 | N/M | 3.8 | 3.5 | 19.7 |
| Industry Median | 4.7 | 23.0 | 10.0 | N/M | 3.0 | 1.6 | 19.0 |
| KEURIG GREEN MTN. | -59.2 | 15.6 | 15.5 | -5.2 | 3.0 | 1.8 | 7.9 |
| HAIN CELESTIAL | -10.6 | 23.9 | 12.9 | 19.6 | 3.0 | 2.0 | 19.0 |
| HORMEL FOODS CORP. | 31.5 | 26.3 | 11.1 | -4.2 | 4.6 | 1.9 | 15.6 |
| LIFEWAY FOODS | -38.1 | 35.3 | N/A | 0.9 | 4.1 | 1.6 | 29.4 |
| MONSTER BEVERAGE | 31.5 | 45.9 | 21.2 | 0.9 | 6.0 | 11.4 | 30.7 |
| SMUCKER JM | 17.1 | 20.5 | 8.9 | 47.5 | 2.0 | 2.2 | 15.5 |

Since MamaMancini's has the potential and is expected to generate meaningful increased revenues over the upcoming quarters, our price target is based on a P/S ratio valuation using trailing 12-month revenues. Based on evaluating current price-to-sales multiples of comparable growth companies within the industry and our expectation that the company will be valued at the top P/S multiple for a high growth consumer staple company (or at 5.0 times TTM sales), **our target for MamaMancini's** is **$2.50**.

The consumer staples group in general, and the food industry in particular, is exemplified by the generation of relative steady cash flow. As a result, mergers and acquisitions (M&A) in the food industry are commonplace as large cash reserves are systematically deployed towards dividend payments, share repurchases and strategic acquisitions. M&A transactions allow food companies to find growth through the acquisition of both new platforms and tuck-in opportunities. By capturing incremental products and brands, acquirers not only grow to their revenue base, but also usually benefit from economies of scale as the target is consolidated operationally. MamaMancini's has a higher-than-average growth profile and long-term potential as a producer and marketer of specialty food. The franchise would have particular value to a major food company. Given the company's exposure to the attractive specialty food industry, extremely strong revenue growth exhibited by reported financial results and rapidly growing grocery-store presence, it is not unreasonable that MamaMancini's would command a valuation similar to the acquisition P/S multiples of Annie's Inc. (natural & organic food company) when acquired by General Mills in October 2014 (at 4.0 times sales) or ConopCo (a subsidiary of Unilever that produces Ragu and Bertolli pasta sauces) by Mizkan Holdings in June 2014 (at 3.6 times sales). Our target is consistent with a 4.0 P/S ratio valuation using estimated forward 12-month revenues.

## RISKS

- MamaMancini's sales are concentrated with four customers representing approximately 66% of gross sales. The loss of any large account or any material decrease in a large account's purchases would most likely result in decreased sales.
- The success of MamaMancini's is highly dependent on market acceptance of the company's products by both the trade (supermarkets, grocery stores and distributors) and consumers. Furthermore, the proper shelf and freezer placement is an important aspect of catching the attention of consumers and generating sales.

## BALANCE SHEET & PROJECTED INCOME STATEMENT

**MamaMancini's Holdings, Inc.**

| Balance Sheet<br>Year ending Dec. 31 thru 2013, then January 31 | 12/ 31/ 2011 | 12/ 31/ 2012 | 12/ 31/ 2013 | 1/ 31/ 2014 | 1/ 31/ 2015 | 7/ 31/ 2015 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash | 16,505 | 2,008,161 | 1,741,935 | 1,541,640 | 854,995 | 396,936 |
| Accounts receivable, net | 581,479 | 463,565 | 1,063,849 | 1,029,632 | 2,233,211 | 1,216,347 |
| Inventories | 101,110 | 76,570 | 112,279 | 159,829 | 301,170 | 330,259 |
| Prepaid expenses | 79,382 | 64,178 | 135,525 | 140,511 | 107,242 | 128,891 |
| Due from manufacturer - related party | | 159,200 | 781,521 | 774,049 | 2,213,037 | 2,202,127 |
| Deposit with manufacturer - related party | 102,860 | 192,956 | 359,506 | 598,987 | 0 | 0 |
| Deferred offering costs | - | - | - | - | - | 19,021 |
| **Total Current Assets** | **881,336** | **2,964,630** | **4,194,615** | **4,244,64** | **5,709,65** | **4,293,58** |
| Property and equipment, net | 20,015 | 17,451 | 929,496 | 978,02 | 1,124,745 | 1,087,84 |
| Debt issuance costs, net | - | - | - | - | 101,197 | 67,014 |
| Goodwill | - | - | - | 46,264 | 0 | 0 |
| **TOTAL ASSETS** | **901,351** | **2,982,081** | **5,124,111** | **5,268,939** | **6,935,597** | **5,448,438** |
| **Liabilities and Stockholders' Equity** | | | | | | |
| Accounts payable & accrued expenses | 282,494 | 329,233 | 823,044 | 595,297 | 1,216,436 | 1,169,173 |
| Liabilities to be settled in stock | - | - | - | - | - | 49,347 |
| Line of credit | 500,000 | 200,00 | - | 222,704 | 1,409,098 | 1,051,162 |
| Term loan | - | - | - | - | 120,000 | 120,000 |
| Convertible note payable - net of debt discount | - | - | - | - | - | 1,730,117 |
| Notes payable - related parties | 69,544 | - | - | - | - | - |
| **Total Current Liabilities** | **852,038** | **529,23** | **823,04** | **818,00** | **2,745,534** | **4,119,79** |
| Term loan - net of current | - | | | | 440,000 | 380,000 |
| Demand notes | **69,544** | - | | | | 0 |
| Convertible note - net of debt discount | **69,544** | - | | | 1,587,447 | 0 |
| **TOTAL LIABILITIES** | **852,038** | **529,23** | **823,04** | **818,00** | **4,772,981** | **4,499,79** |
| Common stock | 15,000 | 201 | 242 | 242 | 260 | 260 |
| Shares due from Ironridge | | | | | | |
| Additional paid-in-capital | 1,386,723 | 5,804,680 | 10,600,461 | 10,993,973 | 12,766,116 | 13,657,960 |
| Subscription receivable | - | - | 5 | 8 | 1 | 1 |
| Accumulated deficit | (1,352,410) | (3,352,033 | (6,299,641 | (6,543,285 | (10,603,761) | (12,709,582) |
| **Total Stockholders' Equity** | 49,313 | **2,452,848** | **4,301,067** | **4,450,93** | **2,162,61** | **948,639** |
| **TOTAL LIABILITIES & STOCKHOLDERS' EQUITY** | **901,351** | **2,982,081** | **5,124,111** | **5,268,93** | **6,935,59** | **5,448,43** |
| Shares outstanding | 15,000,000 | 20,054,000 | 24,187,37 | 24,187,37 | 26,047,37 | 26,085,916 |

# MamaMancini's Holdings, Inc.

| Income Statement | 2012 | 2013 | FY 2015 | FY 2016 E | FY 2017 |
|---|---|---|---|---|---|
| Period ending | 12/31/2012 | 12/31/2013 | 1/31/2015 | 1/31/2016 | 1/31/2017 |
| **Sales - net of slotting fees & discounts** | **4,582,845** | **8,741,621** | **12,339,256** | **14,633,182** | **19,901,128** |
| **Cost of sales:** | | | | | |
| Cost of sales products | 3,230,589 | 6,190,595 | 8,803,540 | 10,221,590 | 12,935,733 |
| **Gross Income** | **1,352,256** | **2,551,026** | **3,535,716** | **4,411,592** | **6,965,395** |
| **Operating Expenses:** | | | | | |
| Research and development | 68,372 | 19,408 | 100,864 | 83,558 | 90,000 |
| General and administrative | 3,271,160 | 5,470,586 | 7,185,042 | 6,081,405 | 8,000,000 |
| Total operating expenses | 3,339,532 | 5,489,994 | 7,285,906 | 6,164,963 | 8,090,000 |
| **Other income (expense):** | | | | | |
| Interest (expense) | (12,347) | (8,640) | (310,286) | (596,339) | (500,000) |
| Other income (expense) | 0 | 0 | 0 | 0 | 0 |
| Total other income (expense) | (12,347) | (8,640) | (310,286) | (596,339) | (500,000) |
| **Net Income (Loss)** | **(1,999,623)** | **(2,947,608)** | **(4,060,476)** | **(2,349,710)** | **(1,624,605)** |
| **Net loss per share:** | | | | | |
| Basic and diluted loss per share | **(0.12)** | **(0.13)** | **(0.16)** | **(0.09)** | **(0.06)** |
| Wgted avg. shares - basic & diluted | 17,358,333 | 22,012,920 | 25,487,778 | 26,104,972 | 27,000,000 |
| **Gross Margin** | **29.5%** | **29.2%** | **28.7%** | **30.1%** | **35.0%** |

# MamaMancini's Holdings, Inc.

| Income Statement<br>Period ending | 1Q FY2015<br>4/30/2014 | 2Q FY2015<br>7/31/2014 | 3Q FY2015<br>10/31/2014 | 4Q FY2015<br>1/31/2015 | FY FY 2015<br>1/31/2015 |
|---|---|---|---|---|---|
| **Sales - net of slotting fees & discounts** | 2,583,149 | 2,249,768 | 3,759,698 | 3,746,641 | **12,339,256** |
| **Cost of sales:** | | | | | |
| Cost of sales products | 1,780,225 | 1,590,904 | 2,705,436 | 2,726,975 | 8,803,540 |
| **Gross Income** | 802,924 | 658,864 | 1,054,262 | 1,019,666 | **3,535,716** |
| **Operating Expenses:** | | | | | |
| Research and development | 18,901 | 24,091 | 28,967 | 28,905 | 100,864 |
| General and administrative | 1,468,278 | 1,401,461 | 1,773,678 | 2,541,625 | 7,185,042 |
| Total operating expenses | 1,487,179 | 1,425,552 | 1,802,645 | 2,570,530 | 7,285,906 |
| **Other income (expense):** | | | | | |
| Interest (expense) | (16,634) | (26,710) | (25,426) | (241,516) | (310,286) |
| Other income (expense) | 0 | 0 | 0 | 0 | 0 |
| Total other income (expense) | (16,634) | (26,710) | (25,426) | (241,516) | (310,286) |
| **Net Income (Loss)** | (700,889) | (793,398) | (773,809) | (1,792,380) | **(4,060,476)** |
| **Net loss per share:** | | | | | |
| Basic and diluted loss per share | (0.03) | (0.03) | (0.03) | (0.07) | (0.16) |
| Wgted avg. shares - basic & diluted | 24,711,719 | 25,452,943 | 25,815,200 | 26,815,200 | 25,487,778 |
| **Gross Margin** | 31.1% | 29.3% | 28.0% | 28.4% | 28.7% |

| Income Statement<br>Period ending | FY 2015 E<br>1/31/2015 | 1Q FY2016<br>4/30/2015 | 2Q FY2016<br>7/31/2015 | 3Q E FY2016<br>10/31/2015 | 4Q E FY2016<br>1/31/2016 | FY 2016 E<br>1/31/2016 |
|---|---|---|---|---|---|---|
| **Sales - net of slotting fees & discounts** | **12,339,256** | 3,353,279 | 2,739,200 | 4,267,403 | 4,273,301 | **14,633,182** |
| **Cost of sales:** | | | | | | |
| Cost of sales products | 8,803,540 | 2,408,299 | 2,091,032 | 2,867,695 | 2,854,565 | 10,221,590 |
| **Gross Income** | **3,535,716** | 944,980 | 648,168 | 1,399,708 | 1,418,736 | **4,411,592** |
| **Operating Expenses:** | | | | | | |
| Research and development | 100,864 | 23,079 | 20,479 | 20,000 | 20,000 | 83,558 |
| General and administrative | 7,185,042 | 1,783,122 | 1,390,625 | 1,432,344 | 1,475,314 | 6,081,405 |
| Total operating expenses | 7,285,906 | 1,806,201 | 1,411,104 | 1,452,344 | 1,495,314 | 6,164,963 |
| **Other income (expense):** | | | | | | |
| Interest (expense) | (310,286) | (233,335) | (124,705) | (120,964) | (117,335) | (596,339) |
| Amortization of debt discount | | | (83,437) | | | |
| Amortization of closing costs | | | (29,228) | | | |
| Other income (expense) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total other income (expense) | (310,286) | (233,335) | (237,370) | (120,964) | (117,335) | (596,339) |
| **Net Income (Loss)** | **(4,060,476)** | (1,094,556) | (1,000,306) | (173,600) | (193,913) | **(2,349,710)** |
| **Net loss per share:** | | | | | | |
| Basic and diluted loss per share | (0.16) | (0.04) | (0.04) | (0.01) | (0.01) | (0.09) |
| Wgted avg. shares - basic & diluted | 25,487,778 | 26,057,141 | 26,085,916 | 26,120,916 | 26,155,916 | 26,104,972 |
| **Gross Margin** | | 28.2% | 23.7% | 32.8% | 33.2% | 30.1% |

## HISTORICAL ZACKS RECOMMENDATIONS

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