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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to MamaMancini's Third Quarter 2021 Earnings Conference Call. (Operator Instructions) This conference is being recorded today, December 14, 2020, and earnings press release accompanying this conference call was issued at the close of market today.

On our call today is MamaMancini's Chairman and CEO, Carl Wolf; President and COO, Matthew Brown; CFO, Larry Morgenstein; and Greg Falesnik, CEO of MZ North America, MamaMancini's Investor Relations firm.

I would now like to turn the conference over to Greg to read a disclaimer about forward-looking statements.

Greg Falesnik - MZ Group North America - MD

Thank you, operator. Before we get started, I'll read a disclaimer about forward-looking statements. This conference call may contain, in addition to historical information, forward-looking statements within the meaning of the federal securities laws Regarding MamaMancini's. Forward-looking statements include, but are not limited to, statements that express the company's intentions, beliefs, expectations, strategies, predictions or any other statements related to its future earnings activities, events or conditions. These statements are based on current expectations, estimates and projections about the company's business based in part on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may vary and are likely to differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors discussed from time to time in this report and other documents, which the company files with the U.S. Securities and Exchange Commission.

In addition, such statements could be affected by risks and uncertainties related to factors beyond the company's control. Matters that may cause actual results to differ materially from those in forward-looking statements include among other factors, the loss of key management personnel, availability of capital and any major litigation regarding the company.

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At this time, I'd like to turn the call over to Carl Wolf, the company's Chairman and Chief Executive Officer. Carl, the floor is yours.

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

Thank you, Greg, and thank you, everyone, for joining us today. I'd like to welcome you to our third quarter 2021 financial results conference call. Third quarter of fiscal 2021 was a third quarter record, highlighted by revenue and net income growth as we aggressively market our products nationwide, as well as the expansion of our product line and fortification of our balance sheet. To that end, we're very pleased with our progress with sales increasing for the third quarter record of \$9.9 million and net income increasing 80% to another third quarter record of \$0.7 million. This growth was driven by new placements, effective merchandising and continued success of our multichannel marketing efforts.

Sales were positive at the club store network and in packaged products, while sales in the fresh deli and hot bars were delayed due to COVID. They are beginning to recover nicely, and we expect to be back to normal levels in early 2021. We continue to see rapid growth in our pasta bowl line, which now approaches about 20% of our total volume. Overall sales and margins were positive. With business slowly returning back to normal, we announced new customer authorizations, both in terms of new locations and expansion of existing placements at several major nationwide retailers. We expect a number of new placements to occur as we enter 2021, continuing our sales momentum. Our activity in foodservice direct-to-consumer markets and exportation to Canada were temporarily halted due to COVID. We now are beginning this activity again and expect to see exciting progress in the near term.

We expect a record fiscal year in sales and earnings. However, we caution that with today's continuing evolving macroeconomic landscape, accurately forecasting the future can be difficult. Our successful multi-pronged marketing efforts include radio campaign, social media efforts and continued work with QVC. I'd like to touch on a few of these now. We continue to see success in our SiriusXM radio advertising campaigns as evidenced by the launch of 6 campaigns in calendar 2020. We launched a major new 11 week campaign earlier this year. The SiriusXM platform distributed an estimated 4,000 MamaMancini's commercials on all major talk and news channels, reaching over 75 million consumers, an avenue which we have found is cost-effective way to drive sales across various geographic locations with current and new customers of our products.

On the social media side of things, we continue to maintain a robust reach, engaging new customers and encouraging new purchases. To date, we have over 300,000 likes and continue to geo-target likely customers who live within 5 miles of specific retail locations. As an example, we are presently using this medium to successfully introduce our new pasta bowl at Publix Super Markets in the Southeast, which just rolled out from originally 350 stores to 1,200 stores at present.

Our QVC efforts have been seeing record success as well with Dan Mancini's live pitches driving impressive sales on their platform. We have recently increased our on-air presence, notably and are seeing encouraging growth as a result. As many of you are aware, QVC is a large direct-to-consumer marketer and is available in over 100 million homes throughout the USA. We are pleased that QVC customers voted MamaMancini's products as #1 in 3 categories: Best Meatball, Best Plant Based Food of over 20 items and best condiment, spice or sauce categories during the 2020 QVC Customer Choice Food Awards. MamaMancini's Co-founder, Dan Mancini, accepted the award on behalf of the company.

COVID-19 was a challenge for the company, but we were able to overcome and efficiently run our operations without pause. Fortunately, we were able to install safety measures significantly before our peers, which we believe helped mitigate the effects of the pandemic. We are very pleased with our overall cash position, a very positive cash flow and our net worth growth. We believe we would meet uplisting requirements on our balance sheet as a result. Our cash position and net worth position continues to grow substantially in November, and the last warrant redemptions occurred on November 19. We estimate that current shares outstanding at approximately \$36 million with only 880,000 unredeemed management and board options. This is substantially below potential dilution expected. We currently estimate our cash position is close to \$3 million, a current ratio of 2x and with 0 working capital debt.

Finally, before handing the call off to Larry, I'd like to note that we have engaged, leading U.S. investment bank B. Riley Securities to assist in the exploration and evaluation of strategic alternatives for enhancing shareholder value. These alternatives could include, among others, the sale of the company, a strategic business acquisition, continued acquisition of the company's business plan or some combination of one or more of these possible alternatives. The process is progressing. While it's too early to comment on the direction we will take, I see several exciting potential opportunities for MamaMancini as we enter 2021.

I'd now like to turn the call over to Larry Morgenstein, our Chief Financial Officer, to walk through some key financial details from the third quarter of 2021. Larry?

Lawrence Morgenstein - *MamaMancini's Holdings, Inc. - CFO*

Thank you, Carl. Revenue in the third quarter of 2021 increased to a third quarter record of \$9.9 million compared to \$9.3 million in the same year ago quarter. Revenue year-to-date increased 27% to a record \$31.4 million as compared to \$24.7 million in the same year ago period. Revenue growth was primarily a result of increased sales to new and existing customers, partially offset by COVID-19 which slowed new placements in the third quarter and are expected to resume new placements in the fourth quarter.

Gross profit increased to \$3.1 million in the third quarter of 2021 or 32% of total revenue as compared to \$2.9 million or 31% of total revenue in the same year-ago quarter. Gross profit year-to-date increased to \$10.1 million or 32% of total revenue as compared to \$8 million or 32% of the total revenue in the same year ago period. Gross margins increased primarily as a result of ongoing efforts to improve plant operations and efficiencies, partially offset by temporary negative impact of higher beef pricing due to the COVID-19 pandemic.

Operating expenses decreased to \$2.3 million in the third quarter of 2021 as compared to \$2.4 million in the same year ago quarter. Operating expenses year-to-date increased by 15% to \$7.5 million as compared to the same year ago period. As a percentage of sales, operating expenses in the third quarter and year-to-date decreased from 26% to 24%. Operating expenses decreased primarily due to lower promotional expenses for product merchandising.

Net income for the third quarter of 2021 grew significantly to \$0.7 million or \$0.02 per share as compared to a net income of \$0.4 million or \$0.01 per share in the same year ago quarter. Net income year-to-date totaled \$2.4 million as compared to \$1.1 million in the same year ago period. The net increase in net income was primarily attributed to increase in sales, reductions of operating expenses as a percentage of sales and a decrease in interest expense.

Cash and cash equivalents as of October 31, 2020, was \$1.8 million as compared to \$0.4 million as of January 31, 2020. The increased cash balance as of October 31, 2020 benefited from \$2.5 million in cash flow from operations fiscal year-to-date, partially offset by a paydown of debt as the company reduced its debt by 84% fiscal year-to-date. We do not anticipate raising additional capital and are confident that the cash on hand combined with our cash generated from operations each quarter will be sufficient to sustain operations as we grow.

This completes my comments. And I'd now like to turn the call over to Matt Brown, our President and Chief Operating Officer. Matt?

Matthew I. Brown - *MamaMancini's Holdings, Inc. - President, COO & Director*

Thanks, Larry. Our operations performed admirably throughout the third quarter, contributing to the financial success of the company. We continue to be impressed with the day-to-day resilience of our staff who are committed during these times to our continuous improvement efforts in production planning, scheduling, and operational processes to improve efficiencies and manage the costs. Our scheduling efficiencies implemented during this quarter included staggered start times and spreading workday commitments, enabled us to manage overtime and well-deserved time off for some key staff, while gearing up for the busy Q4, now in progress.

We are very encouraged to see the cost of raw material step down from the stratosphere during Q3, which contributed to the strong financial performance of our operations. In particular, beef prices, our largest expense by the end of the third quarter had returned to some sense of normalcy, down 28% from its high in May. We're keeping a close watch and actively managing our packaging material costs as the online retailers have placed heavy demands on the corrugated box industries threatening price increases and longer lead times. To this end, we have switched our corrugated suppliers, gaining price reductions and receiving on-demand inventory delivery 3 days per week while reducing working capital requirements. We are proceeding with a review of all of our supply pricing in an ongoing effort to reduce our costs with no impact on quality.

Turning to our products. We continue to see expansion in demand for our family meal kits and individual pasta bowls. These products, which use a combination of our own manufactured products combined with delicious third-party pastas are produced and packaged efficiently in our plant, boosting our financial performance. We continue to see expansion in our meat loaf products in the marketplace and continued improvement on a path towards return to normal in our bulk deli and food bar and meatball products, whose demand has been impeded by COVID-19. The plant

was very active in fulfilling demand for QVC in response to QVC's major promotion of all our meatball products, including a new recipe for our popular stuffed mozzarella meat ball and the introduction of our meat loaf and Spinach Lasagna Roll Ups products in the network.

We are continuing new product rollouts in Q4 with the introduction of both a new sweet Italian sausage product which conveniently sold out just last week on QVC and an Italian dumpling pasta product, which is scheduled to premiere in January. Q3 began the rollout of new packing room equipment, which will continue throughout early Q4. Our new Shanklin wrapping machine has already impressed us moving our product 25% faster than our previous capacity on just day 3 of its operation. We anticipate accelerating improvements in capacity as remaining pieces of equipment, including automatic labelers and stronger conveyors are installed this month. These improvements will also provide the operation with cost savings of approximately \$30,000 per month.

Our annual safe quality audit or SQF audit, delayed by COVID-19 is now scheduled for the end of January 2021. We are looking forward to the audit and anticipate nothing less than exemplary scores as we continue to educate our employees on good manufacturing practices and OSHA regulations.

COVID-19 has altered the way many manufacturers view additional safety measures these days. During Q3, we trained a cross-section of staff in first aid, CPR and automatic external defibrillator use and installed a defibrillator in the plant. We are continuing to move forward with the implementation of the robust ERP warehouse management and accounting system replacement to improve our reporting and planning capabilities to meet the demands of the future streamline electronic communications with our customers. We expect to go live in early fiscal year 2022.

In summary, the plant continues to see record production numbers and labor efficiencies. We are responsibly investing in our equipment and our people and have established the capacity to manage our growing business. I will now turn the call back over to Carl. Carl?

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

Okay. Good, so no one heard me. As I noted in my opening remarks -- I'm going to start over again. That's really good. As I noted in my opening remarks, we continue to execute on all fronts and have laid the foundation for an incredible year. I am proud of the operational progress our team made in the third quarter, realizing strong year-over-year growth amidst the backdrop of COVID-19. We continue the growth in breadth and depth of our product distribution footprint and retail storefronts nationwide. Our strong financial results are a testament to both our sales engine and continued tireless realization of operational efficiencies. As we move toward the conclusion of 2020 and into 2021, various positive potential outcomes await MamaMancini from the realization of strategic alternatives to potential uplisting and continued growth. We are primed for another record-breaking year. I look forward to continue these efforts as we work to create sustainable long-term value for our shareholders.

With that, I'll turn this over to the operator. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will come from Howard Halpern with Taglich Brothers.

Howard Allen Halpern - *Taglich Brothers, Inc., Research Division - Senior Equity Analyst*

Congratulations guys on solid operating results during this pandemic time. First question is regarding, were there any kind of -- were you seeing any kind of delays in product shipments that should have occurred in the third quarter, but might be falling into the fourth quarter?

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

No. But first of all, I'd like to thank everyone. We have close to 50 participants today, which is more than a record. And also, if I don't like a question, I'm going to put it back on mute again. But any case, we did not have any delay in shipments. What was delayed was new -- realization of new authorizations. Basically, the whole industry shut down through July on new commerce. Starting in the middle of August, business really got very dramatic and now we have several new placements in the works. And even now this week, which is normally everything is dead, we are very, very active. So I expect to see very, very robust growth coming in the near future.

Howard Allen Halpern - *Taglich Brothers, Inc., Research Division - Senior Equity Analyst*

Okay. In terms of, I guess, the balance sheet, the remaining warrants, do you anticipate them being exercised? Or are they going to just remain on the books now for a while?

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

No, the warrants, you're talking about options, warrants are all -- are all either exercised or expired. There was over 5 million warrants. They are all in or non-exercised. We have -- I mentioned in my discussion that we have about 800 plus thousand options. Those are options given to our management, employees and Board of Directors. They will be exercised over the next 2.5 to 3 years.

Howard Allen Halpern - *Taglich Brothers, Inc., Research Division - Senior Equity Analyst*

Okay. And in terms of -- now the term loan has gone, you just have line of credit. What is your capacity in the line of credit, which, I think, at the end of the third quarter, you had \$650,000 outstanding. But just for flexibility purposes, what is your capability on that line?

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

We have a \$3.5 million line of credit right now. As I mentioned in my discussion, we have 0 outstanding on that. Depending on our needs, that can be expanded.

Howard Allen Halpern - *Taglich Brothers, Inc., Research Division - Senior Equity Analyst*

Okay. And as was discussed earlier, too, you've had some new equipment that just started up. What are we looking at in terms of capital expenditures in the fourth quarter? And are they going to continue in the first half of next year? Or is really the fourth quarter going to button up the amount of capital -- CapEx for the year?

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

We are budgeting around \$300,000 to \$500,000 a year right now with various upgrades and improvements. This quarter, we'll end with the -- finishing of the packaging room, which was about \$300,000 range. And most of that has been financed through loans from M&T Bank.

Howard Allen Halpern - *Taglich Brothers, Inc., Research Division - Senior Equity Analyst*

Okay. And based on the implementation of the new equipment and the software system, can we anticipate, as we go through next fiscal year, incremental quarterly improvement in gross margin -- gross and operating margin?

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

We hope to see that as we create more efficiencies in our plants, absorbing plant overhead. There is one caveat in that. There is a part of our business, which we call direct variable expenses. That is shipping cost, any commissions or royalties and any merchandising expense. So if the product mix changes at all, we -- and most of it is operating expenses. So if the product mix changes at all to a customer that has very, very low-cost of fulfilling the orders, you then may see a slightly lower gross profit. But right now, based on the mix we have right now, we should see continuing steady improvements in gross profits.

Howard Allen Halpern - *Taglich Brothers, Inc., Research Division - Senior Equity Analyst*

Okay. And one final one for me is, now that hopefully, things hopefully might get back to a more normalcy in the second half of next year, with reengagement in the foodservice area, do you anticipate that the groundwork that you're going to be able to lay down now will bear some fruit in the second half of next year?

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

By then or sooner.

Operator

(Operator Instructions) Our next question comes from Jeff Kobylarz with Diamond Bridge Capital.

Jeffrey Kobylarz - *Diamond Bridge Capital, L.P - Analyst*

Gentlemen, thanks for the good update on how you're doing. Can you comment what the impact of higher beef was on your gross margin? Is there any dollar value?

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

Well, we -- it was modest, even though the prices went long way up, we were able to pass along the price increases to customers fairly well. So all in all, it was a very modest negative impact.

Jeffrey Kobylarz - *Diamond Bridge Capital, L.P - Analyst*

Okay. Fine and then as far as...

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

We also cut back certain marketing activities to compensate for it. So the operating profit remained intact.

Jeffrey Kobylarz - *Diamond Bridge Capital, L.P - Analyst*

Sure. All right. And then as far as the coronavirus, is there any way you can say, in this year, year-to-date, what the impact was. There's the trend of more eating from home, but then there have been I assume delays in orders from customer retailers to put through additional authorizations for placements. Is there any way you could talk about those pros and cons of the virus.

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

I would say in the spring of the year, when there was panic buying and consumers stocked up and also panic buying because of meat shortages, it had a positive effect on sales and profits. And then later in the year as we grew our business, that sale -- those sales remained or backed off slightly because there was an inventory built. However, our bulk deli business, our hot bar business backed off because of less consumption in supermarkets. That now is starting to perform toward normal. It also pushed back new merchandising activity and authorization, which is running very positive, but running later in the year. All in all, I would say it's been neutral in the year.

Jeffrey Kobylarz - *Diamond Bridge Capital, L.P. - Analyst*

Okay. And in the press release and what Matt said about how you're increasing your capacity in your plants, can you say how much you've increased your capacity in your plants? And what's your...

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

We've given guidance on that. The capacity in the plant is somewhere, we think, today, around \$65 million a year with the right product mix. And then we have options to increase that by another kind of a \$10 million to \$15 million by using -- having some of the components made by co-packers for us, not the final product, some of the components. So we think we have \$75 million to \$80 million worth of capacity with some modest investments, not major, from where we stand right now.

Jeffrey Kobylarz - *Diamond Bridge Capital, L.P. - Analyst*

Okay. All right. Great. And then you've had a number of great announcements, like you said in the press release since August, the Publix 1,250 stores, Walmart, 600, et cetera. Is there any way to quantify what the annual volume revenue is from those additions?

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

But we try not to let people know that because one chains don't like that. So if you notice, we tend to group new placements together. So the Walmart was a onetime rotation. It was very successful. And we will hear very soon as to whether it's a permanent placement this spring. If so, it would be a very, very nice addition to our volume. But it was not in all stores of Walmart and it was not in for -- it was only in for about 8 weeks, but we did very well. And then it appears that we met all their requirements.

Operator

Our next question comes from James Bogin with Legend Capital.

James M. Bogin - *Legend Capital Management LLC - Founder*

I was wondering if you could give us any update about what you're doing with B. Riley, given that that's 2.5 months old now? Or what your plans are to list on the regular NASDAQ?

Carl T. Wolf - *MamaMancini's Holdings, Inc. - Chairman & CEO*

We should have a pretty good idea of where we are on strategic decisions by mid- to late January, and that would include uplisting. We now -- we think we meet all of the requirements except for stock price in terms of equity and earnings. So we will make the decisions at that point.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Carl Wolf for any closing remarks.

Carl T. Wolf - MamaMancini's Holdings, Inc. - Chairman & CEO

Thank you, operator. As a final note, once COVID-19 subsides, we will continue to be active in attending top investor conferences and investor non-deal roadshows, marking on both coasts of the U.S. In the meantime, we will continue our efforts on a virtual basis. If interested in scheduling a meeting with management, when we are in your region, please reach out to our IR firm, MZ group, to arrange. Thank you again for joining us today. We look forward to continuing to update you on our progress. Thanks again.

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