



May 25, 2016

**SACK LUNCH
PRODUCTIONS, INC.
(OTC – SAKL - \$0.11)**

Price Target: \$0.40

Rating: Speculative Buy



SACK LUNCH PRODUCTIONS, INC.

Fast-Growing, Action-Oriented Event Company Set to Soar

Rob Goldman
rob@goldmanresearch.com

May 25, 2016

SACK LUNCH PRODUCTIONS, INC. (OTC – SAKL - \$0.11)

Price Target \$0.40

Rating: Speculative Buy

COMPANY SNAPSHOT

Sack Lunch Productions is an entertainment company that operates corporate hosted action-oriented events in the U.S. and Canada and franchise managed events internationally. The Company's flagship events include *Slide The City* and *The Lantern Fest*, among others, which attract thousands of participants per event. Meaningful and diversified non-core operations include businesses in health and beauty, film production, and real estate.

KEY STATISTICS

Price as of 5/24/16	\$0.11
52 Week High – Low	\$0.148 - \$0.005
Est. Shares Outstanding	144.9M
Market Capitalization	\$16.0M
3 Mo Avg. Vol.	474,432
Exchange	OTCPK

COMPANY INFORMATION

Sack Lunch Productions, Inc.
 59 W. 100 South, 2nd Floor
 Salt Lake City UT 84101

Phone: 801.575.8073
 Web: www.SackLunchProductions.com
 Email: info@sacklunchproductions.com

INVESTMENT HIGHLIGHTS

Sack Lunch Productions is enjoying monster top-line growth via the operation of hundreds of family and millennial-targeted outdoor, action-oriented events. Revenue grew to \$10.6M in 2015, up from \$4.8M in 2014, a 121% rise.

Each event attracts an enviable 2,000 or more participants. These include a 1000 foot slip-n-slide, paint-based 5K, muddy obstacle course, and more. SAKL has built and fostered loyal and immersive participants, as evidenced by its 8M online views across multiple platforms.

SAKL enjoys tremendous scalability given its brand recognition, domestic expansion, Tier 1 corporate sponsors, and franchise opportunities abroad. The Company also gives back to the local communities, making \$500K in direct or in-kind donations in 2015.

The SAKL deferred revenue model and diversified businesses provide it with unusual visibility and stability. By accounting for pre-event ticket and other revenue on its balance sheet first for conversion to revenue later, management gains a unique and early understanding of upcoming events.

SAKL management believes it is on track to grow revenue to \$18M this year, a 70% jump from 2015. April 2016 system-wide sales were reportedly \$1.79M, a very strong figure for a company that generates nearly 50% of its sales in the third quarter.

Huge sales growth translates into major operating profits and a substantially higher valuation. We believe SAKL could generate a whopping \$4M in EBITDA this year. By assigning a 15x EBITDA multiple to SAKL, a big discount to the industry leader's 35x multiple, we arrive at a \$0.40 price target. Thus, we rate these shares Speculative Buy.

COMPANY OVERVIEW

Based in Salt Lake City, Utah, **Sack Lunch Productions, Inc. (OTC – SAKL)** is an action-oriented events and entertainment company providing immersive experiences that bring families, friends and communities together through corporate hosted and managed events across North America. In addition, the Company operates globally through a proven franchise system. SAKL through its wholly owned subsidiaries, operates and has exclusive rights for well-branded events including *Slide The City®*, *Lantern Fest®*, *Color Me Rad 5K®*, *The Dirty Dash®*, and its newest event series, *Trike Riot®*. In addition to branded events, the Company has built a stable portfolio of diversified (non-core) operations that include segments in entertainment and health and beauty. Revenue is primarily generated through the sale of admission to the Company's unique community-building events and activities, franchise agreements, corporate sponsorships from Tier 1 sponsors, as well as the sale of health and beauty products and services.

SAKL's events attract a wide and diverse attendance from all age groups and especially appeal to families and young people. Events are held in major cities with large population centers, and generate positive media coverage on local levels. Moreover, SAKL has fostered and leveraged loyalty as evidenced by its large and growing online and in-person fan base, where participants share their enjoyable experiences. SAKL events boast a huge online presence with an estimated 8 million views across multiple platforms in 2015.

In 2015, SAKL produced over 100 events, attracting thousands of participants per event, and has 250 scheduled for 2016. Franchised all over the globe, attendance at each individual event may attract thousands of a revelers united in unforgettable, community-centered spectacles. In a clever approach, SAKL has tapped into prospective participants' intrinsic need to revisit the wonder and awe of childhood experiences and a desire to share these traditions with the next generation that targets an underserved and highly sought-after millennial demographic.

Utilizing both corporate managed events and a franchise model to garner a large market share, the SAKL scalable business model allows the Company to expand worldwide. With proven operating experience and an impressive list of corporate sponsors, the high-profile events effectively increase publicity through positive media coverage and generate revenue through admission sales and franchise agreements. Each of these events incorporates quality vendors that provide live music, food and drinks to service the festivities and help make it a momentous, magical life event. These events, which are entertainment and not sporting events, attract a wide and diverse attendance from all age groups and especially appeal to families and young people.

Sack Lunch Productions is enjoying tremendous revenue growth as the Company adds events in existing and new cities, along with new international markets. For 2015, the Company recorded \$10.6M in (unaudited) revenue, as compared with \$4.8M in 2014. Not only was it a 121% rise, but was almost \$1M greater than internal targets. Clearly this is not a one-time event. With April 2016 system-wide sales of \$1.79M, management believes total 2016 sales could reach \$18M, which would represent a 70% rise. Plus, SAKL believes in giving back to the communities that support it and gave over \$500,000 of cash and in kind donations last year.

Our target price of \$0.40 for SAKL reflects a reasonable 15x EBITDA multiple as compared with the industry's standard bearer which trades 35x EBITDA. We rate these shares Speculative Buy.

INDUSTRY OVERVIEW

The party and event planning industry is highly fragmented with numerous independent companies and individuals that organize parties, corporate dinners and other social gatherings. There are, however, large companies that specialize in ticketing, advertising and other services for events that attract tens of thousands at a time. The smaller segment, which may target 5000 participants per event or fewer, has no 800-pound gorillas, providing a high-growth company like SAKL that boasts 80 full-time and 20 part-time employees, with unique expansion and leadership opportunities.

Industry participants usually orchestrate a variety of details for such events including venue booking, music arrangement, food catering, photography, video recording and other services. The industry depends on the willingness of households and businesses to spend money on social gatherings, and is set to benefit from climbing corporate profit and per capita disposable income as the U.S. economy continues to grow.

According to an IBISWorld Industry Report, party and event planners in the U.S. generate an estimated \$4.5B annually. After a rebound in 2011, the demand for professional event services has driven profit margins in 2015 up to an estimated 9.8%. Clearly, the market is large, lucrative and awaiting expansion in diverse areas. In just a few years profit margins have more than doubled and margins could rise further.

Action-oriented events and entertainment offerings compete directly for discretionary spending with other local or regional events and indirectly with other types of recreational forms of entertainment including movies, home entertainment options, sports attractions, restaurants and vacation travel. Some familiar regional or national direct competitors for some SAKL-type events are Color Run, Spartan, and Warrior Dash. Still, SAKL enjoys strong brand recognition, a portfolio of unique events and low operating cost. Competition at the local market level may be in the fight for sponsorships and advertising dollars against local sports teams, festivals, theme parks and other local events.

SAKL: AT A GLANCE

Slide the City®



Slide the City is a family friendly “slip-n-slide” water party event. This event generates \$29 in average revenue per participant with an estimated 2,500+ participants per event. Utilizing city streets, this speedy 1000-foot slide, generated 35% of total revenue in 2015. Expansion plans for corporate and franchised events in 2016 have increased the number of scheduled events by 149% in cities across the country.

<https://www.youtube.com/watch?v=bnKzoh3zDEw&feature=youtu.be>

Color Me Rad®

Color Me Rad is a popular 5K run where participants complete an entertaining course teeming with color stations, eventually culminating in a polychromatic party with music and food. The Company benefits from a rapid expansion of corporate and franchised events of this type that generate \$28 of average revenue per participant with an estimated 2,500+ participants per event.



<https://www.youtube.com/watch?v=BJ1PizsirTQ&feature=youtu.be>



Lantern Fest®

The Lantern Fest brings the community together in a celebration of hopes and wishes for the future. Participants paint the night sky in a spectacular lantern release. These captivating corporate events enjoy an average of 4,000+ participants and \$25 in revenue per participant. This year, management has already planned to double the number of these events, which could result in a 145% increase in revenue over 2015.

<https://www.youtube.com/watch?v=Tfg384SBMOU&feature=youtu.be>

The Dirty Dash®

The Dirty Dash is a “fun run” incorporating a muddy obstacle course that caters to a runner’s inner child. Participants focus on fun and frivolity in a non-competitive way as they help contribute to an honorable charity. This event generates \$29 in average revenue per participant with an estimated 2,200+ participants per event.



<https://www.youtube.com/watch?v=QX6WcnhLmFw&feature=youtu.be>

Trike Riot®



The Company's newest event, Trike Riot, is set to launch in 2016. This one of a kind experience evokes childhood memories of trike rides through the neighborhood, as participants speed through a specially designed course on super-sized trikes. Projections include an estimated \$90 in average revenue per participant and over 2,000 participants per event. This event is sure to ignite interest in family fun and could emerge as the Company's highest operating margin event in the coming years.

https://www.youtube.com/watch?v=o_Y8TA04jCo&feature=youtu.be

Green Endeavors, Inc. (OTCPK – GRNE)

Sack Lunch Productions currently owns 34% of the common stock and 87.6% voting control of the total outstanding votes for Green Endeavors, Inc., an operation in the health and beauty industry. Providing a stable revenue base for Sack Lunch, this segment operates two Aveda Lifestyle Salons and an Aveda retail store. Green Endeavors delivers a wide range of upmarket health and beauty products and services targeted at a high-end clientele. The Landis Lifestyle Salon brand, mission, and highly skilled staff bring quality and excellence to the Utah salon market. Consistently outperform other high-end boutique salons year after year, Green Endeavors generated \$3M of revenue in 2015, with expectations for similar run-rates, going forward.



WG Production Company and Redline Entertainment, Inc.

Sack Lunch Productions owns a majority interest in WG Production Company and Redline Entertainment, Inc., through which it produces its own feature films, contributes to the production of other feature films, and acquires the rights to independent and third-party films for domestic and foreign distribution. Through its subsidiaries, Sack Lunch Productions has successfully produced and distributed 16 independent films to date, and is filling a gap that has huge potential for growth within a niche market by combining industry-leading quality and low cost production with promotion strategies that bring films to a worldwide marketplace.

EXECUTIVE MANAGEMENT TEAM

Richard D. Surber, President

Richard graduated from the University of Utah with a Bachelor of Science degree in Finance and then with a Juris Doctorate with an emphasis in corporate law, including securities, taxation, and bankruptcy. He has served as President and Director of the Company since May of 1999. He also served as an officer and director of the Company's former parent corporation, Axia Group, Inc. (president and director from 1992 until control

transferred in 2004). He has been an officer and director of several public companies, including SAKL's majority owned subsidiary Green Endeavors, Inc. Mr. Surber is licensed to practice law in the State of California and occasionally represents corporate clients on various corporate matters, to which he occasionally devotes a significant amount of time. Mr. Surber has disclosed the fact that he, on occasion, does act as counsel to several companies for which he receives fees for the legal or consulting services provided.

John E. Fry, Jr., Director

Mr. Fry previously served on the Board of Directors of SAKL from 2002 through 2005. Mr. Fry worked for Firestone Tire Company for over 35 years, retiring from a position as a Vice President. He currently works as a business consultant and as a director for various other corporations.

Scott C. Coffman, Director

Mr. Coffman has been appointed as a Director in 2016. Mr. Coffman previously served the Company's subsidiary, Green Endeavors, Inc. as its CFO and director. Mr. Coffman graduated from the University of Utah with a Bachelor of Science degree in Finance and then with a Masters of Business Administration and later returned to the University of Utah for additional master's level accounting coursework.

David Wulf, Director of Event Operations

David Wulf has a bachelor's degree from Emory University a Juris Doctor from the University of Utah and is a licensed attorney in good standing with the state of New York. From 2009 to the present, David has been utilizing his creative talents as a producer and film consultant for the movie production companies WG Productions and Redline Entertainment in Salt Lake City, Utah. He is currently the operations manager to all event companies held by SAKL.

Taylor Russel Gourley, Director of Development and Operations

T.R. Gourley is one of the creators and founders of Slide the City, LLC, and The Lantern Fest, LLC. From January 2010 until December 2013, T.R. was a producer for the movie production company WG Productions in Salt Lake City, Utah. He has a bachelor's degree in history from the University of Utah, giving him a unique perspective that greatly informed his previous experience as a movie producer for Revel Entertainment in Salt Lake City, Utah.

John Malfatto, Director of Marketing and Event Founder

John Malfatto has a degree in Finance and a Master's in Business Administration, Marketing and Accounting. John is also one of the creators and founders of Slide the City and The Lantern Fest. From August 2010 to May 2011, John was an account executive with Redirect, LLC, in Salt Lake City, Utah. He was Director of Marketing for Ragnar Events, LLC, in Kaysville, Utah from August 2008 to June 2010. And Since May 2012 through the date of acquisition by SAKL, John has been President of Operations of Springbok Franchising, LLC, an event franchising company in Cottonwood Heights, Utah.

FINANCIALS

The Company generates revenue from selling admission to its events. For the year ended 2015, event admissions accounted for approximately 56% of revenue, but SAKL maintains an active online presence including social media to promote advanced sales and provide guests convenience and easy entry. SAKL also derives revenue through royalties and fees associated with its branded franchise systems. In addition, franchisees purchase trademarked products, services, event assets, event supplies, event equipment, and promotional items.

Sack Lunch Productions is enjoying tremendous revenue growth as the Company adds events in existing and new cities, along with new international markets. For 2015, the Company recorded \$10.6M in (unaudited) revenue, as compared with \$4.8M in 2014. Not only was it a 121% rise, but was almost \$1M greater than internal targets. Clearly this is not a one-time event. With April 2016 system-wide sales of \$1.79M, management believes total 2016 sales could reach \$18M, which would represent a 70% rise. Moreover, we expect that SAKL will continue to build on its major corporate sponsorships, including Sprite, **Sony (NYSE – SNE)**, Nestle, Nivea, **CBS (NYSE – CBS)**, Razer, **GoPro (NASDAQ – GPRO)**, and Uber.

It is important to note that the Company's financial model enables management to enjoy tremendous revenue visibility and scalability on a corporate and franchise basis.

First, given the broad popularity of its events, it is likely that the same number of events in a given market is renewed each year, and these markets could enjoy even greater penetration via the commencement of other Company happenings. Second, the majority of recorded revenue is in the form of ticket sales. This means that the tickets sold in the weeks or months prior to an event will be carried on the balance sheet as deferred revenue, and converted to the income statement as revenue once the event is held. Other revenue line items include sponsorships from Tier 1 sponsors, franchise fees (which are priced at industry rates), and other business fees. Third, the relative stability of the Green Endeavors business line (\$3M in annual sales) results in little day-to-day oversight or variance in its contribution to the parent company. Since it is a non-core segment, Green Endeavors could be sold or distributed to shareholders, to enable management to focus on the event business.

Huge revenue growth is not the Company's only enviable financial metric. If Sack Lunch Productions meets the \$18M in revenue mark this year, we believe that it could generate gross margin of greater than 60% and as much as \$4M in EBITDA (Earnings before Interest, Taxes, Depreciation, Amortization) given its relatively fixed and event-associated costs. The key will be a strong Q3, which, due to seasonality (the events are outdoor), should account for just under 50% of total revenue.

SAKL believes in giving back to the communities that support it and improving the world we live in. In 2015, SAKL gave over \$500,000 of cash and in kind donations, while providing valuable exposure for all of its charitable partners, some of which include: Boys & Girls Club of American, March of Dimes, YMCA, Rotary International, Canadian Cancer Society, Ronald McDonald House Charities, and USA Cares.

RISK FACTORS

In our view, SAKL's biggest operational risk is also one of its strengths. The Company is dependent upon the renewal of its events along with the ability to attract large crowds by hosting and managing hundreds of successful, local, yet large-scale events all over North America. Other risks include its ability to increase current penetration via cross-sale. Plus, there is always a risk that its franchised partners abroad do not meet the same quality or success as the corporate side, which could harm the company-wide reputation. A heavy concentration of activity and revenue in Q3 to the tune of nearly 50% of total sales is also a major operational risk. However, as events are held in other time zones such as in Australia or South Africa, the occurrence of these events will flatten out to some degree. Finally, competition from larger firms or even from newer entrants is a typical concern and is also consistent with firms of SAKL's size and standing.

Volatility and liquidity are typical concerns for microcap stocks that trade on the over the counter market. Also, the shares outstanding of this stock could increase due to potential capital needs or to execute future acquisitions. However, since the proceeds of any future funding would likely be used in large part to close on M&A or penetrate the market with its flagship offerings, we believe that any dilutive effect from such a funding would be nullified by a related increase in overall market value. Separately, some investors may not understand the Company's model whereby SAKL essentially records "pre-revenue" in the form of pre-event fees which make the balance sheet appear bloated in the near term, and are then converted to revenue, usually within 90 days. This aspect of the model is not a negative. In fact, most management teams would give their left arms to enjoy such visibility.

CONCLUSION

Sack Lunch Productions is enjoying monster top-line growth via the operation of hundreds of family and millennial-targeted outdoor, action-oriented events. Revenue grew to \$10.6M in 2015, up from \$4.8M in 2014, a 121% rise. These include a 1000 foot slip-n-slide, paint-based 5K, muddy obstacle course, and more. SAKL has built and fostered loyal and immersive participants, as evidenced by its 8M online views across multiple platforms.

SAKL enjoys tremendous scalability given its brand recognition, domestic expansion, Tier 1 corporate sponsors, and franchise opportunities abroad. The Company also gives back to the local communities, making \$500K in direct or in-kind donations in 2015.

The SAKL deferred revenue model and diversified businesses provide it with unusual visibility and stability. By accounting for pre-event ticket and other revenue on its balance sheet first for conversion to revenue later, management gains a unique and early understanding of upcoming events. SAKL management believes it is on track to grow revenue to \$18M this year, a 70% jump from 2015. April 2016 system-wide sales were reportedly \$1.79M, a very strong figure for a company that generates nearly 50% of its sales in the third quarter.

Few direct publicly traded comparables exist. However, we believe that **Live Nation (NYSE – LYV)**, a \$7.6B in revenue live entertainment company that derives most of its top-line from ticket sales, may be the most representative model for SAKL. Despite its leadership status, revenue is only growing at 5% per year, and its

operating margin is minimal at less than 2%. As a result, the stock trades at a (nosebleed) 35x EBITDA multiple. Conversely, SAKL is enjoying top-line growth of 70% and an EBITDA margin of over 20%. As a result, we arrive at a target price of \$0.40 for SAKL, which reflects a reasonable 15x EBITDA multiple. Plus, with the tremendous scalability potential on a corporate, franchise, and M&A basis, significant top-line growth and EBITDA expansion could be in the cards in 2017 and beyond. We rate these shares Speculative Buy.

RECENT TRADING HISTORY FOR SAKL

(Source: www.Stockta.com)



SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

DISCLAIMER

This *Opportunity Research* report was prepared for informational purposes only.

Goldman Small Cap Research, (a division of Two Triangle Consulting Group, LLC) produces research via two formats: *Goldman Select Research* and *Goldman Opportunity Research*. The *Select* format reflects the Firm's internally generated stock ideas along with economic and stock market outlooks. *Opportunity Research* reports, updates and Microcap Hot Topics articles reflect sponsored (paid) research but can also include non-sponsored micro-cap research ideas that typically carry greater risks than those stocks covered in the *Select Research* category. It is important to note that while we may track performance separately, we utilize many of the same coverage criteria in determining coverage of all stocks in both research formats. Research reports on profiled stocks in the *Opportunity Research* format typically have a higher risk profile, and may offer greater upside. *Goldman Small Cap Research* was compensated by the Company in the amount of \$2500 for a research subscription service. All information contained in this report was provided by the Company via filings, press releases or its website, or through our own due diligence. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence. Analysts are compensated on a per report basis and not on the basis of his/her recommendations.

Goldman Small Cap Research is not affiliated in any way with Goldman Sachs & Co.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Goldman Small Cap Research* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, or other firms. *Goldman Small Cap Research* relied solely upon information provided by the Company through its filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such information and the opinions expressed are subject to change without notice. A *Goldman Small Cap Research* report or note is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed.

Separate from the factual content of our reports, updates, and articles about the Company, we may from time to time include our own opinions about the Company, its business, markets and opportunities. Any opinions we may offer about the Company are solely our own, and are made in reliance upon our rights under the First Amendment to the U.S. Constitution, and are provided solely for the general opinionated discussion of our

readers. Our opinions should not be considered to be complete, precise, accurate, or current investment advice. Such information and the opinions expressed are subject to change without notice.

This report does not take into account the investment objectives, financial situation, or particular needs of any particular person. This report does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a complete discussion of the risks mentioned. Neither *Goldman Small Cap Research*, nor its parent, is registered as a securities broker-dealer or an investment adviser with FINRA, the U.S. Securities and Exchange Commission or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRESENTATION OF INFORMATION.

For more information, visit our Disclaimer: www.goldmanresearch.com