



January 28, 2021

HOME BISTRO, INC.

(OTC – HBIS)

Sector: Consumer Direct

Segment: Gourmet, Ready-Made Meals

HOME BISTRO, INC.

Pure Play Gourmet Meal Delivery Firm Making All the Right Moves

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January 28, 2021

HOME BISTRO, INC. (OTC – HBIS - \$1.25)

COMPANY SNAPSHOT

Home Bistro provides high quality, direct-to-consumer, ready-made gourmet meals at www.homebistro.com, which includes meals inspired and created by celebrity “Iron Chef” Cat Cora. The Company also offers restaurant quality meats and seafood through its Prime Chop www.primechop.co and Colorado Prime brands.

KEY STATISTICS

Price as of 1/27/21	\$1.25
52 Week High – Low	\$6.0147 - \$0.192
Est. Shares Outstanding	11.4M
Market Capitalization	\$24,3M
Average Volume	1,136
Exchange	OTCPK

COMPANY INFORMATION

Home Bistro, Inc.
 4014 Chase Avenue
 #212
 Miami Beach FL 33140

Web: www.HomeBistro.com
 Email: zalmi@homebistro.com
 Phone : 631.694.1111

INVESTMENT HIGHLIGHTS

Home Bistro is a pure play gourmet meal delivery firm enjoying outsized growth and could emerge as one of the stars of the multi-billion-dollar industry. HBIS’s approach and model represent a major differentiator and should drive enviable sales and profit, going forward.

The HBIS positioning as the go-to, high-end, high quality provider is further enhanced via its exclusive relationship with celebrity Iron Chef Cat Cora. HBIS now offers meals inspired and created by Cat alongside its world class chef-prepared company entrees.

M&A of HBIS competitors illustrates the underlying value for the Company and its segment. Nestle bought a competitor for up to \$1.5 billion to get a footprint in the space.

We believe HBIS will be an active M&A player in 2021. With a highly fragmented market, HBIS can leverage its pubco status.

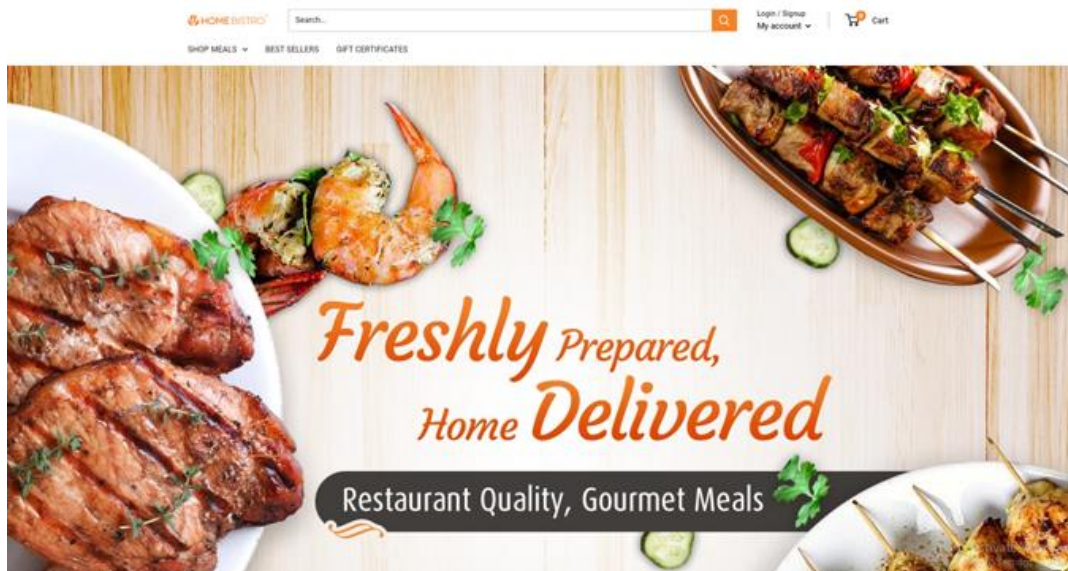
HBIS is enjoying significant sales momentum. The Company just announced online orders for its ready-made gourmet meals increased by approximately 289% in 4Q20.

Our model suggests revenue will grow from \$1.3M in 2020 to \$5.9M in 2021, and \$11M in 2022. Plus, we estimate EPS of \$0.04 and \$0.10 for 2021 and 2022, respectively.

Based on the price/sales multiple afforded the peer group, and our estimates, HBIS could reach the \$3.40 mark in the next 12 months.

COMPANY OVERVIEW

The View from 30,000 Feet



Florida-based **Home Bistro, Inc. (OTC – HBIS)** is poised to take the direct-to-consumer, ready-made meal delivery business by storm. The core of the HBIS model and approach are major differentiators in the fast-growing ready-made meal delivery industry. Operating in a highly fragmented market dominated by DIY meal kit companies and firms offering unexciting basic

recipes, HBIS offers a diverse menu of more than 50 single or combo, high-end gourmet meals which include those inspired and created by celebrity “Iron Chef” Cat Cora. The Company also offers restaurant quality meats and seafood through its Prime Chop and Colorado Prime brands. HBIS delivers to 48 states and its meals are created fresh by world class chefs and flash-frozen to seal in flavor and can be ready in minutes.

The Market

According to Brandessence Market Research and Consulting, the global ready-made meal delivery market is slated to jump from \$3.74 billion in 2019 to \$11.32 billion in 2027, a CAGR of 17.1%. Prepared meal delivery is a service that produces and delivers fresh or frozen, prepared meals to customers in their homes. These services prepare and cook and then individually package pre-portioned meals. A related, high profile segment that competes within the meal delivery arena is the “meal kit market”. In this category, companies ship raw ingredients and recipes for customers to prepare and cook on their own. Growth in the meal kit market was initially spurred by the public perception of subscribing to a healthy alternative to in-person dining, carry-out, foods or meals traditionally cooked in the home. The fastest growing segment of the meal delivery market is the “heat and eat” versus “cook and eat” and they are rarely high-end offerings. In fact, large players in the meal kit space have been acquiring ready-made meal delivery firms (such as HBIS) to gain exposure to this expanding segment.

One of the major underlying trends driving growth is the current COVID-19 pandemic which has shuttered restaurants around the country. In December 2020, the National Restaurant Association noted that 17%, or 110,000 restaurants, have already closed. In response to not being able to visit restaurants, many consumers have either subscribed to or purchased meals from meal delivery firms and this trend is expected to continue for the foreseeable future.



Competitive Advantages

Home Bistro's model is an outlier in the space due to its emphasis on high-quality gourmet meals offered individually or as a meal combo. As a result, these meals are more expensive but do not require minimum purchases or subscriptions. Moreover, by partnering with celebrity chefs such as Cat Cora, the opportunity to eat a celebrity chef's creation is more than worth the extra price. Perhaps this is why HBIS was named to Rolling Stone Magazine's 'Top Holiday Meal Delivery Service' list in December 2020. Going forward, we expect additional celebrity chefs and perhaps non-dinner entrees and meals to become available in 2021/2022.

Forecasts

Management recently announced that online orders for its ready-made gourmet meals increased by approximately 289% in the quarter ended December 31, 2020 compared to the same quarter of the previous year, while the number of online orders in 2020 increased by 144% over 2019. Against this backdrop, our model suggests full year 2020 revenue of \$1.3 million and an operating and net loss of around **(\$1.3 million)** for a loss per share of **(\$0.06)**. However, approximately \$800,000 in expenses were either non-cash (stock related) or associated with the Company's reverse merger and going public.

We believe that revenue growth in 2021 for HBIS could be substantial, as the effect of COVID-19 is an overhang on consumer habits and choices, with an ever-increasing dependence on ready-made meal delivery. In addition, our model suggests that Cat Cora-centric sales will have a big contribution with a full year under its belt and that either another celebrity chef joins the Home Bistro slate, or if a new offering is introduced by mid-year. In addition, the Company has publicly stated that it has been aggressively increasing its advertising budget moving into 2021. A few critical success factors of any direct-to-consumer model are testing and identifying the optimal advertising mix (Google, Facebook, Instagram, influencers, etc.). Once achieved, the model can scale rapidly by simply applying increasing dollars to that optimal advertising mix. We believe from the Company's recent public statements and press releases, HBIS may be closing in on its optimization.

Therefore, for the full-year 2021, we project enviable revenue growth of nearly 300% from 2020's likely levels, to the \$5.9 million mark. We project a major increase in gross margin leading to operating profit of \$847,000, a 14.4% margin. With a small net loss carry-forward, we forecast a net profit of \$852,000, or \$0.04 in EPS.

For 2022, our pro formas suggest revenue of \$11 million, a jump of around 86%, led by sales growth across the board. This strong sales growth should result in operating profit of \$2.36 million, or a margin of 21.5%. In fact, if our operating margin rate is achieved, it would likely make HBIS one of the more profitable companies that participate directly or tangentially in the space. In fact, we estimate EPS of \$0.10, or \$2.0 million.

While we believe MA& is a potential event in 2021 and 2022, we excluded such forecasts or changes to the share count.

Valuation

Most of the companies in the peer group on Table I below are enjoying outsized growth and generally trade in the same price/sales range. The group currently trades at an average multiple of 7.1x current year (2020) sales and 5.5x next year's (2021) projected sales. With 2020 basically in the rear view mirror the group is trading on next year's metric rather than 2020. In our experience, high growth companies tend to begin to trade on their next year's forecasts six months prior to the start of the upcoming year. In this case, we believe that this group will begin to trade on 2022 forecasts in mid-2021. Assuming the metrics hold, HBIS could trade at a slight premium to the group based on its higher growth rate and pure-play meal delivery status with the major value-added kicker of the celebrity chefs. As a result, at a price/sales multiple of 6x 2022E sales, these shares could enjoy a roughly 3x rise to the \$3.40 level in the next 12 months.

THE HOME BISTRO DIFFERENCE

The Bottom Line



In our view, HBIS could emerge as one of the best positioned companies in the ready-made meal delivery market. HBIS CEO Zalmi Duchman, has a history of success as a pioneer in the meal delivery space and is presently positioning the firm as the “go-to” destination, in the lesser crowded “blue ocean” of higher margin, ready-made, gourmet meals. Most of the independent players compete in a “red ocean” of lower priced, lower margin space such as weight-loss, vegan, paleo, etc. As such, with offerings unique to solely to their niche, cannot achieve much profit margin growth. The Company seeks to offer 100% fresh ingredients and it values quality above all else. Thus, its restaurant-quality meals are created by world class celebrity chefs such as Cat Cora. Meals can be purchased individually or as meal

combos ranging from 7-20 meals of varying sizes, and do not require a subscription or selecting an auto ship option.

In addition to the high-end gourmet nature, HBIS meets many dietary requirements including vegetarian, gluten free, dietary friendly, paleo, etc. Average prices for Home Bistro-chef inspired meals average around \$18-22 per entrée while in the Cat Cora selection, the average meal price is about 15% higher. The Company may offer one of the largest selections in the industry with over 50 meals from which to choose. Home Bistro meals are delivered by FedEx or local couriers and each box is packed with insulation and ice to ensure the food stays frozen until delivery. Typical turnaround times are 1-3 days.

HBIS utilizes varied digital marketing strategies and has in-house customer sales and support reps. The Company has been lauded in the press and we expect this is a trend that will continue. In December, *Rolling Stone Magazine* named Home Bistro to its ‘Top Holiday Meal Delivery Service’ list.

(<https://www.rollingstone.com/product-recommendations/lifestyle/best-christmas-dinner-delivery-services-1103252/>)

Plus, HBIS received an incredibly favorable review on *MealDeliveryExperts.com*, in its 2021 Review, earning 4.5 stars. (<https://www.mealdeliveryexperts.com/home-bistro-review/>).

Cat Cora

In an era where companies are seeking to differentiate themselves and while even celebrity chefs (who are also restaurateurs) may be struggling, HBIS has built a win-win model. Viewers of The Food Network and its highly popular shows are surely familiar with Iron Chef Cat Cora and would love to eat one or more of her creations. Now they can. In turn, Cat Cora generates royalties or revenue/income from HBIS sales and builds on her own popularity so that any fan anywhere can have a Cat Cora meal.

Through the exclusive HBIS/Cat Cora partnership, Cat has created a new and exciting line of culinary delicacies with Home Bistro. Thus, the Company's platform offers Cat's Mediterranean inspired cooking to a large consumer base, where they can enjoy healthy, gourmet prepared meals in the comfort of their homes. These home delivered gourmet meals are inspired by Chef Cora's Southern and Mediterranean roots.

Cat Cora is a world-renowned chef, author, restaurateur, contributing editor, television host and personality, avid philanthropist, health and fitness expert, lifestyle entrepreneur and proud mother of six. The Jackson, Mississippi native, who trained at the Culinary Institute of America in New York and went on to cook at two 3-star Michelin restaurants in France. Cora has been captivating audiences since she made her TV debut in 1999, as co-host of Food Network's *Melting Pot* with Rocco Di Spirito. She went on to host *My Country My Kitchen: Greece*, *Date Plate*, and was one of the featured hosts on *Fine Living's Simplify Your Life*.

In 2005, Cat Cora made television history when she became the first-ever female Iron Chef on Food Network's hit show: *Iron Chef America*. After Cat's Iron Chef debut, she was featured extensively on a number of television shows, including as co-host on BRAVO's "*Around the World in 80 Plates*" as well as FOX's "*My Kitchen Rules*." and ABC's "*Family Food Fight*".

Since then, she became the first female inducted into The Culinary Hall of Fame.

Cat has opened more than 18 restaurants across the globe, and her *Wicked Eats by Cat Cora* has over 500 pop-ups across the country.



The Space

According to Brandessence Market Research and Consulting, the global ready-made meal delivery market is slated to jump from \$3.74 billion in 2019 to \$11.32 billion in 2027, a CAGR of 17.1%. Prepared meal delivery is a service that produces and delivers fresh or frozen, prepared meals to customers in their homes. These services prepare and cook and then individually package pre-portioned meals. A related, high profile segment that competes with the ready-made meal arena is the DIY meal kit market.

The COVID-19 pandemic has driven the growth in the meal delivery market since so many restaurants have been shuttered, whether permanently or temporarily, or have capacity limitations. In fact, the National Restaurant Association projects that 17%, or 110,000 restaurants have already closed with many more closures to come, regardless of any reversals due to broad-based vaccinations against COVID. This current environment has prompted four segments to enjoy outsized growth across most demographics with an estimated 50% of sales derived from the 25-44 age group. These include third-party food delivery, third-party meal delivery, meal kit delivery, and ready-made meal delivery.

Third-party food delivery includes firms like Instacart or **Amazon (NASDAQ – AMZN)**, and third-party meal delivery companies include **DoorDash (NASDAQ – DASH)** and **GrubHub (NASDAQ -GRUB)**. The meal kit and ready-made delivery segments are highly fragmented, with 800-pound gorillas, start-ups, and VC-stage companies running the gamut.

Meal kit Companies like **HelloFresh (OTC – HLFFF)**, **Blue Apron (NASDAQ – APRN)**, Sunbasket, and HomeChef do a great deal of advertising as does ready-meal firm Freshly, among others.

To illustrate the heavy positive sentiment of major players in the industry, one just needs to turn to two transactions. **Nestle (OTC – NSRGY)** acquired Freshly in a deal that could be worth up to \$1.5 billion, depending upon milestones. Nestle was looking for a way to obtain a big footprint in the ready-made meal delivery space and has now done that. HelloFresh bought Factor 75 for up to \$277 million to diversify away from the lower valued meal kit segment. Not to be outdone, Europe-based Just Eat Takeaway is acquiring GrubHub for \$7.5 billion to get a foothold in the States. This deal is valued at about 3.4x 2021 sales for what is essentially a pure distribution company. With HelloFresh, Just Eat Takeaway and other firms leading the charge, it appears that Europe is home to the big players in the space and may be enjoying high valuations. In fact, a Norway-based firm called Wolt just raised \$530 million in a venture round.

Looking Ahead

As noted above, we view HBIS as a better positioned player than even larger firms such as Freshly and Factor 75 due to its model and partnerships, and what may be considered an efficient and effective operating model, as noted in the Financials section. Going forward, we believe the Company will sign on an additional celebrity chef or two later this year and possibly engage in a funding to execute an M&A transaction of a company that complements its current offerings or adds distribution and cross-sale opportunities. Given the highly fragmented market (many players with \$1-10 million in annual revenue) and the leverage from HBIS's pubco status, we proffer that the closing of any of these types of initiatives could result in a major increase in market value, offsetting any potential dilution.

HOME BISTRO LEADERSHIP

Zalmi Duchman, Chief Executive Officer

Zalmi has been the Company's CEO since March 2018 and a member of the Company's Board of Directors since April 20, 2020. Previous to running Home Bistro, Zalmi was the CEO of The Fresh Diet, Inc., a company he founded in 2005 and led until July 2013, and which he grew to approximately \$30 million in annual revenue. From July 2013 until The Fresh Diet's sale in August 2014, Zalmi served as its Chairman of The Board. Consequently, Duchman and The Fresh Diet have earned numerous prestigious accolades over the years, including making the Inc. 500 list consecutively in 2010, 2011 and 2012, the Forbes Top 20 Most Promising U.S. Companies List in 2011 and 2012, as well as being an Ernst & Young Entrepreneur of the Year nominee in both 2009 and 2011. The Miami Herald named Duchman as one of Miami's leading 20 under 40.

FINANCIALS SNAPSHOT

(Analyst's Note: The projected revenue and expenses for HBIS found in this report were produced by the analyst with no guidance from the Company, or its management, with the exception of those figures found in HBIS quarterly filings. Thus, future results may differ markedly from these estimates. Future valuation forecasts are also based upon the analyst's estimates for the Company.)

2020 Financials

HBIS position as a publicly traded company is the result of a successful reverse merger transaction which closed in April 2020. Thus, we view 2020 as a building/infrastructure year for the Company. Despite the unprecedented economic environment, HBIS generated substantial growth right out of the gate. This outperformance gives us confidence that HBIS may continue to enjoy enviable top-line growth rates.

For the first 9 months of 2020, HBIS recorded approximately \$965,000 in revenue with an operating loss of around **(\$1.1 million)**. The Company reported that total revenue for three month and nine-month periods ended September 30, 2020 increased 54% and 59%, respectively, compared to the same periods in 2019. Management noted that during the preceding quarters, HBIS established its own food preparation and fulfillment operation, transitioned to a publicly traded company and completed a name change. With these infrastructure issues behind it, we believe that management can focus exclusively on top-line growth and operating efficiency.

As evidenced by preliminary figures just released by the Company for 4Q20, meaningful growth has continued, likely led in part by the recent launch of the Home Bistro's line of meals created by "Iron Chef" Cat Cora, along with the holiday season. Online orders for its ready-made gourmet meals increased by approximately 289% in the quarter ended December 31, 2020 compared to the same quarter of the previous year, while the number of online orders in 2020 increased by 144% over 2019.

Against this backdrop, our model suggests full year 2020 revenue of \$1.3 million and an operating and net loss of around **(\$1.3 million)**, for a loss per share of **(\$0.06)**. The loss for the year includes non-recurring, non-cash charges of about \$812,000. This figure reflects equity-based professional fees, product development costs and

employee compensation. Absent some of the one-time charges for 2021, we believe the scalable infrastructure can foster substantial growth trends with a similar total operating spend, rather than materially higher opex for 2021. For example, opex related to the former legacy business will not be on the books for 2021, even though there was modest income generated from its disposal of these discontinued operations in 2020.

Separately, we have not broken out sales by number of ordered meals and the Colorado Prime segment since management has not yet done so. However, intuitively we believe that the Prime segment accounts for a few hundred thousand in revenue in 2020, with a declining contribution as a percentage of sales going forward, despite some growth via cross-sales.

2021: Major Change Begins

As noted above, we believe that revenue growth in 2021 for HBIS could be substantial, as the effect of COVID-19 is an overhang on consumer habits and choices, with an ever-increasing dependence on ready-made meal delivery. In addition, we expect that consumers will seek to purchase high-end gourmet meals, especially from some of their celebrity chefs, and therefore take advantage of these unique dining deals. Our model suggests that with Cat Cora-centric sales having a full year of sales under its belt, top-line should be strong. Plus, we estimate that either another celebrity chef joins the Home Bistro slate, or a new offering is introduced mid-year. These new products could emerge as sleeper contributors to the Company, as consumers, particularly “foodies” and fans of The Food Network, become active customers.

For the full-year 2021, we project enviable revenue growth of nearly 300% from 2020’s likely levels, to the \$5.9 million mark. Some of the growth may be back-end loaded, especially based on new launches and perhaps related digital marketing campaign expenses increase. Our model suggests a major improvement in gross margin due to the new production and fulfillment center, as well as volume savings. Although some items from 2020 are not going to hit the books in 2021, a reasonable spend in growth (excluding those figures) must occur to meet capital and operating requirements. Thus, we project total opex of \$1.7 million, leaving operating profit of \$847,000, a 14.4% margin. With a small net loss carry-forward, we forecast a net profit of \$852,000, or \$0.04 in EPS. It should be noted we raised the share count nominally to account for potential expansion. However, our forecasts reflect organic growth only, and do not include any new funding, or M&A which could likely be in the cards, given the highly fragmented market and the leverage from HBIS’s pubco status. Thus, we believe that the closing of any of these types of initiatives could result in a major increase in market value, offsetting any potential dilution.

2022: Premium Valuation

For 2022, our pro formas suggest revenue of \$11 million, a jump of around 86%, led by sales growth across the board. Clearly, a greater investment in sales and marketing and more diverse digital marketing campaigns should bear considerable fruit and generate a strong operating performance of \$2.36 million, or a margin of 21.5%. In fact, if our operating margin rate is achieved, it would likely make HBIS one of the more profitable companies that participate directly or tangentially in the space, as we project. EPS of \$0.10, or \$2.0 million. Once again, while we believe MA& is a potential event in 2022, we excluded such forecasts or changes to the share count.

As noted in Table I below, the HBIS peer group is a diverse group that includes pure third-party meal delivery, meal kits, and firms with a presence in meal-ready production and distribution, along with a substantial abroad. There have been a number of transactions closed or pending in the space such as the Just Eat Takeaway acquisition of GrubHub which is to close soon. We did not include forecasts for the combined firm as they continue to trade separately. Still, with Nestle buying Freshly for up to \$1.5 billion to have a presence in the ready-meal delivery arena and HelloFresh buying Factor 75 for up to \$277 million to diversify away from the lower valued meal kit segment, the ready meal delivery space has demonstrated to be worth a premium to most major companies that play here.

Most of the companies in the peer group are enjoying outsized growth and generally trade in the same price/sales range. The outliers DoorDash on the high side and Blue Apron on the low side essentially cancel each other out. Thus, the group trades at an average multiple of 7.1x current year (2020) sales and 5.5x next year's (2021) projected sales. With 2020 basically in the rear view mirror the group is trading on next year's metric rather than 2020. In our experience, high growth companies tend to begin to trade on its next year's forecasts six months prior to the start of the year. In this case, we believe that the group will begin to trade on 2022 forecasts in mid-2021. Assuming the metrics hold, HBIS could trade at a slight premium to the group based on its higher growth rate and pure-play meal delivery status with a major value-added kicker of the celebrity chefs. As a result, at a price/sales multiple of 6x 2022E sales, these shares could enjoy a roughly 3x rise to the \$3.40 level in the next 12 months.

Table I. HBIS Publicly-Traded Peer Group

Company Name	Symbol	Price (1/27/21)	Mkt Cap (mil)	FY20E Revs (mil)	FY21E Revs (mil)	20E - 21E Revs Growth	2020E Price/Revs	2021E Price/Revs
Blue Apron	APRN	\$11.12	\$197	\$458	\$477	4.1%	0.4	0.4
DoorDash	DASH	\$193.07	\$61,330	\$2,850	\$3,690	29.5%	21.5	16.6
Grubhub*	GRUB	\$72.07	\$6,685	\$1,820	\$2,150	18.1%	3.7	3.1
HelloFresh	HLFFF	\$90.05	\$15,697	\$3,641	\$4,900	34.6%	4.3	3.2
	TKAYY	\$10.92	\$16,033	\$2,900	\$4,060	40.0%	5.5	3.9
Average*			\$19,988	\$2,334	\$3,055	25%	7.1	5.5
				FY21E	FY22E	FY21E-FY22E		FY22E
HBIS: Current		\$1.25	\$24	\$5.9	\$11.0	86%		2.2
HBIS: Six Months		\$3.40	\$66					6.0
*Denotes pre-closing of GRUB acq by TKAYY in 1H21								

Sources: www.Yahoo!Finance.com, Company websites, Goldman Small Cap Research

RISK FACTORS

In our view, the Company's biggest risks are related to the economy and the restaurant industry, with secondary risks in the form of company-specific issues. First, given that the Company's core offering is based on high-end, gourmet level meal/food, HBIS may experience fluctuations in procurement by customers that migrate to in-dining once it is universally available, at least on a temporary basis. Second, in a long sales cycle, the meal delivery space may prove to have an inverse relationship to in-dining experiences. In times when consumers are not visiting restaurants, business may be brisk. In times when in-dining experiences are in vogue, meal delivery business may decline. Third, in a difficult economy, consumers may become cost-conscious.

In our view, these risks are well known by the Street and investors. As a result, we believe that HBIS's shares reflect not only these risks, but conventional wisdom appears to be that it may take many quarters before in-dining begins to recover. Moreover, with more restaurants closing, the Company's industry will continue to do well—a thesis affirmed by the recent M&A and private funding transactions noted above.

The next major risk is related to the timing and magnitude of the sales and marketing ramp with the celebrity chefs, and subsequent broad consumer procurement of the Company's offerings. Clearly, an early mover advantage with celebrity chefs is a core, high-value advantage for HBIS, which should negate this risk altogether.

Competitive risks include better or more-encompassing deals, lower pricing, more effective sales/marketing, and greater overall business efficacy. Aside from the economic concerns, the aforementioned risks could come from larger competitors, existing firms, or new entrants. Still, these future concerns are consistent with firms of HBIS's size and standing. Moreover, we believe that HBIS's seasoned management team is prepared to overcome these hurdles and generate significant top-line growth via consistent digital marketing implementations.

Volatility and liquidity are typical concerns for microcap stocks that trade on the over the counter (OTC) stock market. Management may seek to raise funds to fund corporate expansion, debt reduction, and potential M&A. An overriding financial benefit as a public company is the favorable access to and the availability of capital to fund product launches, advanced sales and marketing campaigns and other initiatives. Since the proceeds of any future funding would be used in large part to advance major business development and sales, we believe that any dilutive effect from such a funding could be offset by related increases in market value.

CONCLUSION

Home Bistro is a pure play gourmet meal delivery firm enjoying outsized growth and could emerge as one of the stars of the multi-billion-dollar industry. HBIS's approach and model represent a major differentiator and should drive enviable sales and profit, going forward. The HBIS positioning as the go-to, high-end, high quality provider is further enhanced via its exclusive relationship with celebrity Iron Chef Cat Cora. HBIS now offers meals inspired and created by Cat alongside its world class chef-prepared company entrees.

M&A of HBIS competitors illustrates the underlying value for the Company and its segment. Nestle bought a competitor for up to \$1.5 billion to get a footprint in the space. Separately, we believe HBIS will be an active M&A player in 2021. With a highly fragmented market, HBIS can leverage its pubco status.



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Table II. Home Bistro, Inc.
Pro Forma Income Statement
(\$,000)

	FY20E	FY21E	FY22E
TOTAL REVENUE	\$1,300	\$5,900	\$11,000
Cost of Sales	\$806	\$3,363	\$5,940
Gross Profit	\$494	\$2,537	\$5,060
<i>Gross Margin</i>	38%	43%	46%
Comp. and related expenses	\$550	\$400	\$650
Prof. and related expenses	\$495	\$225	\$375
Product Dev. Expense	\$360	\$200	\$350
Selling and marketing expenses	\$195	\$390	\$600
General and admin expenses	\$205	\$475	\$725
Total Operating Expenses	\$1,805	\$1,690	\$2,700
Operating Income	(\$1,311)	\$847	\$2,360
<i>Operating Income Margin</i>	<i>N/A</i>	14.4%	21.5%
Interest expense	(\$7)	(\$30)	(\$35)
Other income	\$0	\$0	\$15
Total Other Income (Expense)	(\$7)	\$5	(\$20)
Income (Loss) from Cont. Ops	(\$1,318)	\$852	\$2,340
Income from disposal of disc ops	\$92	\$0	\$0
Income Taxes	\$0	\$0	\$351
<i>Tax Rate</i>	<i>N/A</i>	<i>N/A</i>	15.0%
Net Income (Loss)	(\$1,226)	\$852	\$1,989
Diluted Earnings Per Share	(\$0.06)	\$0.04	\$0.10
Wtd. Est. Shares Outstanding	19,422	20,000	20,500

Sources: HBIS, OTC Markets, and Goldman Small Cap Research

RECENT TRADING HISTORY FOR HBIS

(Source: www.StockCharts.com)



SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 25 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.

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