

## HOME BISTRO, INC.

### HBIS Hitting on All Cylinders; On Track to Reach \$3.40 Price Target

Rob Goldman  
[rob@goldmanresearch.com](mailto:rob@goldmanresearch.com)

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#### HOME BISTRO, INC. (OTC – HBIS - \$1.03)

#### COMPANY SNAPSHOT

Home Bistro is a leading online platform, [www.homebistro.com](http://www.homebistro.com), that provides for the creation, production, and distribution of direct-to-consumer, heat-to-eat, celebrity chef inspired gourmet meals, which currently include inspirations developed by "Iron Chef" Cat Cora and soon to launch celebrity chefs Daina Falk and Roblé Ali.

#### KEY STATISTICS

Price as of 6/8/21	\$1.03
52 Week High – Low	\$3.00 - \$0.35
Est. Shares Outstanding	19.4M
Market Capitalization	\$19.9M
Average Volume	11,624
Exchange	OTCPK

#### COMPANY INFORMATION

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

Web: [www.HomeBistro.com](http://www.HomeBistro.com)  
 Email: [zalmi@homebistro.com](mailto:zalmi@homebistro.com)  
 Phone : 631.694.1111

#### INVESTMENT HIGHLIGHTS

**Home Bistro is a one-of-a-kind, pure play gourmet meal delivery firm poised to emerge as one of the stars of the multi-billion-dollar industry.** HBIS's high-end, celebrity chef-focused approach represents a major differentiator and should drive enviable sales and profit.

**1Q21 sales were driven by a 204% increase in orders, with a 104% leap in celebrity chef meals.** Total sales excluded discontinued items, making the performance that much more impressive.

**HBIS boasts 3 high profile celebrity chefs, with more expected to join in the coming months.** The Company has an exclusive relationship with celebrity Iron Chef Cat Cora and added tailgate aficionado Daina Falk and noted street food chef Roblé Ali.

**The pending transition from flash frozen to fresh meal delivery using a unique technology called vacuum skin-packaging should serve as major catalyst to drive sales growth.** This new format will launch next month.

**Our model suggests revenue will grow from \$1.3M in 2020 to \$5.9M in 2021, and \$11M in 2022.** Plus, HBIS could be an active M&A player in 2H21, driving valuation higher.

**Based on the price/sales multiple afforded the industry bellwether, HBIS trades at a substantial discount and could reach our \$3.40 target by year-end.** Separately, HBIS trades above its 50 and 200 DMAs, a bullish technical characteristic.

## COMPANY OVERVIEW

### *Financials Snapshot*

Operating in a highly fragmented market dominated by DIY meal kit companies and firms offering unexciting basic recipes, HBIS offers a diverse menu of dozens of single or combo, high-end gourmet meals which include those inspired and created by celebrity chefs. Since our late January 2021 coverage initiation, **Home Bistro, Inc. (OTC – HBIS)** has been extremely active on the business development and infrastructure front and has achieved a series of key successes. This activity is reflected in the consistent stock trading at volume levels substantially greater than when we first introduced the HBIS story to investors. Recent events and upcoming milestones provide us with confidence that the stock is poised to reach our \$3.40 price target, perhaps as early as the Fall of 2021.

HBIS recorded 2020 revenue of \$1.33M, slightly ahead of our forecast, with a loss per share of (\$0.07), or (\$1.24M). As the Company was in the midst of fully launching its offerings, we are focused on 2021 and 2022 results and milestones. Against this backdrop, we were pleased to see \$350K in sales for Q1, a 15% increase from 1Q20. It should be noted that the sales figures excluded discontinued items, making the performance that much more impressive. Sales of the Company's prepared gourmet meals, including celebrity chef meals increased 104% during 1Q21 versus 1Q20 and the number of orders leaped by 203%.

The Company reported a net loss for the three-month period of (\$521,534) or (\$0.03) per basic and diluted share. This compares to a net loss of \$(79,991) or (\$0.01) per basic and diluted share for the same period in 2020. On the operating side, marketing costs of \$40,730 increased during the first quarter of 2021 due to the expansion of the Company's marketing strategy to include additional channels with the initial shipping of meals from its celebrity chef platform.

In our view, the strong online order growth indicates that that the Company is just beginning to generate enviable traction in the space. Moreover, the recent on-boarding of new celebrity chefs, and transitioning to fresh meal delivery should serve as key catalysts to drive sequential revenue growth and enhanced operating margins. With the expectation of new chefs joining the celebrity chef team this year and the prospect of future targeted M&A execution, our \$5.9M and \$11M top-line estimates for 2021 and 2022 remain unchanged.

### *Noteworthy Events*

In addition to Cat Cora who was signed in 2020, HBIS succeeded in adding two more celebrity chefs in recent months, which increases and diversifies the selection of the Company's already popular, meals. Home Bistro added Daina Falk, author of Amazon Bestseller "The Hungry Fan's Game Day Cookbook" and noted aficionado of classic tailgate cooking, to its growing list of celebrity chefs offering their gourmet cuisine on the Company's platform. Subsequent to the first quarter end, Home Bistro also added Roblé Ali, a former Bravo TV personality and celebrity chef caterer to movie stars and VIPs, to its growing list of celebrity chefs. Mr. Ali is well regarded for his unique style and innovations of "street food" which have made him a household name among the elite culinary crowd.

At the end of the quarter, HBIS announced a strategic partnership with Red Velvet NYC, a subscription-based service specializing in DIY gourmet baking kits. Beginning in July 2021, Home Bistro will begin offering fully prepared desserts from recipes created and developed by Red Velvet, marking a significant step in the evolution of Home Bistro. The Company further differentiates itself from the competition by delivering a complete home-dining experience to discerning consumers, rather than individual meals. We believe that investors should expect similar partnerships of this type to be signed going forward, which will add to its broad offering as well as its reach and distribution.

#### *Catalyst that Re-Shapes the HBIS Offerings*

In a move we believe takes HBIS to a higher level, the Company recently announced that it will be transitioning from its current "flash-frozen" meals to fresh meal delivery utilizing a packaging process known as "vacuum skin-packaging". Vacuum skin-packaging seals the product like a second skin while eliminating air, providing package durability and optimal product presentation, and shelf-life extension. Home Bistro customers will soon receive fresh meals that can last up to 14 days in the refrigerator or, if the customer prefers, can be frozen for future enjoyment. In our view, customers prefer this method versus flash frozen. By year-end, we believe the Company will offer the most diverse set of high-end, celebrity chef designed, fresh meal delivery selections in the space. Home Bistro expects to begin delivery of the fresh, skin-packaged meals by July 2021.

#### *Valuation & Target*

HBIS is grossly undervalued, in our view. At current levels, the shares trade 3.4x our \$5.9M sales forecast for 2021, a substantial discount to the 10.7x figure assigned industry leader DoorDash (NASDAQ – DASH). Interestingly, at the \$3.40 price target level, the shares would still trade at a nearly 30% discount (6.0x 2022E sales) to the 8.8x P/S multiple afforded DASH on its 2022 sales, based on the current shares outstanding. Moreover, **we believe HBIS could be an active M&A player in 2H21**. With a highly fragmented market, HBIS can leverage its pubco status and drive the valuation.

Interestingly, the Company's peers have seen their stocks swoon since our January initiation while HBIS has remained essentially flat. Plus, the stock trades above both its 50 and 200 DMAs—a bullish technical characteristic. We believe that HBIS is still in the early innings of its infrastructure-building and digital marketing campaigns. With the expected addition of upcoming milestones including new chefs, products, partnerships, and a major emphasis on sales growth and execution in 2H21, HBIS appears poised to reach our \$3.40 price target, in the second half of 2021. Therefore, we reiterate our price target expectation.

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

	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>
<b>TOTAL REVENUE</b>	<b>\$1,336</b>	<b>\$5,900</b>	<b>\$11,000</b>
Cost of Sales	\$873	\$3,363	\$5,940
<b>Gross Profit</b>	<b>\$463</b>	<b>\$2,537</b>	<b>\$5,060</b>
<i>Gross Margin</i>	35%	43%	46%
Comp. and related expenses	\$548	\$400	\$650
Prof. and related expenses	\$434	\$225	\$375
Product Dev. Expense	\$360	\$200	\$350
Selling and marketing expenses	\$226	\$390	\$600
General and admin expenses	\$198	\$475	\$725
<b>Total Operating Expenses</b>	<b>\$1,766</b>	<b>\$1,690</b>	<b>\$2,700</b>
<b>Operating Income</b>	<b>(\$1,303)</b>	<b>\$847</b>	<b>\$2,360</b>
<i>Operating Income Margin</i>	<i>N/A</i>	14.4%	21.5%
Interest expense	(\$20)	(\$30)	(\$35)
Other income	\$44	\$0	\$15
Total Other Income (Expense)	(\$7)	\$5	(\$20)
Income (Loss) from Cont. Ops	(\$1,280)	\$852	\$2,340
Income from disposal of disc ops	\$38	\$0	\$0
Income Taxes	\$0	\$0	\$351
<i>Tax Rate</i>	<i>N/A</i>	<i>N/A</i>	15.0%
<b>Net Income (Loss)</b>	<b>(\$1,242)</b>	<b>\$852</b>	<b>\$1,989</b>
<b>Diluted Earnings Per Share</b>	<b>(\$0.07)</b>	<b>\$0.04</b>	<b>\$0.10</b>
Wtd. Est. Shares Outstanding	17,395	20,000	20,500

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

### RECENT TRADING HISTORY FOR HBIS

(Source: [www.StockCharts.com](http://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*.

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