



August 18, 2021

HOME BISTRO, INC.

(OTC – HBIS)

Sector: Consumer Direct

Segment: Gourmet, Ready-Made Meals



HOME BISTRO, INC.

Home Bistro Entering Hyper-Growth Phase; Poised to Hit \$3.40 Target

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August 18, 2021

HOME BISTRO, INC. (OTC – HBIS - \$0.89)

COMPANY SNAPSHOT

Home Bistro is a leading online platform, 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, "Hungry Fan" Chef Daina Falk and soon to launch celebrity chefs Ayesha Curry, Roblé Ali and Claudia Sandoval. Home Bistro's Model Meals lifestyle brand www.modelmeals.com is a Whole30 & Paleo approved, ready-to-eat, meal prep service, offering a weekly rotating menu that is prepared by professional chefs, and delivered in sustainable, eco-friendly packaging.

KEY STATISTICS

Price as of 8/17/21	\$0.89
52 Week High – Low	\$3.00 - \$0.35
Est. Shares Outstanding	21.7M
Market Capitalization	\$19.3M
Average Volume	18,368
Exchange	OTCPK

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

In just six months, Home Bistro has undergone an impressive evolution that should lead to the commencement of a multi-month, hyper-growth phase. HBIS is leveraging its exclusive relationships with popular, celebrity chefs to offer diverse cuisines and meals inspired and created by world class chef-prepared company entrees.

HBIS' celebrity chef meal shipments are poised for a big increase in 2H21. These shipments are jumping from two chef shipments to five by year-end.

Leveraging 30% core business order growth in Q2, HBIS has multiple growth drivers poised to increase annual sales by nearly 200% in 2021 and 2022. Drivers include the migration from flash frozen to fresh/vacuum-skin packaging, and a lifestyle meal prep service brand acquisition being prepped for a nationwide marketing rollout.

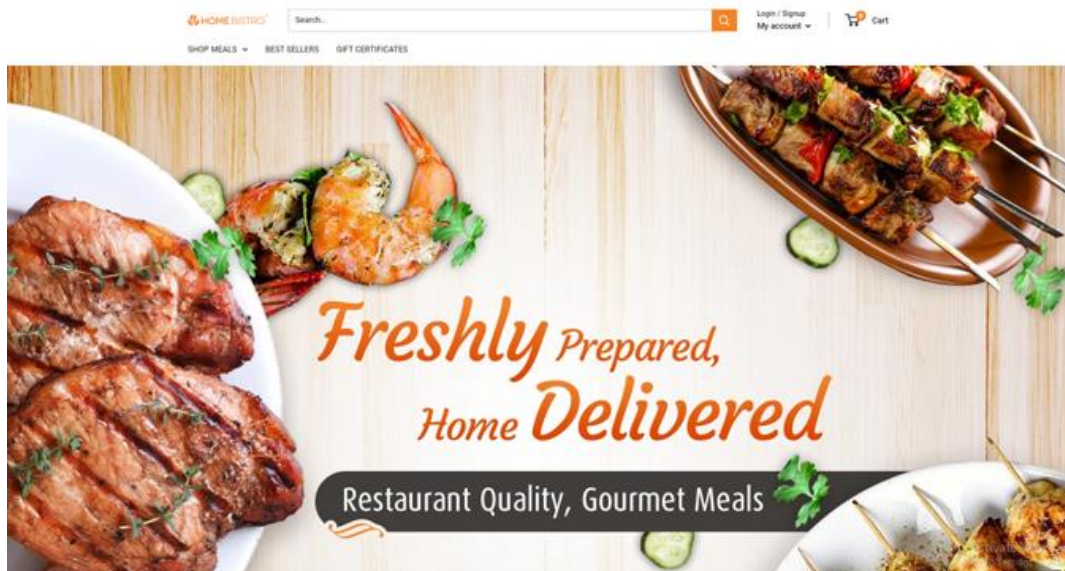
M&A Adds Revenue and Marketing Leverage. The Model Meals transaction adds \$1M+ potential sales in 2H21 and over \$4M in 2022, as its current 3-state sales footprint is ripe for major expansion.

Our forecasts assume sales will jump from \$3.8M in 2021E to \$11M in 2022. Our model assumes strong operating profit and \$0.04 in EPS in 2022.

Our Three-to-Six Month \$3.40 Price Target is a 277% Jump From Current Prices and Upside Potential Exists. The \$3.40 target is based on 7.1x our 2022 revenue estimate—a 38% discount to the bellwether and the same P/S multiple afforded Grubhub when it was acquired in 2021. As Q4 sales traction occurs, the valuation gap should narrow and may prompt an upward target revision.

COMPANY OVERVIEW

The View from 30,000 Feet



When we initiated coverage of Florida-based **Home Bistro, Inc. (OTC – HBIS)** in January 2021 with a \$3.40 price target, we were extremely impressed with the Company’s opportunity and positioning. Given the major moves of late, we are convinced more than ever that HBIS is poised to disrupt the direct-to-consumer, ready-made meal delivery business.

Moreover, we believe that an increase in our price target could be in the offing around the turn of the year, as the Company is about to enter its most important seasons (September - February) and enjoy a hyper-growth phase.

The core aspects 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 currently offers a diverse menu of more than 50 single or combo, high-end gourmet meals inspired and created by five celebrity chefs, many of whom are household names. These include “Iron Chef” Cat Cora, Ayesha Curry, and Claudia Sandoval. Plus, the Company has become bi-coastal with the acquisition of an emerging lifestyle brand, Model Meals, a California-based ready-to-eat, healthy meal offering with customers across three states. While HBIS delivers its core meals to 48 states, the Company plans to offer Model Meals across the continental US as well, versus the current narrow, three-state footprint in which Model Meals operates. Having these meals available essentially nationwide represents strategic leverage and outsized growth potential for HBIS. Plus, its recent move from flash frozen to fresh/vacuum-skin packaging could be a game-changer.

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.

HBIS is enjoying strong demand from its customers, including reorders—a key metric we believe will increase, going forward. In addition, another underlying trend is poised to contribute to the industry’s growth. Given the rising state mask and vaccination mandates plaguing the restaurant industry due to COVID-19, a broad migration away from in-restaurant dining and toward high quality, fresh, meal delivery appears to be building as well. 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 popular celebrity, the opportunity to eat a celebrity chef’s creation is more than worth the extra price. In addition, the Company is leveraging the chefs’ diversity in cuisines and creations, along with lifestyle healthy meal brands such as Model Meals. 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 future targeted acquisitions to occur in 2022.

The Evolution of an Emerging Leader

As mentioned above, HBIS has executed several significant initiatives in the past several months that have had a significant impact on operations. Moreover, these events have substantially de-risked the opportunity and additional moves by year-end serve to only drive its industry standing, popularity and value even higher. Thus, the table below provides a snapshot of this evolution, which we believe will drive revenue, profit, and valuation in the coming months.

Home Bistro Evolution					
	Jan-21		Aug-21		Dec-21
Number of Celebrity Chefs	1		5		5 or more
Celebrity Chef Shipments	1		2		5
Cuisine Diversity	Above Avg		Very Strong		Very Strong
Meal Packaging	Flash Frozen		Fresh/Vacuum Skin		Fresh/Vacuum Skin
Lifestyle Acquisition	N/A		Integration Underway		Integration Complete
Influencer Licensing	N/A		1		1 or more
Reorder Traction	Limited		Growing		Growth Rate Increasing
Marketing	Limited		48 states for HBIS		48 states for HBIS, incl Model Meals
Facility	Standard		Single, State-of-the-art		Bi-coastal
Note: This table reflects GSCR's current and projected evolution for Home Bistro. Source: Home Bistro, Inc., Goldman Small Cap Research					

Forecasts

Management recently 2Q21 results which included a 30% jump in orders for its core chef-inspired meal delivery business, along with a decrease in overall sales as compared to 2Q20 due to the gradual attrition of a discontinuing offline brand that is not germane to the Company's present model. Our adjusted 2021E financial projections reflect the new expectation of a 184% annual increase in revenue to \$3.8M, up from \$1.3M in 2020 and a loss per share of **(\$0.10)**. The revenue projection reduction from our earlier forecast is largely related to the later closing of the Model Meals transaction and delays in completing the migration from flash frozen packaging to fresh/vacuum-skin due to supply chain issues affecting many manufacturers during the COVID-19 pandemic. We maintain our 2022E revenue forecast of \$11M, which represents a 189% jump in overall sales. Our pro formas suggest an operating margin of over 14% (\$1.6M in operating income) and EPS of \$0.04. If consecutive annual sales growth of 184%+ for 2021 and 2022 are achieved, we believe that HBIS could be one of the fastest growing public or private firms in its space.

It should be noted that upside to the top-line estimate for 2022 exists pending future M&A execution, along with new celebrity chefs adds. Profit could also be greater than our \$1.6M operating income and EPS forecasts for 2022, depending upon the product mix and digital marketing efficiency. A few critical success factors of any direct-to-consumer model are testing and identifying the optimal advertising mix (Google, Facebook, Instagram, influencers, etc.). The key takeaway is that the model can scale rapidly by simply applying increasing dollars to that optimal advertising mix. We believe management's experience may aid in achieving this optimization.

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

Valuation

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 and an array of healthy, lifestyle meals. The flurry of milestones in the past six months are both enviable and impressive for a young firm on the cusp of a major top-line and customer growth spurt. The aforementioned 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, which is the heart of the Company's busiest seasons.

With five chefs on the platform, an M&A transaction being integrated into the HBIS family, upside to our model and price target are in the offing, as current outsized order and reorder growth rise later this year. At current levels, the shares trade at a substantial discount to the 11.4x price/sales multiple on 2022E sales, assigned industry leader **DoorDash (NASDAQ – DASH)**---a gap we believe will narrow in the coming months. Conversely, HBIS trades less than 2x our 2022E sales forecast. Even at the \$3.40 level, which represents a 277% jump from its recent close, HBIS would trade at a price/sales multiple of 7.1x, a 38% discount to DASH. Interestingly, the current P/S ratio afforded **Just Eat Takeaway (NASDAQ – GRUB)**, which recently acquired Grubhub is 7.1x for 2022, further affirming our current targeted valuation.

Clearly, HBIS trades at a favorable entry point for opportunistic investors and offers considerable share price appreciation potential.

HOME BISTRO, INC.

A Snapshot



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, in our view. 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 and influencers. 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 celebrity chef selections, the average meal price is about 10-15% higher. The Company may offer one of the largest and diverse selections in the industry with over 50 meals from which to choose. Home Bistro meals are delivered by FedEx or local couriers 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. For example, HBIS received an incredibly favorable review on *MealDeliveryExperts.com*, in its 2021 Review, earning 4.5 stars. (<https://www.mealdeliveryexperts.com/home-bistro-review/>).

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.

Our due diligence suggests that the 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 Just Eat Takeaway. 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, while the current market cap for Grubhub acquirer Just Eat Takeaway is \$18.5B, or 7.1x 2022E sales estimates.

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, partnerships, along with executed and planned acquisitions. Going forward, we believe the Company will sign on an additional celebrity chef or two in the coming quarters, commence a digital marketing blitz for its core and Model Meals offerings later this year and possibly add a company that complements its current offerings or adds distribution and cross-sale opportunities next year. 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.

In the meantime, investors should expect HBIS will commence meal shipments of chef inspired meals from all five HBIS celebrity chefs by year-end, driving broad-based demand and sales growth.

MEET THE CHEFS

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.

Claudia Sandoval



In late June, the Company engaged in a partnership with celebrity chef Claudia Sandoval to create a co-branded line of traditional Mexican ready-made, gourmet meals, to be marketed exclusively on the Home Bistro platform. Chef Claudia is a popular and highly regarded celebrity chef with expertise in Mexican cuisine. In our view, this a great addition to the HBIS group of celebrity chefs given that Mexican food is the 3rd most popular cuisine in the States. Not only does it diversify the menu offering for customers but it also fosters exposure to the influential Hispanic consumer market. Chef Claudia's meals are

expected to be available for purchase on the Home Bistro platform by the end of September. (<https://finance.yahoo.com/news/home-bistro-inc-adds-celebrity-120000377.html>)

Roble Ali

As one of the few young African American faces in the culinary world, influential and charismatic Roblé Ali has quickly established himself as one of the most recognizable and exciting chefs to follow. When he's not running his catering company Roblé & Co., providing delicious food and services for very important people and celebrity clients like Rihanna, Leonardo DiCaprio and President Obama to name a few.

Roblé's flair enabled him to work through the ranks and become the youngest sous chef to ever work at New York City's elite Abigail Kirsch. Later, he worked side by side with Chef Chris Santos of Food Networks Chopped and the opening of his ultra-hip restaurants Stanton Social and Beauty & Essex. Once



Roblé was established as one of the hottest up-and-coming chefs, nightlife mogul, Noah Tepperberg of Marquee

NYC/ LV - Lavo NYC/ LV & Tao NYC/LV hired Roblé as Executive Chef to open Avenue - an exclusive gastro-lounge in Manhattan.

He launched his catering business, Roblé & Co. with his unique and talented team of chefs and event producers. For now, catch Roblé on the Dr. Oz Show as the show's food correspondent or at work on one of his multiple, and highly anticipated projects, which include his soon to be released *The Saucerer*, a book, clothing apparel, philanthropic endeavors and his upcoming restaurant MOMO by Roblé.

Ayesha Curry

Earlier this month, the Company executed a licensing agreement with TV Host, best-selling cookbook author and philanthropist Ayesha Curry. Further to the transaction, Home Bistro, Inc. acquired Ms. Curry's Homemade Meals LLC, a weekly-delivered service of her family inspired recipes, which were sold direct to consumer as well as in major grocery stores.



Curry is a two-time New York Times best-selling cookbook author, television host and producer, and co-founder of the Eat. Learn. Play. Foundation and boasts over 10 million total social media followers. Famous for her no-fuss cooking techniques, Curry will be providing the Home Bistro platform

with ten of her culinary specialties to be sold online. Ms. Curry's signature recipes have proven to be a hit with her fans and we believe her popularity and influence could have a materially favorable impact on sales.

It should be noted that a portion of every meal sold will be donated to a cause helping to fight hunger in the US, which dovetails with Ms. Curry's philanthropic efforts and may serve to raise the Home Bistro brand as well. Home Bistro expects to begin shipping *Ayesha Meals* direct to consumers by October 2021.

With the addition of Ayesha Curry to the Home Bistro celebrity chef and influencer platform, HBIS will soon offer meals from a total of five leading chefs, with others slated to join in the coming quarters, thereby fostering enviable revenue and market share growth ahead. (<https://finance.yahoo.com/news/home-bistro-signs-licensing-agreement-120000269.html>)

Daina Falk

Earlier this quarter, HBIS announced that it has begun shipping Chef Daina Falk "Hungry Fan" meals—the second celebrity chef (after Cat Cora) to have meals shipping via the Home Bistro platform. Chef Daina is well-known for her "Hungry Fan" meals and her media work in and around the professional sports and the Olympics. Her recipes are a fresh take on classic tailgate food, influenced and inspired by the sports legends with whom she has met. Clearly, Chef Daina's



selections expands and differentiates the Home Bistro culinary experience from other market participants. (<https://finance.yahoo.com/news/home-bistro-begins-shipping-meals-120000262.html>).

THE LATEST

In addition to the chef additions, HBIS has executed a series of milestones that are primed to position the Company for major top-line growth, in our view. These achievements include:

- Executing a highly strategic acquisition of a peer
- Introducing its new vacuum-skin packaging technology—a game-changer
- Moving into a new, state-of-the-art culinary facility

Strategic Acquisition

In late 2Q21, HBIS acquired Model Meals, a California-based ready-to-eat, healthy meal service. The transaction was valued at approximately \$2.1 million with the majority of the purchase price paid in shares of the Company's restricted common stock. In our view,



this transaction is a huge event for Home Bistro and therefore, the most important direct catalyst in driving the overall company and share value considerably higher than current levels. In one fell swoop, HBIS has acquired a highly regarded lifestyle brand in the healthy meal space, customers, production, along with distribution and marketing leverage—at a reasonable price.

The most obvious benefits are revenue and customers. This strategic transaction adds material revenue and an underlying, loyal customer base from which to cross-sell other offerings on the Home Bistro platform. Moreover, by incorporating the Model Meals into the Home Bistro family as its own operating entity, HBIS management can broaden the subsidiary's reach far beyond its current three-state West Coast footprint. Separately, HBIS now has dual geographic fulfillment centers which can lower distribution costs and perhaps shorten delivery times as well.

Model Meals was co-founded by college friends Camille May and Danika Brysha, a fashion model and wellness coach, who, through research and personal experience, focused on developing dietary solutions that enhance the health and vitality of individuals while helping to increase energy, mental function, and support a thriving lifestyle. Model Meals generated \$2.2 million in revenue in 2020, including revenue by delivering to just three states - California, Nevada and Arizona. Ms. May and Ms. Brysha will be retained as CFO and CEO, respectively, of the Model Meals subsidiary and we believe will serve as great additions to the overall C-suite.

In addition to acquiring a great lifestyle brand, Model Meals offers a customer base in three western contiguous states (including California). By adding the vacuum skin packaging, HBIS will soon be able to market the Model Meals suite of meals to all 48 states, thereby introducing the popular approach to markets untapped for Model

Meals historically. Furthermore, since it tends to have its greatest success in Sept/Oct and Jan/Feb (key months where Americans attempt to get healthy), we expect major sales contributions in the coming quarters, especially in 2022 where HBIS can consolidate revenue for the entire year. Thus, we believe HBIS could successfully incorporate the Model Meals model and other features as it expands its national footprint with the on-boarding of new customers across the US along with continued M&A. (<https://finance.yahoo.com/news/home-bistro-inc-acquires-model-203000128.html>)

New Packaging Process Enhances Customer Experience

Earlier this quarter, HBIS commenced delivery of fresh meals 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, improved flavor and shelf-life extension. Home Bistro meals were previously shipped flash-frozen to consumers which required defrosting prior to heating.

In our view, this change is significant as this proven, popular delivery system, which, when combined with the underlying delicious celebrity-chef-designed meals, takes the overall consumer experience to a new level. As a result, we believe this shift alone can attract a larger audience than its previous packaging and delivery method. The Company made a significant capital investment in the equipment and technology required for the production of fresh, skin-packaged meals that can now last up to 14 days in the refrigerator or, if the customer prefers, can be frozen at any time for future enjoyment. Investors should look for a second machine to be used by Model Meals in its California facility later in 2021. (<https://finance.yahoo.com/news/home-bistro-begins-fresh-meal-120000253.html>)

Finally, the Company recently announced that it has relocated its east coast operations to a 5,000 square foot state of the art culinary facility in Pembroke Park, FL. This larger facility is a state-of-the-art commissary capable of producing the highest quality and a much higher volume of meals. Clearly, having an increased capacity utilization to produce greater quantities is the next step in the evolution of a company set to enjoy enviable growth. (<https://finance.yahoo.com/news/home-bistro-relocates-east-coast-113000168.html>).

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.)

2021 Financials

Given the flurry of foundation and revenue-building milestones HBIS has achieved this year, we view 2021 as a building/infrastructure year for the Company. Thus, we believe investors should focus on order and reorder trends and utilize late Q3 and Q4 as measuring sticks for the Company. Clearly, investors should be pleased with the outsized order growth in 2Q21 (30%), which was similar to Q1, despite the packaging changes and related challenges, and the closing of a critical acquisition. Moreover, despite the unprecedented economic environment, HBIS' order growth rate during a time when broad marketing campaigns were secondary to the milestones above, the HBIS outperformance gives us confidence that HBIS may continue to enjoy enviable top-line growth rates.

For the first six months of 2021, HBIS recorded approximately \$659,000 in revenue with an operating loss of around **(\$1.4 million)** and loss per share of **(\$0.18)**. Our original 2021E sales estimate of \$5.9M is now reduced to \$3.8M; however, in our view, the absolute dollars are not the key takeaways---order growth and other non-sales achievements that are relevant and paramount. We are not looking in the rear-view mirror when valuing this Company, and recommend investors look ahead as well. Sales were a bit light, particularly in Q2, for the reasons cited above regarding older product attrition, supply chain issues related to the new packaging, and management focused its attention on closing Model Meals. Our full year expectation for operating loss and loss per share are **(\$1.8M)** and **(\$0.10)**, respectively.

As the Model Meals transaction occurred mid-year, HBIS will consolidate only the second half of this year's sales. Thus, we believe it could contribute to around \$1.2M in sales this year, perhaps as much as \$1.5M, as nationwide availability should favorably impact sales. Separately, only 2 of the HBIS celebrity chefs meal shipments will have commenced in Q3 (Cora, Falk), with the remaining 3 commencing in Q4, again serving as order drivers.

2022: Major Change Begins

As noted above, we believe that revenue growth in 2022 for HBIS could be substantial, as the impact of all five celebrity chef shipments occur, national sales rollouts of Model Meals take effect, and the full impact of the migration from flash frozen to fresh fosters consistent demand from existing and new customers. We believe more chefs could be on-boarded and another acquisition may occur although these events are not factored into our model. In general, 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.

For the full-year 2022, we project enviable revenue growth of nearly 200% from 2021's likely levels, to the \$11M mark, with significant contribution from Model Meals (around 40%+ of revenue). Some of the growth may be in

early Q1 and then in late Q3/earlyQ4. However, this flattening out of the sales and demand cycles are favorable characteristics. Model Meals is strong in Sept/Oct (back to school) and Jan/Feb (New Year's healthy eating resolutions) while a major portion of HBIS sales occurs in Nov/Dec. Thus, a majority of sales could be recorded from Sept – Feb, aided by 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 centers on both coasts, the contribution from the higher margin Model Meals, along with volume savings. Gross margin is slated to rise from 32% in 2021 to 46% in 2022.

We currently project total opex of \$3.45M, with sales and marketing expenses of over \$1M, essentially double that of the forecasted spend for 2021, leaving operating profit of \$1.6M, or a 14.6% margin. It should be noted that the correlation between sales growth and digital ad spending holds true, which is why our sales and marketing expense figure is so high relative to 2021.

With a small net loss carry-forward, we forecast a net profit of \$977K, 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.

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.

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. Finally, the Model Meals national rollout may have fits and starts or demand may not be as robust, thereby impacting our forecasts.

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

In just six months, Home Bistro has undergone an impressive evolution that should lead to the commencement of a multi-month, hyper-growth phase. HBIS is leveraging its exclusive relationships with popular, celebrity chefs to offer diverse cuisines and meals inspired and created by world class chef-prepared company entrees. HBIS' celebrity chef meal shipments are poised for a big increase in 2H21. These shipments are jumping from two chef shipments to five by year-end.

Leveraging 30% core business order growth in Q2, HBIS has multiple growth drivers poised to increase annual sales by nearly 200% in 2021 and 2022. Drivers include the migration from flash frozen to fresh/vacuum-skin packaging, and a lifestyle meal prep service brand acquisition being prepped for a nationwide marketing rollout. M&A Adds Revenue and Marketing Leverage. The Model Meals transaction adds \$1M+ potential sales in 2H21 and over \$4M in 2022, as its current 3-state sales footprint is ripe for major expansion.

Our forecasts assume sales will jump from \$3.8M in 2021E to \$11M in 2022. Our model assumes strong operating profit and \$0.04 in EPS in 2022. Our 3-6 month \$3.40 Price Target is a 277% Jump From Current Prices and Upside Potential Exists. The \$3.40 target is based on 7.1x our 2022 revenue estimate—a 38% discount to the bellwether and the same P/S multiple afforded Grubhub when it was acquired in 2021. As Q4 sales traction occurs, the valuation gap should narrow and may prompt an upward target revision.

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

	FY20A	FY21E	FY22E
TOTAL REVENUE	\$1,336	\$3,800	\$11,000
Cost of Sales	\$873	\$2,584	\$5,940
Gross Profit	\$463	\$1,216	\$5,060
<i>Gross Margin</i>	35%	32%	46%
Comp. and related expenses	\$548	\$500	\$675
Prof. and related expenses	\$434	\$1,550	\$1,200
Product Dev. Expense	\$360	\$0	\$0
Selling and marketing expenses	\$226	\$550	\$1,025
General and admin expenses	\$198	\$425	\$550
Total Operating Expenses	\$1,766	\$3,025	\$3,450
Operating Income	(\$1,303)	(\$1,809)	\$1,610
<i>Operating Income Margin</i>	<i>N/A</i>	<i>N/A</i>	14.6%
Interest expense	(\$20)	(\$900)	(\$700)
Other income	\$44	\$500	\$200
Total Other Income (Expense)	(\$7)	(\$400)	(\$500)
Income (Loss) from Cont. Ops	(\$1,280)	(\$2,209)	\$1,110
Income from disposal of disc ops	\$38	\$0	\$0
Income Taxes	\$0	\$0	\$133
<i>Tax Rate</i>	<i>N/A</i>	<i>N/A</i>	12.0%
Net Income (Loss)	(\$1,242)	(\$2,209)	\$977
Diluted Earnings Per Share	(\$0.07)	(\$0.10)	\$0.04
Wtd. Est. Shares Outstanding	17,395	23,000	24,000

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

RECENT TRADING HISTORY FOR HBIS

(Source: www.StockCharts.com)





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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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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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