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## Smart for Life (NASDAQ: SMFL) - Buy

August 29, 2022

### Acquiring Health & Wellness: Stated Goal: \$300M by 2024

*Smart for Life is an acquisition-driven growth story focused on the development, marketing, manufacturing, and sale of a broad selection of nutritional and related products focused on health and wellness. The company is executing a buy-and-build strategy with accretive acquisitions and, in doing so, is creating a vertically integrated company. The stated goal is to realize \$300M in revenues by 2024. We have evaluated the products (I'm a user), and after numerous discussions with management, we believe they can do it! Stay focused and in shape.*

**Smart for Life:** The company's goal is the development, marketing, manufacturing, acquisition, operation, and sale of a broad spectrum of nutritional and related products with an emphasis on health and wellness. The company is executing a buy-and-build strategy with serial accretive acquisitions creating a vertically integrated company with an objective of aggregating companies generating a minimum of \$300 million in revenues by 2024. To drive this growth and earnings, the company is developing its proprietary products and acquiring other profitable companies, encompassing brands, manufacturing, and distribution channels.

**Manufacturing & Marketing:** The company has in-sourced manufacturing with the acquisition of Bonne Sante, which over time should allow them to leverage that capability as additional acquisitions are made. In addition, the company acquired Nexus. Nexus operates a network platform in the affiliate marketing space. Affiliate marketing is an advertising model in which a product vendor compensates third-party digital marketers to generate traffic or leads for the product vendor's products and services.

#### An Acquisition Driven Model:

- **Bonne Sante:** (March 8, 2018) for a purchase price was \$2.1M.
- **Smart for Life/Doctors Scientific Organica:** (February 11, 2020) for a purchase price of \$12M.
- **Nexus:** (July 21, 2021) for \$6M.
- **GSP, the Sports Illustrated Brand:** (November 29, 2021) for a purchase price was \$0.425M.

**A Robust Acquisition Pipeline:** The plan is to reach \$300M by 2024. The next acquisitions should be progressively more significant – say \$50M in revenues allowing the company to generate free cash flow.

**Valuation:** Our valuation for Smart for Life is based on revenue projections out to 2030. We assume a middle-of-the-road risk rate of 15% as the company currently has revenues and has already executed several acquisitions successfully in line with its business plan. The stated goals of \$300M in revenues by 2024 look to us to be achievable. Our model assumes the company does raise additional capital, so our valuation math is based on the 2030 fully diluted share count. Our valuation models: Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP), use a 15% discount rate. The result of these three models is then equal-weighted and averaged, and rounded to the nearest whole number to provide a 12-month target price.

**Risks to our thesis include:** 1. Financing Risk; 2. Acquisition Risk; 3. Organic Growth of Brands; 4. Market Development; 5. International Expansion 6. IP 7. FDA-Regulatory

**Jason H. Kolbert**  
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Current Price \$0.53  
Price Target \$8.00



Source: Smart for Life

Stock Data		
52-Week Range	\$0.38 -	\$3.25
Shares Outstanding (mil.)		31.9
Market Capitalization (mil.)		\$17
Enterprise Value (mil.)		\$17
Debt to Capital		0%
Book Value/Share		-
Price/Book		-
Average Three Months Trading Volume (K)		342
Insider Ownership		42.8%
Institutional Ownership		0.8%
Short Interest (mil.)		4.5%
Dividend / Yield		\$0.00/0.0%



**Company Description:** *(adapted from the company's filings):*

Smart for life is engaged in the development, marketing, manufacturing, acquisition, operation, and sale of a broad spectrum of nutritional and related products with an emphasis on health and wellness. Management has structured the company as a global holding company. The plan is to execute a buy-and-build strategy with serial accretive acquisitions creating a vertically integrated company with an objective of aggregating companies generating a minimum of \$300 million in revenues within the next thirty-six months. The plan then is to acquire accretive companies and support them to drive growth by developing proprietary products and other synergies offered across the various companies.

Smart for life also operates a network platform in the affiliate marketing space. Affiliate marketing is an advertising model in which a product vendor compensates third-party digital marketers to generate traffic or leads for the product vendor's products and services. The third-party digital marketers are referred to as affiliates, and the commission fee incentivizes them to find ways to promote the products being sold by the product vendor.

**The Business Model** *(adapted from the company's filings):*

The company's goal is to develop a comprehensive program to both maintain a robust pipeline of prospective acquisitions and support the existing, acquired companies (brands) which it operates. Along these lines is a management team with significant experience in locating and evaluating prospective target operating companies and a network of outside agents who work with management on possible acquisitions. Given the fact that the nutritional products industry is highly fragmented, with a large pool of companies generating less than \$20 million in revenues, there is significant opportunity for industry consolidation.

Management has stated its goal to acquire target companies utilizing a combination of cash, promissory notes, earnouts, and public company stock, generally at 4x to 6x trailing adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization). The objective is to pay no more than 60% cash on any acquisition that the team executes (going forward), with a target of 50%. The remainder is allocated between stock and a note and/or earnout with a heavier weighting toward the former. This strategy is viewed as providing three distinct benefits to the principles of an acquisition—first, a significant liquidity event. Second is the creation of a significant equity position in an emerging growth public company. Third, ongoing employment at customary industry compensation.

Management has stated that over the next 24 months, the goal is to acquire multiple companies aggregating a minimum of \$100 million in annualized revenues, with the number of prospective acquisitions in the pipeline representing over \$50 million in additional revenue. While today the company does not have sufficient capital to complete these acquisitions, this may change as the company achieves cash flow positive status. In the short term, management has said they intend to raise capital for additional acquisitions primarily through debt financing at the operating company level, additional equity offerings by the company, or by undertaking a combination of any of the above. We assume dilution as part of our model.

**Acquisition History**

**Bonne Sante:** On March 8, 2018, the company acquired 51% of Millenium Natural Manufacturing Corp. and Millenium Natural Health Products Inc., today is known as Bonne Sante Natural Manufacturing. The purchase price was \$2.1M. We note that the company, on October 8, 2019, entered into an agreement to acquire the remaining 49% of these companies for a purchase price of \$100K.

Bonne Sante operates a 22,000-square-foot manufacturing facility in Doral, Florida. This facility primarily focuses on the contract manufacturing of vitamins and supplements, with a particular emphasis on the production of tablets, capsules, and powders, along with turnkey solutions for packaging these health and wellness products in a wide variety of bottles, jars, sachets and stick packs. From inception through December 31, 2021, it has manufactured nutritional products for approximately 240 companies, and during the year ended December 31, 2021, it manufactured nutritional products for approximately 25 companies. We also note that Smart for Life, or DSO, operates a 30,000-square-foot manufacturing facility in Riviera Beach, Florida (more food-focused). This facility is primarily focused on the production of natural health and wellness meal replacement products, including nutrition bars, cookies, soups, and shakes, as well as some vitamin and supplement capabilities such as powders.

**Exhibit 1. Bringing Manufacturing In-House**



**Bonne Santé Natural Manufacturing, Inc.**  
[www.bonnesantemanufacturing.com](http://www.bonnesantemanufacturing.com)



- **SFL completed the acquisition of Millennium Natural Manufacturing based in Miami FL**
  - Rebranded as Bonne Santé Natural Manufacturing in 2020
  - Contract manufacturer of vitamins, sports nutrition and other health supplements
- **State-of-the-art FDA-certified facility with capacity to achieve \$15 million of annual revenues**
- **Clients across the USA, South America and Europe**
- **Executed a three-year \$15 million contract manufacturing agreement with Twinlab, the 50-year-old supplement brand**

*Source: Smart for Life, Inc.*

**Smart for Life: Doctors Scientific Organica (DSO):** On February 11, 2020, the company initiated (amended on July 7, 2020, and June 4, 2021); the acquisition of Doctors Scientific Organica, LLC d/b/a Smart for Life, Oyster Management Services, Ltd., Lawee Enterprises, L.L.C., and U.S. Medical Care Holdings, L.L.C. On July 1, 2021, the acquisition was completed. The total purchase price was \$12M (subject to adjustment), comprised of (i) \$6M in cash (subject to adjustment), (ii) a 6% secured subordinated convertible promissory note in the principal amount of \$3M and (iii) a 6% secured subordinated promissory note in the principal amount of \$3M. We take note that the company established a Canadian Subsidiary (Smart for Life Canada Inc.) as a wholly owned subsidiary of Doctors Scientific Organica, LLC. This subsidiary sells retail products through a retail store located in Montreal, Canada, and the same location also acts as a distribution center for international direct-to-consumer and big box customers.

**Acquisition of Nexus.** On July 21, 2021, the company entered into a securities purchase agreement, which was amended on November 8, 2021, to acquire all of the issued and outstanding capital stock of Nexus Offers, Inc., or Nexus. On November 8, 2021, the acquisition was completed. The total purchase price was \$6M (subject to adjustment), comprised of (i) \$2.2M in cash (subject to adjustment), (ii) a 5% secured subordinated convertible promissory note in the principal amount of \$1.9M and (iii) a 5% secured subordinated promissory note in the principal amount of \$1.9M.

**What is Nexus?** Nexus operates a cost-per-action/cost-per-acquisition network. This network consists of hundreds of digital marketers who stand ready to market products introduced to the Nexus network. The cost per action/cost per acquisition model is where digital marketers are paid for an action (e.g., a product sale or lead generation) that is taken as a direct result of their marketing efforts. Through the digital marketer's method of marketing, the digital marketer sends traffic to one of the product vendor's offers listed on the network.

**Exhibit 2. What is Nexus?**



**Nexus Offers, Inc.**  
[www.nexusoffers.com](http://www.nexusoffers.com)

- **Acquisition Provides Enhanced Digital Marketing Platform for Smart for Life® Products**
  - Nexus operates a cost per action/cost per acquisition network experiencing high demand
  - The products on the network come from advertisers which pay Nexus a specific amount per sale
- **Significant synergies with existing portfolio companies**
  - Nexus technology and marketing expertise can drive additional awareness and revenues for all Smart for Life brands
- **Approximately \$5M in Revenue and growing**

*Source: Smart for Life, Inc.*

Nexus' has relationships with both product vendors and digital marketers. A product vendor is a Nexus customer that has products, whether digital or physical, for sale and is looking for increased sales through digital marketing avenues from digital marketers. Digital marketers are Nexus contractors that engage in digital marketing. An example of a digital marketer is someone who has a strong Facebook following or a strong knowledge of Facebook ad marketing. Other examples include Google ad marketing or email marketers who send marketing messages to an opted-in list of subscribers. Historically, Nexus' customers consisted exclusively of owners of digital products that were also delivered digitally.

**How Does Nexus Work?** Following the acquisition of Nexus, the stage is set to promote acquired brands. Nexus can use its online marketplace to market nutraceutical products through its network of digital marketers. Nutraceutical product companies can then sell and physically deliver the nutraceutical products to the end users identified through the efforts of digital marketers. Nexus has the ability to "plug and play" with any of the products sold by companies that we may acquire in the future, as we can take the consumer-facing products being sold by those companies and seamlessly add them to the Nexus network to generate sales. Product vendors come to Nexus to increase sales of their products, and digital marketers come to Nexus to receive a commission in exchange for their marketing efforts, which are designed to generate sales for the product vendors. When a digital marketer's marketing efforts result in a sale of a product by a product vendor, the digital marketer is then credited with a commission. The product vendor is billed weekly for the sales that the product vendor makes during the week as the result of such digital marketers' marketing efforts. The product vendor pays Nexus and Nexus pays the digital marketer. This is an anonymous transaction as digital marketers, and product vendors are only defined inside the marketplace by an offer name (product vendor) and an affiliate number (digital marketer).

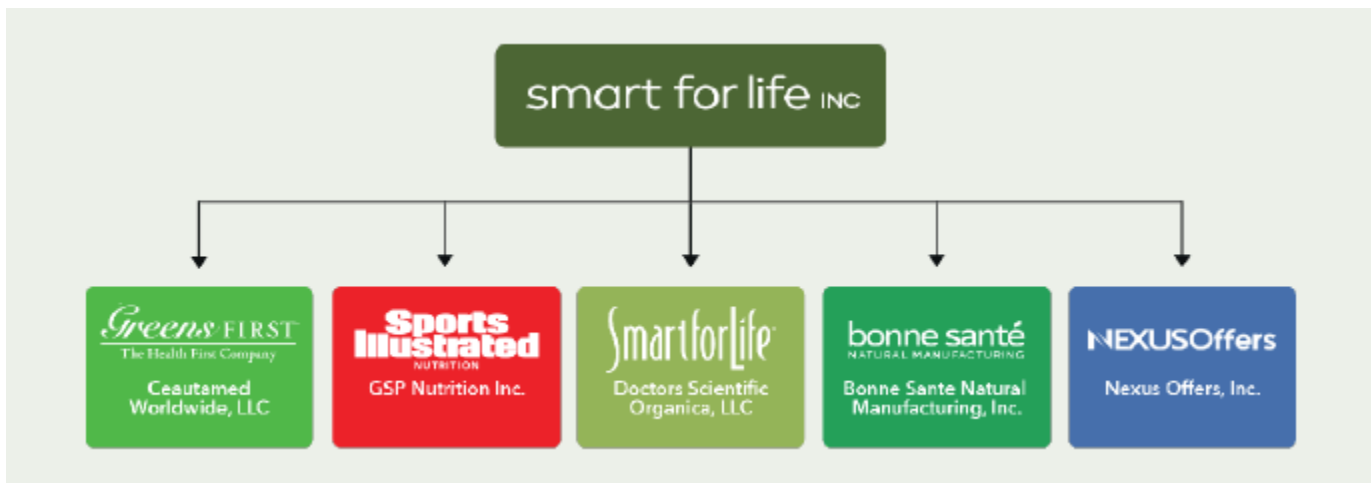
**Acquisition of GSP.** On November 29, 2021, the company entered into a contribution and exchange agreement to acquire all of the issued and outstanding capital stock of GSP Nutrition Inc., or GSP. On December 6, 2021, the acquisition was completed. The total purchase price was \$0.425M, payable in 85,000 shares of common stock, half of which were issued on December 6, 2021, and the remaining of which were issued upon closing of the initial public offering on February 18, 2022.



GSP represents the Sports Illustrated Brand, a sports nutrition company. It offers nutritional supplements for athletes and active lifestyle consumers through a variety of wellness solutions and delivery methods, including powders, tablets, and soft gels that are formulated to support energy and performance; nutrition and wellness; and focus and clarity. GSP's initial line of nutritional products is marketed under the Sports Illustrated Nutrition brand. The product line currently consists of whey protein isolate powder, tablet supplements for joint health, nitric oxide, post-workout blends, Omega-3 supplements, and pre-workout supplements, among others.

Sports Illustrated brand is one of the most recognized brands in sports and athletics. GSP has a license for the exclusive use of the Sports Illustrated brand (excluding the Sports Illustrated Swimsuit brand for which it has a right of the first offer under the license) for certain dietary and nutritional supplements, in each case to be sold to/through certain approved accounts in the United States and Canada.

### Exhibit 3. Growth Through Accretive Acquisitions



Source: Smart for Life, Inc.

### Exhibit 4. The Products – “From my Dining Room Table”



Source: Smart for Life & Dawson James

**Exhibit 5. The Products – “From my Dining Room Table” - 2**



Source: Smart for Life & Dawson James

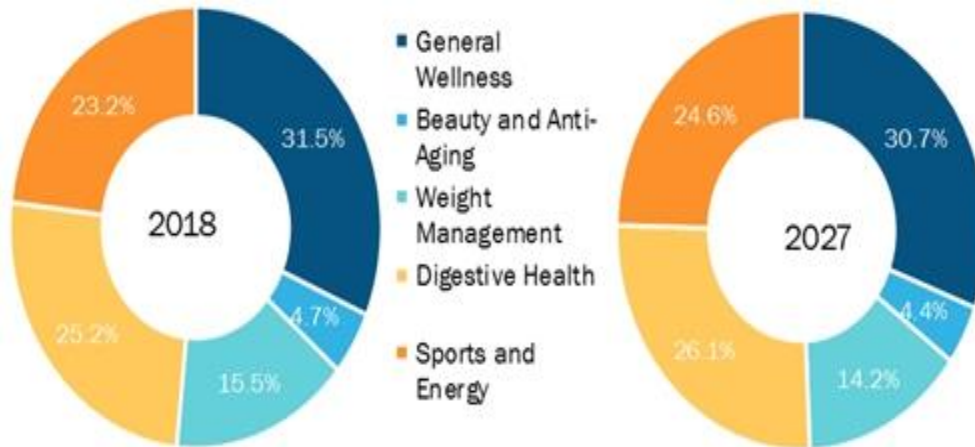


Source: Smart for Life & Dawson James

## The Market Opportunity – The Nutraceutical Industry

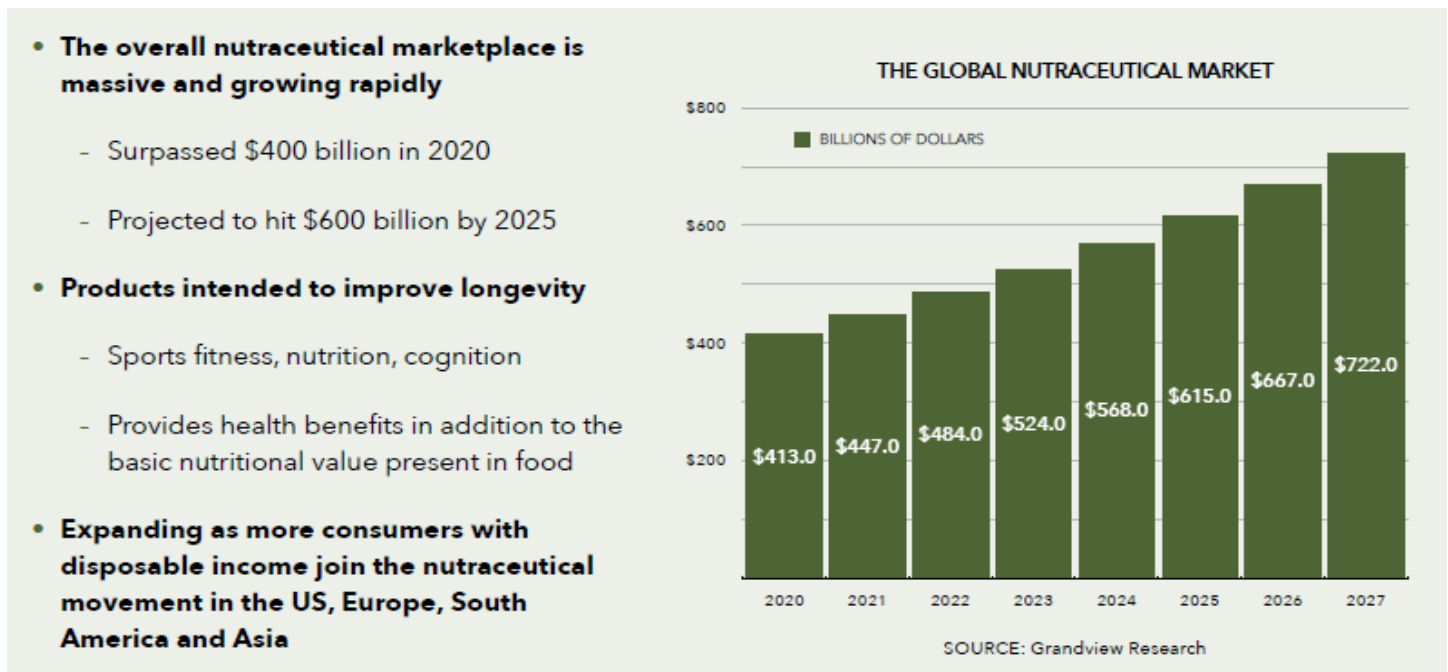
The nutraceutical industry focuses on nutritional supplements intended to improve longevity and sports fitness and provide health benefits in addition to the basic nutritional value present in food. Most people are familiar with various nutraceutical products—and have likely used them—even if they are unfamiliar with the industry name. Nutraceuticals comprise such commonly used items as herbal products, specific diet products, vitamins, processed foods and beverages, functional foods, isolated nutrients, and other dietary products. Functional foods are foods that have a potentially positive effect on health beyond basic nutrition. A familiar example of functional food is oatmeal because it contains soluble fiber that can help lower cholesterol levels. Some foods are also modified to have health benefits. An example is orange juice that has been fortified with calcium for bone health.

### Exhibit 6. The Market Opportunity



Source: Council for Responsible Nutrition

**Exhibit 7.** According to a study by Grand View Research, Inc., the global market for nutraceuticals is projected to grow from \$412 billion in the year 2020 and reach \$722 billion by 2027, growing at a compound annual growth rate, or CAGR, of 8.3% over the analysis period. The nutraceuticals market in the United States is estimated at \$104.5 billion in the year 2021, according to Global Industry Analysts Inc. The U.S. currently accounts for a 34.57% share of the global market. Among the other noteworthy geographic markets are China, Japan, and Canada, each forecast to grow at 9.6%, 6.3%, and 6.7%, respectively, over the analysis period. Within Europe, Germany is forecast to grow at approximately 7.1% CAGR.



Source: Grand View Research, Inc.

## Why Smart for Life? (adapted from the company's 10k)

**Proprietary manufacturing facilities.** As described earlier, Bonne Sante (BSNM) and Smart for Life or DSO own and operate proprietary manufacturing facilities, which allow for a high level of managerial control over all aspects of production, including sourcing, logistics, and maintaining the highest levels of quality during the manufacturing process. Through direct ownership, the company is able to optimize its sales and marketing practices and provide a completely integrated approach, all solidified by a single manufacturing platform for capsules, tablets, powders, and various other delivery methods for all vitamins and supplements. In addition, as a private label contract manufacturer for third parties, the company can provide a turnkey solution for brands and retailers who want to minimize their supply chain disruption and maximize their control over product flow to end customers. In addition, as a middle market-sized contract manufacturer, the company is not encumbered by the often overly complex processes that their larger competitors may have. It can be nimble and highly adaptable, “flexing” with its customers’ needs as they change over time, which allows the company to better service its ever-expanding international client base. This allows the company to maintain a competitive advantage due to its vertically integrated operational control. This vertical integration also allows the company to minimize intellectual property and data security risks while also eliminating costs, improving focus, optimizing quality, and launching with a faster time-to-market for new products. The company retains control over every step of the manufacturing process, allowing it to establish its own institutional advantages and maximize efficiencies.

**Established and trusted brands.** Smart for Life or Doctors Scientific Organica (DSO) and Sports Illustrated Nutrition are well-established brands in the health and wellness industry. In particular, Smart for Life products is currently sold in many of the largest big-box retailers in the United States and Canada, including Costco, Walmart, Sam’s Club, BJ’s, and Publix, as well as through online channels such as Amazon. DSO has established a dedicated following of consumers that are strong believers in the high-quality vitamins and supplements it sells to its customers, along with the eco-friendly and bio-degradable packaging, with Amazon sales numbers continuing to increase as a result. The Sports Illustrated brand is one of the most recognized brands in sports and athletics. In connection with the acquisition of GSP, they acquired a license for the exclusive use of the Sports Illustrated brand (excluding the Sports Illustrated Swimsuit brand, for which the company has the right of the first offer under the license) for certain dietary and nutritional supplements, in each case to be sold to/through certain approved accounts in the United States and Canada.

### Exhibit 8. Smart for Life

**DOCTORS SCIENTIFIC ORGANICA™**

**SmartforLife**

**Doctors Scientific Organica**  
[www.dsonutrition.com](http://www.dsonutrition.com) | [www.smartforlife.com](http://www.smartforlife.com)

- **Manufacturer of Health & Wellness foods and supplements, including ownership of the “Smart for Life” weight loss brand**
  - Taste is a significant differentiator, with dedicated customers as well as eco-friendly and bio-degradable packaging
  - Proprietary manufacturing process at our facility in South Florida is key to the success of our health food line
- **Selling products in various big box retailers including: Costco, Walmart, BJs and Sam’s Club**
  - Manufacturing products for our own brands as well as numerous highly visible brands to service their needs
- **Growth through direct-to-consumer initiatives and Amazon**

**Costco WHOLESALE** **Walmart**


**amazon** **sam’s club**

1

Source: Smart for Life, Inc.




## Exhibit 9. Green's First



**Ceautamed Worldwide**  
[www.greensfirst.com](http://www.greensfirst.com)

- Recently completed acquisition of Ceautamed Worldwide, LLC, owner of the Greens First line of branded products
  - Greens First specializes in antioxidant rich supplements, plant-based protein, alkalizing nutrients weight management
  - Primarily sold in doctor channels, as a simple solution for people that do not eat enough vegetable in their diet - Greens First has been the "vegetables" in a capsule / powder solution for over 10 years
- Ceautamed has historically utilized third-party contract manufacturing that will migrate to Smart for Life
  - Major opportunity to leverage SMFL's expertise for online distribution of Greens First products
- \$5 million of sales across a variety of branded products and growing



Source: Smart for Life, Inc.

**Client-focused innovative research and development.** The company has its own research and development team. This should add value to the company and its customer base. The goal is for the company to be "technology-driven," leveraging technology, science, and innovation in its research and development efforts. This allows the company to work with its clients to create and develop new and exciting products. Working directly with its customers in the corporate research and development labs to create innovative solutions that create value in a timely manner. The team works closely with physicians to create novel, wholesome products that add nutritional and functional value.

**Ability to market through a captive marketing subsidiary.** We believe that the company's subsidiary, Nexus, allows them to access a broad spectrum of marketing tools to be utilized across the entire spectrum of their products. Having an experienced management team and an existing customer base accessible to all of the brands in their portfolio should support the company in driving sales and revenue of existing products as well as testing new product offerings generated through its research and development.

**Referral-only network based on long-term relationships.** Nexus operates a referral-only network, meaning that all of its digital marketers are referred. There is no way to get a Nexus account other than being directly referred by a known good account holder. This allows Nexus to stem any fraudulent traffic, which translates into a competitive advantage for product vendors. Nexus has also established long-term relationships with its product vendors and offers competitive bonuses for its digital marketer base. These factors set Nexus apart from its competition.

### Growth Strategies

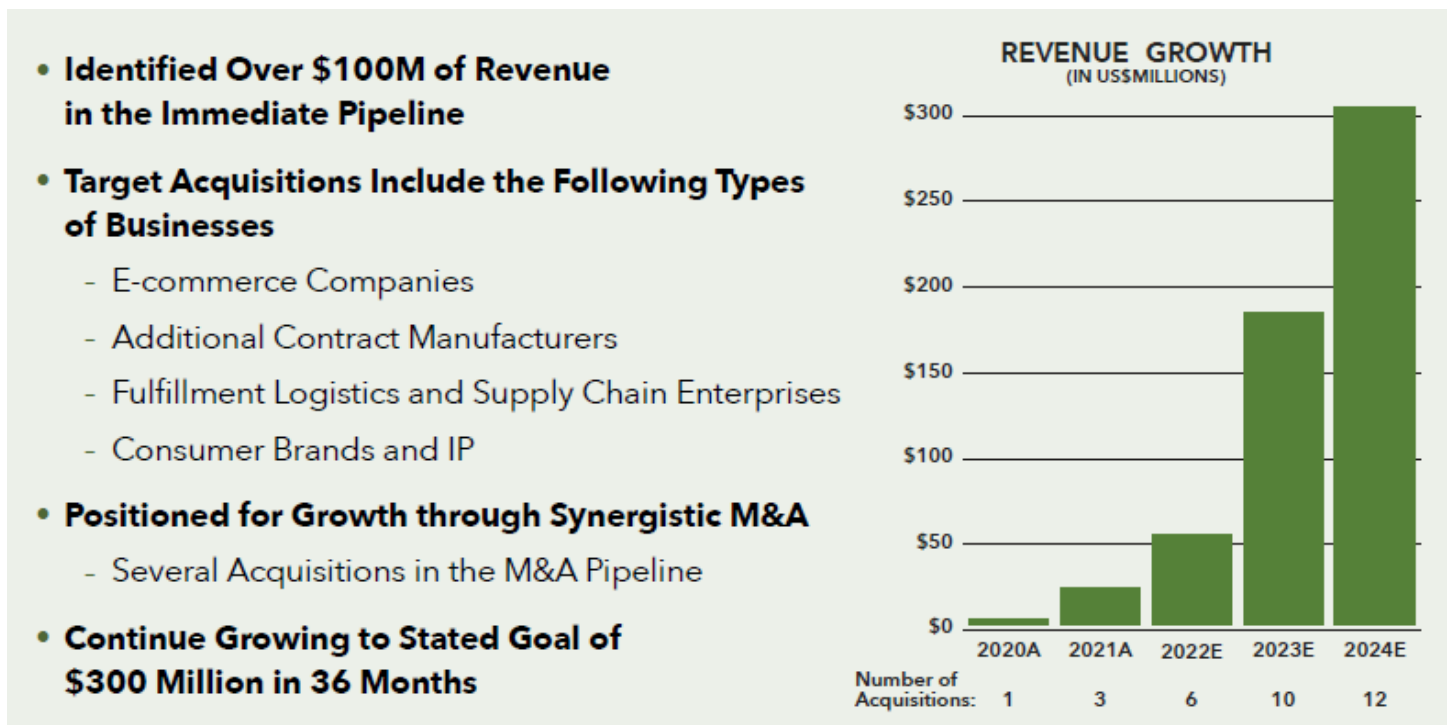
**Acquisition of additional businesses.** The nutritional products industry is highly fragmented, with a large pool of companies generating less than \$20 million in revenues representing a significant opportunity for industry consolidation. Over the next 24 months, Management plans to acquire multiple companies aggregating a minimum of \$100 million in annualized revenues, with the number of prospective acquisitions in the pipeline representing over \$50 million in additional revenue. Management today does not have sufficient capital to complete these acquisitions. Our assumption is the company plans to raise capital for additional acquisitions primarily through a range of measures from equity to debt financings at the operating company level.

**Increase sales from existing and new customers.** The company expects to continue to drive growth for their consumer products branded business through increased focus on their top brands and continued expansion in various health and wellness categories, which they expect to result in incremental shelf space with existing customers and new customer additions. They expect that their focus on delivering tangible benefits to consumers through product innovation will not only benefit the company but also benefit their customers. Their ability to supply both branded and private label products broadens and deepens partnerships with key retail customers, providing more opportunities for category leadership and growth. The company views the private label business as an important and valuable service that they provide to key accounts.

**Further, penetrate international markets.** The company's products are currently marketed and sold in two countries. In fiscal 2021, approximately 14% of sales were to customers outside the United States. They plan to capitalize on their marketing and distribution capabilities to drive incremental international sales of consumer product brands in emerging markets, which are characterized by a rising middle class and a strong demand for high-quality nutritional and wellness products from U.S.-based manufacturers.

**Drive productivity through operational efficiencies.** The company expects to continue to focus on improving efficiency across operations to allow for reduced costs in the manufacturing facilities as well as across their overhead cost areas. The recent acquisition of DSO significantly increased production capacity. In addition, they have launched an initiative to optimize the product portfolio, which they expect will enable further efficiencies across their manufacturing network. The company is also introducing new initiatives that leverage automation, standardization, and simplification and are expected to increase productivity across its operations.

#### Exhibit 10. Acquisition Pipeline is Robust



Source: Smart for Life, Inc.

**Valuation:** Our valuation for Smart for Life is based on revenue projections out to 2030. We assume a middle-of-the-road risk rate of 15% as the company currently has revenues and has executed several acquisitions successfully in line with its business plan. The stated goals of \$300M in revenues by 2024 look to us to be achievable. Our model assumes the company does raise additional capital, and as such, our valuation math is based on the 2030 fully diluted share count. Our valuation models: Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP), use a 15% discount rate. The result of these three models is then equal-weighted and averaged, and rounded to the nearest whole number to provide a 12-month target price.

### Exhibit 11. Free Cash Flow Model

Average	\$	8
Price Target	\$	8
Year		2022

#### DCF Valuation Using FCF (min):

units ('000)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(21,648)	36,608	154,452	172,689	194,916	222,116	255,518	280,151	324,373
Tax Rate	0%	20%	25%	30%	32%	33%	34%	35%	36%
EBIT(1-t)	(21,648)	29,286	115,839	120,882	132,543	148,818	168,642	182,098	207,599
CapEx	358	-	-	-	-	-	-	-	-
Depreciation									
Change in NWC									
FCF	(21,290)	29,286	115,839	120,882	132,543	148,818	168,642	182,098	207,599
PV of FCF	(21,290)	25,466	87,591	79,482	75,782	73,989	72,908	68,458	67,864
Discount Rate	15%								
Long Term Growth Rate	1%								
Terminal Cash Flow	1,497,678								
Terminal Value YE2030	489,593								
NPV	1,019,844								
NPV-Debt	-								
Shares out (thousands)	125,104	2030E							
NPV Per Share	\$ 8.00								

Source: Dawson James estimates

### Exhibit 12. Discounted EPS Model

Current Year	2022
Year of EPS	2030
Earnings Multiple	15
Discount Factor	15%
Selected Year EPS	\$ 1.66
NPV	\$ 8.14

Source: Dawson James estimates

Discount Rate and Earnings Multiple Varies, Year is Constant							
Earnings Multiple	8.1	2030 EPS					
		5%	10%	15%	20%	25%	30%
5		\$5.62	\$3.87	\$2.71	\$1.93	\$1.39	\$ 1.02
10		\$11.23	\$7.74	\$5.42	\$3.86	\$2.78	\$ 2.03
15		\$16.85	\$11.61	\$8.14	\$5.79	\$4.18	\$ 3.05
20		\$22.46	\$15.48	\$10.85	\$7.72	\$5.57	\$ 4.07
25		\$28.08	\$19.35	\$13.56	\$9.65	\$6.96	\$ 5.09
30		\$33.69	\$23.22	\$16.27	\$11.58	\$8.35	\$ 6.10
35		\$39.31	\$27.09	\$18.99	\$13.51	\$9.74	\$ 7.12
40		\$44.93	\$30.97	\$21.70	\$15.44	\$11.14	\$ 8.14

Source: Dawson James estimates

**Exhibit 13. Sum-of-the-Parts Model**

Smart for Life	LT Gr	Discount Rate	Yrs. to Mkt Peak	% Success	Peak Sales MMs	Term Val
Green's First	1%	15%	7	100%	\$17	\$119
NPV						\$0.29
Sports Illustrated Brands	1%	15%	7	100%	\$17	\$124
NPV						\$0.30
Smart for Life - DSO	1%	15%	7	100%	\$49	\$347
NPV						\$0.83
Bonne Sante' (BSNM)	1%	15%	7	100%	\$30	\$215
NPV						\$0.52
Nexus Offers	1%	15%	7	100%	\$17	\$124
NPV						\$0.30
BRAND A	1%	15%	7	100%	\$72	\$511
NPV						\$1.23
BRAND B	1%	15%	7	100%	\$215	\$1,533
NPV						\$3.68
BRAND C	1%	30%	7	100%	\$150	\$517
NPV						\$0.53
Net Margin						80%
MM Shrs OS (2030E)						125
Total						\$8

Source: Dawson James estimates

**Risks to our thesis include:**

**Financial Risk:** The company is likely to return to the capital markets and raise capital. There are no assurances that the company will be able to secure the needed financing.

**Acquisition Risk:** The company's business plan is predicated on successfully executing a series of accretive acquisitions.

**Organic Growth:** The company's challenge is to integrate the current brands with existing in-house manufacturing and advertising in such a way that will translate into growth.

**Market Development:** The company will need to work to develop brand awareness and develop the niche markets for its products.

**International Expansion:** The company's plan includes expansion into international markets.

**Intellectual Property:** The company has several proprietary products that include IP protections.

**Regulation Risks:** This includes product claims and advertising, specifically: product labels; product ingredients; and how the product is manufactured, packaged, distributed, imported, exported, and sold.



**Exhibit 14. Income Statement**

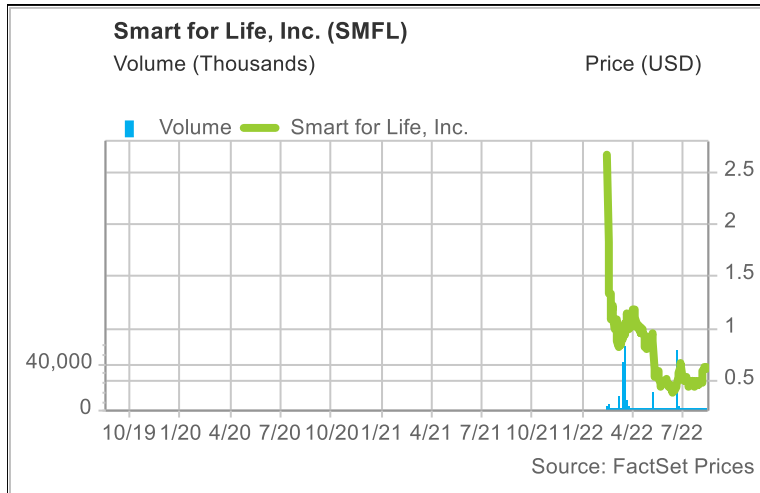
Smart for Life: Income Statement (\$000)																	
: YE December 31	1Q22A	2Q22A	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Product sales	3,575	3,460	3,529	3,600	14,164												
Green's First					5,000	1,380	1,440	1,500	1,680	6,000	7,200	8,280	9,522	10,950	12,593	14,482	16,654
Sports Illustrated Brands					500	920	960	1,000	1,120	4,000	7,500	8,625	9,919	11,407	13,118	15,085	17,348
Smart for Life - DSO					11,500	3,450	3,600	3,750	4,200	15,000	21,000	24,150	27,773	31,938	36,729	42,239	48,574
Bonne Sante' (BSNM)					3,500	2,070	2,160	2,250	2,520	9,000	13,000	14,950	17,193	19,771	22,737	26,148	30,070
Nexus Offers	879	826	842	859	3,406	1,380	1,440	1,500	1,680	6,000	7,500	8,625	9,919	11,407	13,118	15,085	17,348
Advertising Division Revenues						-	-	-	-								
BRAND A								5,000	10,000	15,000	18,750	23,438	29,297	36,621	45,776	57,220	71,526
BRAND B									45,000	45,000	56,250	70,313	87,891	109,863	137,329	171,661	214,577
BRAND C											150,000	150,000	150,000	150,000	150,000	150,000	150,000
Total Product Sales	3,575	3,460	3,529	3,600	14,164	9,200	9,600	15,000	66,200	100,000	300,200	327,380	360,512	400,958	450,400	491,920	566,096
Expenses																	
COGS	2,937	2,504	2,294	2,340	10,075	4,600	4,800	7,500	33,100	50,000	132,088	140,773	151,415	164,393	180,160	196,768	226,439
COGS %	82%	72%	65%	65%	71%	50%	50%	50%	50%	50%	44%	43%	42%	41%	40%	40%	40%
General & Administrative	4,366	3,959	1,500	1,500	11,326	2,854	2,735	3,092	3,211	11,892	12,130	12,373	12,620	12,873	13,130	13,393	13,660
Research & Development																	
Depreciation & Amortization	423	430	400	400	1,653	360	345	390	405	1,500	1,530	1,545	1,561	1,576	1,592	1,608	1,624
Total expenses	7,727	6,894	4,194	4,240	23,054	7,814	7,880	10,982	36,716	63,392	145,748	154,691	165,596	178,841	194,882	211,769	241,723
Operating Income (Loss)	(4,151)	(3,434)	(665)	(640)	(8,890)	1,386	1,720	4,018	29,484	36,608	154,452	172,689	194,916	222,116	255,518	280,151	324,373
Finance income																	
Finance expenses	(12,757)				(12,757)												
Total other income	(13,303)	(777)	-	-	(12,757)	-	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(17,454)	(4,211)	(665)	(640)	(21,648)	1,386	1,720	4,018	29,484	36,608	154,452	172,689	194,916	222,116	255,518	280,151	324,373
Dividend	(85)	(160)															
Income Tax Benefit (Provision)	-	-	-	-	-	277	344	804	5,897	7,322	38,613	51,807	62,373	73,298	86,876	98,053	116,774
Tax Rate	0%	0%	0%	0%	0%	20%	20%	20%	20%	20%	25%	30%	32%	33%	34%	35%	36%
GAAP Net Income (loss)	(17,539)	(4,371)	(665)	(640)	(21,648)	1,109	1,376	3,214	23,587	29,286	115,839	120,882	132,543	148,818	168,642	182,098	207,599
GAAP-EPS	(0.86)	(0.14)	(0.02)	(0.01)	(1.03)	0.02	0.02	0.05	0.38	0.47	1.84	1.91	2.08	2.33	2.63	2.83	3.22
GAAP EPS (dil)	(0.86)	(0.14)	(0.02)	(0.01)	(0.49)	0.01	0.01	0.03	0.25	0.31	1.18	1.18	1.24	1.34	1.46	1.51	1.66
Wgtd Avg Shrs (Bas) - '000s	20,287	31,714	31,745	62,063	36,452	62,125	62,187	62,809	62,872	62,498	63,029	63,282	63,535	63,790	64,045	64,302	64,559
Wgtd Avg Shrs (Dil) - '000s	20,287	31,714	32,031	92,351	44,096	93,275	94,207	95,149	96,101	94,683	98,528	102,528	106,691	111,023	115,531	120,222	125,104

Source: Dawson James estimates, company reports

Companies mentioned in this report:

**Important Disclosures:**

**Price Chart:**



**Price target and ratings changes over the past three years:**

Initiated – Buy – August 26, 2022 – Price Target \$8.00

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- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months.
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The following chart reflects the range of current research report ratings for all companies, followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Current as of 29-Aug-22

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	28	90%	5	18%
Market Perform (Neutral)	2	6%	0	0%
Market Underperform (Sell)	1	3%	0	0%
Total	31	100%	5	16%

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