



Voodoo SPAConomics

2H April 2021 Report

Legal Disclaimer: This research report and all information contained within is intended for institutional clients of VR Fundamental and qualified prospective institutional clients and is not meant for redistribution. Research provided by VR Fundamental is independently reviewed before publication by licensed supervisory analysts of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. VR Fundamental employees are not registered representatives of IRC Securities. VR Fundamental is an independent research company and is a registered investment advisor with the Texas State Securities Board and is not acting as a broker dealer under any federal or state securities laws. VR Fundamental has no long or short position in any security of any of the companies mentioned in this report. The Company has no contractual relationship, nor have we received any compensation from any of the companies listed in this research report.

SPAC Highlight

Tattooed Chef

(4/13/21 Promote and Target Lock up)

Ticker:	TTCF	Price:	\$18.31	Mkt Cap (mn):	\$1,490	Short Interest:	< 13%
Industry:	Consumer	Next Report:	5/3/21	AD\$V (mn):	38.9	Days to Cover:	< 4

Step 1 - SPAC IPO			Units:		Units:		
IPO Share price:	\$ as Stated	\$10.0			Sponsor "Promote":	%	20.0%
# Primary Shares Issued:	mn Shares	20.00			Units Sold to Sponsor:	mn Shares	0.655
SPAC Public Shares:	mn Shares	20.00			Warrant Strike Price:	\$ as Stated	\$11.50
Sponsor Promote Shares:	mn Shares	5.00			Price Per Unit:	\$ as Stated	\$10.00
Total Shares Post-IPO:	mn Shares	25.00			Cash Contribution against Promote Shares	\$ mn	\$0.025
IPO Dollar Amount:	\$ mn	\$200.00			per share value of Promote shares	\$	\$0.005
IPO Expenses, excluding deferred portion of Underwriter	\$ mn	\$6.55			Upfront Underwriting Fee:	%	2.0%
					Deferred Underwriting Fee:	%	3.5%
					Other Exp. (legal, travel, listing, etc.)	\$ mn	\$2.55
Cash In Trust Account:	\$ mn	\$200.05			Sponsor Cash Contribution:	\$ mn	\$6.58
per share, excl. Promote	\$	\$10.00			Total Sponsor Shares, incl. Promote	mn Shares	5.655
per share, incl. Promote and other shares held by Sponsc	\$	\$7.80			Sponsor's per share cost-basis	\$	\$1.16
					Total Warrants held by Sponsors	mn	0.655
					per warrant cost-basis	\$	\$0.00



SPAC Highlight

- Vision Research used a model to estimate cash or economic value per share in the TTCF SPAC merger.
- Tattooed Chef experienced few redemptions due to the stock trading significantly above the trust value at the time of the vote.
- However, cash value remains far below today's price per share. The company experienced dilution from a full warrant per share, advisory fees, and no PIPE.
- Vision questions if the company is far more valuable today compared to the valuation at the original merger

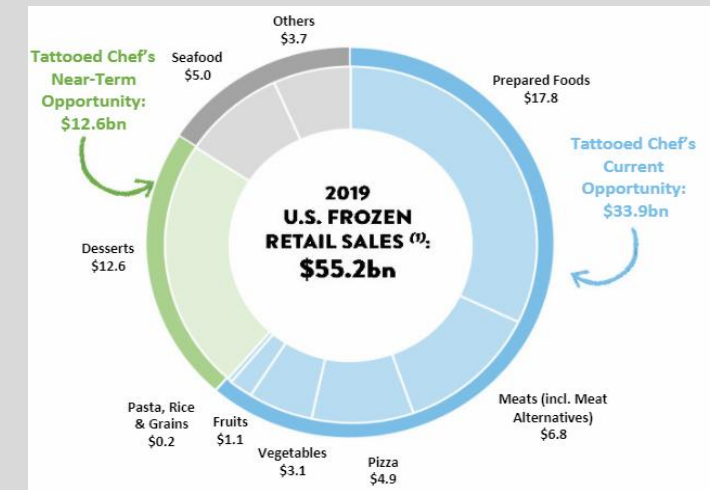
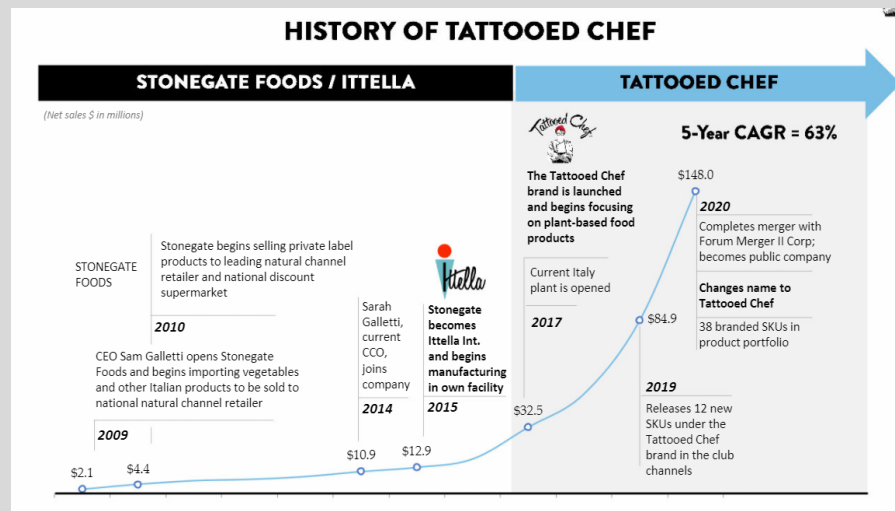
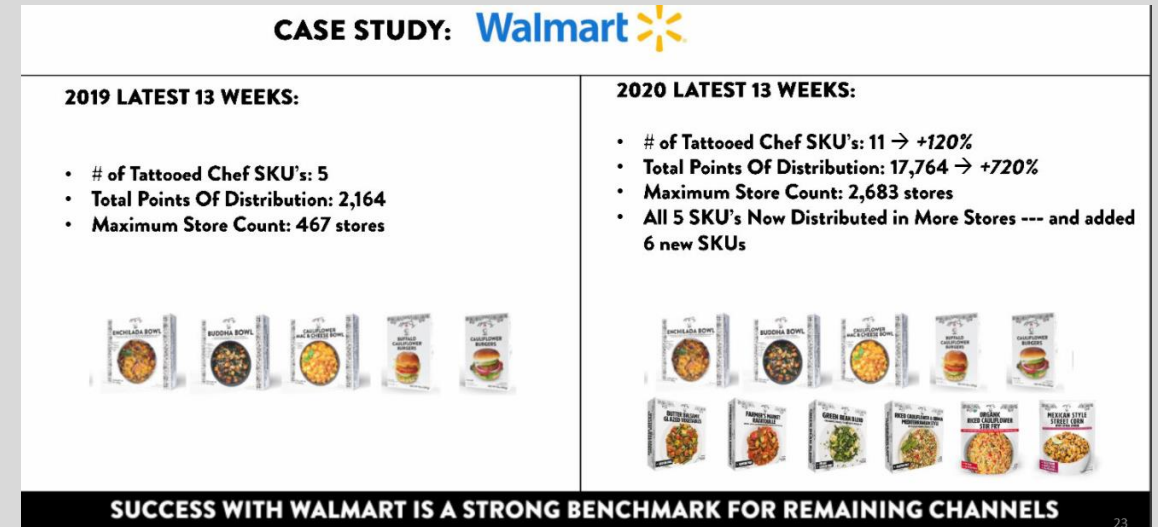
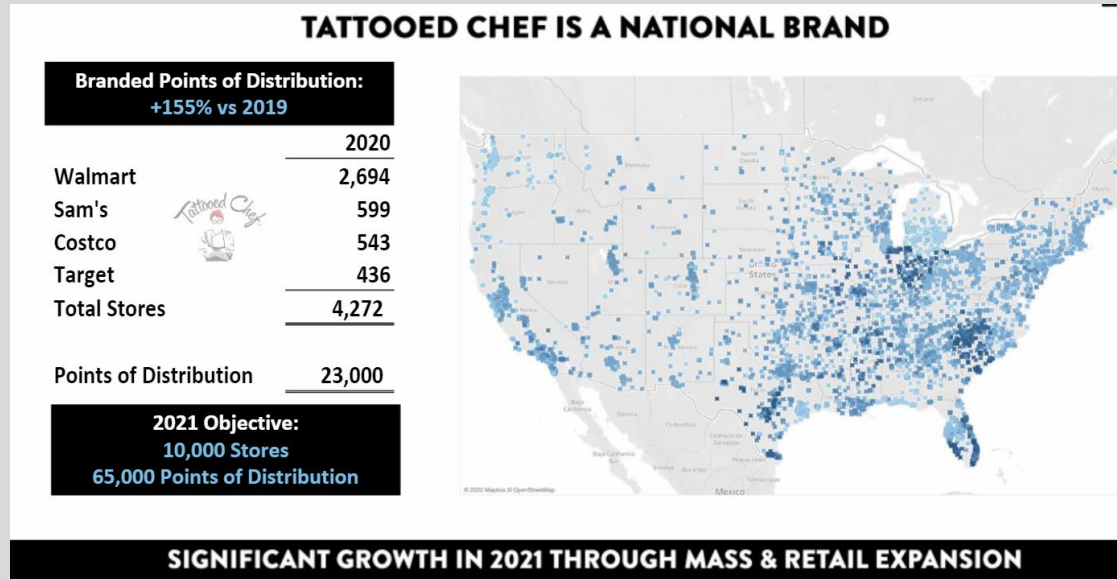
Step 2 - Redemptions			Units:		Units:	
Number of Shares Redeemed:	<i>mn Shares</i>	0.0	Remaining Shares:	<i>mn Shares</i>	25.65	
Redemption Ratio:	%	0.01%	Cash In Trust Post-Redemptions:	<i>\$ mn</i>	\$200.03	
Share Redemption Price	\$	\$10.37	per share value:	\$	\$7.80	
Step 3 - Merger			Units:		Units:	
Target's Enterprise Value:	<i>\$ mn</i>	\$495.0	Size of PIPE Investment:	<i>\$ mn</i>	—	
(-)Target's Net Debt/(Net Cash):	<i>\$ mn</i>	(\$82.0)	PIPE per share:	<i>\$</i>	\$10.00	
Target's Equity Value:	<i>\$ mn</i>	\$577.0	PIPE Fee:	%	—	
Cash in Trust Account at deal-closing	<i>\$ mn</i>	\$207.4	Sponsor Shares Forfeited	<i>\$ mn</i>	—	
Cash To Target Company after M&A and Underwriter Fees	<i>\$ mn</i>	\$105.20	Further Cash Contribution by Sponsor:	<i>\$ mn</i>	—	
Merger Consideration:			Shares acquired by Sponsor:	<i>mn Shares</i>	—	
Cash Consideration	<i>\$ mn</i>	\$75.0	Shares Owned by:			
Stock Consideration	<i>\$ mn</i>	\$345.0	SPAC Public Shareholders:	<i>mn Shares</i>	20.00	33.2%
Per share value used to determine Target's shares:	<i>\$</i>	\$10.0	Sponsor:	<i>mn Shares</i>	5.66	9.4%
Required Share Issuance:	<i>mn Shares</i>	34.50	PIPE Investors:	<i>mn Shares</i>	0.00	—
M&A Advisory Fee and Transaction costs disclosed in \$ or	<i>Select</i>	\$	Target Company:	<i>mn Shares</i>	34.50	57.4%
M&A Advisory Fee and Transaction Costs:	%	3.5%	Total:	<i>mn Shares</i>	60.15	100.0%
M&A Advisory Fee and Transaction Costs:	<i>\$ mn</i>	\$20.2	Warrant Structure:			
Deferred Portion of Underwriter Fee:	<i>\$ mn</i>	\$7.00	Number of Warrants in a Unit		1	
From Target's Perspective:			Warrant Strike Price	<i>\$</i>	\$11.50	
Equivalent IPO Proceeds:	<i>\$ mn</i>	\$207.40	After Exercise of Warrants:			
Total Fee and Expenses:	<i>\$ mn</i>	\$27.20	SPAC Public Shareholders:	<i>mn Shares</i>	40.00	49.9%
Total Fees and Expenses as % of IPO Proceeds	%	13.1%	Sponsor:	<i>mn Shares</i>	5.66	7.1%
Net Proceeds to Target, incl. Cash Consideration	<i>\$ mn</i>	\$180.20	PIPE Investors:	<i>mn Shares</i>	0.00	—
Shares Issued against these proceeds:	<i>mn</i>	25.65	Target Company:	<i>mn Shares</i>	34.50	43.0%
Per Share Net Proceeds	\$	\$7.02	Total:	<i>mn Shares</i>	80.16	100.0%

Vision believes Tattooed Chef (TTCF) is a risky SPAC with an interesting lock up catalyst.

- The TTCF lock up for both the promote and the target company expired recently. The Sponsor lock up states, “1.25mn shares (over \$23mn) subject to 6-month lock-up and all remaining shares (over 5mn or \$90mn) subject to 1 year lock-up with early release if > \$12 for 20 out of 30-day period commencing after 150 days of deal close.” Vision believes with shares trading above \$12, all lock up criteria are met or will be met soon. The target, which owned approximately 61% (or roughly 40mn shares and \$800mn) at the time of the deal combination also has a 4/13/21 lock up.
- Vision believes the company specializing in “healthy” or “vegetarian” frozen food has significant risks including:
 - Customer Concentration (Sam’s Club)
 - Difficult comparisons (March to June stockpiling)
 - Increasing competition
 - No proprietary technology
 - Questionable unit economics
 - Lack of Controls

VR SPAC Highlight

The bull case for Tattooed Chef is the company is an innovator with massive SKU and point of distribution growth.



Source: Company Filings

- Tattooed Chef is misunderstood as simply a branded company. The company has existed for over 10 years and sells mostly private label products, especially at Costco. Recently, the company has made a big jump into branded products. At the end of FY20, branded revenues totaled about 57% of total revenue from 22% in FY19. An increase in branded sales of 362%.
- The company has extreme concentration risk. Vision believes Sam's Club contributes a huge portion of branded revenue. Sam's Club and Costco appear to be the two large customers with Sam's Club being mostly branded and Costco mostly private label.
- At the end of FY20, the 3 largest customers accounted for 88% of total revenue. 39%, 32% and 17%. Vision believes the 39% is from Sam's Club and the 32% from Costco. Our best guess for the final is Target. Despite the recent jump in branded revenue, the top 5 customers in FY19 totaled 95% of revenue and were 35%, 29%, 11%, 10%, and 10%. "Customer C" increased from 29% to 39%.
- Due to Sam's Club being the most likely top customer and being mostly branded sales, Vision believes a lot of FY20 growth was simply due to Sam's Club. This creates tremendous risk as the company could lose sales to the company and must find growth to a diverse set of non club customers. This could prove complicated as shipping frozen products to multiple new customers at new locations could be difficult and less profitable.
- Sam's Club revenue also appears to only come from a few products. A website search only shows 4 products (a cauliflower crust pizza, a breakfast bowl, green beans and an acai bowl). The acai bowl and pizza have well over 10x the number of reviews. This is despite the company touting a huge number of SKUs. A large portion of revenue most likely comes from these two products at one customer.

VR SPAC Highlight

- Tattooed Chef has aggressive growth plans for FY21.
 - The company expects revenue growth of 49%, or \$222mn
 - Gross margins between 20% and 25%
 - Adjusted EBITDA between \$8mn and \$10mn
 - Net income in between \$2.5mn and \$5mn.
- Tattooed Chef recently stated their 4Q20 was profitable, yet all profits came from a tax benefit. The unit economics of owning the supply chain are suspect.
- Vision believes the company will try to spend whatever it takes to achieve growth. For example, the company has announced they will debut national ads. The company was not profitable before and therefore margins could be pressured further.
- The company will also be lapping a large jump in both grocery and frozen food spend from March to June. Particularly at club stores Costco and Sam's Club.
- The valuation could also be stretched as the company only gets ~60% of revenue from branded products. The flat private label business would get an extremely low valuation leaving the branded piece trading well over 10x sales by any estimate.

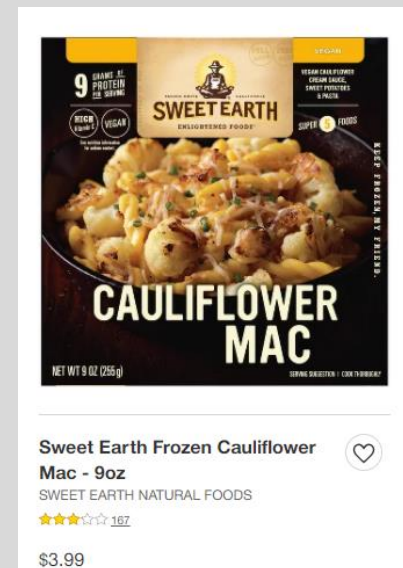
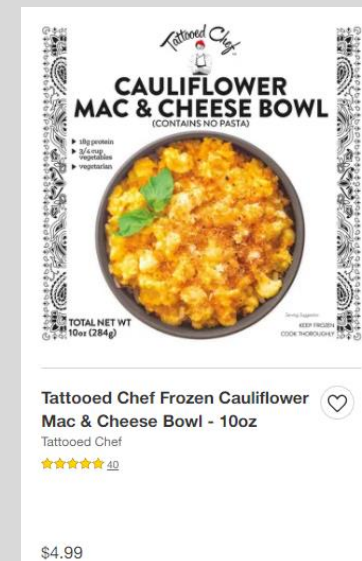
	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
REVENUE	\$ 39,596	\$ 26,802	\$ 148,492	\$ 84,919
COST OF GOODS SOLD	32,710	22,946	124,836	71,209
GROSS PROFIT	6,886	3,856	23,656	13,710
OPERATING EXPENSES	7,861	1,862	19,506	7,454
(LOSS) INCOME FROM OPERATIONS	(975)	1,994	4,150	6,256
Interest expense	(166)	(1)	(735)	(494)
Other income	713	-	1,826	-
INCOME BEFORE PROVISION FOR INCOME TAXES	(428)	1,993	5,241	5,762
INCOME TAX BENEFIT (EXPENSE)	41,903	192	40,128	(154)
NET INCOME	41,475	2,185	45,369	5,608
LESS: INCOME ATTRIBUTABLE TO NON CONTROLLING INTERESTS	274	550	1,475	1,082
NET INCOME ATTRIBUTABLE TO TATTOOED CHEF, INC.	\$ 41,201	\$ 1,635	\$ 43,894	\$ 4,526
NET INCOME PER SHARE				
Basic	\$ 0.63	\$ 0.03	\$ 0.74	\$ 0.10
Diluted	\$ 0.56	\$ 0.03	\$ 0.66	\$ 0.10
WEIGHTED AVERAGE COMMON SHARES				
Basic	65,641,321	57,266,916	59,071,646	44,881,119
Diluted	73,212,082	57,266,916	66,642,407	44,881,119
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Foreign currency translation adjustments	\$ 978	\$ 38	\$ 777	\$ (174)
Total other comprehensive income (loss), net of tax	978	38	777	(174)
Comprehensive income	42,453	2,223	46,146	5,434
Less: income attributable to the noncontrolling interest	539	1,106	1,539	1,089
Comprehensive income attributable to Tattooed Chef, Inc. stockholders	\$ 41,914	\$ 1,117	\$ 44,587	\$ 4,345

The financial data presented for the year ended December 31, 2020 should be considered preliminary and is subject to change, as the Company's independent auditors have not completed their audit.

Source: Bloomberg

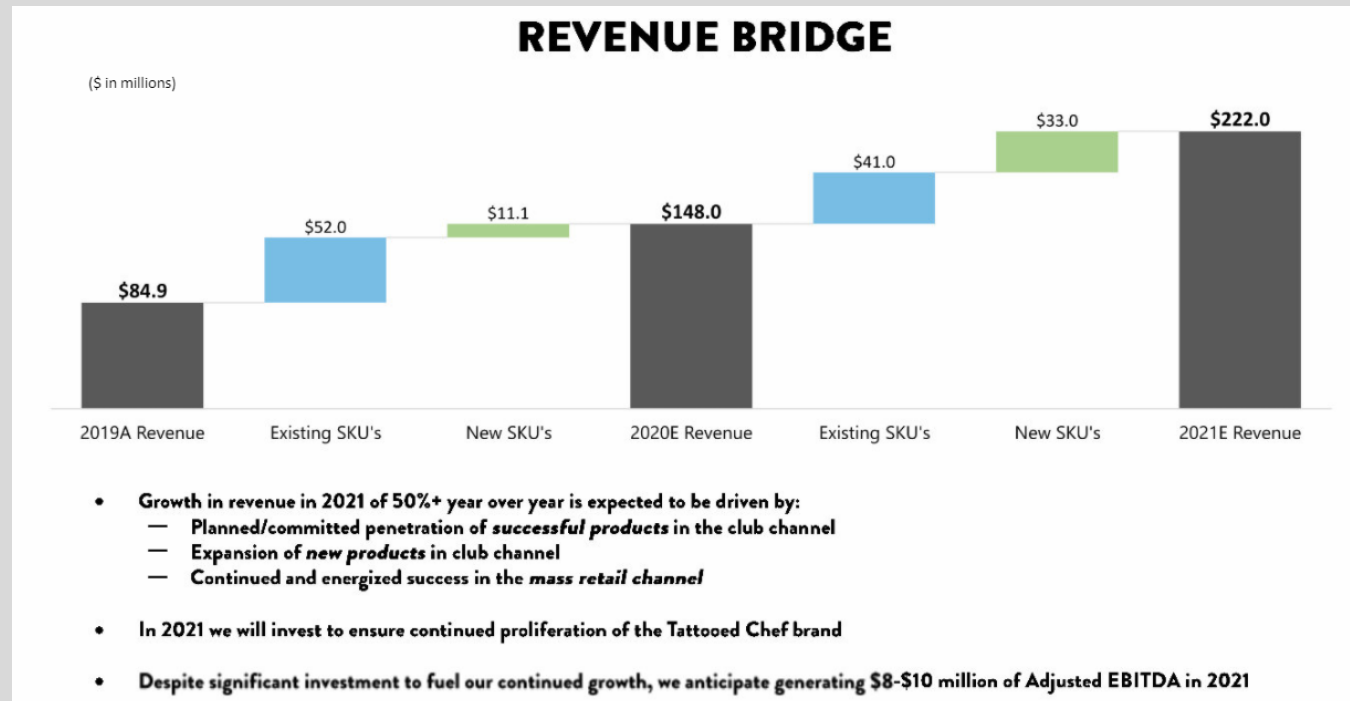
VR SPAC Highlight

- Another CPG company trading over 10x sales is Beyond Meat (BYND). One could argue Beyond Meat is overvalued but they do appear to have some proprietary formulas and sourcing of ingredients. The company has a large competitor in Impossible Foods but is growing into a more open market
- Tattooed Chef faces intense competition with almost no proprietary technology to protect it.
- The company lists Sweet Earth (Nestle), Birds Eye (Conagra), Amy's and Green Giant as competitors.
- Tattooed Chef lists a huge number of SKUs with many more to come in 2021. However, as shown most of the revenue comes from Sam's Club and Costco who sell 5 or less branded SKUs. The company appears to have trouble getting other companies and even Sam's Club themselves to carry new products after an initial trial.
- Competitors like Sweet Earth (Nestle) are launching new products targeting a similar plant-based audience.



Source: Target.com

- With competition increasing Tattooed Chef plans on growing more profitably by entering numerous new grocery and mass retail distribution points. The company plans on getting 3x more growth from new SKUs and a decline in growth from existing SKUs.
- Vision believes the company will get customers to try their product once but there is tremendous risk if the new products don't sell through at new locations.
- Tattooed Chef believes despite being a small company since 2009 they will be able to grow to \$222mn in revenue in 2021, \$300mn in 2022 and **\$500mn in 2023**. Vision is skeptical they have found so much profitable revenue in a short period of time not aided by the pandemic.



Source: Company Filings

- Finally, Tattooed Chef appears emblematic of many SPACs in that the company should probably not be public. Beyond the family nature of the business, the company has significant material weaknesses.
- The company does not have an ERP system stating, “We need to implement an Enterprise Resource Planning (“ERP”) system. Significant additional costs, cost overruns and delays in connection with the implementation of an ERP system may adversely affect results of operations.”



Item 9A. Controls and Procedures.

In connection with the audit of our consolidated financial statements as of and for the years ended December 31, 2020 and 2019, we identified five **material weaknesses** in our internal control over financial reporting. A **material weakness** is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The first **material weakness** is related to the lack of design or maintenance of an effective control environment commensurate with financial reporting requirements and lack of a sufficient number of accounting professionals with the appropriate level of experience and training.

The second **material weakness** is related to a lack of design and maintenance of formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, and monitoring controls maintained at the corporate level which are at a sufficient level of precision to provide for the appropriate level of oversight of activities related to our internal control over financial reporting.

The third **material weakness** is related to lack of implementation and maintenance of appropriate information technology general controls, including controls over data center and network operations, system software acquisition, change and maintenance, program changes, access security and application system acquisition, development, and maintenance.

The fourth **material weakness** is related to a lack of design and maintenance of effective controls over segregation of duties with respect to the preparation and review of account reconciliations as well as the creation and posting of manual journal entries.

The fifth **material weakness** relates to the lack of design and maintenance of formal accounting policies, processes and controls to analyze, account for and disclose complex transactions.

We have begun the process of, and we are focused on, designing and implementing effective internal controls measures to improve our internal control over financial reporting and remediate the **material weaknesses**. Our efforts include a number of actions:

- We hired qualified staff and outside resources to segregate key functions within our financial and information technology processes supporting our internal controls over financial reporting.
- We developed internal controls documentation, including comprehensive accounting policies and procedures and designed, implemented, and tested new controls over key financial processes.

Tattooed Chef has filed a 424B document on 4/2/21 (before the lock up) to sell up to 45.7mn shares (over \$800mn) and 184k warrants.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-249890

PROSPECTUS

TATTOOED CHEF, INC.
45,737,567 Shares of Common Stock
184,536 Warrants to Purchase Common Stock

The selling securityholders named in this prospectus may offer and sell from time to time up to 45,737,567 shares of our common stock, par value \$0.0001 per share, and warrants to purchase up to 184,536 shares of common stock, consisting of:

- up to 5,000,000 Founders Shares issued in a private placement to the Sponsor (as defined below) and subsequently distributed to the Sponsor's members;
- up to 154,253 shares of common stock held by the Sponsor's members after the exercise of Private Placement Warrants;
- up to 184,536 Private Placement Warrants to purchase shares of common stock issuable upon exercise of the Private Placement Warrants issued in a private placement to the Sponsor and subsequently distributed to the Sponsor's members;
- up to 184,536 shares of common stock issuable upon exercise of the Private Placement Warrants;
- up to 39,389,242 shares of common stock held by other Selling Securityholders of the Company, which includes the 34,370,329 issued on October 15, 2020 to stockholders of Ittella Parent as part of the Merger consideration pursuant to the Merger Agreement;
- up to 825,000 shares of common stock issuable to principals of the Company's financial advisor pursuant to a contract entered into by the Company and those principals; and
- up to 184,536 shares of common stock that were a constituent part of the units.

The Selling Securityholders may offer, sell or distribute all or a portion of the securities hereby registered publicly or through private transactions at prevailing market prices or at negotiated prices. We will not receive any of the proceeds from such sales of the shares of common stock or warrants, except with respect to amounts received by us upon the exercise of the warrants. We will bear all costs, expenses and fees in connection with the registration of these securities, including with regard to compliance with state securities or "blue sky" laws. The Selling Securityholders will bear all commissions and discounts, if any, attributable to their sale of shares of common stock or warrants. See "Plan of Distribution" beginning on page 61 of this prospectus.

Source: SEC Filings