DAWSONJAMES SECURITIES

INSTITUTIONAL RESEARCH

Emerging Growth

UPDATE REPORT

Member FINRA/SIPC

Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

Byrna Technologies Inc. (NASDAQ: BYRN)

June 24, 2022

James McIlree, CFA
561-237-2709
jmcilree@dawsonjames.com

Buy: NY State Rifle & Pistol v. Bruen and the Bipartisan Safer Communities Act.

The Supreme Court's decision in NY State Rifle & Pistol v. Bruen and passage in the Senate of the Bipartisan Safer Communities Act could have a positive impact on Byrna's near-term growth trajectory. We expect the company's progress in expanding its product offering, increasing its distribution channel and repairing its supply chain will result in an acceleration in revenue growth in the second half of this year, accompanied by margin improvement, and believe these can lead to multiple expansion. We reiterate our Buy recommendation and $12 target.

Current Price			**$8.24**
Price Target			**$12.00**
Estimates	F2021A	F2022E	F2023E
Revenues ($000s)	$ 42,160	$ 53,977 E	$ 76,000
1Q February	$ 8,893	$ 7,977 A	$ 15,000
2Q May	$ 13,401	$ 11,500 E	$ 18,000
3Q August	$ 8,703	$ 15,000 E	$ 20,000
4Q November	$ 11,163	$ 19,500 E	$ 23,000
	F2021A	F2022E	F2023E
EBITDA ($000s)	$ 1,646	$ 3,285 E	$ 15,031
1Q February	$ 370	$ (2,376)A	$ 1,422
2Q May	$ 3,005	$ (383)E	$ 3,230
3Q August	$ (687)	$ 1,797 E	$ 4,440
4Q November	$ (1,042)	$ 4,247 E	$ 5,940
EV/Sales	NM	2.7 x	1.9 x
EV/EBITDA	NM	44.3 x	9.7 x
Stock Data			
52-Week Range	$5.89	-	$30.55
Shares Outstanding (mil.)			22.9
Market Capitalization (mil.)			$189
Enterprise Value (mil.)			$146
Debt to Capital			2%
Cash & Equivalents (mil.)			$44.7
Cash/Sh.			$1.95
Average Three Months Trading Volume (K)			163
Insider Ownership			21.0%
Institutional Ownership			29.2%
Short interest (mil.)			5.6%
Dividend / Yield			$0.00/0.0%

Byrna's line of handheld personal security devices are not directly impacted by either the Supreme Court's decision in NY State Rifle & Pistol v. Bruen or Senate passage of the Bipartisan Safer Communities Act but the focus on an individual's ability to own and carry firearms and personal security devices, we believe, will draw attention to Bryna's offerings, and bolster demand.

The Supreme Court's decision in NY State Rifle & Pistol v. Bruen is the Court's third major gun control decision since 2008. In 2008, in DC v. Heller, the Court affirmed an individual's right to possess firearms. In 2010, in McDonald v Chicago, the Court concluded the Second Amendment right cannot be infringed by states or local governments. In both cases, year-over-year applications for firearm purchases, as reported by the National Instant Criminal Background Check System (NICS), accelerated 5 to 6 months after the decision.

We also believe gun control legislation can drive demand for firearms as consumers look to build inventory in front of potential purchase restrictions or hurdles. Passage of the Bipartisan Safer Communities Act could drive this type of consumer behavior in the coming months.

Because the Byrna launchers do not use gunpowder or explosives to propel the projectiles, it is not classified as a firearm and faces far fewer regulatory burdens than handgun manufactures. However, we believe the demand for its devices is driven by similar factors that impact firearm demand, and thus could benefit from both the Bruen decision and the Bipartisan Safer Communities Act.

We expect revenue to increase this fiscal year to $54 million, up 28% over fiscal 2021 and we forecast 40% growth in fiscal 2023, to $76 million. We believe $100 million in revenue is achievable in fiscal 2024/25. We expect faster growth in EBITDA with improvements in mix, lower shipping costs and better manufacturing efficiency. We estimate the company will exit this year with EBITDA margins exceeding 20%.

Valuation & Risks

Our price target of $12 assumes an EV/Sales multiple of 3x on our fiscal 2023 revenue estimate of $76 million. Risks to achieving our target includes slower growth from higher interest rates, continuing supply chain disruptions, changes in regulations to the personal safety and firearm industry and changes in consumer demand for personal safety devices.

Please find Important Disclosures beginning on Page 5.

Outlook

We project revenue in fiscal 2022 of $54 million, growing to $76 million in fiscal 2023. In Q1 of fiscal 2022 the company posted gross margin of 58% and we expect incremental progress for the remaining quarters of the year as the company's efforts to reduce freight costs and return to a more orderly manufacturing cadence proceeds. We have the company exiting Q4 at a 60% gross margin and improving slightly in fiscal 2023 to 61%. Estimates can be impacted greatly by supply chain challenges and the current inflationary environment.

We estimate there is significant operating leverage as the company does not require a meaningful increase in operating expenses to support the revenue growth we have forecast. We have EBITDA margin improving as the year progresses, with the highest level in Q4 when sales are expected to be the highest for the year. For the full year we estimate EBITDA margin of 6.1% improving to 20% in fiscal 2023.

As of the end of Q1 Byrna had $45 million in cash. Inventory levels are elevated in order to protect itself from further supply chain disruptions and we have assumed inventory turns do not return to normal until the end of fiscal 2023. Increased inventory turns will contribute to less investment in working capital and improved cash flow generation. With strong cash flow generation and an ample cash balance the company is in an enviable position to add to its product portfolio with acquisitions.

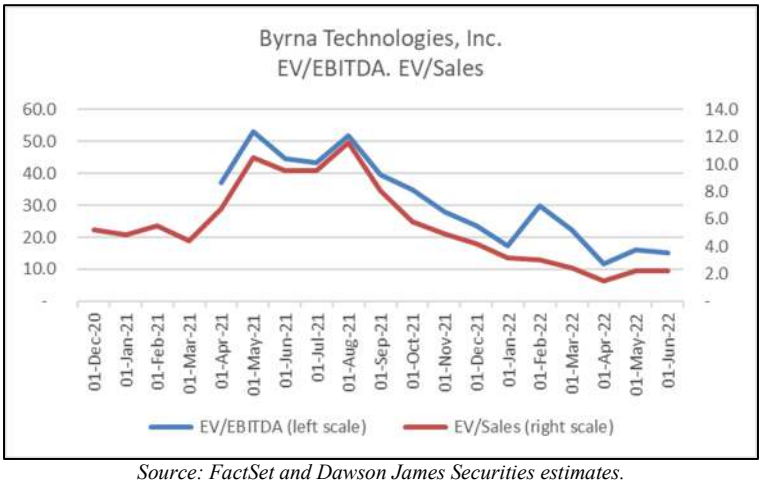
Valuation

Firearm manufacturers like Smith & Wesson Brands and Sturm, Ruger trade at low multiples of sales while the rest of the comp group serving the personal safety and law enforcement markets trades at an average of 4x sales. Our price target for Byrna assumes a 3x multiple, a substantial discount to the sub-group. This results in a target of $12 using our fiscal 2023 revenue estimate of $76 million.

		Price	EPS	P/E	TEV	Sales	EV/ Sales	EBITDA	EV/ EBITDA
AOUT-US	American Outdoor Brands, Inc.	$ 10.48	$ 1.96	5.3	$ 142.5	$ 272.2	0.52	$ 40.0	3.6
POWW-US	AMMO Inc	4.15	0.38	10.8	460.5	312.1	1.48	107.2	4.3
AXON-US	Axon Enterprise Inc	91.03	2.12	43.0	6,018.2	1,171.0	5.14	223.6	26.9
SSTI-US	ShotSpotter, Inc.	27.07	0.05	538.2	324.0	88.0	3.68	18.3	17.7
SWBI-US	Smith & Wesson Brands, Inc.	14.36	2.10	6.8	589.5	665.0	0.89	163.6	3.6
RGR-US	Sturm, Ruger & Company, Inc.	64.31	5.62	11.4	925.0	593.0	1.56	160.4	5.8
VTSI-US	VirTra, Inc.	4.58	0.36	12.7	37.5	26.8	1.40	6.0	6.2
WRAP-US	Wrap Technologies, Inc.	1.87	(0.45)	(4.2)	47.0	15.0	3.13	(13.3)	(3.5)
	Median			11.1			1.52		5.0
BYRN-US	Byrna Technologies Inc.	$ 8.24	$ 0.30	27.5	$ 145.7	$ 66.5	2.19	$ 9.5	15.3

Source: FactSet and Dawson James Securities estimates

EV/Sales and EV/EBITDA have declined sharply over the past few months and we believe current valuation is attractive, particularly in front of projected accelerating revenue and EBITDA growth in the coming quarters.



Source: FactSet and Dawson James Securities estimates.

Risks

Risk Analysis: Risks to achieving our target includes slower growth from higher interest rates, continuing supply chain disruptions, changes in regulations to the personal safety and firearm industry and changes in consumer demand for personal safety devices.

Exhibit 1. Income Statement ($ in 000's except per share data)

	30-Nov-19 FY2019	30-Nov-20 FY2020	30-Nov-21 FY2021	28-Feb-22 FQ1 22A	31-May-22 FQ2 22E	31-Aug-22 FQ3 22E	30-Nov-22 FQ4 22E	30-Nov-22 FY2022E	30-Nov-23 FY2023E
Revenue	$ 924	$ 16,566	$ 42,160	$ 7,977	$ 11,500	$ 15,000	$ 19,500	$ 53,977	$ 76,000
COGS	775	9,058	19,270	3,363	4,830	6,150	7,800	22,143	29,980
Gross Profit	149	7,508	22,890	4,614	6,670	8,850	11,700	31,834	46,020
	16%	45%	54.3%	58%	58%	59%	60%	59%	61%
Opex	3,438	11,817	26,181	8,023	8,100	8,100	8,500	32,723	35,177
Operating Income	$ (3,289)	$ (4,309)	$ (3,291)	$ (3,409)	$ (1,430)	$ 750	$ 3,200	$ (889)	$ 10,843
Interest & Other, total	(1,121)	(7,952)	(152)	68	25	25	25	142	100
Pretax Income	(4,410)	(12,261)	(3,443)	(3,341)	(1,405)	775	3,225	(747)	10,943
Taxes	0	293	(160)	(120)	(70)	39	161	10	547
Net Income	$ (4,410)	$ (12,553)	$ (3,283)	$ (3,221)	$ (1,335)	$ 736	$ 3,064	$ (757)	$ 10,396
Preferred Dividends	$ -	$ -	1,043	$ -	$ -	$ -	$ -	0	0
Net to Common	$ (4,410)	$ (12,553)	$ (4,326)	$ (3,221)	$ (1,335)	$ 736	$ 3,064	$ (757)	$ 10,396
Basic Shares	10,354	12,679	19,610	23,790	23,290	22,953	23,028	23,265	23,215
Diluted Shares	10,354	12,679	19,610	23,790	23,290	23,053	23,128	23,265	23,315
Basic EPS	$ (0.43)	$ (0.98)	$ (0.22)	$ (0.14)	$ (0.06)	$ 0.03	$ 0.13	$ (0.03)	$ 0.45
Diluted EPS	$ (0.43)	$ (0.98)	$ (0.22)	$ (0.14)	$ (0.06)	$ 0.03	$ 0.13	$ (0.03)	$ 0.45
D&A	54	242	487	175	235	235	235	880	940
Stock Comp	218	1,252	3,150	812	812	812	812	3,248	3,248
Other	0	0	1,300	46	0	0	0	46	0
EBITDA	(3,016)	(2,814)	1,646	(2,376)	(383)	1,797	4,247	3,285	15,031
Margin	-332.6%	-17.0%	3.9%	-29.8%	-3.3%	12.0%	21.8%	6.1%	19.8%
	FY2019	FY2020	FY2021	FQ1 22A	FQ2 22E	FQ3 22E	FQ4 22E	FY2022E	FY2023E
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COGS	83.9%	54.7%	45.7%	42.2%	42.0%	41.0%	40.0%	41.0%	39.4%
Gross Profit	16.1%	45.3%	54.3%	57.8%	58.0%	59.0%	60.0%	59.0%	60.6%
Opex	371.9%	71.3%	62.1%	100.6%	70.4%	54.0%	43.6%	60.6%	46.3%
Operating Income	-355.7%	-26.0%	-7.8%	-42.7%	-12.4%	5.0%	16.4%	-1.6%	14.3%
Interest & Other, total	-121.3%	-48.0%	-0.4%	0.9%	0.2%	0.2%	0.1%	0.3%	0.1%
Pretax Income	-477.0%	-74.0%	-8.2%	-41.9%	-12.2%	5.2%	16.5%	-1.4%	14.4%
Tax Rate	0.0%	-2.4%	4.6%	3.6%	5.0%	5.0%	5.0%	-1.3%	5.0%
Net Income	-477.0%	-75.8%	-7.8%	-40.4%	-11.6%	4.9%	15.7%	-1.4%	13.7%
EBITDA	-326.3%	-17.0%	3.9%	-29.8%	-3.3%	12.0%	21.8%	6.1%	19.8%
Y/Y									
Revenue	269.4%	1692.1%	154.5%	-10.3%	-14.2%	72.4%	74.7%	28.0%	40.8%
Opex	61.7%	243.8%	121.6%	55.8%	46.2%	21.0%	-3.4%	25.0%	7.5%
Operating Income	57.7%	31.0%	-23.6%	729.4%	-170.7%	-141.6%	-203.3%	-73.0%	-1319.7%
Net Income	-104.8%	-184.7%	73.8%	-1084.2%	-165.5%	140.0%	195.5%	76.9%	1473.7%

Source: Byrna Technologies, Inc. and Dawson James Securities estimates

Exhibit 2. Balance Sheet and Cash Flow Statement ($ in 000's)

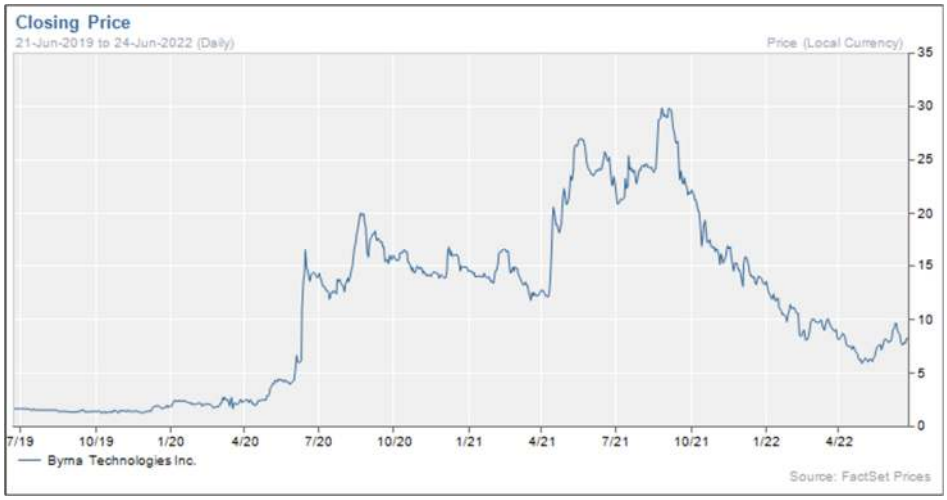
	30-Nov-19 FY2019	30-Nov-20 FY2020	30-Nov-21 FY2021	28-Feb-22 FQ1 22A	31-May-22 FQ2 22E	31-Aug-22 FQ3 22E	30-Nov-22 FQ4 22E	30-Nov-22 FY2022E	30-Nov-23 FY2023E
Cash & ST Investments	1,082	3,175	56,308	44,701	45,159	44,943	52,187	52,187	69,531
Restricted Cash	0	6,389	92	0	0	0	0	0	0
A/R	438	834	1,658	1,101	1,314	1,500	1,733	1,733	2,044
Inventory	960	4,817	6,613	12,072	12,880	16,400	15,600	15,600	11,960
Prepaid Expenses & Othe	377	1,391	1,490	1,934	2,788	3,637	4,728	4,728	5,576
Current Assets	$ 2,949	$ 16,606	$ 66,161	$ 59,808	$ 62,141	$ 66,480	$ 74,248	$ 74,248	$ 89,112
Patent rights	99	811	3,668	3,612	3,551	3,490	3,429	3,429	3,185
Deposits for equipment	197	619	1,293	2,046	1,500	1,000	500	500	500
Right-of-use asset	0	1,200	1,086	1,444	1,381	1,318	1,255	1,255	1,003
PP&E	321	1,220	1,972	2,043	2,932	3,821	4,460	4,460	7,016
Goodwill	0	651	816	816	816	816	816	816	816
Restricted Cash	92	92	0	0	0	0	0	0	0
Other	0	17	318	727	1,048	1,367	1,777	1,777	2,096
Total Assets	$ 3,566	$ 21,216	$ 75,314	$ 70,496	$ 73,369	$ 78,292	$ 86,485	$ 86,485	$ 103,728
A/P	640	6,629	6,996	6,744	9,722	12,681	16,486	16,486	19,445
Operating Lease	0	258	463	498	498	498	498	498	498
Deferred revenue	11	4,902	720	361	520	679	882	882	1,041
Convertible notes	2,759	0	0	0	0	0	0	0	0
Notes payable	0	75	0	0	0	0	0	0	0
Accrued Interest	266	0	0	0	0	0	0	0	0
Current Liabilities	$ 3,675	$ 11,864	$ 8,179	$ 7,603	$ 10,741	$ 13,858	$ 17,866	$ 17,866	$ 20,984
Convertbile N/P	1,875	0	0	0	0	0	0	0	0
NP	0	115	0	0	0	0	0	0	0
Deferred revenue	0	0	405	415	598	780	1,014	1,014	1,197
Operating Lease	0	828	632	1,071	1,071	1,071	1,071	1,071	1,071
Equity	(1,984)	8,409	66,098	61,407	60,959	62,583	66,533	66,533	80,477
Total Liabilities & Equity	$ 3,566	$ 21,216	$ 75,314	$ 70,496	$ 73,369	$ 78,292	$ 86,485	$ 86,485	$ 103,728

	30-Nov-19 FY2019	30-Nov-20 FY2020	30-Nov-21 FY2021	28-Feb-22 FQ1 22A	31-May-22 FQ2 22E	31-Aug-22 FQ3 22E	30-Nov-22 FQ4 22E	30-Nov-22 FY2022E	30-Nov-23 FY2023E
Net Income	(4,410)	(12,553)	(3,283)	(3,221)	(1,335)	736	3,064	(757)	10,396
Depreciation	54	242	487	175	235	235	235	880	940
Stock Comp	218	1,252	3,150	1,284	812	812	812	3,720	3,248
Other	1,612	8,873	63	16	408	363	324	1,111	(137)
Working Capital	(1,251)	4,723	(4,854)	(6,686)	1,262	(1,437)	3,484	(3,377)	5,598
Operating CF	$ (3,776)	$ 2,538	$ (4,437)	$ (8,432)	$ 1,383	$ 709	$ 7,918	$ 1,578	$ 20,044
Capx	(246)	(1,426)	(1,700)	(915)	(1,000)	(1,000)	(750)	(3,665)	(3,000)
Acquisitions		(489)	(4,044)	0					
Other		(80)	(138)	0					
Investing Activities	$ (246)	$ (1,995)	$ (5,882)	$ (915)	$ (1,000)	$ (1,000)	$ (750)	$ (3,665)	$ (3,000)
Equity	0	7,714	57,333	(2,288)	75	75	75	(2,063)	300
Debt	4,032	54	(81)	0	0	0	0	0	0
Financing	$ 4,032	$ 7,768	$ 57,252	$ (2,288)	$ 75	$ 75	$ 75	$ (2,063)	$ 300
FX	$ (19)	$ 171	$ (189)	$ (64)	$ -	$ -	$ -	$ (64)	$ -
Change in Cash	$ (8)	$ 8,482	$ 46,744	$ (11,699)	$ 458	$ (216)	$ 7,243	$ (4,214)	$ 17,344

Source: Byrna Technologies, Inc. and Dawson James Securities estimates

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:
Initiated – Buy – April 26, 2022 – Price Target $12
Update – Buy – May 18, 2022 – Price Target $12
Update – Buy – June 15, 2022 – Price Target $12
Update – Buy – June 24, 2022 – Price Target $12

Dawson James Securities, Inc. (the "Firm") is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Firm does not make a market in the securities of the subject company(s). The Firm has not engaged in investment banking relationships with the subject company in the prior twelve months, as a manager or co-manager of a public offering and has not received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has not received other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director, or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future. As of June 16, 2022, the Firm as a whole did not beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts, or employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the company(s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of the Firm and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Information about valuation methods and risks can be found in the "Valuation" and "Risk Analysis" sections of this report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

Ratings Definitions:

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;
2) **Neutral**: The analyst believes the price of the stock is fairly valued for the next 12-18 months;
3) **Sell**: The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

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 16-Jun-22

	Company Coverage		**Investment Banking**	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	72%	4	13%
Market Perform (Neutral)	12	28%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	43	100%	4	9%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.