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## Byrna Technologies Inc. (NASDAQ: BYRN)

*June 30, 2022*

### Buy: Q2 Preview.

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*Byrna is scheduled to release Q2 results on Thursday July 7 before the open. Earlier this month the company pre-announced Q2 revenue of \$11.5 million so we expect the focus of the call will be on margins, supply chain and the second half outlook. We reiterate our Buy recommendation and \$12 target.*

Byrna is scheduled to release Q2 results on Thursday July 7<sup>th</sup> before the open, followed by a 9AM Eastern call. For the quarter, our estimate is \$11.5 million in revenue, EBITDA of close to break-even and EPS of \$(0.06). We expect an acceleration in revenue and margins in the second half as manufacturing capacity expands and supply chain issues diminish. We expect these to be the focus of the call.

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.

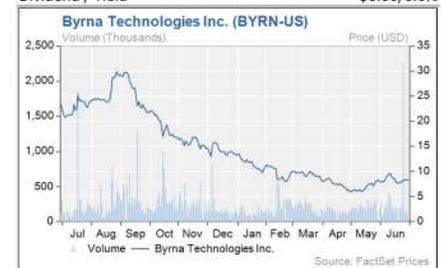
We estimate there is significant operating leverage as the company does not require a meaningful increase in operating expenses to support the revenue growth we have forecast. We have EBITDA margin improving as the year progresses, with the highest level in Q4 when sales are expected to be the highest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

Current Price				\$8.30
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	44.8 x	9.8 x	
<b>Stock Data</b>				
52-Week Range	\$5.89	-	\$30.55	
Shares Outstanding (mil.)				22.9
Market Capitalization (mil.)				\$190
Enterprise Value (mil.)				\$147
Debt to Capital				2%
Cash & Equivalents (mil.)				\$44.7
Cash/Sh.				\$1.95
Average Three Months Trading Volume (K)				76
Insider Ownership				22.2%
Institutional Ownership				30.8%
Short interest (mil.)				6.2%
Dividend / Yield				\$0.00/0.0%



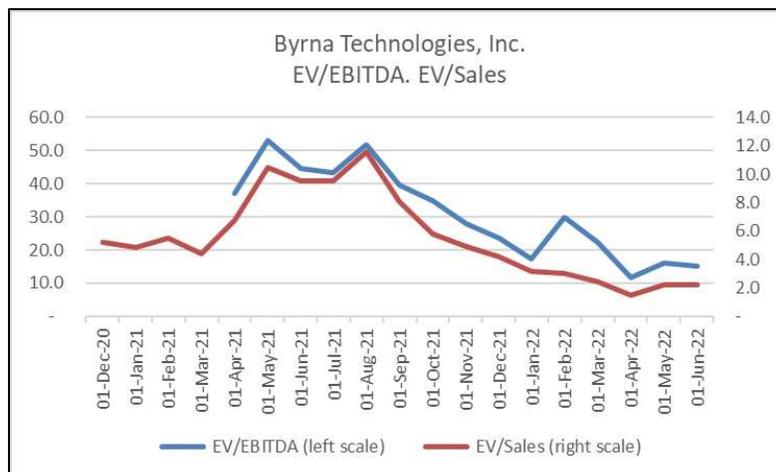
## Valuation

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.	\$ 9.70	\$ 1.97	4.9	\$ 132.1	\$ 272.7	0.48	\$ 40.1	3.3
POWW-US	AMMO Inc	4.07	0.35	11.7	451.2	324.6	1.39	85.4	5.3
AXON-US	Axon Enterprise Inc	95.64	2.12	45.0	6,345.6	1,174.1	5.40	224.5	28.3
SSTI-US	ShotSpotter, Inc.	26.34	0.05	492.5	315.1	88.2	3.57	18.3	17.2
SWBI-US	Smith & Wesson Brands, Inc.	13.78	2.05	6.7	552.5	646.6	0.85	160.7	3.4
RGR-US	Sturm, Ruger & Company, Inc.	63.37	5.62	11.3	908.4	592.4	1.53	160.3	5.7
VTSI-US	VirTra, Inc.	4.65	0.36	12.9	38.2	26.8	1.43	6.0	6.3
WRAP-US	Wrap Technologies, Inc.	1.91	(0.45)	(4.3)	48.7	15.2	3.20	(13.2)	(3.7)
	Median			11.5			1.48		5.5
BYRN-US	Byrna Technologies Inc.	\$ 8.30	\$ 0.31	27.1	\$ 147.1	\$ 66.8	2.20	\$ 9.7	15.1

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 & Other	377	1,391	1,490	1,934	2,788	3,637	4,728	4,728	5,576
<b>Current Assets</b>	<b>\$ 2,949</b>	<b>\$ 16,606</b>	<b>\$ 66,161</b>	<b>\$ 59,808</b>	<b>\$ 62,141</b>	<b>\$ 66,480</b>	<b>\$ 74,248</b>	<b>\$ 74,248</b>	<b>\$ 89,112</b>
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
<b>Total Assets</b>	<b>\$ 3,566</b>	<b>\$ 21,216</b>	<b>\$ 75,314</b>	<b>\$ 70,496</b>	<b>\$ 73,369</b>	<b>\$ 78,292</b>	<b>\$ 86,485</b>	<b>\$ 86,485</b>	<b>\$ 103,728</b>
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
<b>Current Liabilities</b>	<b>\$ 3,675</b>	<b>\$ 11,864</b>	<b>\$ 8,179</b>	<b>\$ 7,603</b>	<b>\$ 10,741</b>	<b>\$ 13,858</b>	<b>\$ 17,866</b>	<b>\$ 17,866</b>	<b>\$ 20,984</b>
Convertible 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
<b>Equity</b>	<b>(1,984)</b>	<b>8,409</b>	<b>66,098</b>	<b>61,407</b>	<b>60,959</b>	<b>62,583</b>	<b>66,533</b>	<b>66,533</b>	<b>80,477</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$ 3,566</b>	<b>\$ 21,216</b>	<b>\$ 75,314</b>	<b>\$ 70,496</b>	<b>\$ 73,369</b>	<b>\$ 78,292</b>	<b>\$ 86,485</b>	<b>\$ 86,485</b>	<b>\$ 103,728</b>

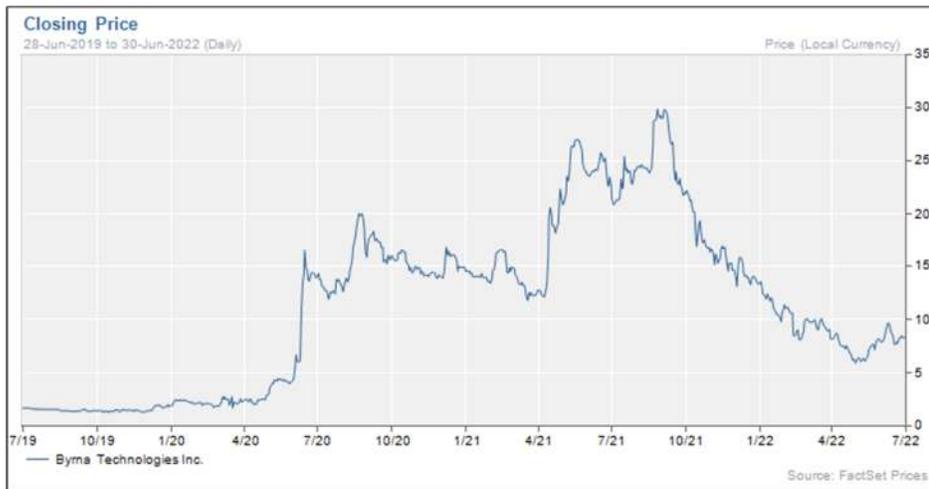
  

	30-Nov-19 FY2019	30-Nov-20 FY2020	30-Nov-21 FY2021	28-Feb-22 FQ1 22A	31-May-22 FQ2 22E	31-Aug-22 FQ3 22E	30-Nov-22 FQ4 22E	30-Nov-22 FY2022E	30-Nov-23 FY2023E
Net Income	(4,410)	(12,553)	(3,283)	(3,221)	(1,335)	736	3,064	(757)	10,396
Depreciation	54	242	487	175	235	235	235	880	940
Stock Comp	218	1,252	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
<b>Operating CF</b>	<b>\$ (3,776)</b>	<b>\$ 2,538</b>	<b>\$ (4,437)</b>	<b>\$ (8,432)</b>	<b>\$ 1,383</b>	<b>\$ 709</b>	<b>\$ 7,918</b>	<b>\$ 1,578</b>	<b>\$ 20,044</b>
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					
<b>Investing Activities</b>	<b>\$ (246)</b>	<b>\$ (1,995)</b>	<b>\$ (5,882)</b>	<b>\$ (915)</b>	<b>\$ (1,000)</b>	<b>\$ (1,000)</b>	<b>\$ (750)</b>	<b>\$ (3,665)</b>	<b>\$ (3,000)</b>
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
<b>Financing</b>	<b>\$ 4,032</b>	<b>\$ 7,768</b>	<b>\$ 57,252</b>	<b>\$ (2,288)</b>	<b>\$ 75</b>	<b>\$ 75</b>	<b>\$ 75</b>	<b>\$ (2,063)</b>	<b>\$ 300</b>
FX	\$ (19)	\$ 171	\$ (189)	\$ (64)	\$ -	\$ -	\$ -	\$ (64)	\$ -
<b>Change in Cash</b>	<b>\$ (8)</b>	<b>\$ 8,482</b>	<b>\$ 46,744</b>	<b>\$ (11,699)</b>	<b>\$ 458</b>	<b>\$ (216)</b>	<b>\$ 7,243</b>	<b>\$ (4,214)</b>	<b>\$ 17,344</b>

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

Update – Buy – June 30, 2022 – Price Target \$12

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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;
- 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

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# 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%
<b>Total</b>	<b>43</b>	<b>100%</b>	<b>4</b>	<b>9%</b>

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