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Byrna Technologies Inc. (NASDAQ: BYRN)

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Buy: Another Miss. Lower Estimates and Target.

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Preliminary Q3 revenue of \$12.4 million was below our \$13 million estimate and substantially lower than consensus of almost \$15 million. The company now expects full-year revenue between \$48 and \$50 million, down from its prior expectation of \$55 to \$60 million. We have lowered our estimates and our price target from \$12 to \$9.50.

The company cites softening demand, particularly in the dealer channel, for the lower-than-expected Q3 revenue and for the lowered full-year outlook. We assume the Fed interest rate hikes will continue to have an impact through fiscal 2023 and have lowered our estimates for both this year and next.

Our price target methodology is unchanged, but we are now using a sales estimate of \$62 million for fiscal 2023 and this results in a price target of \$9.50, versus our prior price target of \$12.

Our fiscal 2022 revenue estimate is now \$47 million, slightly below the low-end of company guidance, and reduced from our prior \$54 million estimate (also below the low-end of the company's prior guidance). For fiscal 2023 we have lowered our revenue estimate to \$62 million, from \$76 million. Our prior fiscal 2023 estimate was in line with consensus.

Cash at the end of Q2 was \$26 million and with lower revenue, working capital needs will diminish. That factor and EBITDA at or near break-even for our forecast horizon results in ample cash balances.

New products will be a key element of growth in the second half. Byrna has released the TCR, a \$750, less lethal tactical compact rifle for individuals, law enforcement, government agencies and private security firms. The re-engineered Mission 4 shoulder-fired launcher is available this month and is priced at \$900. The 12-gauge round, designed for the 50 million owners of 12-gauge shotguns in the United States is scheduled to ship in Q4. In addition to these new products, the company has been devoting increased resources to the school safety market with the Byrna Shield ballistic plate backpack insert, for \$150, and the Ballistipac backpack ranging from \$340 to \$900.

Valuation & Risks

Our price target of \$9.5 assumes an EV/Sales multiple of 3x on our fiscal 2023 revenue estimate of \$62 million. Risks to achieving our target include 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				\$8.41
Price Target				\$9.50
Estimates	F2021A	F2022E	F2023E	
Revenues (\$000s)	\$ 42,160	\$ 46,996 E	\$ 62,000	
1Q February	\$ 8,893	\$ 7,977 A	\$ 13,000	
2Q May	\$ 13,401	\$ 11,619 A	\$ 14,000	
3Q August	\$ 8,703	\$ 12,400 E	\$ 15,000	
4Q November	\$ 11,163	\$ 15,000 E	\$ 20,000	
	F2021A	F2022E	F2023E	
EBITDA (\$000s)	\$ 1,646	\$ (1,872)E	\$ 4,500	
1Q February	\$ 370	\$ (1,904)A	\$ 142	
2Q May	\$ 3,005	\$ (532)A	\$ 53	
3Q August	\$ (687)	\$ (544)E	\$ 753	
4Q November	\$ (1,042)	\$ 1,108 E	\$ 3,553	
EV/Sales	NM	3.5 x	2.6 x	
EV/EBITDA	NM	(86.9) x	36.2 x	
Stock Data				
52-Week Range	\$5.89	-	\$29.61	
Shares Outstanding (mil.)				22.2
Market Capitalization (mil.)				\$187
Enterprise Value (mil.)				\$163
Debt to Capital				3%
Cash & Equivalents (mil.)				\$25.8
Cash/Sh.				\$1.16
Average Three Months Trading Volume (K)				269
Insider Ownership				22.5%
Institutional Ownership				26.0%
Short interest (mil.)				2.9%
Dividend / Yield				\$0.00/0.0%



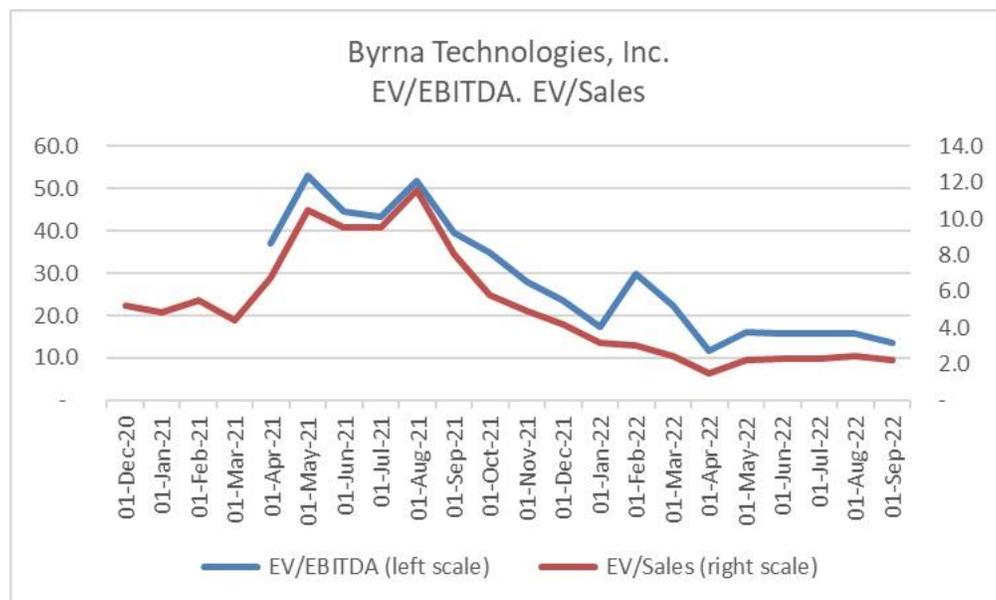
Valuation

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 \$9.5 using our fiscal 2023 revenue estimate of \$62 million.

		Price	EPS	P/E	TEV	Sales	EV/ Sales	EBITDA	EV/ EBITDA
AOUT-US	American Outdoor Brands, Inc.	\$ 8.43	\$ 1.20	7.0	\$ 143.5	\$ 240.5	0.60	\$ 24.7	5.8
POWW-US	AMMO Inc	3.54	0.37	9.5	403.7	320.5	1.26	103.3	3.9
AXON-US	Axon Enterprise Inc	123.73	2.30	53.7	8,433.6	1,240.7	6.80	241.3	35.0
SSTI-US	ShotSpotter, Inc.	30.37	0.14	219.2	369.6	90.9	4.07	19.9	18.6
SWBI-US	Smith & Wesson Brands, Inc.	13.57	2.14	6.3	542.9	654.9	0.83	166.2	3.3
RGR-US	Sturm, Ruger & Company, Inc.	53.16	4.68	11.4	733.2	558.4	1.31	136.1	5.4
VTSI-US	VirTra, Inc.	5.91	0.32	18.3	58.3	30.7	1.90	5.8	10.0
WRAP-US	Wrap Technologies, Inc.	1.98	(0.36)	(5.5)	53.2	15.0	3.55	(11.1)	(4.8)
	Median			10.4			1.61		5.6
BYRN-US	Byrna Technologies Inc.	\$ 8.41	\$ (0.17)	(50.3)	\$ 162.7	\$ 58.6	2.78	\$ 3.1	53.3

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, even with lower estimates.



Source: FactSet and Dawson James Securities estimates.

Risks

Risk Analysis: Risks to achieving our target include 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 22A	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	\$ 11,619	\$ 12,400	\$ 15,000	\$ 46,996	\$ 62,000
COGS	775	9,058	19,270	3,363	5,495	5,952	6,900	21,710	27,680
Gross Profit	149	7,508	22,890	4,614	6,124	6,448	8,100	25,286	34,320
	16%	45%	54.3%	58%	53%	52%	54%	54%	55%
Opex	3,438	11,817	26,181	8,023	8,739	8,739	8,739	34,240	36,808
Operating Income	\$ (3,289)	\$ (4,309)	\$ (3,291)	\$ (3,409)	\$ (2,615)	\$ (2,291)	\$ (639)	\$ (8,954)	\$ (2,488)
Interest & Other, total	(1,121)	(7,952)	(152)	68	(330)	25	25	(226)	100
Pretax Income	(4,410)	(12,261)	(3,443)	(3,341)	(2,945)	(2,266)	(614)	(9,180)	(2,388)
Taxes	0	293	(160)	(120)	51	(113)	(31)	(213)	(119)
Net Income	\$ (4,410)	\$ (12,553)	\$ (3,283)	\$ (3,221)	\$ (2,996)	\$ (2,153)	\$ (583)	\$ (8,967)	\$ (2,269)
Preferred Dividends	\$ -	\$ -	1,043	\$ -	\$ -	\$ -	\$ -	0	0
Net to Common	\$ (4,410)	\$ (12,553)	\$ (4,326)	\$ (3,221)	\$ (2,996)	\$ (2,153)	\$ (583)	\$ (8,967)	\$ (2,269)
Basic Shares	10,354	12,679	19,610	23,790	23,097	22,232	22,274	22,849	22,462
Diluted Shares	10,354	12,679	19,610	23,790	23,097	22,232	22,274	22,849	22,462
Basic EPS	\$ (0.43)	\$ (0.98)	\$ (0.22)	\$ (0.14)	\$ (0.13)	\$ (0.10)	\$ (0.03)	\$ (0.39)	\$ (0.10)
Diluted EPS	\$ (0.43)	\$ (0.98)	\$ (0.22)	\$ (0.14)	\$ (0.13)	\$ (0.10)	\$ (0.03)	\$ (0.39)	\$ (0.10)
D&A	54	242	487	175	206	243	243	867	972
Stock/Incentive Comp	218	1,252	3,150	1,284	1,504	1,504	1,504	5,796	6,016
Other	0	0	1,300	46	373	0	0	419	0
EBITDA	(3,016)	(2,814)	1,646	(1,904)	(532)	(544)	1,108	(1,872)	4,500
Margin	-332.6%	-17.0%	3.9%	-23.9%	-4.6%	-4.4%	7.4%	-4.0%	7.3%
	FY2019	FY2020	FY2021	FQ1 22A	FQ2 22A	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%	47.3%	48.0%	46.0%	46.2%	44.6%
Gross Profit	16.1%	45.3%	54.3%	57.8%	52.7%	52.0%	54.0%	53.8%	55.4%
Opex	371.9%	71.3%	62.1%	100.6%	75.2%	70.5%	58.3%	72.9%	59.4%
Operating Income	-355.7%	-26.0%	-7.8%	-42.7%	-22.5%	-18.5%	-4.3%	-19.1%	-4.0%
Interest & Other, total	-121.3%	-48.0%	-0.4%	0.9%	-2.8%	0.2%	0.2%	-0.5%	0.2%
Pretax Income	-477.0%	-74.0%	-8.2%	-41.9%	-25.3%	-18.3%	-4.1%	-19.5%	-3.9%
Tax Rate	0.0%	-2.4%	4.6%	3.6%	-1.7%	5.0%	5.0%	2.3%	5.0%
Net Income	-477.0%	-75.8%	-7.8%	-40.4%	-25.8%	-17.4%	-3.9%	-19.1%	-3.7%
EBITDA	-326.3%	-17.0%	3.9%	-23.9%	-4.6%	-4.4%	7.4%	-4.0%	7.3%
Y/Y									
Revenue	269.4%	1692.1%	154.5%	-10.3%	-13.3%	42.5%	34.4%	11.5%	31.9%
Opex	61.7%	243.8%	121.6%	55.8%	57.8%	30.6%	-0.7%	30.8%	7.5%
Operating Income	57.7%	31.0%	-23.6%	729.4%	-229.3%	27.0%	-79.4%	172.1%	-72.2%
Net Income	-104.8%	-184.7%	73.8%	-1084.2%	-247.1%	-16.9%	81.8%	-173.1%	74.7%

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

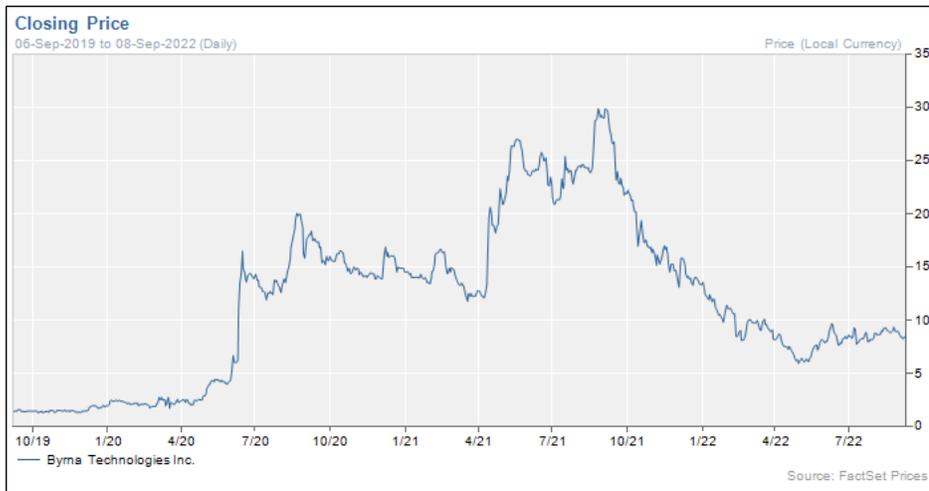
Exhibit 2. Balance Sheet and Cash Flow Statement (\$ in 000's)

	30-Nov-19 FY2019	30-Nov-20 FY2020	30-Nov-21 FY2021	30-Nov-22 FY2022E	30-Nov-23 FY2023E
Cash & ST Investments	1,082	3,175	56,308	31,671	33,509
Restricted Cash	0	6,389	92	0	0
A/R	438	834	1,658	2,400	2,667
Inventory	960	4,817	6,613	11,040	14,080
Prepaid Expenses & Other	377	1,391	1,490	2,359	3,145
Current Assets	\$ 2,949	\$ 16,606	\$ 66,161	\$ 47,469	\$ 53,401
Patent rights	99	811	3,668	3,869	3,225
Deposits for equipment	197	619	1,293	500	500
Right-of-use asset	0	1,200	1,086	1,298	970
PP&E	321	1,220	1,972	4,040	6,640
Goodwill	0	651	816	2,245	2,245
Restricted Cash	92	92	0	0	0
Other	0	17	318	470	627
Total Assets	\$ 3,566	\$ 21,216	\$ 75,314	\$ 59,891	\$ 67,607
A/P	640	6,629	6,996	11,216	14,955
Operating Lease	0	258	463	522	522
Deferred revenue	11	4,902	720	461	615
Convertible notes	2,759	0	0	0	0
Notes payable	0	75	0	0	0
Accrued Interest	266	0	0	0	0
Current Liabilities	\$ 3,675	\$ 11,864	\$ 8,179	\$ 12,199	\$ 16,091
Convertible N/P	1,875	0	0	0	0
NP	0	115	0	0	0
Deferred revenue	0	0	405	529	706
Operating Lease	0	828	632	1,059	1,059
Equity	(1,984)	8,409	66,098	46,104	49,751
Total Liabilities & Equity	\$ 3,566	\$ 21,216	\$ 75,314	\$ 59,891	\$ 67,607
	30-Nov-19 FY2019	30-Nov-20 FY2020	30-Nov-21 FY2021	30-Nov-22 FY2022E	30-Nov-23 FY2023E
Net Income	(4,410)	(12,553)	(3,283)	(8,967)	(2,269)
Depreciation	54	242	487	867	972
Stock and Incentive Comp	218	1,252	3,150	5,796	6,016
Other	1,612	8,873	63	1,992	20
Working Capital	(1,251)	4,723	(4,854)	(4,462)	(201)
Operating CF	\$ (3,776)	\$ 2,538	\$ (4,437)	\$ (4,773)	\$ 4,539
Capx	(246)	(1,426)	(1,700)	(3,713)	(3,000)
Acquisitions		(489)	(4,044)	(1,933)	
Other		(80)	(138)	(12)	
Investing Activities	\$ (246)	\$ (1,995)	\$ (5,882)	\$ (5,658)	\$ (3,000)
Equity	0	7,714	57,333	(14,392)	300
Debt	4,032	54	(81)	0	0
Financing	\$ 4,032	\$ 7,768	\$ 57,252	\$ (14,392)	\$ 300
FX	\$ (19)	\$ 171	\$ (189)	\$ 80	\$ -
Change in Cash	\$ (8)	\$ 8,482	\$ 46,744	\$ (24,743)	\$ 1,839

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
- Update – Buy – July 8, 2022 – Price Target \$12
- Update – Buy – July 8, 2022 – Price Target \$12
- Price Target Change – Buy – September 8, 2022 – Price Target Changed from \$12 to \$9.50

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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.

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Current as of 7-Sep-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	28	93%	4	14%
Market Perform (Neutral)	1	3%	0	0%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	4	13%

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