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Byrna Technologies Inc. (NASDAQ: BYRN)

December 7, 2022

Buy: Q4 Revenue Exceeds Our Estimate. In Line with Consensus

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Byrna pre-announced fiscal Q4 revenue of \$16 million, higher than our estimate of \$15 million and in line with consensus revenue. We reiterate our Buy recommendation and \$9.50 price target.

Byrna pre-announced fiscal Q4 revenue of \$16 million, higher than our \$15 million estimate and in line with consensus of \$16 million. E-commerce sales and the company-owned store in Las Vegas generated \$7.4 million in revenue down from year-ago sales of \$8.4 million. Sales through Amazon were \$1.8 million, up slightly from Q3's \$1.7 million. The company cited a consumer focus on deals as well as reduced urgency of demand with supply chain issues ironing out.

International sales were substantially higher than usual. Sales of \$4.2 million were double the \$2.1 million generated in Q3. The company expected a number of large sales to police agencies to occur in Q4. International sales are generally at lower margins than domestic sales, so our EBITDA estimate could be aggressive.

The company began production of the LE and the 12-gauge round in the quarter but sales will not begin until fiscal 2023. Both are expected to be meaningful contributors to growth next year.

Cash at the end of Q3 was \$24.5 million and is ample over our forecast horizon. Byrna announced plans to continue its previously approved \$5 million stock buyback program. We are skeptical the program will achieve anything meaningful, and our experience is small growth companies are much better served by conserving cash, particularly in environments where demand is weakening.

Valuation & Risks

Our price target of \$9.50 assumes an EV/Sales multiple of 3x on our second half fiscal 2023 run-rate revenue estimate of \$64 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				\$8.75
Price Target				\$9.50
Estimates	F2021A	F2022E	F2023E	
Revenues (\$000s)	\$ 42,160	\$ 48,018 E	\$ 58,000	
1Q February	\$ 8,893	\$ 7,977 A	\$ 12,500	
2Q May	\$ 13,401	\$ 11,619 A	\$ 13,500	
3Q August	\$ 8,703	\$ 12,422 A	\$ 14,000	
4Q November	\$ 11,163	\$ 16,000 E	\$ 18,000	
	F2021A	F2022E	F2023E	
EBITDA (\$000s)	\$ 1,646	\$ (475)E	\$ 4,493	
1Q February	\$ 370	\$ (1,904)A	\$ 339	
2Q May	\$ 3,005	\$ (532)A	\$ 754	
3Q August	\$ (687)	\$ 262 A	\$ 1,079	
4Q November	\$ (1,042)	\$ 1,699 E	\$ 2,322	
EV/Sales	NM	3.6 x	3.0 x	
EV/EBITDA	NM	(363.4) x	38.4 x	
Stock Data				
52-Week Range	\$4.50	-	\$16.16	
Shares Outstanding (mil.)				22.2
Market Capitalization (mil.)				\$195
Enterprise Value (mil.)				\$173
Debt to Capital				5%
Cash & Equivalents (mil.)				\$24.5
Cash/Sh.				\$1.10
Average Three Months Trading Volume (K)				40
Insider Ownership				20.8%
Institutional Ownership				25.4%
Short interest (mil.)				2.4%
Dividend / Yield				\$0.00/0.0%



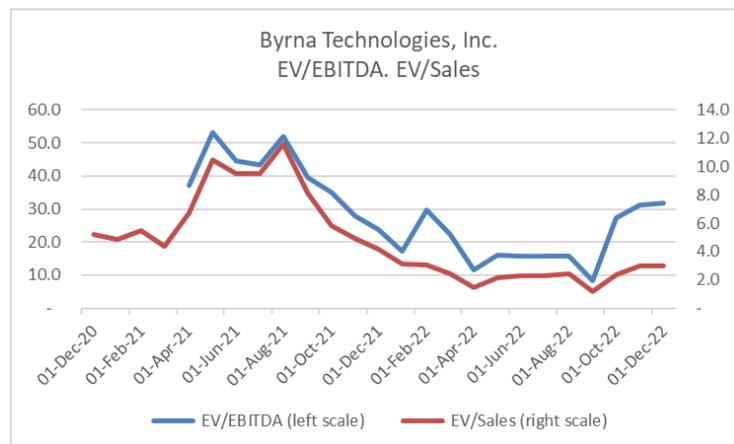
Valuation

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 \$9.50 using our run-rate second-half fiscal 2023 revenue estimate of \$64 million.

		Price	EPS	P/E	TEV	Sales	EV/ Sales	EBITDA	EV/ EBITDA
AOUT-US	American Outdoor Brands, Inc.	\$ 10.73	\$ 0.85	12.6	\$ 172.1	\$ 223.0	0.77	\$ 20.3	8.5
POWW-US	AMMO Inc	1.97	0.24	8.4	217.3	263.2	0.83	58.5	3.7
AXON-US	Axon Enterprise Inc	169.43	2.61	64.9	11,694.6	1,364.7	8.57	272.4	42.9
SSTI-US	ShotSpotter, Inc.	32.39	0.27	119.1	389.1	93.9	4.14	22.7	17.1
SWBI-US	Smith & Wesson Brands, Inc.	11.80	0.93	12.7	540.0	512.2	1.05	106.7	5.1
RGR-US	Sturm, Ruger & Company, Inc.	61.71	4.20	14.7	877.5	539.5	1.63	125.1	7.0
VTSI-US	VirTra, Inc.	4.49	0.16	27.6	43.0	29.3	1.47	4.4	9.8
WRAP-US	Wrap Technologies, Inc.	2.48	(0.25)	(9.9)	78.6	17.4	4.52	(5.8)	(13.6)
	Median			13.7			1.55		7.8
BYRN-US	Byrna Technologies Inc.	\$ 8.75	\$ (0.06)	(135.4)	\$ 172.6	\$ 58.2	2.97	\$ 4.6	37.6

Source: FactSet and Dawson James Securities estimates

EV/Sales and EV/EBITDA have rebounded over the past few months and we believe current valuation is attractive.



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 22A	30-Nov-22 FQ4 22E	30-Nov-22 FY2022E	30-Nov-23 FY2023E
Revenue	\$ 924	\$ 16,566	\$ 42,160	\$ 7,977	\$ 11,619	\$ 12,422	\$ 16,000	\$ 48,018	\$ 58,000
COGS	775	9,058	19,270	3,363	5,495	5,545	7,360	21,763	25,223
Gross Profit	149	7,508	22,890	4,614	6,124	6,877	8,640	26,255	32,778
	16.1%	45.3%	54.3%	57.8%	52.7%	55.4%	54.0%	54.7%	56.5%
Opex	3,438	11,817	26,181	8,023	8,739	8,283	8,500	33,545	34,521
Operating Income	\$ (3,289)	\$ (4,309)	\$ (3,291)	\$ (3,409)	\$ (2,615)	\$ (1,406)	\$ 140	\$ (7,290)	\$ (1,743)
Interest & Other, total	(1,121)	(7,952)	(152)	68	(330)	22	25	(226)	100
Pretax Income	(4,410)	(12,261)	(3,443)	(3,341)	(2,945)	(1,384)	165	(7,516)	(1,643)
Taxes	0	293	(160)	(120)	51	150	8	89	(82)
Net Income	\$ (4,410)	\$ (12,553)	\$ (3,283)	\$ (3,221)	\$ (2,996)	\$ (1,534)	\$ 157	\$ (7,605)	\$ (1,561)
Preferred Dividends	\$ -	\$ -	1,043	\$ -	\$ -	\$ -	\$ -	0	0
Net to Common	\$ (4,410)	\$ (12,553)	\$ (4,326)	\$ (3,221)	\$ (2,996)	\$ (1,534)	\$ 157	\$ (7,605)	\$ (1,561)
Basic Shares	10,354	12,679	19,610	23,790	23,097	21,752	22,237	22,719	22,387
Diluted Shares	10,354	12,679	19,610	23,790	23,097	21,752	22,337	22,719	22,387
Basic EPS	\$ (0.43)	\$ (0.98)	\$ (0.22)	\$ (0.14)	\$ (0.13)	\$ (0.07)	\$ 0.01	\$ (0.33)	\$ (0.07)
Diluted EPS	\$ (0.43)	\$ (0.98)	\$ (0.22)	\$ (0.14)	\$ (0.13)	\$ (0.07)	\$ 0.01	\$ (0.33)	\$ (0.07)
D&A	54	242	487	175	206	257	286	924	1,144
Stock/Incentive Comp	218	1,252	3,150	1,284	1,504	1,273	1,273	5,334	5,092
Other	0	0	1,300	46	373	138	0	557	0
EBITDA	(3,016)	(2,814)	1,646	(1,904)	(532)	262	1,699	(475)	4,493
Margin	-332.6%	-17.0%	3.9%	-23.9%	-4.6%	2.1%	10.6%	-1.0%	7.7%
	FY2019	FY2020	FY2021	FQ1 22A	FQ2 22A	FQ3 22A	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%	44.6%	46.0%	45.3%	43.5%
Gross Profit	16.1%	45.3%	54.3%	57.8%	52.7%	55.4%	54.0%	54.7%	56.5%
Opex	371.9%	71.3%	62.1%	100.6%	75.2%	66.7%	53.1%	69.9%	59.5%
Operating Income	-355.7%	-26.0%	-7.8%	-42.7%	-22.5%	-11.3%	0.9%	-15.2%	-3.0%
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%	-11.1%	1.0%	-15.7%	-2.8%
Tax Rate	0.0%	-2.4%	4.6%	3.6%	-1.7%	-10.8%	5.0%	-1.2%	5.0%
Net Income	-477.0%	-75.8%	-7.8%	-40.4%	-25.8%	-12.3%	1.0%	-15.8%	-2.7%
EBITDA	-326.3%	-17.0%	3.9%	-23.9%	-4.6%	2.1%	10.6%	-1.0%	7.7%
Y/Y									
Revenue	269.4%	1692.1%	154.5%	-10.3%	-13.3%	42.7%	43.3%	13.9%	20.8%
Opex	61.7%	243.8%	121.6%	55.8%	57.8%	23.8%	-3.4%	28.1%	2.9%
Operating Income	57.7%	31.0%	-23.6%	729.4%	-229.3%	-22.1%	-104.5%	121.5%	-76.1%
Net Income	-104.8%	-184.7%	73.8%	-1084.2%	-247.1%	16.7%	104.9%	-131.7%	79.5%

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

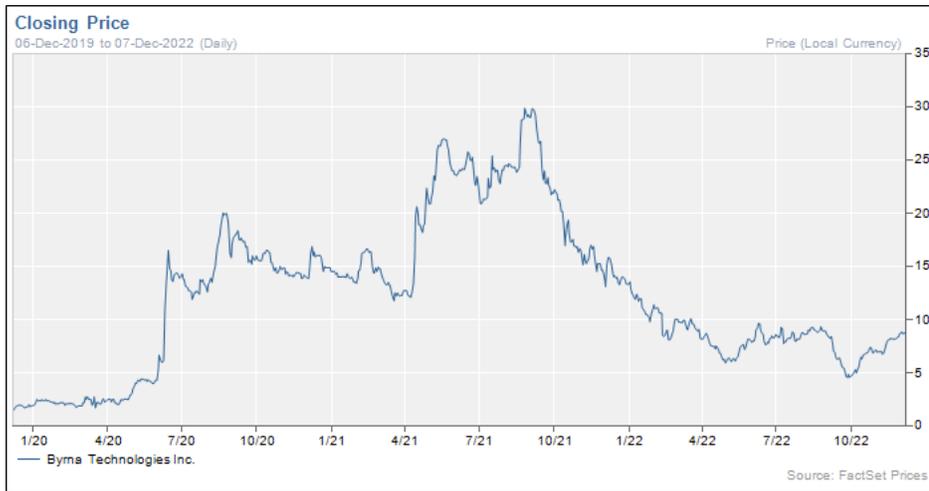
Exhibit 2. Balance Sheet and Cash Flow Statement (\$ in 000's)

	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	32,605	34,598
Restricted Cash	0	6,389	92	0	0
A/R	438	834	1,658	2,560	2,400
Inventory	960	4,817	6,613	11,776	12,960
Prepaid Expenses & Other	377	1,391	1,490	1,976	2,223
Current Assets	\$ 2,949	\$ 16,606	\$ 66,161	\$ 48,917	\$ 52,181
Patent rights	99	811	3,668	3,891	3,247
Deposits for equipment	197	619	1,293	500	500
Right-of-use asset	0	1,200	1,086	2,277	1,813
PP&E	321	1,220	1,972	3,676	6,240
Goodwill	0	651	816	2,307	2,307
Restricted Cash	92	92	0	0	0
Other	0	17	318	198	223
Total Assets	\$ 3,566	\$ 21,216	\$ 75,314	\$ 61,767	\$ 66,511
A/P	640	6,629	6,996	8,822	9,924
Operating Lease	0	258	463	680	680
Deferred revenue	11	4,902	720	1,186	1,335
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	\$ 10,688	\$ 11,939
Convertible N/P	1,875	0	0	0	0
NP	0	115	0	0	0
Deferred revenue	0	0	405	496	558
Operating Lease	0	828	632	1,838	1,838
Equity	(1,984)	8,409	66,098	48,745	52,176
Total Liabilities & Equity	\$ 3,566	\$ 21,216	\$ 75,314	\$ 61,767	\$ 66,511
	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)	(7,605)	(1,561)
Depreciation	54	242	487	924	1,144
Stock and Incentive Comp	218	1,252	3,150	5,334	5,092
Other	1,612	8,873	63	1,913	37
Working Capital	(1,251)	4,723	(4,854)	(4,536)	(20)
Operating CF	\$ (3,776)	\$ 2,538	\$ (4,437)	\$ (3,971)	\$ 4,692
Capx	(246)	(1,426)	(1,700)	(2,982)	(3,000)
Acquisitions		(489)	(4,044)	(1,933)	
Other		(80)	(138)	(44)	
Investing Activities	\$ (246)	\$ (1,995)	\$ (5,882)	\$ (4,959)	\$ (3,000)
Equity	0	7,714	57,333	(14,468)	300
Debt	4,032	54	(81)	0	0
Financing	\$ 4,032	\$ 7,768	\$ 57,252	\$ (14,468)	\$ 300
FX	\$ (19)	\$ 171	\$ (189)	\$ (407)	\$ -
Change in Cash	\$ (8)	\$ 8,482	\$ 46,744	\$ (23,805)	\$ 1,992

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
 Update – Buy – October 4, 2022 – Price Target \$9.50
 Update – Buy – October 6, 2022 – Price Target \$9.50
 Update – Buy – December 7, 2022 – Price Target \$9.50

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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.

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Current as of 7-Dec-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	77%	2	9%
Market Perform (Neutral)	6	20%	0	0%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	2	7%

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