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Byrna Technologies Inc. (NASDAQ: BYRN)

September 27, 2023

Neutral: Distribution Woes Continue. Lower to Neutral.

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We are lowering our recommendation and estimates for Byrna. Advertising of the company's self-defense products remains banned on the Meta platforms and the impact has been larger than anticipated. While YouTube advertising has resumed, and a marketing partnership with Sean Hannity has begun, until the company finds more reliable marketing partners results are likely to be capitalized at lower multiples.

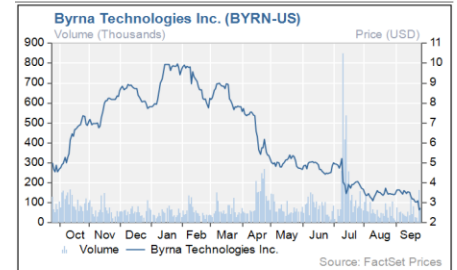
Sales plummeted in fiscal Q3 to \$7.1 million, from \$11.5 million in fiscal Q2 and \$12.4 million in the year-ago quarter. This is far worse than initially expected, and the magnitude of the decline suggests there are other areas of the business, besides the direct-to-consumer segment, that have underperformed relative to our expectations. The company indicates it has received permission to advertise on YouTube again, but in our view, the social media platforms have shown themselves to be arbitrary and capricious partners, which will make investors distrustful of the durability of revenues generated through these channels. We believe the company faces a potentially expensive and time-consuming task of building alternative marketing and distribution channels, creating greater uncertainty on top-line growth and profitability.

Sales this year are expected to be about \$36 million, down from \$48 million in fiscal 2022. While the largest impact is from the direct-to-consumer channel, with sales down from \$30 million in fiscal 2022 to \$20 million in fiscal 2023, we estimate sales from the wholesale channel will be lower by \$2 to \$3 million and sales via Amazon also flat. Sometimes Amazon follows the cultural preferences of the other social media platforms so it is reasonable to question how stable the \$5 million in revenue from that channel is.

At the end of Q2, the company had \$15 million in cash, more than enough to fund operations. In addition, there is \$17 million in inventory, which can be a source of cash as a new level of sales is discovered.

The shares now trade at 1.25x our FTM sales estimate, a discount to the group median of 1.37x. The current EV/Sales is also far below the historical average, but sales were growing rapidly at that time.

Current Price	\$2.75		
Price Target	NA		
Estimates	F2022A	F2023E	F2024E
Revenues (\$Ms)	\$ 48.0	\$ 36.0 E	\$ 38.0
1Q February	\$ 8.0	\$ 8.4 A	\$ 7.7
2Q May	\$ 11.6	\$ 11.5 A	\$ 12.7
3Q August	\$ 12.4	\$ 7.0 E	\$ 7.7
4Q November	\$ 16.0	\$ 9.1 E	\$ 10.0
	F2022A	F2023E	F2024E
EBITDA (\$Ms)	\$ (0.6)	\$ (1.1)E	\$ (1.8)
1Q February	\$ (1.9)	(0.3)A	\$ (1.4)
2Q May	\$ (0.5)	\$ 1.0 A	\$ 1.3
3Q August	\$ 0.3	(1.5)E	\$ (1.4)
4Q November	\$ 1.6	(0.3)E	\$ (0.2)
EV/Sales	NM	1.3 x	1.2 x
EV/EBITDA	NM	(41.8) x	(26.6) x
Stock Data			
52-Week Range	\$2.60	-	\$10.38
Shares Outstanding (mil.)	21.9		
Market Capitalization (mil.)	\$60		
Enterprise Value (mil.)	\$47		
Debt to Capital	5%		
Cash & Equivalents (mil.)	\$15.4		
Cash/Sh.	\$0.70		
Average Three Months Trading Volume (K)	42		
Insider Ownership	20.6%		
Institutional Ownership	26.9%		
Short interest (mil.)	2.7%		
Dividend / Yield	\$0.00/0.0%		



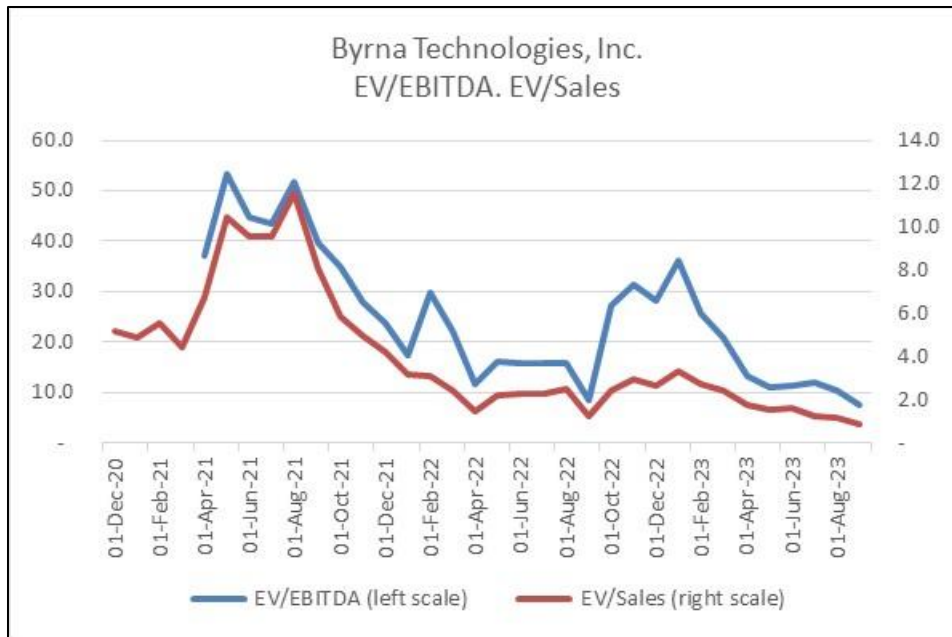
Valuation

The median EV/Sales for the group is 1.37x, and while Byrna is trading at a discount to the group, it is only one of two (Wrap is the other) with projected negative EBITDA.

		Price	EPS	P/E	TEV	Sales	EV/ Sales	EBITDA	EV/ EBITDA
AOUT-US	American Outdoor Brands, Inc.	\$ 9.54	\$ 0.54	17.7	\$ 133.6	\$ 203.2	0.66	\$ 14.8	9.0
POWW-US	AMMO Inc	2.00	0.10	19.6	204.9	149.9	1.37	28.7	7.1
AXON-US	Axon Enterprise Inc	189.61	3.78	50.2	14,020.3	1,746.4	8.03	373.0	37.6
SSTI-US	SoundThinking, Inc.	17.51	(0.06)	(276.0)	219.6	101.1	2.17	21.7	10.1
SWBI-US	Smith & Wesson Brands, Inc.	12.80	0.99	13.0	600.7	524.8	1.14	99.5	6.0
RGR-US	Sturm, Ruger & Company, Inc.	50.93	3.79	13.4	775.1	581.5	1.33	109.9	7.1
VTSI-US	VirTra, Inc.	5.97	0.46	12.9	60.9	37.1	1.64	8.2	7.4
WRAP-US	Wrap Technologies, Inc.	1.49			47.3				
	Median			13.4			1.37		7.4
BYRN-US	Byrna Technologies Inc.	\$ 2.75	\$ (0.42)	(6.5)	\$ 47.0	\$ 37.6	1.25	\$ (1.7)	(28.5)

Source: FactSet and Dawson James Securities estimates

EV/Sales and EV/EBITDA are near the lows since the company’s IPO, but in previous periods sales growth was positive and substantial.



Source: FactSet and Dawson James Securities estimates.

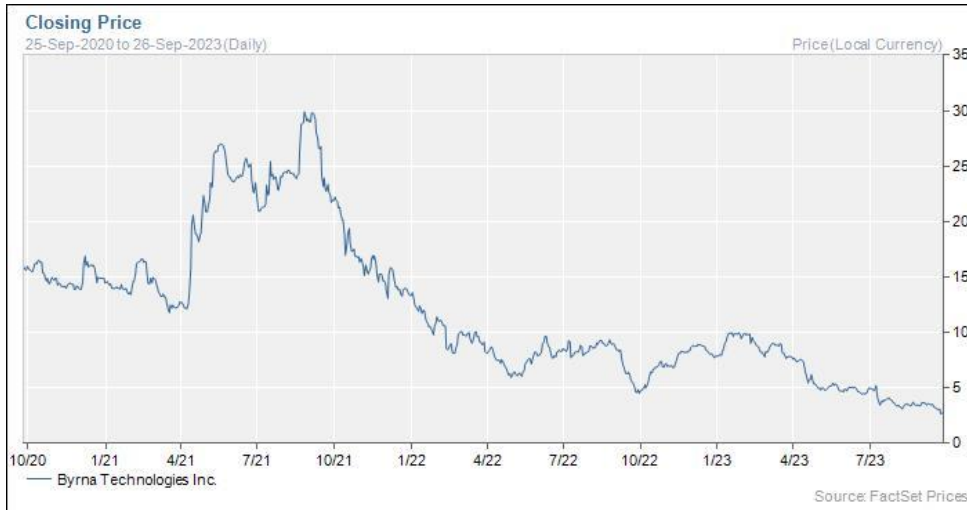
Exhibit 1. Income Statement (\$ in 000's except per share data)

	30-Nov-20 FY2020	30-Nov-21 FY2021	30-Nov-22 FY2022A	28-Feb-23 FQ1 23A	31-May-23 FQ2 23A	31-Aug-23 FQ3 23E	30-Nov-23 FQ4 23E	30-Nov-23 FY2023E	30-Nov-24 FY2024E
Revenue	\$ 16,566	\$ 42,160	\$ 48,036	\$ 8,411	\$ 11,508	\$ 7,000	\$ 9,050	\$ 35,969	\$ 38,006
COGS	9,058	19,270	21,758	3,165	5,309	3,850	4,073	16,397	17,103
Gross Profit	7,508	22,890	26,278	5,246	6,199	3,150	4,978	19,573	20,903
	45.3%	54.3%	54.7%	62.4%	53.9%	45.0%	55.0%	54.4%	55.0%
Opex	11,817	26,181	33,733	7,240	7,015	7,100	7,100	28,455	29,820
Operating Income	\$ (4,309)	\$ (3,291)	\$ (7,455)	\$ (1,994)	\$ (816)	\$ (3,950)	\$ (2,123)	\$ (8,883)	\$ (8,917)
Interest & Other, total	(7,952)	(152)	(196)	(218)	(283)	(209)	(209)	(867)	(836)
Pretax Income	(12,261)	(3,443)	(7,651)	(2,212)	(1,099)	(4,159)	(2,332)	(9,750)	(9,753)
Taxes	293	(160)	234	(59)	17	(208)	(117)	(367)	(488)
Net Income	\$ (12,553)	\$ (3,283)	\$ (7,885)	\$ (2,153)	\$ (1,116)	\$ (3,951)	\$ (2,215)	\$ (9,383)	\$ (9,265)
Preferred Dividends	\$ -	1,043	0	\$ -	\$ -	\$ -	\$ -	0	0
Net to Common	\$ (12,553)	\$ (4,326)	\$ (7,885)	\$ (2,153)	\$ (1,116)	\$ (3,951)	\$ (2,215)	\$ (9,383)	\$ (9,265)
Basic Shares	12,679	19,610	22,364	21,860	21,866	21,922	22,015	21,916	22,145
Diluted Shares	12,679	19,610	22,364	21,860	21,866	21,922	22,015	21,916	22,145
Basic EPS	\$ (0.98)	\$ (0.22)	\$ (0.35)	\$ (0.10)	\$ (0.05)	\$ (0.18)	\$ (0.10)	\$ (0.43)	\$ (0.42)
Diluted EPS	\$ (0.98)	\$ (0.22)	\$ (0.35)	\$ (0.10)	\$ (0.05)	\$ (0.18)	\$ (0.10)	\$ (0.43)	\$ (0.42)
D&A	242	487	855	276	306	301	301	1,184	1,204
Stock/Incentive Comp	1,252	3,150	5,424	1,464	1,487	1,487	1,487	5,925	5,948
Other	0	1,300	557	0	0	650	0	650	0
EBITDA	(2,814)	1,646	(619)	(254)	977	(1,512)	(335)	(1,124)	(1,765)
Margin	-17.0%	3.9%	-1.3%	-3.0%	8.5%	-21.6%	-3.7%	-3.1%	-4.6%

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
- Update – Buy – February 10, 2023 – Price Target \$9.50
- Update – Buy – April 17, 2023 – Price Target \$9.50
- Price Target Change – Buy – July 12, 2023 – Price Target Changed from \$9.50 to \$7.25
- Rating Change – Neutral – September 27, 2023 – Price Target NA

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- 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 27-Sep-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	22	64.70%	3	8.80%
Market Perform (Neutral)	12	35.30%	3	8.80%
Market Underperform (Sell)	0	0%	0	0.00%
Total	34	100%	6	17.60%

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