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## Byrna Technologies Inc. (NASDAQ: BYRN)

*October 16, 2023*

### Neutral: Q3 Results. Improved Outlook.

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*Q3 results were in line with the company's pre-announcement, with sales of \$7.1 million down q/q and y/y and an EBITDA loss of \$1.4 million. Initial results of the company's revamped marketing plan are encouraging with daily web sessions and daily sales now exceeding the pre-social media advertising ban levels seen at the beginning of the year. Uncertainty remains regarding the ability of the company to manage and grow this channel. Until the company finds more reliable marketing partners results are likely to be capitalized at lower multiples than it achieved in 2021.*

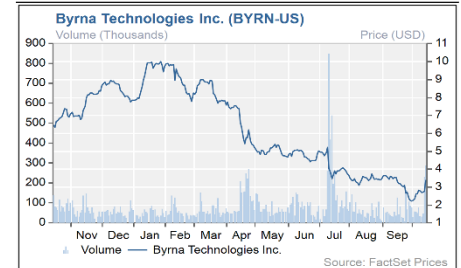
Reported fiscal Q3 sales were \$7.1 million, down from \$11.5 million in fiscal Q2 and \$12.4 million in the year-ago quarter. Advertising bans on YouTube, Facebook, Instagram and Twitter caused a significant reduction in web traffic to the Byrna site and a concomitant reduction in sales. The challenge for the company is rebuilding a marketing and advertising channel outside of the social media platforms, and this could be an expensive and time-consuming task creating greater uncertainty on top-line growth and profitability.

The mid-and long-term ability to replace the social media channel is still uncertain, but the short-term outlook is encouraging as the company has found its partnership with Sean Hannity, advertising on his radio program, and targeted ads at below-average rates have led to web sessions and daily sales exceeding pre-social media advertising ban levels. The challenge will be exploiting its current strategy, expanding to other celebrity endorsers and finding markets that are cost-effective to target. The company is also finding success in the dealer channel and is focusing on expanding the number of premier dealers who are passionate about the product and focus on gun shows, boat shows, RV shows and state and county fairs. Turning this business into brick-and-mortar establishments is the next step. Dealer sales currently generate about \$8 million in annual sales, focused on the traditional larger dealer/retail locations. The company believes its new dealer strategy can result in double or triple current levels over a multi-year time period.

At the end of Q3, the company had \$14 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 1.46x our FTM sales estimate, a premium to the group median of 1.42x. The current EV/Sales is also far below the historical average, but sales were growing rapidly at that time. We think the shares will likely trade in line with the group until greater confidence the company has arrived at a successful, replicable marketing and advertising strategy.

Current Price	\$3.41		
Price Target	NA		
Estimates	F2022A	F2023E	F2024E
Revenues (\$Ms)	\$ 48.0	\$ 38.5 E	\$ 44.1
1Q February	\$ 8.0	\$ 8.4 A	\$ 9.5
2Q May	\$ 11.6	\$ 11.5 A	\$ 10.5
3Q August	\$ 12.4	\$ 7.1 A	\$ 10.8
4Q November	\$ 16.0	\$ 11.5 E	\$ 13.3
	F2022A	F2023E	F2024E
EBITDA (\$Ms)	\$ (0.6)	\$ 0.4 E	\$ 2.2
1Q February	\$ (1.9)	(0.3)A	(0.3)
2Q May	\$ (0.5)	1.0 A	0.3
3Q August	\$ 0.3	(1.4)A	0.4
4Q November	\$ 1.6	1.2 E	1.8
EV/Sales	NM	1.6 x	1.4 x
EV/EBITDA	NM	143.1 x	29.0 x
Stock Data			
52-Week Range	\$2.19	-	\$10.38
Shares Outstanding (mil.)	22.0		
Market Capitalization (mil.)	\$75		
Enterprise Value (mil.)	\$63		
Debt to Capital	5%		
Cash & Equivalents (mil.)	\$13.7		
Cash/Sh.	\$0.62		
Average Three Months Trading Volume (K)	542		
Insider Ownership	20.7%		
Institutional Ownership	26.9%		
Short interest (mil.)	2.5%		
Dividend / Yield	\$0.00/0.0%		



### Q3 Results

Q3 revenue of \$7.1 million was in line with the company's pre-announced results but down from \$11.5 million in fiscal Q2 and \$12.4 million in the year-ago quarter. The EBITDA loss of \$1.4 million was in line with our lowered estimate. Cash fell \$1.7 million to \$14 million.

Q3 23					
(\$ in 000's)					
	Actual	Estimates	Delta	% Delta	
Revenue	\$ 7,085	\$ 7,000	\$ 85	1%	
COGS	3,927	3,850			
Gross Profit	3,158	3,150	8	0%	
	44.6%	45.0%			
Opex	7,267	7,100	167	2%	
Operating Income	\$ (4,109)	\$ (3,950)	\$ (159)	-4%	
Interest & Other, total	(109)	(209)			
Pretax Income	(4,218)	(4,159)			
Taxes	(124)	(208)			
Net to Common	\$ (4,094)	\$ (3,951)			
Basic Shares	21,960	21,922			
Diluted Shares	21,960	21,922			
Basic EPS	\$ (0.19)	\$ (0.18)			
Diluted EPS	\$ (0.19)	\$ (0.18)			
D&A	339	301			
Stock Comp	1,738	1,487			
Other	600	650			
EBITDA	\$ (1,432)	\$ (1,512)	\$ 80	5%	
Margin	-20.2%	-21.6%			

Source: Dawson James Securities estimates and Byrna Technologies Inc.

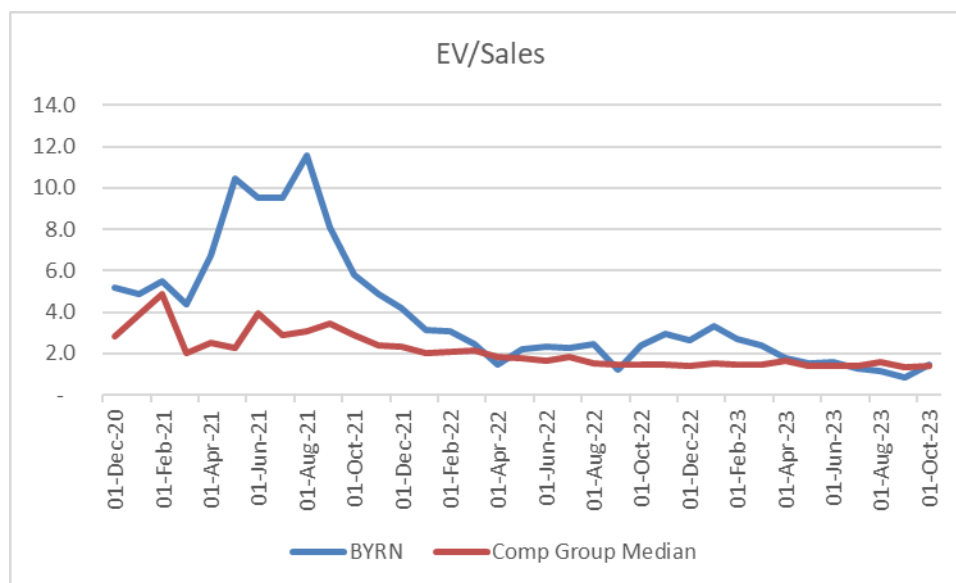
### Valuation

The median EV/Sales for the group is 1.42x, and Byrna is trading at a slight premium to the group.

		Price	EPS	P/E	TEV	Sales	EV/ Sales	EBITDA	EV/ EBITDA
AOUT-US	American Outdoor Brands, Inc.	\$ 9.50	\$ 0.55	17.3	\$ 129.6	\$ 203.8	0.64	\$ 15.0	8.6
POWW-US	AMMO Inc	2.28	0.10	21.8	235.5	150.5	1.57	29.0	8.1
AXON-US	Axon Enterprise Inc	215.43	3.79	56.8	15,679.2	1,761.0	8.90	377.4	41.5
SSTI-US	SoundThinking, Inc.	15.46	(0.05)	(342.7)	188.1	101.7	1.85	22.1	8.5
SWBI-US	Smith & Wesson Brands, Inc.	14.16	0.96	14.8	662.6	525.8	1.26	99.9	6.6
RGR-US	Sturm, Ruger & Company, Inc.	54.32	3.81	14.3	828.4	582.4	1.42	110.4	7.5
VTSI-US	VirTra, Inc.	4.83	0.46	10.4	48.6	37.2	1.31	8.2	5.9
WRAP-US	Wrap Technologies, Inc.	1.40			42.6				
	Median			14.8			1.42		8.1
BYRN-US	Byrna Technologies Inc.	\$ 3.41	\$ (0.31)	(11.0)	\$ 63.3	\$ 43.4	1.46	\$ 2.0	32.2

Source: FactSet and Dawson James Securities estimates

In 2021 when sales were growing at far greater rates than the group, Byrna's EV/Sales ratio was also far greater than the group. With the recent reduction in growth, the multiples are near parity, and we expect this to remain the case until the company can demonstrate its sales growth can accelerate with a new marketing and advertising strategy.



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 23A	30-Nov-23 FQ4 23E	30-Nov-23 FY2023E	30-Nov-24 FY2024E
Revenue	\$ 16,566	\$ 42,160	\$ 48,036	\$ 8,411	\$ 11,508	\$ 7,085	\$ 11,470	\$ 38,474	\$ 44,069
COGS	9,058	19,270	21,758	3,165	5,309	3,927	5,333	17,734	20,492
Gross Profit	7,508	22,890	26,278	5,246	6,199	3,158	6,136	20,739	23,577
	45.3%	54.3%	54.7%	62.4%	53.9%	44.6%	53.5%	53.9%	53.5%
Opex	11,817	26,181	33,733	7,240	7,015	7,267	7,267	28,789	30,521
Operating Income	\$ (4,309)	\$ (3,291)	\$ (7,455)	\$ (1,994)	\$ (816)	\$ (4,109)	\$ (1,131)	\$ (8,050)	\$ (6,945)
Interest & Other, total	(7,952)	(152)	(196)	(218)	(283)	(109)	(7)	(517)	(28)
Pretax Income	(12,261)	(3,443)	(7,651)	(2,212)	(1,099)	(4,218)	(1,138)	(8,567)	(6,973)
Taxes	293	(160)	234	(59)	17	(124)	(57)	(223)	(349)
Net Income	\$ (12,553)	\$ (3,283)	\$ (7,885)	\$ (2,153)	\$ (1,116)	\$ (4,094)	\$ (1,081)	\$ (8,344)	\$ (6,624)
Preferred Dividends	\$ -	1,043	0	\$ -	\$ -	\$ -	\$ -	0	0
Net to Common	\$ (12,553)	\$ (4,326)	\$ (7,885)	\$ (2,153)	\$ (1,116)	\$ (4,094)	\$ (1,081)	\$ (8,344)	\$ (6,624)
Basic Shares	12,679	19,610	22,364	21,860	21,866	21,960	21,977	21,916	22,088
Diluted Shares	12,679	19,610	22,364	21,860	21,866	21,960	21,977	21,916	22,088
Basic EPS	\$ (0.98)	\$ (0.22)	\$ (0.35)	\$ (0.10)	\$ (0.05)	\$ (0.19)	\$ (0.05)	\$ (0.38)	\$ (0.30)
Diluted EPS	\$ (0.98)	\$ (0.22)	\$ (0.35)	\$ (0.10)	\$ (0.05)	\$ (0.19)	\$ (0.05)	\$ (0.38)	\$ (0.30)
D&A	242	487	855	276	306	339	544	1,465	2,176
Stock/Incentive Comp	1,252	3,150	5,424	1,464	1,487	1,738	1,738	6,427	6,952
Other	0	1,300	557	0	0	600	0	600	0
EBITDA	(2,814)	1,646	(619)	(254)	977	(1,432)	1,151	442	2,183
Margin	-17.0%	3.9%	-1.3%	-3.0%	8.5%	-20.2%	10.0%	1.1%	5.0%

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

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

	30-Nov-20 FY2020A	30-Nov-21 FY2021A	30-Nov-22 FY2022A	30-Nov-23 FY2023E	30-Nov-24 FY2024E
Cash & ST Investments	3,175	56,308	20,068	14,895	21,310
Restricted Cash	6,389	92	0	0	0
A/R	834	1,658	5,915	5,735	6,651
Inventory	4,817	6,613	15,462	17,067	13,021
Prepaid Expenses & Other	1,391	1,490	1,200	1,559	1,808
Current Assets	\$ 16,606	\$ 66,161	\$ 42,645	\$ 39,256	\$ 42,789
Patent rights	811	3,668	3,872	3,583	3,340
Deposits for equipment	619	1,293	2,269	1,520	1,520
Right-of-use asset	1,200	1,086	2,424	1,747	1,059
PP&E	1,220	1,972	3,309	3,488	2,888
Goodwill	651	816	2,258	2,258	2,258
Restricted Cash	92	0	0	0	0
Investment in JV	0	0	0	0	0
Loan to JV	0	0	0	1,451	1,451
Other	17	318	272	330	383
Total Assets	\$ 21,216	\$ 75,314	\$ 57,049	\$ 53,633	\$ 55,688
A/P	6,629	6,996	7,708	7,379	8,557
Operating Lease	258	463	757	653	653
Deferred revenue	4,902	720	458	1,054	1,222
Convertible notes	0	0	0	0	0
Notes payable	75	0	0	0	0
Accrued Interest	0	0	0	0	0
Current Liabilities	\$ 11,864	\$ 8,179	\$ 8,923	\$ 9,086	\$ 10,432
Convertible N/P	0	0	0	0	0
NP	115	0	0	0	0
Deferred revenue	0	405	340	225	261
Operating Lease	828	632	1,792	1,367	1,367
Equity	8,409	66,098	45,994	42,955	43,628
Total Liabilities & Equity	\$ 21,216	\$ 75,314	\$ 57,049	\$ 53,633	\$ 55,688

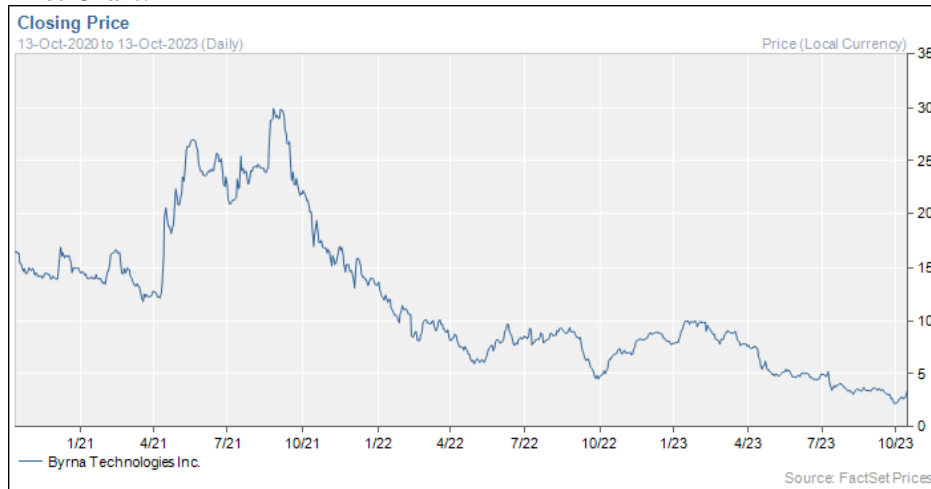
  

	30-Nov-20 FY2020A	30-Nov-21 FY2021A	30-Nov-22 FY2022A	30-Nov-23 FY2023E	30-Nov-24 FY2024E
Net Income	(12,553)	(3,283)	(7,885)	(8,344)	(6,624)
Depreciation	242	487	855	1,465	2,176
Stock and Incentive Comp	1,252	3,150	5,424	6,427	6,952
Other	8,873	63	814	1,914	(17)
Working Capital	4,723	(4,854)	(13,034)	(3,674)	4,228
Operating CF	\$ 2,538	\$ (4,437)	\$ (13,826)	\$ (2,212)	\$ 6,715
Capx	(1,426)	(1,700)	(3,253)	(492)	(600)
Acquisitions	(489)	(4,044)	(1,883)	0	0
Other	(80)	(138)	0	(2,076)	0
Investing Activities	\$ (1,995)	\$ (5,882)	\$ (5,136)	\$ (2,568)	\$ (600)
Equity	7,714	57,333	(17,500)	(381)	300
Debt	54	(81)	456	0	0
Financing	\$ 7,768	\$ 57,252	\$ (17,044)	\$ (381)	\$ 300
FX	\$ 171	\$ (189)	\$ (326)	\$ 88	\$ -
Change in Cash	\$ 8,482	\$ 46,744	\$ (36,332)	\$ (5,073)	\$ 6,415

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  
 Update – Neutral – October 16, 2023 – Price Target NA

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Current as of 27-Sep-23

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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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