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## Byrna Technologies Inc. (NASDAQ: BYRN)

February 9, 2024

### Neutral: 25% Domestic Capacity Expansion.

Byrna announced a 25% capacity expansion, from 10,000 units per month (one shift) to 12,500 units at its Ft. Wayne manufacturing facility. The company's marketing strategy, which eschews the major social media channels whose policies had become increasingly arbitrary, has been replaced with more targeted digital advertising and endorsements from media influencers like Sean Hannity, Jeanine Pirro and Glenn Beck.

Fiscal 2023 was a transition year for Byrna's marketing strategy as the company responded to the opaque and arbitrary policies of its social media partners, by redirecting its marketing spend to more targeted digital advertising and endorsements from select influencers such as Sean Hannity, Jeanine Pirro and Glenn Beck. The result has been a rapid turnaround in sales and expected fiscal Q4 23 sales almost matching fiscal Q4 22 sales.

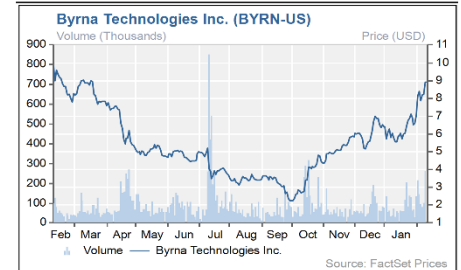
The company announced a 25% capacity expansion at its Ft. Wayne manufacturing facility from 10,000 launchers per month (one shift) to 12,500 per month, as the company has enough confidence the new strategy will lead to further growth.

Byrna will host a conference call next week, on Wednesday the 14<sup>th</sup>, to discuss fiscal Q4 results. Previously, it had pre-announced Q4 revenue of \$15.6 million. We expect the call to focus on the potential for growth in fiscal 2024, which we have estimated at \$51 million, almost 20% greater than fiscal 2023.

The shares trade at 3.5x our FTM sales estimate, a significant premium to the group median of 1.46x. The EV/Sales multiple is also near the high mark since December 2021.

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Current Price	\$8.89		
Price Target	NA		
Estimates	F2022A	F2023E	F2024E
<b>Revenues (\$Ms)</b>	\$ 48.0	\$ 42.6 E	\$ 50.9
1Q February	\$ 8.0	\$ 8.4 A	\$ 10.7
2Q May	\$ 11.6	\$ 11.5 A	\$ 11.5
3Q August	\$ 12.4	\$ 7.1 A	\$ 11.8
4Q November	\$ 16.0	\$ 15.6 E	\$ 16.9
	F2022A	F2023E	F2024E
<b>EBITDA (\$Ms)</b>	\$ (0.6)	\$ 2.6 E	\$ 5.8
1Q February	\$ (1.9)	(0.3)A	\$ 0.4
2Q May	\$ (0.5)	\$ 1.0 A	\$ 0.8
3Q August	\$ 0.3	(1.4)A	\$ 0.9
4Q November	\$ 1.6	\$ 3.4 E	\$ 3.7
EV/Sales	NM	4.3 x	3.6 x
EV/EBITDA	NM	69.4 x	31.6 x
<b>Stock Data</b>			
52-Week Range	\$2.19	-	\$9.70
Shares Outstanding (mil.)	22.0		
Market Capitalization (mil.)	\$195		
Enterprise Value (mil.)	\$184		
Debt to Capital	5%		
Cash & Equivalents (mil.)	\$13.7		
Cash/Sh.	\$0.62		
Average Three Months Trading Volume (K)	55		
Insider Ownership	21.5%		
Institutional Ownership	23.5%		
Short interest (mil.)	2.6%		
Dividend / Yield	\$0.00/0.0%		



Source: Byrna Technologies Inc. Investor Presentation

### Valuation

The median EV/Sales for the group is 1.46x, and Byrna is trading at a significant premium to the group.

		Price	EPS	P/E	TEV	Sales	EV/ Sales	EBITDA	EV/ EBITDA
AOUT-US	American Outdoor Brands, Inc.	\$ 8.94	\$ 0.45	20.0	\$ 131.9	\$ 205.9	0.64	\$ 13.2	10.0
POWW-US	AMMO Inc	2.21	0.10	23.2	221.0	150.9	1.46	26.7	8.3
AXON-US	Axon Enterprise Inc	269.00	4.25	63.3	19,676.4	1,921.4	10.24	427.5	46.0
SSTI-US	SoundThinking, Inc.	20.35	0.01	1,914.8	262.8	107.5	2.44	25.2	10.4
SWBI-US	Smith & Wesson Brands, Inc.	13.67	0.77	17.8	683.6	534.7	1.28	88.2	7.7
RGR-US	Sturm, Ruger & Company, Inc.	44.43	3.47	12.8	670.3	565.8	1.18	100.6	6.7
VTSI-US	VirTra, Inc.	11.88	0.71	16.7	123.6	40.3	3.07	13.1	9.4
WRAP-US	Wrap Technologies, Inc.	4.33			178.8				
	Median			20.0			1.46		9.4
BYRN-US	Byrna Technologies Inc.	\$ 8.89	\$ (0.12)	(76.6)	\$ 183.7	\$ 52.5	3.50	\$ 6.4	28.6

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	\$ 15,591	\$ 42,595	\$ 50,861
COGS	9,058	19,270	21,758	3,165	5,309	3,927	7,250	19,651	23,650
Gross Profit	7,508	22,890	26,278	5,246	6,199	3,158	8,341	22,944	27,210
	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)	\$ 1,074	\$ (5,845)	\$ (3,311)
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)	1,067	(6,362)	(3,339)
Taxes	293	(160)	234	(59)	17	(124)	53	(113)	(167)
Net Income	\$ (12,553)	\$ (3,283)	\$ (7,885)	\$ (2,153)	\$ (1,116)	\$ (4,094)	\$ 1,014	\$ (6,249)	\$ (3,172)
Preferred Dividends	\$ -	\$ 1,043	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0
Net to Common	\$ (12,553)	\$ (4,326)	\$ (7,885)	\$ (2,153)	\$ (1,116)	\$ (4,094)	\$ 1,014	\$ (6,249)	\$ (3,172)
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	22,077	21,916	22,088
Basic EPS	\$ (0.98)	\$ (0.22)	\$ (0.35)	\$ (0.10)	\$ (0.05)	\$ (0.19)	\$ 0.05	\$ (0.29)	\$ (0.14)
Diluted EPS	\$ (0.98)	\$ (0.22)	\$ (0.35)	\$ (0.10)	\$ (0.05)	\$ (0.19)	\$ 0.05	\$ (0.29)	\$ (0.14)
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)	3,356	2,647	5,817
Margin	-17.0%	3.9%	-1.3%	-3.0%	8.5%	-20.2%	21.5%	6.2%	11.4%

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	11,228	23,634
Restricted Cash	6,389	92	0	0	0
A/R	834	1,658	5,915	7,796	8,463
Inventory	4,817	6,613	15,462	23,199	16,570
Prepaid Expenses & Other	1,391	1,490	1,200	2,119	2,301
<b>Current Assets</b>	<b>\$ 16,606</b>	<b>\$ 66,161</b>	<b>\$ 42,645</b>	<b>\$ 44,343</b>	<b>\$ 50,968</b>
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	449	487
<b>Total Assets</b>	<b>\$ 21,216</b>	<b>\$ 75,314</b>	<b>\$ 57,049</b>	<b>\$ 58,838</b>	<b>\$ 63,972</b>
A/P	6,629	6,996	7,708	10,030	10,889
Operating Lease	258	463	757	653	653
Deferred revenue	4,902	720	458	1,433	1,555
Convertible notes	0	0	0	0	0
Notes payable	75	0	0	0	0
Accrued Interest	0	0	0	0	0
<b>Current Liabilities</b>	<b>\$ 11,864</b>	<b>\$ 8,179</b>	<b>\$ 8,923</b>	<b>\$ 12,116</b>	<b>\$ 13,098</b>
Convertible N/P	0	0	0	0	0
NP	115	0	0	0	0
Deferred revenue	0	405	340	306	332
Operating Lease	828	632	1,792	1,367	1,367
<b>Equity</b>	<b>8,409</b>	<b>66,098</b>	<b>45,994</b>	<b>45,050</b>	<b>49,175</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$ 21,216</b>	<b>\$ 75,314</b>	<b>\$ 57,049</b>	<b>\$ 58,838</b>	<b>\$ 63,972</b>

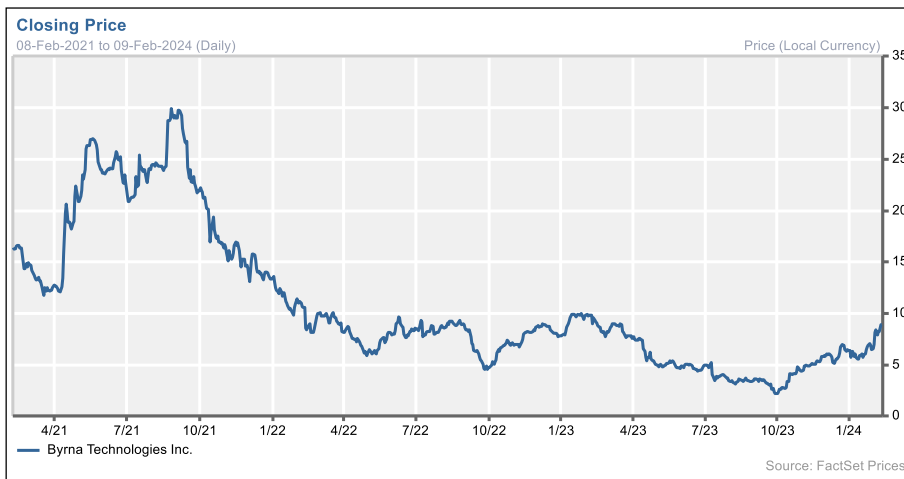
  

	30-Nov-20 FY2020A	30-Nov-21 FY2021A	30-Nov-22 FY2022A	30-Nov-23 FY2023E	30-Nov-24 FY2024E
Net Income	(12,553)	(3,283)	(7,885)	(6,249)	(3,172)
Depreciation	242	487	855	1,465	2,176
Stock and Incentive Comp	1,252	3,150	5,424	6,427	6,952
Other	8,873	63	814	1,876	(12)
Working Capital	4,723	(4,854)	(13,034)	(9,397)	6,762
<b>Operating CF</b>	<b>\$ 2,538</b>	<b>\$ (4,437)</b>	<b>\$ (13,826)</b>	<b>\$ (5,879)</b>	<b>\$ 12,705</b>
Capx	(1,426)	(1,700)	(3,253)	(492)	(600)
Acquisitions	(489)	(4,044)	(1,883)	0	0
Other	(80)	(138)	0	(2,076)	0
<b>Investing Activities</b>	<b>\$ (1,995)</b>	<b>\$ (5,882)</b>	<b>\$ (5,136)</b>	<b>\$ (2,568)</b>	<b>\$ (600)</b>
Equity	7,714	57,333	(17,500)	(381)	300
Debt	54	(81)	456	0	0
<b>Financing</b>	<b>\$ 7,768</b>	<b>\$ 57,252</b>	<b>\$ (17,044)</b>	<b>\$ (381)</b>	<b>\$ 300</b>
FX	\$ 171	\$ (189)	\$ (326)	\$ 88	\$ -
<b>Change in Cash</b>	<b>\$ 8,482</b>	<b>\$ 46,744</b>	<b>\$ (36,332)</b>	<b>\$ (8,740)</b>	<b>\$ 12,405</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  
 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  
 Update – Neutral – November 15, 2023 – Price Target NA  
 Update – Neutral – February 9, 2024 – Price Target NA

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- 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 30-Jan-24

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	20	58.82%	4	11.80%
Market Perform (Neutral)	14	41.18%	2	5.90%
Market Underperform (Sell)	0	0%	0	0.00%
<b>Total</b>	<b>34</b>	<b>100%</b>	<b>6</b>	<b>17.70%</b>

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