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## Byrna Technologies Inc. (NASDAQ: BYRN)

February 15, 2024

### Neutral: Q4 Results.

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*Byrna reported Q4 revenue of \$15.6 million (pre-announced in December) and EBITDA of \$0.3 million. Opex was higher than estimated and EBITDA below our and consensus estimates. We have increased our revenue estimate for this year as well as our opex estimate to reflect a 50% increase in advertising (about 20% of opex) for the year.*

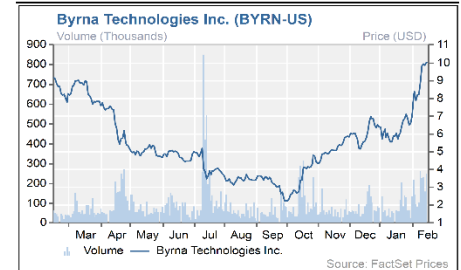
We estimate a 26% increase in revenue in fiscal 2024 to almost \$54 million. We also expect an improvement in gross margin and leverage on the opex line even with an increase in advertising to support the company's top-line growth. At 3.7x FTM EV/Sales, the shares are trading at a 2-year high and trade significantly higher than the comp group.

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 fiscal Q4 23 sales almost matching fiscal Q4 22 sales.

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. The company is experiencing a return on ad spend (ROAS) of 5x to 6x and intends to add an additional celebrity endorser in March.

The shares trade at 3.7x our FTM sales estimate, a significant premium to the group median of 1.65x. The EV/Sales multiple is also near the high mark since December 2021.

Current Price	\$10.03		
Price Target	NA		
Estimates	F2022A	F2023A	F2024E
<b>Revenues (\$Ms)</b>	\$ 48.0	\$ 42.6 A	\$ 53.9
1Q February	\$ 8.0	\$ 8.4 A	\$ 11.8
2Q May	\$ 11.6	\$ 11.5 A	\$ 11.5
3Q August	\$ 12.4	\$ 7.1 A	\$ 13.8
4Q November	\$ 16.0	\$ 15.6 A	\$ 16.9
<b>EBITDA (\$Ms)</b>	\$ (0.6)	\$ (1.1)A	\$ (0.8)
1Q February	\$ (1.9)	\$ (0.3)A	\$ (0.7)
2Q May	\$ (0.5)	\$ 0.9 A	\$ (0.8)
3Q August	\$ 0.3	\$ (2.0)A	\$ 0.1
4Q November	\$ 1.6	\$ 0.3 A	\$ 0.6
EV/Sales	NM	4.7 x	3.7 x
EV/EBITDA	NM	(188.7) x	(251.8) x
<b>Stock Data</b>			
52-Week Range	\$2.19	-	\$10.13
Shares Outstanding (mil.)	22.0		
Market Capitalization (mil.)	\$221		
Enterprise Value (mil.)	\$202		
Debt to Capital	4%		
Cash & Equivalents (mil.)	\$20.5		
Cash/Sh.	\$0.93		
Average Three Months Trading Volume (K)	81		
Insider Ownership	21.6%		
Institutional Ownership	25.7%		
Short interest (mil.)	2.6%		
Dividend / Yield	\$0.00/0.0%		



**Q4 Actual v Estimate**

Q4 23 (\$ in 000's)					
	Actual	Estimates	Delta	% Delta	
Revenue	\$ 15,640	\$ 15,591	\$ 49	0%	
COGS	6,596	7,250			
Gross Profit	9,044	8,341	703	8%	
	57.8%	53.5%			
Opex	9,729	7,267	2,462	34%	
Operating Income	\$ (685)	\$ 1,074	\$ (1,759)	-164%	
Interest & Other, total	185	(7)			
Pretax Income	(499)	1,067			
Taxes	330	53			
Net to Common	\$ (829)	\$ 1,014			
Basic Shares	21,911	21,977			
Diluted Shares	21,911	22,077			
Basic EPS	\$ (0.04)	\$ 0.05			
Diluted EPS	\$ (0.04)	\$ 0.05			
D&A	341	544			
Stock Comp	686	1,738			
Other	0	0			
EBITDA	\$ 342	\$ 3,356	\$ (3,014)	-90%	
Margin	2.2%	21.5%			

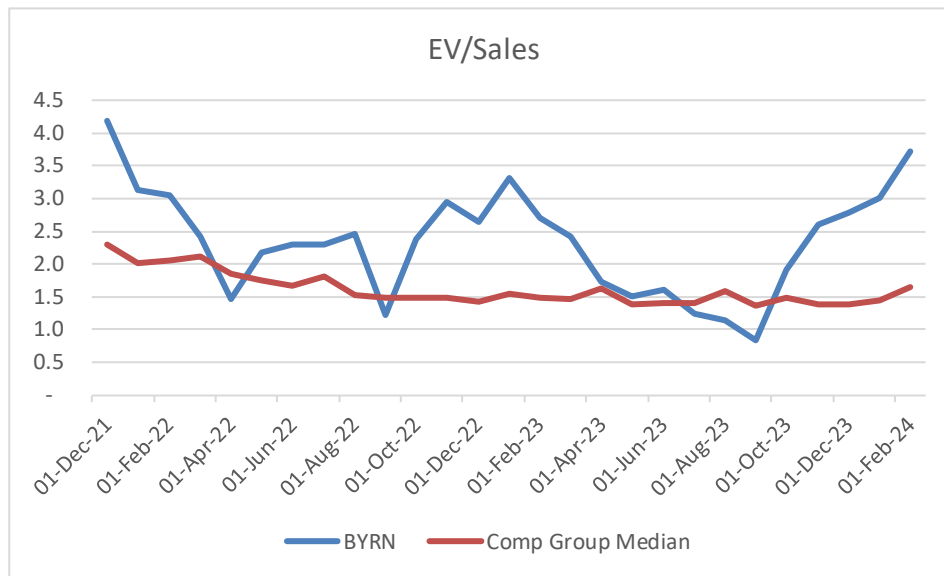
Source: Byrna Technologies Inc. and Dawson James Securities estimates

### Valuation

The median EV/Sales for the group is 1.65x, and Byrna is trading at a significant premium to the group as well as a 2-year high relative to its historical valuation.

		Price	EPS	P/E	TEV	FTM Sales	EV/ Sales	FTM EBITDA	EV/ EBITDA
AOUT-US	American Outdoor Brands, Inc.	\$ 8.71	\$ 0.45	19.3	\$ 128.9	\$ 206.0	0.63	\$ 13.3	9.7
POWW-US	AMMO Inc	2.52	0.10	25.3	257.8	155.8	1.65	27.4	9.4
AXON-US	Axon Enterprise Inc	270.84	4.27	63.4	19,814.2	1,927.7	10.28	429.8	46.1
SSTI-US	SoundThinking, Inc.	17.61	(0.01)	NM	228.0	107.5	2.12	25.1	9.1
SWBI-US	Smith & Wesson Brands, Inc.	13.50	0.77	17.6	675.9	535.1	1.26	88.4	7.6
RGR-US	Sturm, Ruger & Company, Inc.	43.50	3.47	12.6	653.9	565.8	1.16	100.6	6.5
VTSI-US	VirTra, Inc.	12.72	0.71	17.9	132.9	40.3	3.30	13.1	10.1
WRAP-US	Wrap Technologies, Inc.	4.10			168.6				
	Median			18.6			1.65		9.4
BYRN-US	Byrna Technologies Inc.	\$ 10.03	\$ (0.21)	NM	\$ 202.1	\$ 56.3	3.59	\$ (0.7)	NM

Source: FactSet and Dawson James Securities estimates



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	30-Nov-23 FY2023A	28-Feb-24 FQ1 24E	31-May-24 FQ2 24E	31-Aug-24 FQ3 24E	30-Nov-24 FQ4 24E	30-Nov-24 FY2024E
Revenue	\$ 16,566	\$ 42,160	\$ 48,036	\$ 42,644	\$ 11,750	\$ 11,500	\$ 13,750	\$ 16,927	\$ 53,927
COGS	9,058	19,270	21,758	18,997	5,053	4,945	5,913	7,278	23,188
Gross Profit	7,508	22,890	26,278	23,647	6,698	6,555	7,838	9,648	30,738
	45.3%	54.3%	54.7%	55.5%	57.0%	57.0%	57.0%	57.0%	57.0%
Opex	11,817	26,181	33,733	31,437	8,650	8,558	8,925	10,327	36,461
Operating Income	\$ (4,309)	\$ (3,291)	\$ (7,455)	\$ (7,790)	\$ (1,953)	\$ (2,003)	\$ (1,088)	\$ (679)	\$ (5,723)
Interest & Other, total	(7,952)	(152)	(196)	(237)	27	27	27	27	108
Pretax Income	(12,261)	(3,443)	(7,651)	(8,027)	(1,926)	(1,976)	(1,061)	(652)	(5,615)
Taxes	293	(160)	234	165	(96)	(99)	(53)	(33)	(281)
Net Income	\$ (12,553)	\$ (3,283)	\$ (7,885)	\$ (8,192)	\$ (1,829)	\$ (1,878)	\$ (1,007)	\$ (620)	\$ (5,334)
Preferred Dividends	\$ -	\$ 1,043	\$ 0	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ 0
Net to Common	\$ (12,553)	\$ (4,326)	\$ (7,885)	\$ (8,192)	\$ (1,829)	\$ (1,878)	\$ (1,007)	\$ (620)	\$ (5,334)
Basic Shares	12,679	19,610	22,364	21,920	21,860	22,040	22,115	22,190	22,051
Diluted Shares	12,679	19,610	22,364	21,920	21,860	22,040	22,115	22,190	22,051
Basic EPS	\$ (0.98)	\$ (0.22)	\$ (0.35)	\$ (0.37)	\$ (0.08)	\$ (0.09)	\$ (0.05)	\$ (0.03)	\$ (0.24)
Diluted EPS	\$ (0.98)	\$ (0.22)	\$ (0.35)	\$ (0.37)	\$ (0.08)	\$ (0.09)	\$ (0.05)	\$ (0.03)	\$ (0.24)
D&A	242	487	855	1,262	544	544	544	544	2,176
Stock/Incentive Comp	1,252	3,150	5,424	5,375	686	686	686	686	2,744
Other	0	1,300	557	82	0	0	0	0	0
EBITDA	(2,814)	1,646	(619)	(1,071)	(723)	(773)	143	551	(803)
Margin	-17.0%	3.9%	-1.3%	-2.5%	-6.1%	-6.7%	1.0%	3.3%	-1.5%

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 FY2023A	30-Nov-24 FY2024E
Cash & ST Investments	3,175	56,308	20,068	20,498	18,503
Restricted Cash	6,389	92	0	0	0
A/R	834	1,658	5,915	2,945	3,385
Inventory	4,817	6,613	15,462	13,890	15,323
Prepaid Expenses & Other	1,391	1,490	1,200	868	939
<b>Current Assets</b>	<b>\$ 16,606</b>	<b>\$ 66,161</b>	<b>\$ 42,645</b>	<b>\$ 38,201</b>	<b>\$ 38,151</b>
Deposits for equipment	619	1,293	2,269	1,163	1,163
Right-of-use asset	1,200	1,086	2,424	1,805	1,059
PP&E	1,220	1,972	3,309	3,803	3,203
Intangible assets	811	3,668	3,872	3,583	3,340
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	1,473	1,473
Other	17	318	272	28	30
<b>Total Assets</b>	<b>\$ 21,216</b>	<b>\$ 75,314</b>	<b>\$ 57,049</b>	<b>\$ 52,314</b>	<b>\$ 50,677</b>
A/P	6,629	6,996	7,708	6,158	6,665
Operating Lease	258	463	757	644	644
Deferred revenue	4,902	720	458	1,844	1,996
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>\$ 8,646</b>	<b>\$ 9,304</b>
Convertible N/P	0	0	0	0	0
NP	115	0	0	0	0
Deferred revenue	0	405	340	91	98
Operating Lease	828	632	1,792	1,258	1,258
<b>Equity</b>	<b>8,409</b>	<b>66,098</b>	<b>45,994</b>	<b>42,319</b>	<b>40,016</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$ 21,216</b>	<b>\$ 75,314</b>	<b>\$ 57,049</b>	<b>\$ 52,314</b>	<b>\$ 50,677</b>

	30-Nov-20 FY2020A	30-Nov-21 FY2021A	30-Nov-22 FY2022A	30-Nov-23 FY2023A	30-Nov-24 FY2024E
Net Income	(12,553)	(3,283)	(7,885)	(8,192)	(5,334)
Depreciation	242	487	855	1,262	2,176
Stock and Incentive Comp	1,252	3,150	5,424	5,375	2,744
Other	8,873	63	814	2,751	5
Working Capital	4,723	(4,854)	(13,034)	2,696	(1,286)
<b>Operating CF</b>	<b>\$ 2,538</b>	<b>\$ (4,437)</b>	<b>\$ (13,826)</b>	<b>\$ 3,892</b>	<b>\$ (1,695)</b>
Capx	(1,426)	(1,700)	(3,253)	(903)	(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>\$ (2,979)</b>	<b>\$ (600)</b>
Equity	7,714	57,333	(17,500)	(422)	300
Debt	54	(81)	456	0	0
<b>Financing</b>	<b>\$ 7,768</b>	<b>\$ 57,252</b>	<b>\$ (17,044)</b>	<b>\$ (422)</b>	<b>\$ 300</b>
FX	\$ 171	\$ (189)	\$ (326)	\$ (61)	\$ -
<b>Change in Cash</b>	<b>\$ 8,482</b>	<b>\$ 46,744</b>	<b>\$ (36,332)</b>	<b>\$ 430</b>	<b>\$ (1,995)</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  
 Update – Neutral – February 15, 2024 – Price Target NA

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Current as of 30-Jan-24

	Company Coverage		Investment Banking	
Ratings Distribution	# 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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