



**ADRE**  
HOLDINGS

**FOURTH  
QUARTER 2021**

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# FORWARD-LOOKING STATEMENTS

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Except for historical information, certain matters discussed in this presentation may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include but are not limited to all projections and anticipated levels of future performance. Forward-looking statements involve risks, uncertainties and other factors that may cause our actual results to differ materially from those discussed herein. Any number of factors could cause actual results to differ materially from projections or forward-looking statements, including without limitation global economic conditions, spending patterns of government agencies, competitive pressures, the impact of acquisitions and related integration activities, product liability claims, the success of new product introductions, currency exchange rate fluctuations and the risks of doing business in in the markets in which we operate, including foreign countries. More information on potential factors that could affect the Company's financial results are more fully described from time to time in the Company's public reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. All forward-looking statements included in this presentation are based upon information available to the Company as of the date of this presentation, and speak only as of the date hereof. We assume no obligation to update any forward-looking statements to reflect events or circumstances after the date of this presentation.

# TODAY'S PRESENTERS

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**WARREN KANDERS**

Chief Executive Officer and  
Chairman of the Board



**BRAD WILLIAMS**

President



**BLAINE BROWERS**

Chief Financial Officer

# AGENDA

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- Q4 and FY21 Highlights
- Business Overview
- Financial Summary
- 2022 Outlook
- Conclusion and Q&A



# FOURTH QUARTER AND FULL YEAR 2021 HIGHLIGHTS



	Q4 2021	Q4 2020	FY 2021	FY 2020
NET SALES	\$103.5M	\$107.6M	\$427.3M	\$404.6M
GROSS MARGIN	37.9%	37.0%	39.9%	37.8%
NET INCOME	\$4.3M / \$0.13 per share	\$15.8M / \$0.57 per share	\$12.7M <sup>1</sup> / \$0.44 per share	\$38.5M <sup>2</sup> / \$1.40 per share
ADJUSTED EBITDA	\$15.3M	\$15.5M	\$71.4M	\$58.0M
ADJUSTED EBITDA MARGIN	14.7%	14.4%	16.7%	14.3%

- Declared quarterly cash dividend of \$0.08 per share in January 2022
- Completed immediately accretive acquisition of Radar Leather Division S.r.l.

# STRATEGIC OBJECTIVES

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*Achieve Organic Revenue Growth*



*Continuously Improve Gross and Adj. EBITDA Margins*



*Pursue M&A Opportunities*

# MACRO TAILWINDS SUPPORT LONG TERM SUSTAINABLE GROWTH OPPORTUNITY

2021 Homicide Rates 44%  
Higher than in 2019<sup>(1)</sup>

20 NATO Countries Spend less than 2% of  
GDP Target on Defense and Security

## 2022 STATE OF THE UNION ADDRESS

President Biden said "So let's not abandon our streets...the American Rescue Plan provided \$350 billion...to hire more police...the answer is FUND the police:

## DENMARK

"Historic times call for historic decisions," PM Frederiksen commented, adding "this is the largest investment in Danish defense in recent times" announcing plan to increase spending gradually by 50% over a decade.

## GERMANY

Chancellor Scholz said "it is clear we need to invest significantly more in the security of our country" increasing defense budget from €53 billion to €100 billion.

# CADRE'S KEY M&A CRITERIA

## Business

- Leading market position
- Cost structure where material > labor
- High cost of substitution
- Leading and defensible technology
- Mission-critical to customer
- Strong brand recognition

## Financial

- Recurring revenue profile
- Asset-light
- Attractive ROIC

## Market

- Niche market
- No large-cap competition
- Resiliency through market cycles





# ACQUISITION OF RADAR LEATHER DIVISION S.r.l.



60+ years history as a leading brand in designing and development of engineered holsters and hunting accessories

## KEY M&A CRITERIA MET

- ✓ #1 or #2 market position
- ✓ Mission-critical to customer
- ✓ Strong brand recognition
- ✓ Asset light
- ✓ Attractive ROIC
- ✓ Resiliency thru market cycles

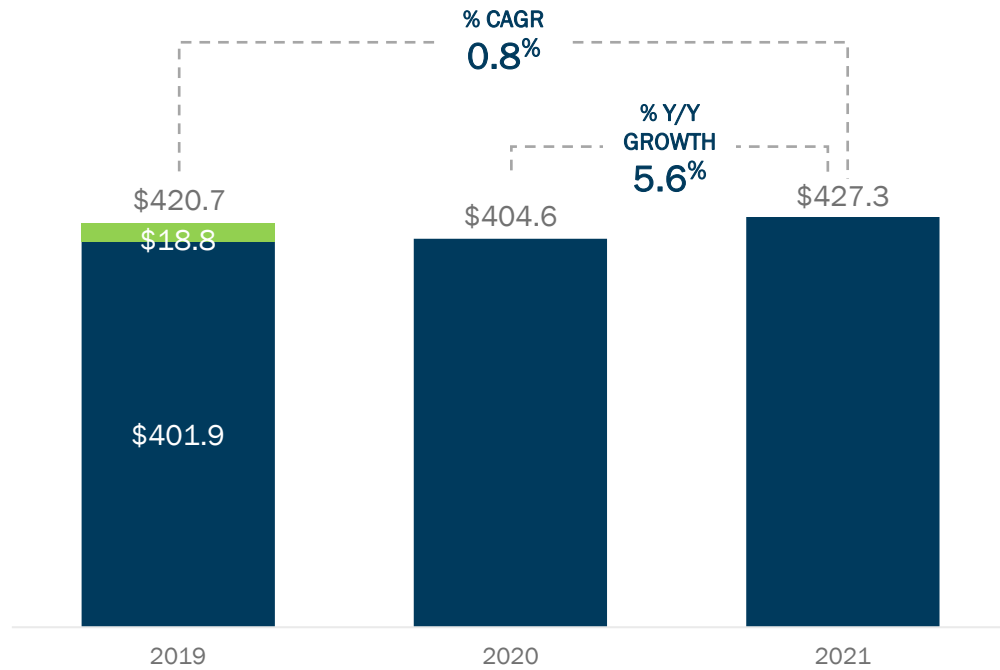
## INTEGRATION – TOP PRIORITIES

- Functional teams working on first 100-day basics
- Manufacturing teams evaluating localization in detail
- Supply chain teams diving into leverage points
- Product managers joined together handling positioning

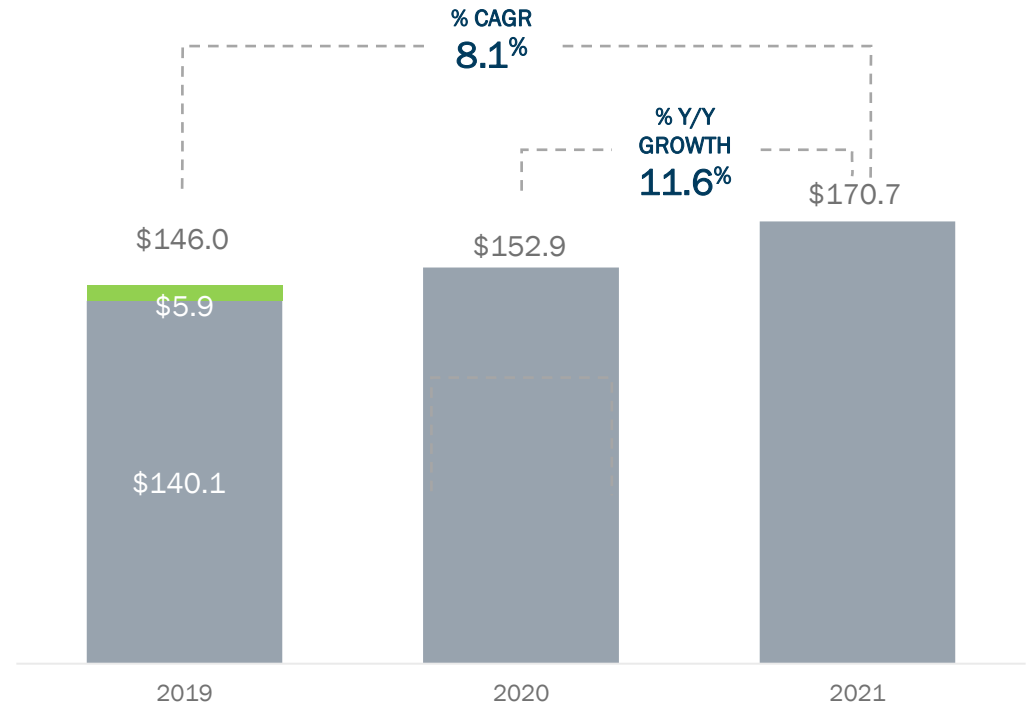
Expands reach of holsters into the EU and adds to Cadre's international footprint in the UK and Lithuania to support growing international customer base

# RECORD NET SALES AND GROSS PROFIT

## NET SALES AND GROWTH PROFILE (\$MM)



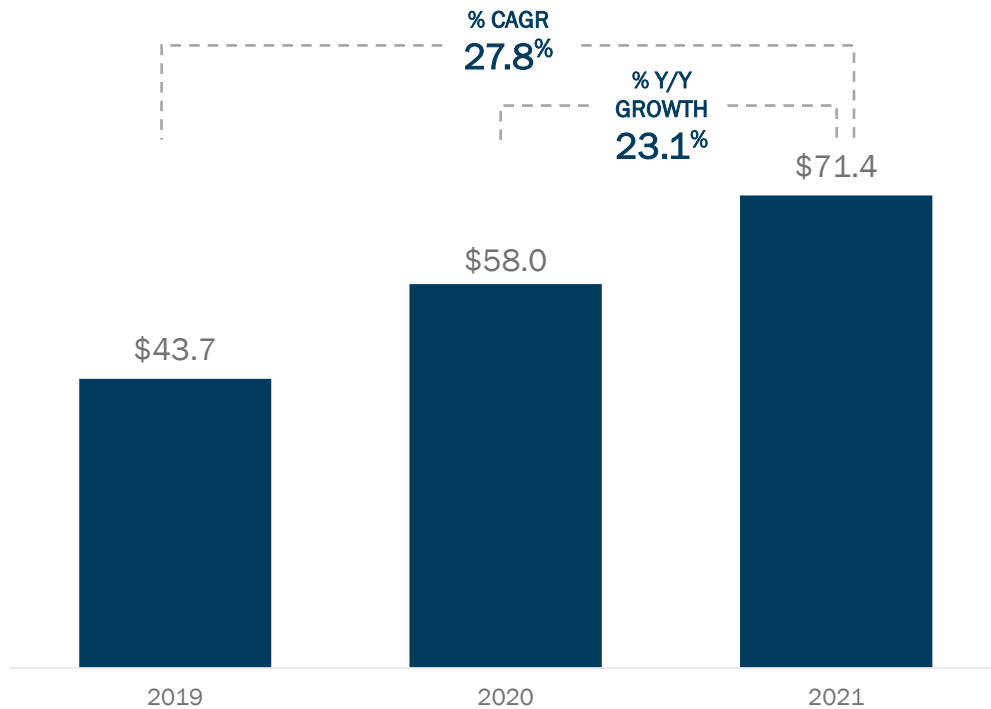
## GROSS PROFIT (\$MM)



	2019	2020	2021
Gross Margin	34.7%	37.8%	39.9%

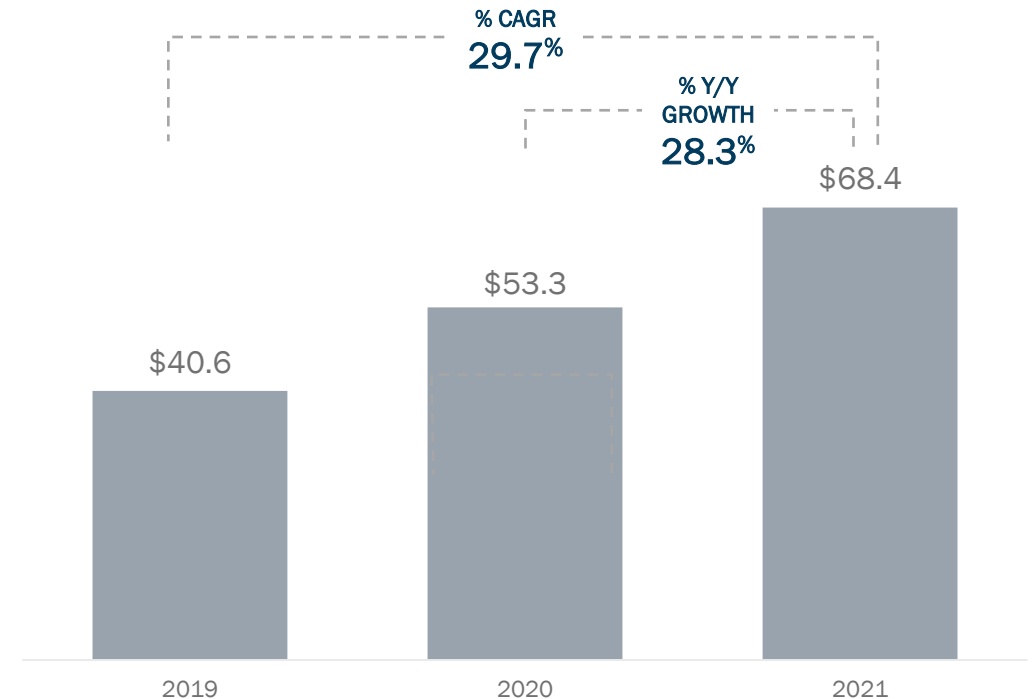
# ADJ. EBITDA AND FREE CASH FLOW GENERATION

## ADJ. EBITDA<sup>1</sup> (\$MM)



Adj. EBITDA Margin <sup>1</sup>	2019	2020	2021
	10.4%	14.3%	16.7%

## ADJ. EBITDA CONVERSION<sup>2</sup> (\$MM)



Adj. EBITDA Conversion <sup>2</sup>	2019	2020	2021
	93%	92%	96%

1. Non-GAAP financial measures. See slide 17 for definitions and reconciliations to the nearest GAAP measures
2. Adj. EBITDA conversion (%) defined as (Adj. EBITDA – capital expenditure) / Adj. EBITDA

# 4Q21 CAPITAL STRUCTURE

December 31, 2021

(in thousands)

Cash and cash equivalents	\$	33,857
Debt:		
Revolver	\$	—
Current portion of long-term debt		13,174
Long-term debt		148,564
Capitalized discount/issuance costs		(2,048)
<b>Total debt, net</b>	<b>\$</b>	<b>159,690</b>
<b>Net debt (Total debt net of cash)</b>	<b>\$</b>	<b>125,833</b>
Total debt / Adj. EBITDA <sup>(1)</sup>		2.2
Net debt / Adj. EBITDA <sup>(1)</sup>		1.8
Adj. EBITDA <sup>(1)</sup>	\$	71,384

# 2022 MANAGEMENT OUTLOOK



## 2022 GUIDANCE

### NET SALES

\$434M to \$441M

### Adj. EBITDA<sup>(1)</sup>

\$70.0M to \$75.5M

### Adj. EBITDA Conversion<sup>(1)</sup>

92% to 95%

# CONCLUSION

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Momentous and Record 2021



Strong Tailwinds Driving Demand for Mission Critical Products



Focused on Accelerating Growth Both Organically and Through Acquisitions



Financial Flexibility to Capitalize on Robust Acquisition Pipeline



Strong Free Cash Flow Generation and History of Margin Expansion

# APPENDIX



# INCOME STATEMENT

UNAUDITED (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
<b>Net sales</b>	\$ 103,537	\$ 107,623	\$ 427,288	\$ 404,642
Cost of goods sold	64,342	67,835	256,598	251,704
<b>Gross profit</b>	39,195	39,788	170,690	152,938
Operating expenses				
Selling, general and administrative	27,794	26,664	114,962	106,627
Restructuring and transaction costs	1,939	2,679	3,430	5,822
Related party expense	142	1,155	579	1,635
Other general expense (income)	—	—	—	(10,950)
<b>Total operating expenses</b>	29,875	30,498	118,971	103,134
<b>Operating income</b>	9,320	9,290	51,719	49,804
Other expense				
Interest expense	(2,296)	(6,113)	(16,425)	(24,388)
Loss on extinguishment of debt	—	(200)	(15,155)	(200)
Other (expense) income, net	(66)	734	(947)	2,659
<b>Total other expense, net</b>	(2,362)	(5,579)	(32,527)	(21,929)
Income before provision for income taxes	6,958	3,711	19,192	27,875
(Provision) benefit for income taxes	(2,670)	12,069	(6,531)	10,578
<b>Net income</b>	\$ 4,288	\$ 15,780	\$ 12,661	\$ 38,453
<b>Net income per share:</b>				
Basic	\$ 0.13	\$ 0.57	\$ 0.44	\$ 1.40
Diluted	\$ 0.13	\$ 0.57	\$ 0.44	\$ 1.40
<b>Weighted average shares outstanding:</b>				
Basic	31,908,350	27,483,350	28,598,692	27,483,350
Diluted	31,908,350	27,483,350	28,598,692	27,483,350



# NON-GAAP RECONCILIATION

(IN THOUSANDS)

	Three Months Ended December 31,		Year Ended December 31,		
	2021	2020	2021	2020	2019
Net income	\$ 4,288	\$ 15,780	\$ 12,661	\$ 38,453	\$ (1,928)
Add back:					
Depreciation and amortization	3,292	3,526	13,718	14,733	15,443
Interest expense	2,296	6,113	16,425	24,388	29,848
Provision (benefit) for income taxes	2,670	(12,069)	6,531	(10,578)	(142)
<b>EBITDA</b>	<b>\$ 12,546</b>	<b>\$ 13,350</b>	<b>\$ 49,335</b>	<b>\$ 66,996</b>	<b>\$ 43,221</b>
Add back:					
Restructuring and transaction costs <sup>(1)</sup>	1,939	2,679	3,430	5,822	918
Other general expense (income) <sup>(2)</sup>	—	—	—	(10,950)	(7,630)
Loss on extinguishment of debt <sup>(3)</sup>	—	200	15,155	200	—
Other expense (income), net <sup>(4)</sup>	66	(734)	947	(2,659)	(395)
Contingent consideration <sup>(5)</sup>	—	—	—	(1,427)	—
Stock-based compensation expense <sup>(6)</sup>	355	—	355	—	—
LTIP bonus <sup>(7)</sup>	358	—	2,162	—	—
Goodwill impairment <sup>(8)</sup>	—	—	—	—	7,585
<b>Adjusted EBITDA</b>	<b>\$ 15,264</b>	<b>\$ 15,495</b>	<b>\$ 71,384</b>	<b>\$ 57,982</b>	<b>\$ 43,699</b>
Less: Capital expenditures	(804)	(795)	(3,029)	(4,708)	(3,082)
Adjusted EBITDA less capital expenditures	\$ 14,460	\$ 14,700	\$ 68,355	\$ 53,274	\$ 40,617
<b>Adjusted EBITDA conversion rate<sup>(9)</sup></b>	<b>95%</b>	<b>95%</b>	<b>96%</b>	<b>92%</b>	<b>93%</b>
<b>Adjusted EBITDA margin<sup>(10)</sup></b>	<b>14.7%</b>	<b>14.4%</b>	<b>16.7%</b>	<b>14.3%</b>	<b>10.8%</b>

- Reflects the "Restructuring and transaction costs" line item on our consolidated statement of operations, which for 2021 and 2020 primarily includes transaction costs composed of legal and consulting fees compared to 2019, which primarily includes termination benefits and relocation of employees associated with consolidating or closing of facilities.
- Reflects the "Other general expense (income)" line item on our consolidated statement of operations and includes a gain from a long-lived asset sale as well as earn-out stock payments for the year ended December 31, 2020 and a gain from the sale of Mustang in addition to earn-out stock payments for the year ended December 31, 2019.
- Reflects losses incurred in connection with the August 2021 and November 2020 debt refinances.
- Reflects the "Other (expense) income, net" line item on our consolidated statement of operations. For the three months and year ended December 31, 2021, other (expense) income, net primarily includes losses on foreign currency transactions. For the three months and year ended December 31, 2020, other (expense) income, net primarily includes gains on foreign exchange transactions and unrealized gains on an investment in equity securities. For the year ended December 31, 2019, other (expense) income, net primarily includes unrealized gains on equity securities offset by losses on foreign currency transactions.
- Reflects a gain on the settlement of contingent consideration.
- Reflect stock-based compensation expense recognized in the respective periods.
- Reflects the cost of a cash-based long-term incentive plan awarded to employees that vests over three years.
- Reflects goodwill impairment expense relating to our Distribution reporting unit.
- Reflects (Adjusted EBITDA less capital expenditures) / Adjusted EBITDA.
- Reflects Adjusted EBITDA / Net sales for the relevant periods.

# STATEMENT OF CASH FLOWS

## UNAUDITED (IN THOUSANDS)

	Year Ended December 31,	
	2021	2020
Cash Flows From Operating Activities:		
Net income	\$ 12,661	\$ 38,453
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,718	14,733
Amortization of original issue discount and debt issue costs	3,193	2,216
Loss on extinguishment of debt	15,155	200
Non-cash consideration received from sale of business	—	(9,197)
Deferred income taxes	4,772	(12,248)
Stock-based compensation	355	—
Gain on sale of fixed assets	—	(6,240)
Gain on settlement of contingent consideration	—	(1,427)
Loss on settlement of equity securities	—	2,288
Provision for losses on accounts receivable	(188)	177
Foreign exchange loss (gain)	102	(940)
Changes in operating assets and liabilities:		
Accounts receivable	(4,641)	11,811
Inventories	(3,189)	1,639
Prepaid expenses and other assets	(4,564)	1,837
Accounts payable and other liabilities	2,720	2,117
<b>Net cash provided by operating activities</b>	<b>40,094</b>	<b>45,419</b>

Continued on next slide

# STATEMENT OF CASH FLOWS - CONTINUED

## UNAUDITED (IN THOUSANDS)

	Year Ended December 31,	
	2021	2020
Cash Flows From Investing Activities:		
Purchase of property and equipment	(2,832)	(4,708)
Proceeds from disposition of property and equipment	—	12,408
Proceeds from sale of equity securities	—	14,372
Payments on settlement of equity securities	—	(2,288)
<b>Net cash (used in) provided by investing activities</b>	<b>(2,832)</b>	<b>19,784</b>
Cash Flows From Financing Activities:		
Proceeds from revolving credit facilities	257,980	382,056
Principal payments on revolving credit facilities	(258,612)	(384,215)
Proceeds from term loans	198,716	219,586
Principal payments on term loans	(266,000)	(276,444)
Proceeds from insurance premium financing	5,010	2,733
Principal payments on insurance premium financing	(3,061)	(2,897)
Payment of capital leases	(43)	(43)
Payment of contingent consideration	—	(240)
Payment of debt modification costs	—	(5,438)
Payments for debt issuance costs	(2,198)	—
Payments on extinguishment of debt	(4,217)	—
Proceeds from initial public offering, net of underwriter discounts	83,421	—
Deferred offering cost payments	(4,841)	—
Dividends distributed	(12,751)	—
<b>Net cash used in financing activities</b>	<b>(6,596)</b>	<b>(64,902)</b>
Effect of foreign exchange rates on cash and cash equivalents	318	52
<b>Change in cash and cash equivalents</b>	<b>30,984</b>	<b>353</b>
Cash and cash equivalents, beginning of period	2,873	2,520
Cash and cash equivalents, end of period	\$ 33,857	\$ 2,873

# BALANCE SHEET

## UNAUDITED (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	December 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 33,857	\$ 2,873
Accounts receivable, net	48,344	43,646
Inventories	63,978	60,923
Prepaid expenses	10,353	6,665
Other current assets	3,171	3,362
Assets held for sale	278	—
<b>Total current assets</b>	<b>159,981</b>	<b>117,469</b>
Property and equipment, net	33,053	35,437
Deferred tax assets, net	7,059	12,900
Intangible assets, net	42,415	51,009
Goodwill	66,262	66,314
Other assets	3,026	150
<b>Total assets</b>	<b>\$ 311,796</b>	<b>\$ 283,279</b>
<b>Liabilities, Mezzanine Equity and Shareholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 19,328	\$ 21,978
Accrued liabilities	40,736	36,004
Income tax payable	1,255	1,005
Liabilities held for sale	128	—
Current portion of long-term debt	13,174	3,496
<b>Total current liabilities</b>	<b>74,621</b>	<b>62,483</b>
Long-term debt	146,516	209,310
Deferred tax liabilities	1,297	2,085
Other liabilities	722	550
<b>Total liabilities</b>	<b>223,156</b>	<b>274,428</b>
Mezzanine equity		
Preferred stock (\$0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of December 31, 2021 and December 31, 2020)	—	—
Shareholders' equity		
Common stock (\$0.0001 par value, 190,000,000 shares authorized, 34,383,350 shares and 27,483,350 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively)	3	3
Additional paid-in capital	127,606	48,670
Accumulated other comprehensive loss	(1,917)	(2,860)
Accumulated deficit	(37,052)	(36,962)
<b>Total shareholders' equity</b>	<b>88,640</b>	<b>8,851</b>
<b>Total liabilities, mezzanine equity and shareholders' equity</b>	<b>\$ 311,796</b>	<b>\$ 283,279</b>