



ADRE
HOLDINGS

FOURTH QUARTER
2022

FORWARD-LOOKING STATEMENTS

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, changes to global economic, social and political conditions, spending patterns of government agencies, competitive pressures, the impact of acquisitions and related integration activities, logistical challenges related to disruptions and delays, product liability claims, the success of new product introductions, currency exchange rate fluctuations and the risks of doing business 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



WARREN KANDERS

Chief Executive Officer and
Chairman of the Board



BRAD WILLIAMS

President



BLAINE BROWERS

Chief Financial Officer

AGENDA

- Q4 and FY22 Highlights
- Business Overview
- Financial Summary
- Full Year 2023 Outlook
- Conclusion and Q&A



CONTINUED EXECUTION IN Q4

Cadre continues to deliver on strategic objectives in a challenging supply chain and inflationary environment

Commentary:

Pricing Growth:

✓ *Exceeded 1% target above material inflation*

Adjusted EBITDA Conversion:¹

✓ *Generated Adj. EBITDA conversion of 93% in Q4, within our guidance range*

Q4 Mix:

✓ *Higher Duty Gear and EOD shipments resulted in continued product mix improvement as expected*

Orders Backlog:

✓ *Maintained strong orders backlog of \$117.9 million as of December 31, 2022*

Healthy M&A Funnel:

✓ *Continue to actively evaluate pipeline of opportunities*

Returned Capital to Shareholders:

✓ *Declared sixth consecutive quarterly dividend of \$0.08*

MACRO TAILWINDS SUPPORT LONG TERM SUSTAINABLE GROWTH OPPORTUNITY



Police protection expenditures have continued to trend upward even during previous financial and industrial recessions

Major US cities continue to increase police budgets

The American Rescue Plan provides \$350 billion to hire more police

Two-thirds of all NATO countries spend less than 2% of GDP targets on defense and security

Amidst current geopolitical turmoil, European leaders have advocated for significant increases in defense budgets

LATEST MARKET TRENDS

North American Law Enforcement

- Spend per officer increasing but police departments still struggling to fill open positions

Geopolitical Landscape

- Anticipate larger opportunities to provide safety and survivability equipment as conflict de-escalates

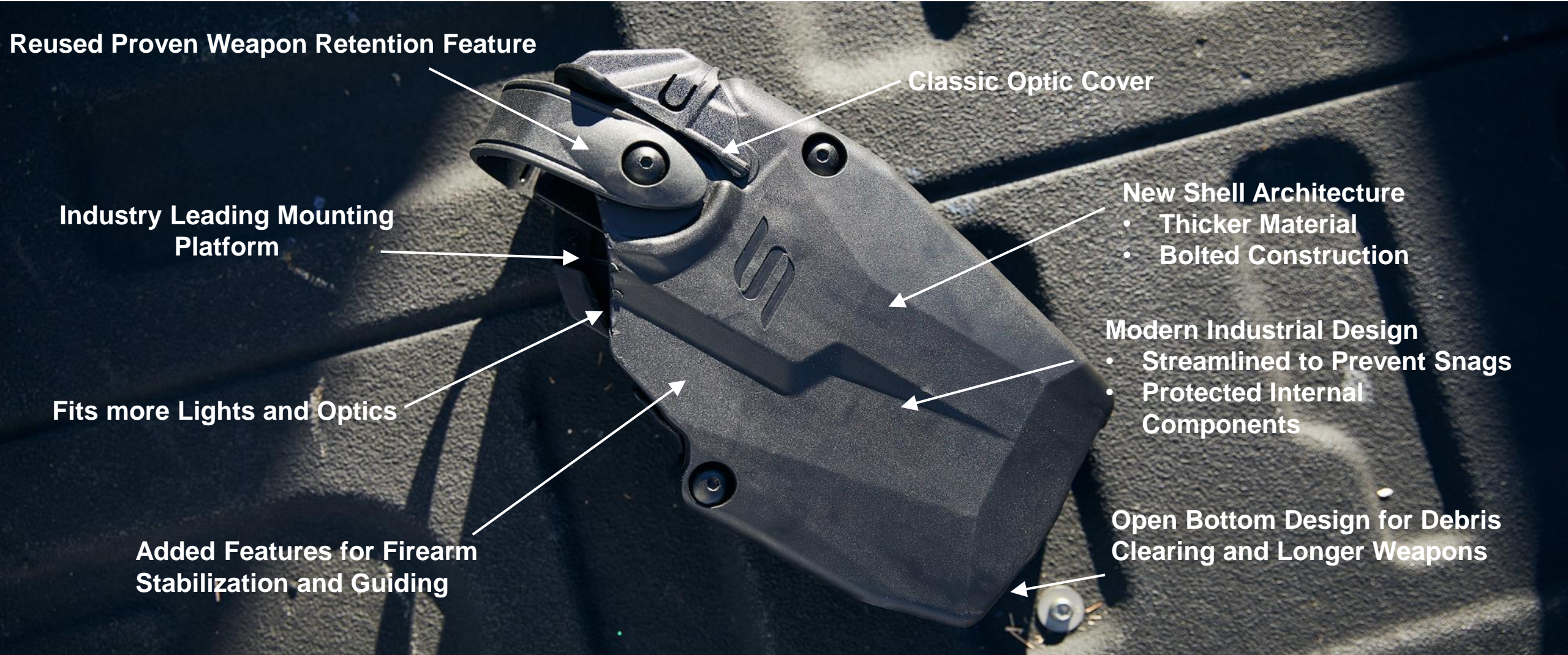
Supply Chain/ Labor

- Conditions improving but continue to experience pockets of extended lead times
- Managing labor force for long-term

Consumer

- Demand remains stable but monitoring macro consumer demand weakness/uncertainty

SAFARI-VAULT: FEATURES & BENEFITS



Reused Proven Weapon Retention Feature

Classic Optic Cover

Industry Leading Mounting Platform

New Shell Architecture
• Thicker Material
• Bolted Construction

Fits more Lights and Optics

Modern Industrial Design
• Streamlined to Prevent Snags
• Protected Internal Components

Added Features for Firearm Stabilization and Guiding

Open Bottom Design for Debris Clearing and Longer Weapons

HYPERX TACTICAL ARMOR PLATFORM: KEY FEATURES



- Designed to capture the functionality of a plate rack, but with the additional protection offered by full-coverage armor systems
- Capitalize on our strengths in Hard Armor and Soft Ballistics technology to form a purpose-built system that eliminates excess material, weight, and bulk
- Innovative design creating market leading adaptability which sets a new standard in customization and scalability in a tactical armor system

XPERTFIT: 3D BODY SIZING

Using **patented technology**, we can measure fully dressed individuals with the highest precision of accuracy **in seconds**. The **neural algorithm** was trained on a proprietary data set of user generated scans, manually measured and digitally scanned people with an in-house scanning lab.

Powered By **3DLOOK**

Start with the XpertFit Sizing App on any iOS or Android device



Perform a front and side scan. Scans are done against any Background, fully clothed

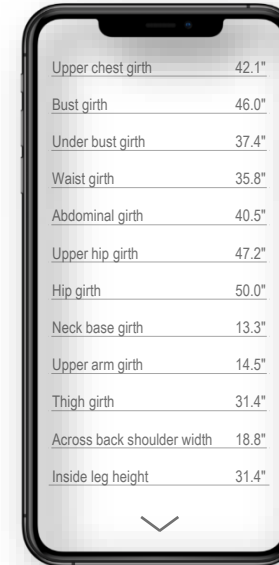


Computer vision algorithms Detect the human body under The clothes



Statistical modeling and 3D Matching algorithms Accurately create a 3D model And 3D body profile

Over 80 measurements are Computed from the generated 3D model



3D model and detailed Measurements are behind the Scenes and not provided To customers



Armor size is based on Safariland's many years Of experience

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



FOURTH QUARTER AND FULL YEAR 2022 HIGHLIGHTS

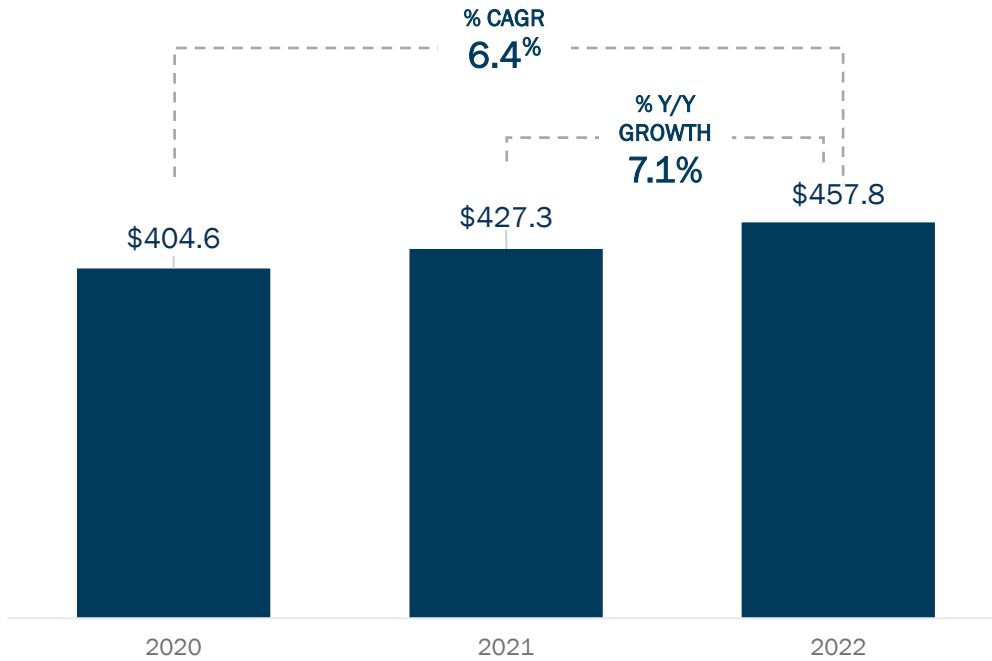


	Q4 2022	Q4 2021	FY 2022	FY 2021
NET SALES	\$123.6M	\$103.5M	\$457.8M	\$427.3M
GROSS MARGIN	39.2%	37.9%	38.4%	39.9%
NET INCOME	\$6.6M / \$0.17 per diluted share	\$4.3M / \$0.13 per diluted share	\$5.8M ¹ / \$0.16 per diluted share	\$12.7M ² / \$0.44 per diluted share
ADJUSTED EBITDA ³	\$22.4M	\$15.3M	\$75.7M	\$71.4M
ADJUSTED EBITDA ³ MARGIN	18.1%	14.7%	16.5%	16.7%
ADJUSTED EBITDA ³ CONVERSION	93%	95%	94%	96%

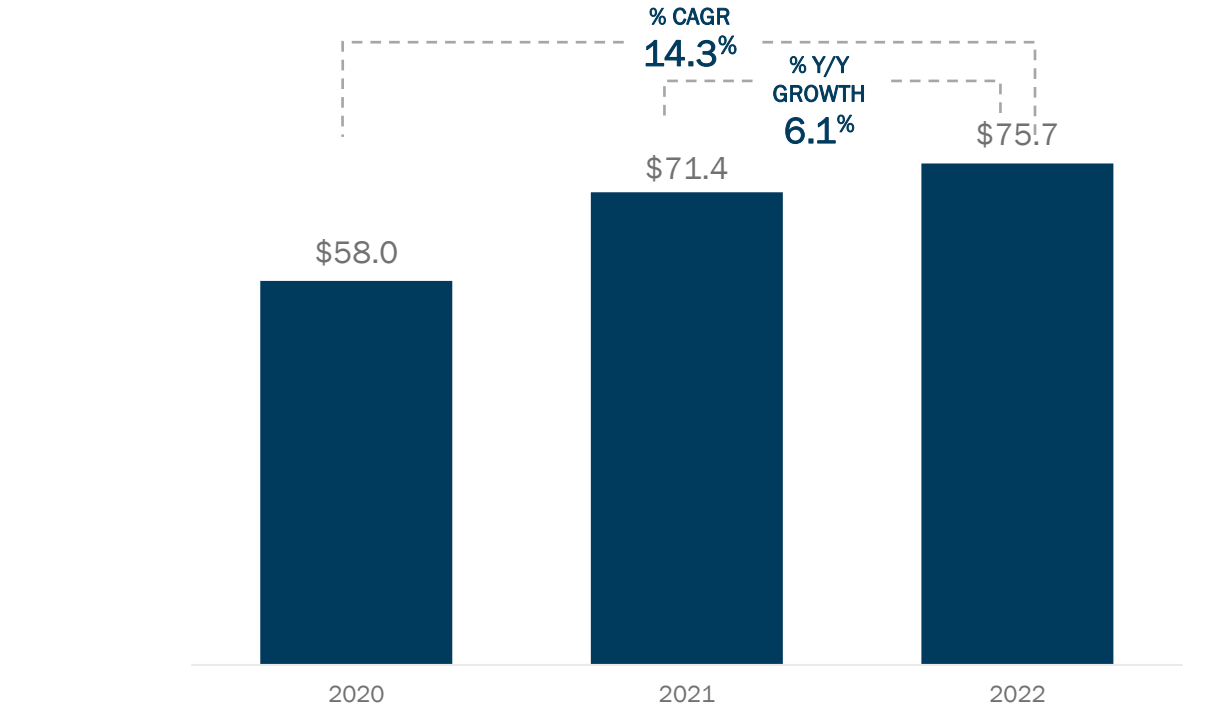
- Achieved pricing growth that exceeded target and generated strong gross margin and adjusted EBITDA conversion
- Increased net sales, net income, and adjusted EBITDA from Q3 to Q4

NET SALES AND ADJUSTED EBITDA

NET SALES (\$MM)



ADJ. EBITDA¹ (\$MM)



Adj. EBITDA Margin ¹	2020	2021	2022
	14.3%	16.7%	16.5%

Q4 2022 CAPITAL STRUCTURE

December 31, 2022

(in thousands)

Cash and cash equivalents	\$	45,286
Debt:		
Revolver	\$	—
Current portion of long-term debt		12,211
Long-term debt		139,076
Capitalized discount/issuance costs		(1,600)
Total debt, net	\$	149,687
Net debt (Total debt net of cash)	\$	104,401
Total debt / Adj. EBITDA ⁽¹⁾		2.0
Net debt / Adj. EBITDA ⁽¹⁾		1.4
Adj. EBITDA ⁽¹⁾	\$	75,731

2023 MANAGEMENT OUTLOOK



2023 GUIDANCE

NET SALES

\$463M to \$493M

Adj. EBITDA

\$76.0M to \$82.0M

Adj. EBITDA Conversion

87% to 90%

CONCLUSION



Record 2022 net Sales and Adj. EBITDA



Exceeded 1% target above material inflation



Completed two accretive acquisitions in 2022



Committed to improving gross and Adj. EBITDA margins



Continuously focused on M&A opportunities



Capitalizing on strong macro tailwinds driving demand and visibility for Cadre's mission-critical products

APPENDIX



BALANCE SHEET

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

	December 31, 2022		December 31, 2021	
Assets				
Current assets				
Cash and cash equivalents	\$	45,286	\$	33,857
Accounts receivable, net		64,557		48,344
Inventories		70,273		63,978
Prepaid expenses		10,091		10,353
Other current assets		6,811		3,171
Assets held for sale		—		278
Total current assets		197,018		159,981
Property and equipment, net		45,285		33,053
Operating lease assets		8,489		—
Deferred tax assets, net		2,255		7,059
Intangible assets, net		50,695		42,415
Goodwill		81,576		66,262
Other assets		6,634		3,026
Total assets	\$	391,952	\$	311,796
Liabilities, Mezzanine Equity and Shareholders' Equity				
Current liabilities				
Accounts payable	\$	23,406	\$	19,328
Accrued liabilities		38,720		40,736
Income tax payable		4,584		1,255
Liabilities held for sale		—		128
Current portion of long-term debt		12,211		13,174
Total current liabilities		78,921		74,621
Long-term debt		137,476		146,516
Long-term operating lease liabilities		4,965		—
Deferred tax liabilities		3,508		1,297
Other liabilities		1,192		722
Total liabilities		226,062		223,156
Mezzanine equity				
Preferred stock (\$0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of December 31, 2022 and December 31, 2021)		—		—
Shareholders' equity				
Common stock (\$0.0001 par value, 190,000,000 shares authorized, 37,332,271 and 34,383,350 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively)		4		3
Additional paid-in capital		206,540		127,606
Accumulated other comprehensive income (loss)		2,087		(1,917)
Accumulated deficit		(42,741)		(37,052)
Total shareholders' equity		165,890		88,640
Total liabilities, mezzanine equity and shareholders' equity	\$	391,952	\$	311,796

STATEMENT OF OPERATIONS

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

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net sales	\$ 123,645	\$ 103,537	\$ 457,837	\$ 427,288
Cost of goods sold	75,117	64,342	282,159	256,598
Gross profit	48,528	39,195	175,678	170,690
Operating expenses				
Selling, general and administrative	34,857	27,794	153,288	114,962
Restructuring and transaction costs	975	1,939	4,355	3,430
Related party expense	132	142	1,478	579
Other general income	(159)	—	(159)	—
Total operating expenses	35,805	29,875	158,962	118,971
Operating income	12,723	9,320	16,716	51,719
Other expense				
Interest expense	(1,710)	(2,296)	(6,206)	(16,425)
Loss on extinguishment of debt	—	—	—	(15,155)
Other expense, net	1,675	(66)	(1,137)	(947)
Total other expense, net	(35)	(2,362)	(7,343)	(32,527)
Income before provision for income taxes	12,688	6,958	9,373	19,192
Provision for income taxes	(6,089)	(2,670)	(3,553)	(6,531)
Net income	\$ 6,599	\$ 4,288	\$ 5,820	\$ 12,661
Net income per share:				
Basic	\$ 0.18	\$ 0.13	\$ 0.16	\$ 0.44
Diluted	\$ 0.17	\$ 0.13	\$ 0.16	\$ 0.44
Weighted average shares outstanding:				
Basic	37,332,271	31,908,350	36,109,844	28,598,692
Diluted	37,887,600	31,908,350	36,122,374	28,598,692

STATEMENT OF CASH FLOWS

UNAUDITED (IN THOUSANDS)

	Year Ended December 31,	
	2022	2021
Cash Flows From Operating Activities:		
Net income	\$ 5,820	\$ 12,661
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,651	13,718
Amortization of original issue discount and debt issue costs	740	3,193
Amortization of inventory step-up	4,255	—
Loss on extinguishment of debt	—	15,155
Deferred income taxes	(1,087)	4,772
Stock-based compensation	31,858	355
Gain on sale of fixed assets	(170)	—
Provision for (recoveries from) losses on accounts receivable	417	(188)
Foreign exchange loss	1,517	102
Changes in operating assets and liabilities, net of impact of acquisitions:		
Accounts receivable	(11,536)	(4,641)
Inventories	1,162	(3,189)
Prepaid expenses and other assets	(7,711)	(4,564)
Accounts payable and other liabilities	5,493	2,720
Net cash provided by operating activities	46,409	40,094
Cash Flows From Investing Activities:		
Purchase of property and equipment	(4,494)	(2,832)
Proceeds from disposition of property and equipment	411	—
Business acquisitions, net of cash acquired	(55,543)	—
Net cash used in investing activities	(59,626)	(2,832)

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STATEMENT OF CASH FLOWS - CONTINUED

UNAUDITED (IN THOUSANDS)

	Year Ended December 31,	
	2022	2021
Cash Flows From Financing Activities:		
Proceeds from revolving credit facilities	43,000	257,980
Principal payments on revolving credit facilities	(43,000)	(258,612)
Proceeds from term loans	—	198,716
Principal payments on term loans	(10,116)	(266,000)
Proceeds from insurance premium financing	3,989	5,010
Principal payments on insurance premium financing	(4,952)	(3,061)
Payment of capital leases	(25)	(43)
Payments for debt issuance costs	—	(2,198)
Payments on extinguishment of debt	—	(4,217)
Taxes paid in connection with employee stock transactions	(6,300)	—
Proceeds from initial public offering, net of underwriter discounts	—	83,421
Proceeds from secondary offering, net of underwriter discounts	56,329	—
Deferred offering costs	(2,953)	(4,841)
Dividends distributed	(11,509)	(12,751)
Net cash provided by (used in) financing activities	24,463	(6,596)
Effect of foreign exchange rates on cash and cash equivalents	183	318
Change in cash and cash equivalents	11,429	30,984
Cash and cash equivalents, beginning of period	33,857	2,873
Cash and cash equivalents, end of period	\$ 45,286	\$ 33,857
Supplemental Disclosure of Cash Flows Information:		
Cash paid for income taxes, net	\$ 1,395	\$ 1,158
Cash paid for interest	\$ 6,109	\$ 13,336
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Accruals and accounts payable for capital expenditures	\$ 172	\$ 197

NON-GAAP RECONCILIATION

(IN THOUSANDS)

	Three Months Ended December 31,		Year Ended December 31,		
	2022	2021	2022	2021	2020
Net income	\$ 6,599	\$ 4,288	\$ 5,820	\$ 12,661	\$ 38,453
Add back:					
Depreciation and amortization	4,332	3,292	15,651	13,718	14,733
Interest expense	1,710	2,296	6,206	16,425	24,388
Provision for income taxes	6,089	2,670	3,553	6,531	(10,578)
EBITDA	\$ 18,730	\$ 12,546	\$ 31,230	\$ 49,335	\$ 66,996
Add back:					
Restructuring and transaction costs ⁽¹⁾	975	1,939	5,355	3,430	5,822
Other general income ⁽²⁾	(159)	—	(159)	—	(10,950)
Loss on extinguishment of debt ⁽³⁾	—	—	—	15,155	200
Other expense, net ⁽⁴⁾	(1,675)	66	1,137	947	(2,659)
Stock-based compensation expense ⁽⁵⁾	2,878	355	32,239	355	(1,427)
Stock-based compensation payroll tax expense ⁽⁶⁾	—	—	305	—	—
LTIP bonus ⁽⁷⁾	436	358	1,369	2,162	—
Amortization of inventory step-up ⁽⁸⁾	1,200	—	4,255	—	—
Adjusted EBITDA	\$ 22,385	\$ 15,264	\$ 75,731	\$ 71,384	\$ 57,982
Less: Capital expenditures	(1,456)	(804)	(4,666)	(3,029)	(4,708)
Adjusted EBITDA less capital expenditures	\$ 20,929	\$ 14,460	\$ 71,065	\$ 68,355	\$ 53,274
Adjusted EBITDA conversion rate⁽⁹⁾	93 %	95 %	94 %	96 %	92 %
Adjusted EBITDA margin⁽¹⁰⁾	18.1 %	14.7 %	16.5 %	16.7 %	14.3 %

1. Reflects the "Restructuring and transaction costs" line item on our consolidated statement of operations, which primarily includes transaction costs composed of legal and consulting fees, and \$1.0 million paid to Kanders & Company, Inc., a company controlled by our Chief Executive Officer, for services related to the acquisition of Cyalume, which is included in related party expense in the Company's consolidated statements of operations.
2. Reflects the "Other general income" line item on our consolidated statement of operations and includes a gain from a long-lived asset sale.
3. Reflects losses incurred in connection with the August 2021 debt refinance.
4. Reflects the "Other expense, net" line item on our consolidated statement of operations and primarily includes losses on foreign currency transactions.
5. Reflects compensation expense related to equity and liability classified stock-based compensation plans.
6. Reflects payroll taxes associated with vested stock-based compensation awards.
7. Reflects the cost of a cash-based long-term incentive plan awarded to employees that vests over three years.
8. Reflects amortization expense related to the step-up inventory adjustment recorded as part of the recent acquisitions.
9. Reflects (Adjusted EBITDA less capital expenditures) / Adjusted EBITDA.
10. Reflects Adjusted EBITDA / Net Sales for the relevant periods.