



ADRE
HOLDINGS

**SECOND QUARTER
2023**

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

- Q2 Highlights
- Business Overview
- Financial Summary
- Full Year Outlook
- Conclusion and Q&A



CONTINUED EXECUTION IN Q2

Cadre continues to deliver on strategic objectives, generating record quarterly adj. EBITDA and achieving significant margin expansion

Commentary:

Pricing Growth:

✓ *Exceeded target*

Q2 Mix:

✓ *Favorable mix in duty gear, armor and Distribution, offset by lower EOD volume*

Orders Backlog:

✓ *Increased by \$15.3 million in 2023; driven by higher demand for armor, offset by a decline in Distribution backlog*

Healthy M&A Funnel:

✓ *Continue to actively evaluate pipeline of opportunities*

Returned Capital to Shareholders:

✓ *Declared eighth 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

- Given increasing scale of unexploded ordinance in Ukraine, expectation is that the de-mining process will take decades, which represents a longer cycle of opportunity for Cadre

Supply Chain/Labor

- Improving supply chain with limited pockets of extended lead times
- Managing labor force for long-term

Consumer

- Demand for Cadre's products is strong but monitoring broader macro consumer demand environment

New Products/Innovation

- Continue to hear positive feedback on newly introduced HyperX tactical armor platform, Xpertfit 3D body sizing app and SafariVault line of holsters

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



SECOND QUARTER 2023 FINANCIAL PERFORMANCE

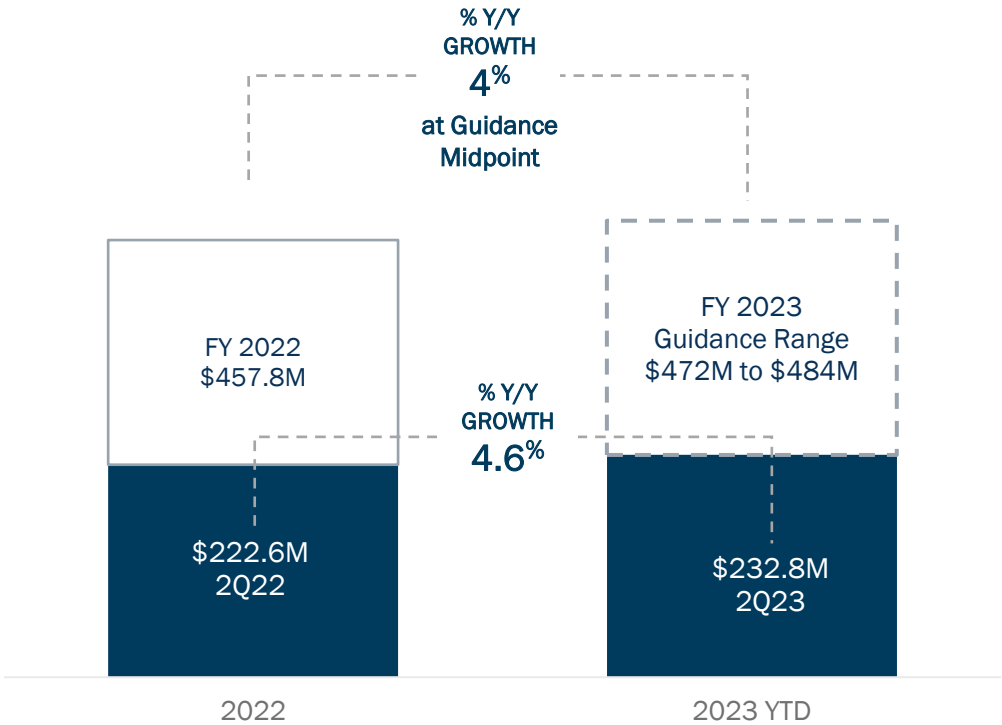


	Q2 2023	Q1 2023	Q2 2022
NET SALES	\$121.1M	\$111.7M	\$118.2M
GROSS MARGIN	41.9%	41.7%	36.6%
NET INCOME	\$11.0M / \$0.29 per diluted share	\$7.0M / \$0.19 per diluted share	\$4.4M / \$0.12 per diluted share
ADJUSTED EBITDA ¹	\$22.8M	\$18.6M	\$18.4M
ADJUSTED EBITDA MARGIN ¹	18.8%	16.6%	15.6%

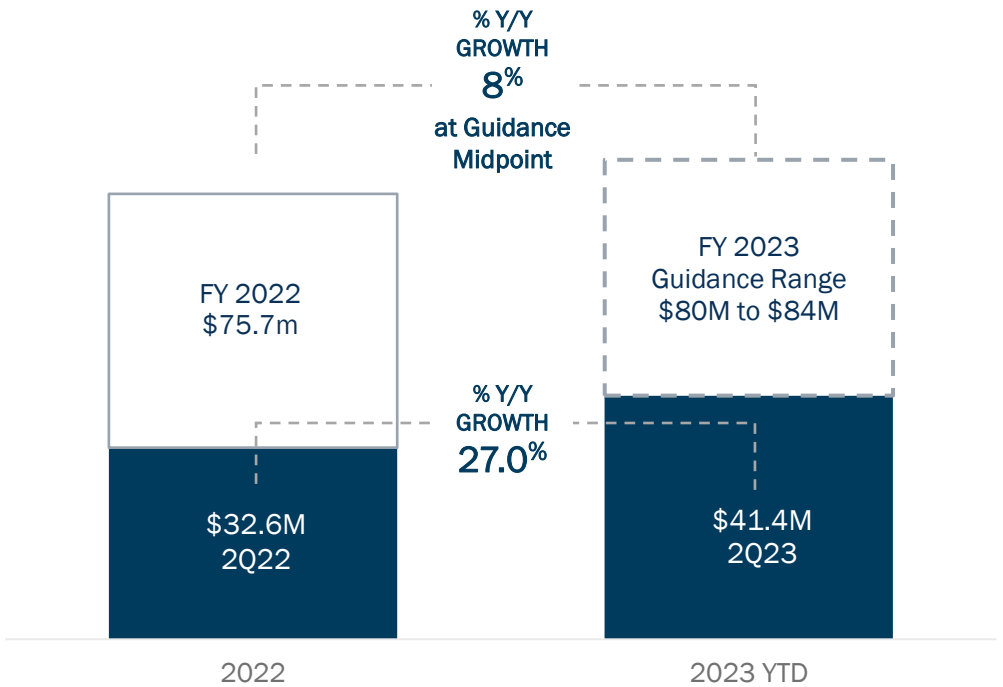
- Increased quarterly net sales, adjusted EBITDA, net income, gross profit and adjusted EBITDA margin sequentially and year-over-year
- Achieved pricing growth that exceeded target and grew orders backlog YTD

NET SALES AND ADJUSTED EBITDA

NET SALES (\$MM)



ADJ. EBITDA¹ (\$MM)



1. A non-GAAP financial measure. See slide 19 for definitions and reconciliations to the nearest GAAP measures

Q2 2023 CAPITAL STRUCTURE

June 30, 2023

(in thousands)

Cash and cash equivalents	\$	55,782
Debt:		
Revolver	\$	—
Current portion of long-term debt		10,022
Long-term debt		134,089
Capitalized discount/issuance costs		(1,377)
Total debt, net	\$	142,734
Net debt (Total debt net of cash)	\$	86,952
Total debt / Adj. EBITDA ⁽¹⁾		1.7
Net debt / Adj. EBITDA ⁽¹⁾		1.0
Adj. EBITDA ⁽¹⁾	\$	84,523

UPDATED 2023 MANAGEMENT OUTLOOK



2023 GUIDANCE

NET SALES

\$472M to \$484M

ADJ. EBITDA

\$80M to \$84M

CAPITAL EXPENDITURES

\$8M to \$9M

CONCLUSION



Outstanding execution in Q2



Ongoing implementation of Cadre operating model



Revenue, Net Income and Adjusted EBITDA Growth Y/Y



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)

	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 55,782	\$ 45,286
Accounts receivable, net of allowance for doubtful accounts of \$800 and \$924, respectively	57,361	64,557
Inventories	82,777	70,273
Prepaid expenses	10,009	10,091
Other current assets	6,406	6,811
Total current assets	212,335	197,018
Property and equipment, net of accumulated depreciation and amortization of \$47,046 and \$42,694, respectively	44,531	45,285
Operating lease assets	6,657	8,489
Deferred tax assets, net	2,351	2,255
Intangible assets, net	46,919	50,695
Goodwill	81,560	81,576
Other assets	5,566	6,634
Total assets	\$ 399,919	\$ 391,952
Liabilities, Mezzanine Equity and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 29,640	\$ 23,406
Accrued liabilities	34,480	38,720
Income tax payable	4,279	4,584
Liabilities held for sale	—	—
Current portion of long-term debt	10,022	12,211
Total current liabilities	78,421	78,921
Long-term debt	132,712	137,476
Long-term operating lease liabilities	3,211	4,965
Deferred tax liabilities	3,759	3,508
Other liabilities	1,314	1,192
Total liabilities	219,417	226,062
Mezzanine equity		
Preferred stock (\$0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of June 30, 2023 and December 31, 2022)	—	—
Shareholders' equity		
Common stock (\$0.0001 par value, 190,000,000 shares authorized, 37,586,031 and 37,332,271 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively)	4	4
Additional paid-in capital	208,492	206,540
Accumulated other comprehensive income	2,746	2,087
Accumulated deficit	(30,740)	(42,741)
Total shareholders' equity	180,502	165,890
Total liabilities, mezzanine equity and shareholders' equity	\$ 399,919	\$ 391,952

STATEMENT OF OPERATIONS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	\$ 121,087	\$ 118,232	\$ 232,835	\$ 222,638
Cost of goods sold	70,340	75,011	135,470	139,228
Gross profit	50,747	43,221	97,365	83,410
Operating expenses				
Selling, general and administrative	34,051	32,749	69,301	86,699
Restructuring and transaction costs	693	1,203	693	1,802
Related party expense	115	1,112	263	1,234
Total operating expenses	34,859	35,064	70,257	89,735
Operating income (loss)	15,888	8,157	27,108	(6,325)
Other expense				
Interest expense	(1,013)	(1,439)	(2,654)	(2,929)
Other income (expense), net	346	(756)	710	(961)
Total other expense, net	(667)	(2,195)	(1,944)	(3,890)
Income (loss) before provision for income taxes	15,221	5,962	25,164	(10,215)
(Provision) benefit for income taxes	(4,229)	(1,517)	(7,170)	4,495
Net income (loss)	\$ 10,992	\$ 4,445	\$ 17,994	\$ (5,720)
Net income (loss) per share:				
Basic	\$ 0.29	\$ 0.13	\$ 0.48	\$ (0.16)
Diluted	\$ 0.29	\$ 0.12	\$ 0.48	\$ (0.16)
Weighted average shares outstanding:				
Basic	37,586,031	35,320,314	37,480,367	34,888,703
Diluted	37,850,708	35,688,620	37,758,998	34,888,703

STATEMENT OF CASH FLOWS

UNAUDITED (IN THOUSANDS)

	Six Months Ended June 30,	
	2023	2022
Cash Flows From Operating Activities:		
Net income (loss)	\$ 17,994	\$ (5,720)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,220	7,380
Amortization of original issue discount and debt issue costs	374	367
Amortization of inventory step-up	—	1,344
Deferred income taxes	14	(4,594)
Stock-based compensation	4,852	26,327
Gain on sale of fixed assets	(108)	—
(Recoveries from) provision for losses on accounts receivable	(21)	240
Foreign exchange (gain) loss	(776)	1,107
Other	(325)	—
Changes in operating assets and liabilities, net of impact of acquisitions:		
Accounts receivable	7,605	(3,243)
Inventories	(11,986)	(1,461)
Prepaid expenses and other assets	3,397	3,616
Accounts payable and other liabilities	(971)	(345)
Net cash provided by operating activities	28,269	25,018
Cash Flows From Investing Activities:		
Purchase of property and equipment	(2,404)	(2,473)
Proceeds from disposition of property and equipment	206	—
Business acquisitions, net of cash acquired	—	(55,039)
Net cash used in investing activities	(2,198)	(57,512)

Continued on next slide

STATEMENT OF CASH FLOWS - CONTINUED

UNAUDITED (IN THOUSANDS)

	Year Ended June 30,	
	2023	2022
Cash Flows From Financing Activities:		
Proceeds from revolving credit facilities	—	48,000
Principal payments on revolving credit facilities	—	(48,000)
Principal payments on term loans	(5,000)	(5,009)
Principal payments on insurance premium financing	(2,189)	(2,853)
Payment of capital leases	—	(22)
Taxes paid in connection with employee stock transactions	(2,725)	(6,216)
Proceeds from secondary offering, net of underwriter discounts	—	49,703
Deferred offering costs	—	(2,715)
Dividends distributed	(5,993)	(5,533)
Net cash (used in) provided by financing activities	(15,907)	27,355
Effect of foreign exchange rates on cash and cash equivalents	332	144
Change in cash and cash equivalents	10,496	(4,995)
Cash and cash equivalents, beginning of period	45,286	33,857
Cash and cash equivalents, end of period	\$ 55,782	\$ 28,862
Supplemental Disclosure of Cash Flows Information:		
Cash paid for income taxes, net	\$ 7,288	\$ 241
Cash paid for interest	\$ 4,859	\$ 2,330
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Accruals and accounts payable for capital expenditures	\$ 129	\$ 17

NON-GAAP RECONCILIATION

(IN THOUSANDS)

	Year ended	Three Months	Three Months Ended		Six Months Ended		Last Twelve	
	December 31,	Ended March 31,	June 30,		June 30,		Months	
	2022	2023	2023	2022	2023	2022	June 30, 2023	
Net income (loss)	\$ 5,820	\$ 7,002	\$ 10,992	\$ 4,445	\$ 17,994	\$ (5,720)	\$ 29,534	
Add back:								
Depreciation and amortization	15,651	4,261	3,959	3,836	8,220	7,380	16,491	
Interest expense	6,206	1,641	1,013	1,439	2,654	2,929	5,931	
Provision (benefit) for income taxes	3,553	2,941	4,229	1,517	7,170	(4,495)	15,218	
EBITDA	\$ 31,230	\$ 15,845	\$ 20,193	\$ 11,237	\$ 36,038	\$ 94	\$ 67,174	
Add back:								
Restructuring and transaction costs ⁽¹⁾	5,335	—	693	2,203	693	2,802	3,246	
Other general income ⁽²⁾	(159)	—	—	—	—	—	(159)	
Other expense, net ⁽³⁾	1,137	(364)	(346)	756	(710)	961	(534)	
Stock-based compensation expense ⁽⁴⁾	32,239	2,747	2,105	2,818	4,852	26,541	10,550	
Stock-based compensation payroll tax expense ⁽⁵⁾	305	220	—	7	220	305	220	
LTIP bonus ⁽⁶⁾	1,369	144	160	174	304	558	1,115	
Amortization of inventory step-up ⁽⁷⁾	4,255	—	—	1,191	—	1,344	2,911	
Adjusted EBITDA	\$ 75,731	\$ 18,592	\$ 22,805	\$ 18,386	\$ 41,397	\$ 32,605	\$ 84,523	
Adjusted EBITDA margin⁽⁸⁾	16.5%	16.6%	18.8%	15.6%	17.8 %	14.6 %		

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 for the three and six months ended June 30, 2022.
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 the “Other (income) expense, net” line item on our consolidated statement of operations and primarily includes gains and losses on foreign currency transactions.
4. Reflects compensation expense related to equity and liability classified stock-based compensation plans.
5. Reflects payroll taxes associated with vested stock-based compensation awards.
6. Reflects the cost of a cash-based long-term incentive plan awarded to employees that vests over three years.
7. Reflects amortization expense related to the step-up inventory adjustment recorded as a result of our recent acquisitions.
8. Reflects Adjusted EBITDA / Net Sales for the relevant periods.