April 14, 2023

# BYRNA TECHNOLOGIES REPORTS FIRST QUARTER 2023 FINANCIAL RESULTS

ANDOVER, Mass., April 14, 2023 /PRNewswire/ -- Byrna Technologies Inc. (NASDAQ: BYRN) ("Byrna", "the Company", "we" or "us") today announced financial results for its fiscal first quarter ended February 28, 2023 (Q1 FY23).

## First Quarter 2023 Financial Highlights and Updates

- Revenues increased 5.4% to $8.4 million compared to $8.0 million in last year's first quarter.
- Gross profit for the quarter increased by 13.7% to $5.2 million compared to $4.6 million in the first quarter of fiscal year 2022 (Q1 FY22).
- Gross profit margin improved by 4.6% to 62.4% compared to 57.8% in last year's first quarter.
- Operating expenses declined 9.8% or $0.8 million to $7.2 million, compared to $8.0 million in last year's first quarter.
- Net Loss after taxes improved to $(2.1) million compared to a net loss of $(3.2) million in last year's first quarter.
- Adjusted EBITDA[1] improved to a loss of $(0.6) million compared to a loss of $(1.8) million for Q1 FY22

## First Quarter 2023 Results Overview

Revenues for Q1 FY23 increased (5.4%) to $8.4 million from $8.0 million in Q1 FY22. Nevertheless, sales for Q1 FY23 were lower than expected due to production and shipping delays of Byrna's two highly anticipated new products; the Byrna LE and Byrna's less-lethal 12-gauge round. Byrna introduced both products in January at SHOT Show to great reviews and had expected to start shipping both products in late January.

Quality problems related to out-of-specification components received from suppliers prevented Byrna from shipping the Byrna LE. The Byrna LE is the cornerstone of Byrna's new "good-better-best" campaign and has proven to be a big hit with Byrna's customer base. Byrna is now in production of this revolutionary new product and is in the process of shipping the more than 5,000 units that are backordered and on the waitlist. We expect to work through the backorders and waitlist during the second quarter (Q2).

Byrna was also unable to start shipping the 12-gauge rounds in Q1 FY23 due to supplier delays. Byrna started shipping the 12-gauge rounds to its dealer base on April 3rd and expects to work through the backlog and waitlist during Q2. The Company expects to make these rounds available on Byrna.com in late April.

Higher sales volumes and an improvement in the gross profit percentage contributed to an increase in gross margin in Q1 FY23. The improvement in gross profit as a percentage of sales is primarily due to realization of significant cost reductions in switching from air freight to ocean freight and to lower cost suppliers for raw materials.

Operating expenses were $7.2 million in Q1 FY23, $0.8 million lower than $8.0 million in Q1 FY22 despite an increase of $0.7 million in non-cash employee stock compensation expense. The spending reductions are a managed response to the lower-than-expected sales during the quarter and are primarily due to lower employee cash-based compensation, discretionary marketing expense, legal fees, franchise taxes and insurance premiums.

Net loss in Q1 FY23 was $(2.1) million compared to a net loss of $(3.2) million in Q1 FY22. The improvement of $1.1 million is primarily due to the combination of higher sales, higher gross profit and lower operating expenses.

Excluding non-cash incentive and stock-based compensation and one-time severance costs, adjusted EBITDA[1] for Q1 FY23 was $(0.6) million compared to adjusted EBITDA of $(1.8) million in Q1 FY22.

**Financial Position as of February 28, 2023:**

- On January 10, 2023, the Company invested $0.5 million in cash and loaned approximately $1.6 million to a new joint venture, created to manufacture its products within the Mercosur trade zone and to expand the Company's operations and presence in South American markets. The Company holds 51% of the stock in the joint venture entity, Uldawer S.A. (soon to be re-named Byrna LATAM S.A., "Byrna LATAM"), and the remaining 49% of stock in Byrna LATAM is held by Fusady S.A ("Fusady"), a Uruguayan affiliate of Argentinian gunsmiths and Byrna distributor Bersa S.A.
- Total cash and cash equivalents of $14.4 million, compared to total cash and cash equivalents of $20.1 million as of November 30, 2022
- No current or long-term debt

**Commentary:**

Bryan Ganz, CEO of Byrna, commented "While we are very pleased with the improvements we saw in Q1 in terms of expanding gross profit margins and lower operating expenses, we are disappointed with the fact that our sales growth in Q1 was only 5.4%. The shortfall in sales was directly attributable to the fact that we were unable to ship out either of our two new flagship products in Q1 – the much more powerful Byrna LE and the revolutionary 12-gauge less-lethal round. Both the Byrna LE and our new less-lethal 12-gauge round were introduced at the Las Vegas SHOT Show in January to great fanfare. In fact, Byrna's new 12-gauge round made several "Best New Products of SHOT Show" lists including the NRA, Police One and Tactical Life.

At the end of Q1 we had over 800 units on backorder and another 5,000 customers on the Byrna LE "waitlist". At an MSRP of $479 (and an AOV well over $500), this backlog represented approximately $3.0 million in deferred revenue. Similarly, we projected selling 250,000 units of our new 12-gauge round, representing another $1.0 million in deferred revenue. Had we been able to fulfill this built-up demand, sales would have been approximately $12.0 million for the quarter.

In both cases, raw material shortages and quality problems prevented us from going into serial production. In the case of the Byrna LE, it was out-of-spec components that prevented us from going into production. In the case of the 12-gauge less-lethal round, a shortage of a particular raw material resulted in delays in the production of the round's proprietary casing.

To make matters worse, almost all Byrna's Q1 marketing and promotional budget was dedicated to these two new breakthrough products. As a result, a significant number of the orders received from both consumers and dealers were for these new products which we were unable to ship during the quarter.

While these production and shipping delays are disappointing, as anyone in manufacturing will tell you, industrializing new products, particularly products that employ game-changing technology, is extremely difficult and unforeseen delays are not unusual.

In the case of the Byrna LE, we have designed a revolutionary new valve that produces 60% more power than a traditional valve of the same size. This technology will be used in all future Byrna launchers and will allow us to produce much smaller launchers. The first of these new products, the Byrna CL (Compact Launcher) is due to be released in 2024.

The valve in a Byrna LE is analogous to the engine in a Formula 1 racecar. As with a Formula 1 engine, the ultra-high-performance valve used in the Byrna LE is extremely demanding and requires components built to exacting tolerances. Unfortunately, several components from the initial production runs were simply not up to spec. This caused us to suspend production as our suppliers scrambled to produce new components. These are simply the growing pains associated with constantly pushing the envelope in terms of performance.

We have now shipped 986 Byrna LE launchers so far this quarter. There are 704 launchers on backorder and the waitlist has grown to 6,877 customers. Although production is still not where we would like as the Byrna LE is a difficult launcher to produce and our factory personnel are still getting up to speed, we expect to work through the entire backlog and waitlist by the end of the quarter.

The delays in production of Byrna's new state-of-the-art 12-gauge rounds were not due to non-conforming parts but rather the difficulty in obtaining the exact raw materials needed to produce the components. While, to the lay person, plastic is plastic, nothing could be further from the truth. To produce less-lethal shotgun rounds capable of stopping an assailant at distances up to 100 feet, we need to produce the various components that go into the round from very specialized plastics. Our testing showed that substituting a similar material for the harder to obtain plastic needed for the casing (as our suppliers urged) would negatively impact the accuracy of the rounds. For obvious reasons, when dealing with rounds that are intended to be used for self-defense, any loss of accuracy is simply unacceptable.

We now believe that we have secured adequate supplies of the required raw materials to produce up to 500,000 rounds per month. The first shipment of finished 12-gauge rounds left the factory on April 3rd headed for our dealers and we are now producing approximately 10,000 rounds per day in our Ft. Wayne production facility. These revolutionary new rounds are now available online at Byrna.com. There are an estimated 47 million shotgun owners in the United States. For $59.99, these shotgun owners can use their existing 12-gauge shotgun to fire less-lethal rounds capable of stopping an assailant at distance. Our mission is to convince 10% of these 47 million shotgun owners to try Byrna's new less-lethal 12-gauge rounds. After all, Byrna was founded on the belief that no one really wants to take a life when protecting themself and their family if they can avoid it.

There were several bright spots on the sales front in Q1: Amazon, Canada and our Las Vegas retail store. Amazon sales were up 68% year-over-year, and we expect this trend to continue. Canadian sales were up from almost nothing in Q1 FY22 to $261K in Q1 FY23. This was more than we sold in Canada during the entire year of 2022. Late in Q4 FY22, Canada essentially banned the sale of all handguns. This resulted in a significant increase in web sessions and sales of Byrna launchers in Canada despite the continuing difficulties that we have had shipping into Canada. We expect to see this positive sales trend continue as we establish a 3PL facility in Canada to better serve the Canadian market. Similarly, our Las Vegas retail store is now starting to pay for itself. Sales in Q1 tracked at an annual pace of $215,000 (versus $68,000 for all of 2022). So far in Q2 the pace of sales has climbed to $300,000 annually and all this without any local advertising.

In summary, while we encountered challenges bringing to market the Byrna LE and our new revolutionary less-lethal 12-gauge round during Q1, in the great scheme of things, the difference between starting to ship these two game-changing new products in March and April rather than January and February is not meaningful over the long term. The most important consideration at Byrna, is that the products we release to market are of the highest quality and that our customers can use them with confidence. This is the only thing that drives our decisions.

In conclusion, while we struggled to bring the Byrna LE and 12-gauge round to market in Q1 FY23, the significant improvement in gross profit margins and the reduction in our operating costs, largely made up for the shortfall in sales as our operating loss for the quarter was less than $100,000 off from our budgeted number. Given all the challenges we faced during the quarter, and the progress that we have made in getting these two revolutionary new products into production, we are pleased with this result."

**Conference Call**

Byrna Technologies will host a conference call later this morning at 9:00 am ET to review these results. To listen to the call live, dial (201) 689-8354 or (877) 709-8150 and ask for the Byrna Technologies call. The question-and-answer portion of the call will be open to industry research analysts. To listen to a simultaneous webcast of the call, please visit ir.byrna.com ten minutes prior to the start of the call and click on the Investors section to download and install any necessary audio software. If you are unable to listen live, the conference call webcast will be archived on Byrna Technologies' website for thirty days.

**About Byrna Technologies Inc.**

Byrna is a technology company, specializing in the development, manufacture, and sale of innovative non-lethal personal security solutions. For more information on the Company, please visit the corporate website here or the Company's investor relations sitehere. The Company is the manufacturer of the Byrna® SD personal security device, a state-of-the-art handheld CO2 powered launcher designed to provide a non-lethal alternative to a firearm for the consumer, private security, and law enforcement markets. To purchase Byrna products, visit the Company's e-commerce store. www.byrna.com.

***Forward Looking Information***

*This news release contains "forward-looking statements" within the meaning of the securities laws. All statements contained in this news release, other than statements of current and historical fact, are forward-looking. Often, but not always, forward-looking statements can be identified by the use of words such as "plans," "expects," "intends," "anticipates," and "believes" and statements that certain actions, events or results "may," "could," "would," "should," "might," "occur," or "be achieved," or "will be taken." Forward-looking statements include descriptions of currently occurring matters which may continue in the future. Forward-looking statements in this news release include but are not limited to our statements related to supply chain disruptions and shipments from suppliers, our ability to satisfy the backlogs and waitlists for our Byrna LE and 12-gauge rounds during the second quarter and to place these items for sale on our website, the expected use of new valve technology in future products, our ability to introduce the Byrna CL during 2024, the performance of our products, trends regarding sales on Amazon and in Canada, trends with public sentiment towards firearms, our gross profit margins and future profitability, and our operating expenses and the components thereof. Forward-looking statements are not, and cannot be, a guarantee of future results or events. Forward-looking statements are based on, among other things, opinions, assumptions, estimates, and analyses that, while considered reasonable by the Company at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies, and other factors that may cause actual results and events to be materially different from those expressed or implied.*

*Any number of risk factors could affect our actual results and cause them to differ materially from those expressed or implied by the forward-looking statements in this news release, including, but not limited to, disappointing market responses to current or future products or services; prolonged, new, or exacerbated disruption of our supply chain; the further or prolonged disruption of new product development; production or distribution or delays in entry or penetration of sales channels due to inventory constraints, competitive factors, pandemic-related factors, civil unrest, increased shipping costs or freight interruptions; prototype, parts and material shortages, particularly of parts sourced from limited or sole source providers; determinations by third party controlled distribution channels, including Amazon, not to carry or reduce inventory of our products; potential cancellations of existing or future orders including as a result of any fulfillment delays, introduction of competing products, negative publicity, or other factor; product design defects or recalls; litigation, enforcement proceedings or other regulatory or legal developments; changes in consumer or political sentiment affecting product demand; regulatory factors including the impact of commerce and trade laws and regulations; import-export related matters or sanctions or embargos that could affect the Company's supply chain or markets; delays in planned operations related to licensing, registration or permit requirements; and future restrictions on the Company's cash resources, increased costs and other events that could potentially* *reduce demand for the Company's products or result in order cancellations. The order in which these factors appear should not be construed to indicate their relative importance or priority. We caution that these factors may not be exhaustive; accordingly, any forward-looking statements contained herein should not be relied upon as a prediction of actual results. Investors should carefully consider these and other relevant factors, including those risk factors in Part I, Item 1A, ("Risk Factors") in our most recent Form 10-K, should understand it is impossible to predict or identify all such factors or risks, should not consider the foregoing list, or the risks identified in our SEC filings, to be a complete discussion of all potential risks or uncertainties, and should not place undue reliance on forward-looking information. The Company assumes no obligation to update or revise any forward-looking information, except as required by applicable law.*

**BYRNA TECHNOLOGIES INC.**
**Condensed Consolidated Statements of Operations and Comprehensive Loss**
**(Amounts in thousands except share and per share data)**
**(Unaudited)**

| | For the Three Months Ended February 28, 2023 | For the Three Months Ended February 28, 2022 |
|---|---|---|
| Net revenue | $ 8,411 | $ 7,977 |
| Cost of goods sold | 3,165 | 3,363 |
| Gross profit | 5,246 | 4,614 |
| Operating expenses | 7,240 | 8,023 |
| LOSS FROM OPERATIONS | (1,994) | (3,409) |
| OTHER INCOME (EXPENSE) | | |
| Foreign currency transaction gain (loss) | (136) | 178 |
| Interest income | 143 | 1 |
| Loss from joint venture | (167) | — |
| Other expenses | (58) | (111) |
| LOSS BEFORE INCOME TAXES | (2,212) | (3,341) |
| Income tax benefit | 59 | 120 |
| NET LOSS | (2,153) | (3,221) |
| | | |
| Foreign currency translation adjustment for the period | (585) | 6 |
| COMPREHENSIVE LOSS | $ (2,738) | $ (3,215) |
| | | |
| Net loss per share – basic and diluted | $ (0.10) | $ (0.14) |
| Weighted-average number of common shares outstanding - basic and diluted | 21,860,200 | 23,790,382 |

**BYRNA TECHNOLOGIES INC.**
**Condensed Consolidated Balance Sheets**
**(Amounts in thousands except share and per share data)**
**(Unaudited)**

| | February 28, 2023 Unaudited | November 30, 2022 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 14,426 | $ 20,068 |
| Accounts receivable, net | 4,177 | 5,915 |
| Inventory, net | 17,994 | 15,462 |
| Prepaid expenses and other current assets | 1,596 | 1,200 |
| Total current assets | 38,193 | 42,645 |
| LONG TERM ASSETS | | |
| Intangible assets, net | 3,800 | 3,872 |
| Deposits for equipment | 1,792 | 2,269 |
| Right-of-use asset, net | 2,184 | 2,424 |
| Property and equipment, net | 3,735 | 3,309 |
| Goodwill | 2,258 | 2,258 |
| Investment in joint venture | 354 | — |
| Loan to joint venture | 1,556 | |
| Other assets | 253 | 272 |
| TOTAL ASSETS | $ 54,125 | $ 57,049 |
| | | |
| **LIABILITIES** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | $ 5,785 | $ 7,708 |
| Operating lease liabilities, current | 747 | 757 |
| Deferred revenue, current | 1,051 | 458 |
| Total current liabilities | 7,583 | 8,923 |
| LONG TERM LIABILITIES | | |
| Deferred revenue - non-current | 272 | 340 |
| Operating lease liabilities, non-current | 1,550 | 1,792 |
| Total liabilities | 9,405 | 11,055 |
| | | |
| COMMITMENTS AND CONTINGENCIES (NOTE 20) | | |
| | | |
| **STOCKHOLDERS' EQUITY** | | |
| Preferred stock, $0.001 par value, 5,000,000 shares authorized, no shares issued | — | — |
| Common stock, $0.001 par value, 50,000,000 shares authorized. 24,032,248 shares issued and 21,866,261 shares outstanding as of February 28, 2023 and, 24,018,612 shares issued and 21,852,625 outstanding as of November 30, 2022 | 23 | 23 |
| Additional paid-in capital | 126,938 | 125,474 |
| Treasury stock (2,165,987 shares purchased as of February 28, 2023 and November 30, 2022) | (17,500) | (17,500) |
| Accumulated deficit | (63,536) | (61,383) |
| Accumulated other comprehensive loss | (1,205) | (620) |
| | | |
| Total Stockholders' Equity | 44,720 | 45,994 |
| | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 54,125 | $ 57,049 |

## Non-GAAP Financial Metrics

In addition to providing financial measurements based on generally accepted accounting principles in the United States (GAAP), we present adjusted EBITDA, which is a financial metric that is not prepared in accordance with GAAP. Management uses this non-GAAP financial measure, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate our financial performance. We believe that this non-GAAP financial measure helps us to identify underlying trends in our business that could otherwise be masked by the effect of certain expenses that we exclude in the calculations of the non-GAAP financial measure.

Accordingly, we believe that this non-GAAP financial measure reflects our ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business and provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects.

This non-GAAP financial measures does not replace the presentation of our GAAP financial results and should only be used as a supplement to, not as a substitute for, our financial results presented in accordance with GAAP. There are limitations in the use of non-GAAP measures because they do not include all the expenses that must be included under GAAP and because they involve the exercise of judgment concerning exclusions of items from the comparable non-GAAP financial measure. In addition, other companies may use other non-GAAP measures to evaluate their performance, or may calculate non-GAAP measures differently, all of which could reduce the usefulness of this non-GAAP financial measure as a tool for comparison.

*Adjusted EBITDA*

Adjusted EBITDA is defined as net (loss) income as reported in our condensed consolidated statements of operations and comprehensive (loss) income excluding the impact of (i) depreciation and amortization; (ii) income tax provision (benefit); (iii) interest income (expense); (iv) stock-based compensation expense and (v) other financing costs. Our Adjusted EBITDA measure eliminates potential differences in performance caused by variations in capital structures (affecting finance costs), tax positions, the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortization expense). We also exclude certain one-time and non-cash costs. Reconciliation of Adjusted EBITDA to comprehensive net (loss) income, the most directly comparable GAAP measure, is as follows (in thousands):

| | For the Three Months Ended February 28, | |
|---|---|---|
| | 2023 | 2022 |
| **Net loss** | $ (2,153) | $ (3,221) |
| | | |
| **Adjustments:** | | |
| Interest (income) expense | (143) | (1) |
| Income tax provision (benefit) | (59) | (120) |
| Depreciation and amortization | 276 | 175 |
| **Non-GAAP EBITDA** | (2,079) | (3,167) |
| | | |
| Stock-based compensation expense | 1,464 | 812 |
| Non-cash incentive compensation expense | — | 472 |
| Severance/Separation | — | 46 |
| **Non-GAAP adjusted EBITDA** | $ (615) | $ (1,837) |

[1] See non-GAAP financial measures at the end of this press release for a reconciliation and a discussion of non-GAAP financial measures.

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