April 6, 2022

BYRNA TECHNOLOGIES REPORTS FIRST QUARTER 2022 FINANCIAL RESULTS

REITERATES FULL YEAR REVENUE GUIDANCE OF $55-$60 MILLION

ANDOVER, Mass., April 6, 2022 /PRNewswire/ -- Byrna Technologies Inc. (NASDAQ: BYRN) ("Byrna", "the Company", "we" or "us") today announced financial results for its fiscal first quarter (Q1 FY22) ended February 28, 2022.

First Quarter 2022 Financial Highlights and Updates

- Revenues decreased (10.3%) to $8.0 million from $8.9 million in last year's first quarter, however;
- Order backlog as of February 28, 2022 was $2.2 million with $1.6 million of international orders were held pending exports permits;
- Orders received during Q1 FY22 rose 45.6% to $8.9 million from $6.1 million in last year's first quarter (Q1 FY21);
- Gross profit for the quarter decreased by (2.7%) to $4.6 million from $4.7 million in last year's first quarter, however;
- Gross profit margin improved at 57.8% compared to 53.3% in last year's first quarter
- 296,168 shares of common stock repurchased for $2.7 million during Q1 FY 22. First $10 million tranche completed in March with 1,050,249 shares repurchased.

First Quarter 2022 Results Overview

While revenues for Q1 FY22 decreased (10.3%) to $8.0 million in from $8.9 million in Q1 FY21, orders received during the quarter increased substantially, up 45.6% to $8.9 million in Q1 FY22 from $6.1 million in Q1 FY21. Sales for Q1 FY22 were lower than expected due to the large order backlog that did not ship by month-end. In addition to $1.6 million of international orders that were held pending export permits, part of the backlog was comprised of the Sportsman's Warehouse order, which shipped in March.

Lower sales volume caused only a slight decrease in gross profit which declined to $4.6 million, or 57.8% of reported net revenue, in Q1 FY22 as compared to gross profit of $4.7 million, or 53.3% of net revenue, in Q1 FY21. The improvement in gross margin as a

percentage of sales was helped by improved operating efficiencies at the factories despite the lower production volumes. These improvements were partially offset by higher inbound freight costs which we believed peaked during this last quarter. We expect to see continued improvements in gross margins due to both increased production volumes and reduced per unit freight costs.

Operating expenses were $8.0 million in Q1 FY22 as compared to $5.2 million in Q1 FY21 and $8.8 million in the fourth quarter of fiscal year 2021 (Q4 FY21). The increase in comparison with Q1 FY21 is due to several aspects of corporate growth that drove up structural costs (primarily payroll related and non-cash compensation), regulatory and insurance costs as well as increased investment in discretionary marketing costs.

Net loss in Q1 FY22 was $(3.2) million, or $(0.14) per share, compared to a net loss of $(0.3) million, or $(0.02) per share, in Q1 FY21, due primarily to the higher operating expenses outlined above.

Excluding non-cash incentive and stock-based compensation and one-time severance costs, non-GAAP adjusted net loss[1] for Q1 FY22 was $(1.8) million or $(0.07) per share compared to non-GAAP adjusted net income of $0.2 million or $0.02 per share in Q1 FY21.

Financial Position as of February 28, 2022:

- Total cash and cash equivalents of $44.7 million, compared to total cash and cash equivalents of $56.3 million, including restricted cash of $0.1 million at November 30, 2021
- Total assets of $70.5 million, compared to $75.3 million at November 30, 2021
- No current or long-term debt

Commentary:

Bryan Ganz, CEO of Byrna, commented "While the first quarter of 2022 was challenging in many respects, we are very pleased with the continued improvements we are seeing in production, order flow and gross profit margin."

Like many companies, during Q1 FY22, Byrna had to deal with supply chain disruptions and logistics issues that resulted in a persistent shortage of critical components. As a result, our primary manufacturing facility in Fort Wayne Indiana was in production only 36 days during the first quarter. With limited components, total production for the quarter was just shy of 19,000 units (versus a production plan of 30,000 units). This resulted in many products showing "out-of-stock" throughout the quarter.

We are pleased to report that we expect the supply chain disruptions that we were grappling with in Q1 are a thing of the past. During the month of March, Byrna produced over 14,000 launchers (a quarterly pace of 42,000 units). Currently we are not "out-of-stock" on any SD launcher nor are we "out-of-stock" on any of our ammo offerings. We also have enough components on hand to build another 20,000+ launchers not taking into account any additional shipments from our suppliers. We plan to run at these elevated levels of production as we rebuild our finished goods inventory so that we can handle any unplanned spike in sales (such as we have experienced over the last two years due to both civil unrest and celebrity endorsements).

On the sales side, while the industry is seeing a reversion to mean in 2022 with sales of all classes of self-defense products (from guns to pepper spray) showing significant declines from prior year, Byrna continues to see strong growth in organic order flow. In 2020 and 2021 (the "pandemic" years), guns sales (which are a proxy for our industry) averaged 20.3 million units per year versus an average of just 13.5 million units in the prior two years (2018 and 2019). This year guns sales appear to be trending back to pre-pandemic levels. Based on the FBI's National Instant Background Check (NIICS), which track with gun sales, gun purchases are down 34.0% in the first quarter of 2022 (running at the same level as 2019).

By contrast, for Q1 FY22, Byrna's orders are up 45.6% in comparison with Q1 FY21 (despite the fact that last year's numbers included the "January 6th Insurrection" period which saw a spike in demand for all self-defense products). This trend continued in March with orders on Byrna.com up 86% over March of last year, even though the Byrna product line is now also offered on Amazon.com.

Amazon sales are also showing steady growth. While there is no year-over-year comparison (as Byrna products were not offered on Amazon in Q1 FY2021) over the last several months, we have seen continuous improvement in sales on Amazon.com. Average daily sales in January of this year were $7,569. In February this climbed to $8,596. By March, average daily sales were $10,033 (with the second half of the month clocking in at $12,090). Amazon has now increased Byrna's allocated "shelf-space" to more than 18,000 units and while we have not yet filled this space, we expect to do so in the next several weeks. We believe that as we fill this space, we will see continued steady growth in Amazon sales. Based on observed trends in demand and the new product development pipeline we reiterate our full year revenue guidance of $55 - $60 million.

Finally, margins were up nicely in Q1, coming in at 57.8% compared to 53.3% in Q1 FY21 and 51.1% in Q4 FY21 (where margins were hurt by Black Friday specials). We were very pleased with this significant margin improvement as Q1 FY22 margins were negatively impacted by both the low production volumes and very high inbound freight. As production levels improve and as we reduce inbound freight through better packaging and by shifting some shipments to ocean freight from airfreight, we expect to see gross profit margins steadily improve throughout the year.

While operating costs were up $2.9 million year-over-year, from $5.2 million to $8.0 million, they were down $0.8 million quarter-over-quarter coming in at $8.0 million in Q1 FY22 versus $8.8 million in Q4 FY21. This indicates a leveling off in Byrna's operating expense budget. Eliminating non-cash items, operating expenses for Q1 FY22 were $6.45 million and should remain reasonably constant at this level for the remainder of FY 22 with the only increases coming from one-time charges and additional variable operating expenses such as credit card fees, Amazon fees and outbound freight which will all increase as sales increase.

The year-over-year increase stems from Byrna's investment in growing the business. Advertising and marketing spend was up $1.1 million year-over-year as Byrna significantly increased its advertising budget to build brand awareness and drive consumers to Byrna's website. This resulted in sessions for the quarter growing from 852,000 in Q1 FY21 to 1.6 million in Q1 FY22. Additionally, people costs were up $0.8 million as Byrna added the staff in the areas of IT, R&D, Supply Chain, Accounting and Sales & Marketing to be able to

continue to grow the business. Travel was also up by $0.1 million as Byrna's employees hit the road after two years of quarantine. Finally, Byrna's topline growth and its uplisting to Nasdaq added $0.5 million to Byrna's public company costs in the areas of D&O insurance and franchise taxes.

With improvements across the board in production, sales and margins, coupled with a flat operating expense budget, Byrna expects positive adjusted EBITDA[1] in Q3 of FY22.

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 https://byrna.com/ or the Company's investor relations site here ir.byrna.com. 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 the Company's statements related to supply chain disruptions and shipments from suppliers, our ability to handle unplanned increases in sales, seasonal trends in sales, growth in Amazon sales and our ability to fill "shelf-space", our ability to reduce freight costs and shift from air freight to ocean freight, 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; reduced air freight capacity,; 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; ransomware attack or data breach, 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,	
	2022	**2021**
Net revenue	$ 7,977	$ 8,893
Cost of goods sold	3,363	4,153
Gross profit	4,614	4,740
Operating expenses	8,023	5,151
LOSS FROM OPERATIONS	(3,409)	(411)
OTHER INCOME (EXPENSE)		
Foreign currency transaction gain (loss)	178	(22)
Interest income (expense)	1	(27)
Other income - forgiveness of Paycheck Protection Program loan	—	190
Other expenses	(111)	(2)
LOSS BEFORE INCOME TAXES	(3,341)	(272)
Income tax benefit	120	—
NET LOSS	(3,221)	(272)
Foreign exchange translation gain for the period	6	58
COMPREHENSIVE LOSS	$ (3,215)	$ (214)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (3,221)	$ (272)
Net loss per share – basic and diluted	$ (0.14)	$ (0.02)
Weighted-average number of common shares outstanding - basic and diluted	23,790,382	14,886,721

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

	February 28, 2022 Unaudited	November 30, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 44,701	$ 56,308
Restricted cash	—	92
Accounts receivable, net	1,101	1,658
Inventory, net	12,072	6,613
Prepaid expenses and other current assets	1,934	1,490
Total current assets	59,808	66,161
LONG TERM ASSETS		
Patent rights, net	3,612	3,668
Deposits for equipment	2,046	1,293
Right-of-use asset, net	1,444	1,086
Property and equipment, net	2,043	1,972
Goodwill	816	816
Other assets	727	318
TOTAL ASSETS	$ 70,496	$ 75,314
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 6,744	$ 6,996
Operating lease liabilities, current	498	463
Deferred revenue, current	361	720
Total current liabilities	7,603	8,179
LONG TERM LIABILITIES		
Deferred revenue - non-current	415	405
Operating lease liabilities, non-current	1,071	632
Total liabilities	9,089	9,216
COMMITMENTS AND CONTINGENCIES (NOTE 21)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, no shares issued	—	—
Series A Preferred Stock, 1,500 shares designated, 0 and 0 shares issued and outstanding, respectively	—	—
Common stock, $0.001 par value, 300,000,000 shares authorized. 23,960,588 shares issued and 23,664,369 outstanding as of February 28, 2022 and, 23,754,096 shares issued and outstanding as of November 30, 2021	23	23
Additional paid-in capital	120,767	119,589
Treasury stock (296,168 and 0 shares purchased, respectively)	(2,654)	—
Accumulated deficit	(56,719)	(53,498)
Accumulated other comprehensive loss	(10)	(16)
Total Stockholders' Equity	61,407	66,098
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 70,496	$ 75,314

Non-GAAP Financial Metrics

In addition to providing financial measurements based on generally accepted accounting principles in the United States (GAAP), we provide the following additional financial metrics that are not prepared in accordance with GAAP (non-GAAP): adjusted EBITDA, non-GAAP net loss, and non-GAAP net loss per share. Management uses these non-GAAP financial measures, 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 these non-GAAP financial measures help 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 measures.

Accordingly, we believe that these non-GAAP financial measures reflect 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.

These non-GAAP financial measures do 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 our non-GAAP financial measures as tools 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 expenses. 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,	
	2022	**2021**
Net loss	$ (3,221)	$ (272)
Adjustments:		
Interest (income) expense	(1)	27
Income tax benefit	(120)	—
Depreciation and amortization	175	88
Non-GAAP EBITDA	(3,167)	(157)
Stock-based compensation expense	812	693
Non-cash incentive compensation expense	472	—
Other expenses	111	2
Forgiveness of PPP loan	—	(190)
Severance	46	—
Non-GAAP adjusted EBITDA	$ (1,726)	$ 348

Non-GAAP net income (loss) and non-GAAP net income (loss) per share

Non-GAAP net loss is defined as net (loss) income as reported in our condensed consolidated statements of operations and comprehensive (loss) income excluding the impact of (i) stock-based compensation expense and (ii) other expenses. Our non-GAAP net

loss measure eliminates potential differences in performance caused by certain non-cash and one-time costs. We also provide non-GAAP net loss per share by dividing non-GAAP net loss by the average basic shares outstanding for the period. Reconciliation of Non-GAAP comprehensive (loss) income to Comprehensive net (loss) income, the most directly comparable GAAP measure, is as follows (in thousands):

	For the Three Months Ended February 28,	
	2022	**2021**
Net loss	$ (3,221)	$ (272)
Adjustments:		
Stock-based compensation	812	693
Non-cash incentive compensation expense	472	
Other expenses	111	2
Forgiveness of PPP loan	—	(190)
Severance	46	—
NON-GAAP NET (LOSS) INCOME	$ (1,780)	$ 233
Non-GAAP net loss per share — basic and diluted	$ (0.07)	$ 0.02
Weighted-average number of common shares outstanding during the period — basic and diluted	23,790,382	14,886,721

[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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