



BYRNA TECHNOLOGIES INC. REPORTS RECORD FOURTH QUARTER AND FULL FISCAL 2020 RESULTS

Fiscal 2021 Outlook Calls for Strong Revenue Growth Driven by Robust Demand, New Product Innovations, Greater Production Capacity and Dynamic Marketing Campaigns

ANDOVER, MA – February 26, 2021 - Byrna Technologies Inc. (OTCQB: BYRN) (CSE: BYRN) (“Byrna” or “the Company”) today announced results for its fiscal fourth quarter ended November 30, 2020.

Fourth Quarter 2020 Compared to Fourth Quarter 2019:

- Revenues were \$11,029,164 compared to \$500,442.
- Gross margin was 44.4% compared to 10.7%.
- Non-GAAP adjusted gross margin¹ was 48.7% in the fourth quarter of 2020.
- GAAP Net loss was \$1,641,195 compared to \$1,720,439.
- Non-GAAP adjusted net income¹ was \$220,790 in the fourth quarter of 2020.

Fiscal Year 2020 Compared to Fiscal Year 2019:

- Revenues were \$16,566,295 compared to \$924,419.
- Gross margin was 45.3% compared to 16.1%.
- Non-GAAP Adjusted gross margin¹ was 48.2% for the full fiscal year 2020.
- GAAP Net loss was \$12,553,325 compared to \$4,409,785.
- Non-GAAP adjusted net loss¹ was \$2,018,795 in the full fiscal year 2020.

“Our fourth quarter concluded a transformative year for Byrna Technologies,” stated Bryan Ganz, CEO of Byrna. “We delivered our strongest revenue quarter by far and, adjusted for certain non-recurring and non-cash charges, generated the first quarter of positive adjusted net income in the Company’s history. At the same time, we made important enhancements to our corporate platform, both in terms of manufacturing assets and human capital, including the recent addition of a highly experienced Chief Marketing Officer, Luan Pham. Now that our production capacity has caught up with demand, the Company expects to work through our current order backlog for launcher kits in the next two weeks and return to same-day shipping by the end of March.”

Due to the civil unrest that has taken place over the past year, both consumers and law enforcement professionals in the U.S. and globally are increasingly seeking effective less-lethal self-defense solutions and Byrna is emerging as a leader in this category given the product’s unique features and growing brand awareness. With the availability of increased production capacity, Byrna will be commencing a series of dynamic marketing campaigns spearheaded by Mr. Pham which are designed to allow the Company to capitalize on this

(1) This is a Non-GAAP measure. Refer to the Non-GAAP Reconciliation section on page 7 of this news release.

growing demand for less-lethal personal security options, such as the Byrna®HD less-lethal personal security device.

The Company is also developing a number of exciting new products including the Byrna XL, the Byrna LE and the Byrna CP. The Byrna XL will be able to use the more readily available 12-gram CO2 canisters and will have greater muzzle velocity. The Byrna LE is being designed for the Law Enforcement market, as well as for firearm enthusiasts. This launcher, scheduled for release in Q3 of 2021, will have even greater muzzle velocity, an improved sighting system, a seven-round magazine and extreme cold weather capabilities. Early in 2022 Byrna intends to introduce the Byrna CP, a compact launcher designed for better conceal carry capabilities and for users with smaller hands.

Mr. Ganz continued, “With respect to our production capabilities, we could not be more pleased with the ramp of the Fort Wayne, Indiana facility that we opened in September of 2020. The team there has performed admirably as they, along with our employees in South Africa, demonstrated extraordinary commitment, going above and beyond the call of duty to get product out to our customers and work through our backlog of orders. Once we have fulfilled our current backlog, we will be putting increased focus on expanding our dealer network and pursuing relationships with sporting goods stores, gun stores and outdoor stores. We believe that these outlets represent a significant growth opportunity for Byrna.”

Fourth Quarter 2020 Business Overview

Revenues were \$11,029,154 in the fourth quarter of 2020. This significant increase was driven by strong growth in orders for the Company’s Byrna HD, resulting from enhanced market awareness of the product.

Gross profit was \$4,896,610, representing a gross margin of 44.4%, compared to \$53,542, or a 10.7% gross margin in the prior year period. On an adjusted basis, gross margin in Q4 was 48.7%. The increase in gross profit margins was driven primarily by the result of substantially higher production volumes, as the Company was able to spread its fixed production overhead across a larger production base.

Operating expenses were \$6,172,482 in the fourth quarter of 2020, up from \$824,770 in the prior year period. The increase reflects greater investment in corporate infrastructure necessary to support the Company’s growth in sales and production. This investment includes increases in employee-related expenses, marketing costs, auditing costs and bank fees.

Financial Position as of November 30, 2020:

- Cash of \$9,563,635, including \$6,388,561 of restricted cash (which is released as backorders are fulfilled).
- Total assets of \$21,216,120.
- Total debt of \$190,300.

The Company’s cash position as of November 30, 2020 was an increase of \$8,481,735 from November 30, 2019, primarily due to positive free cash flow (defined as cash flow from operations less purchases of property and equipment) and early warrant exercises during the twelve-month period. Cash flow from operations for fiscal 2020 was \$2,537,755 and free cash flow was \$1,111,321.

Technical Service Update

On February 12, 2020, the Company identified a limited number of Byrna HD launchers in which the safety wire was not within specification. While no injuries were reported as a result of this technical issue, Byrna alerted its customers through multiple channels including a direct email campaign to Byrna HD owners and a notification posted on the Company's website, offering customers the opportunity to return their launchers for a technical service update to correct the issue, free of charge. In the ten days since alerting its customers of this issue, Byrna has reached more than 31,000 customers (over 80% of customers) and has received less than 350 submissions for the technical service update. In the event that we ultimately receive a higher number of customer update requests, the Company has accrued \$195,000 on its balance sheet to cover the potential costs of the technical service update (labor, materials and roundtrip freight) for the period ended November 30, 2020.

Outlook

Mr. Ganz concluded, "Looking out to the balance of 2021, we expect revenues for our fiscal first quarter ending February 28th to be approximately \$9.2 million. This is slightly below our expectations at the beginning of the quarter, as Byrna suspended essentially all shipments of launchers during the last two weeks of the quarter in order to inspect, test and update more than 8,000 launchers that were in the production pipeline and more than 25,000 safety wires held in inventory. We can confidently state that since Byrna learned of the technical issue on February 12th, every launcher leaving the factory has been reinspected, updated where necessary and retested, and procedures and protocols have been established to prevent a recurrence of this issue. While the end of quarter reduction in shipments will negatively impact Q1 sales, the Company is going into Q2 with an order backlog of approximately \$3.0 million."

"With respect to our fiscal second quarter ending May 31st, we expect a slight decline in revenues from our seasonally strong first quarter, which includes the holiday shopping period. Regarding the outlook for full fiscal year 2021 ending November 30th, based on year-to-date sales, our existing backlog, current order rates, our plans to launch multiple new promotional campaigns, our new product launch schedule and the production capacity we have in place, we expect revenues for the full year 2021 to come in between \$33 million and \$38 million."

"Fiscal 2020 was a year of significant achievement for Byrna, and we expect to build upon this momentum as we progress through 2021 and strive to deliver continued growth, profitability, cash flow and value for our shareholders."

Recent Securities Issuances

On February 24th, the Board approved the issuance, effective April 18, 2021, of 1.5 million restricted stock units (RSU's) to the Chief Marketing Officer. These RSU's will vest on April 18, 2023, subject to certain stock performance measures. Additionally, the Board approved the grant to two employees, effective March 2nd (the "Effective Date"), of a total of 240,000 options with a five-year term. The options will vest over a three-year period and have an exercise price equal to the highest of (i) \$1.49, the closing price on the date of the Board award, (ii) the closing price on March 1st, or (iii) the closing price on the Effective Date, as required by applicable law and exchange rules.

About Byrna Technologies Inc.

Byrna is a technology company, specializing in the development, manufacture, and sale of innovative non-lethal equipment and munitions. For more information on the Company, please visit the corporate website [here](#) or the Company's investor relations site [here](#). The Company is the manufacturer of the Byrna HD personal security device, a state of the art handheld CO2 powered launcher with the look and feel of a handgun, designed to provide a less-lethal alternative to a firearm for the consumer, private security, and law enforcement markets. The Byrna HD is engineered with patented designs and proprietary parts. Unlike less-lethal alternative such as pepper spray and stun guns, the Byrna HD has an effective range of up to 60 feet and comes with easily reloadable magazines that can hold multiple .68 caliber hard kinetic rounds or highly chemical irritant and pepper rounds designed to effectively stop an assailant without loss of life or permanent injury. To purchase Byrna products visit the Company's e-commerce store.

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 outlook, including expectations of backorder fulfillment and the return to same day shipping, marketing plans, expectations as to future demand for less-lethal products and for the Byrna HD personal security device, anticipated new product introduction plans, timing, features and the benefits thereof, future areas of focus and opportunity and the Company's ability to capitalize thereon, and quarterly and full year projections, including the adequacy of the reserve taken for the recent safety update of certain launchers. 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: the potential disruption of production, distribution, or marketing due to the pandemic, civil unrest, supply chain shortages or interruptions, including material shortages, that could affect our extended supply chain, unavailability of parts, particularly parts sourced from limited or sole source providers, reduced air freight capacity, or otherwise; potential cancellations of existing or future orders including as a result of fulfillment delay, introduction of competing products, negative publicity, the recent safety alert, product recalls, litigation, enforcement proceedings or other legal developments; changes in the law regulating the Company's products or other regulatory changes including changes in export laws and regulations including sanctions or embargos that could affect the Company's supply chain or markets; extended restriction of the Company's cash resources impacting the availability of sufficient cash to meet operating expenses, other costs of goods or sales, or fund future growth; and increased costs of production or sales 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.

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BYRNA TECHNOLOGIES INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Amounts expressed in US Dollars)

	For the Three Months Ended		For the Twelve Months	
	November 30,		Ended	
	2020	2019	2020	2019
Net revenue	\$ 11,029,154	\$ 500,442	\$ 16,566,295	\$ 924,419
Cost of goods sold	<u>(6,132,544)</u>	<u>(446,900)</u>	<u>(9,058,125)</u>	<u>(775,412)</u>
Gross profit	4,896,610	53,542	7,508,170	149,007
Operating expenses	<u>6,172,482</u>	<u>824,770</u>	<u>11,817,002</u>	<u>3,437,544</u>
LOSS FROM OPERATIONS	(1,275,872)	(771,228)	(4,308,832)	(3,288,537)
OTHER (EXPENSE) INCOME				
Foreign currency transaction loss	(72,794)	(27,403)	(91,399)	(12,031)
Accretion of debt discounts	—	(448,355)	(755,401)	(1,120,872)
Interest expense	—	(159,263)	(233,095)	(414,364)
Loss on extinguishment of debt	—	—	(6,026,654)	—
Warrant inducement expense	—	—	(845,415)	—
Change in fair value of derivative liabilities	—	(314,190)	—	426,019
LOSS BEFORE INCOME TAXES	<u>(1,348,666)</u>	<u>(1,720,439)</u>	<u>(12,260,796)</u>	<u>(4,409,785)</u>
Income tax provision	292,529	—	292,529	—
NET LOSS	<u>(1,641,195)</u>	<u>(1,720,439)</u>	<u>(12,553,325)</u>	<u>(4,409,785)</u>
Foreign exchange translation adjustment for the period	(49,539)	76,093	66,545	(4,115)
COMPREHENSIVE LOSS	<u>\$ (1,690,734)</u>	<u>\$ (1,644,346)</u>	<u>\$ (12,486,780)</u>	<u>\$ (4,413,900)</u>
Net loss per share – basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.10)</u>	<u>\$ (0.04)</u>
Weighted-average number of common shares outstanding during the period	<u>146,843,794</u>	<u>104,021,837</u>	<u>126,787,466</u>	<u>103,543,833</u>

BYRNA TECHNOLOGIES INC.
Condensed Consolidated Balance Sheets
(Amounts expressed in US Dollars)

	November 30, 2020	November 30, 2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,175,074	\$ 1,081,900
Restricted cash	6,388,561	—
Accounts receivable	834,459	438,255
Inventory, net	4,816,615	959,748
Prepaid expenses and other current assets	1,391,284	377,305
Total current assets	16,605,993	2,857,208
Patent rights, net	810,928	99,002
Deposits for equipment	619,144	196,921
Right-of-use asset	1,200,447	—
Property and equipment, net	1,220,208	321,288
Goodwill	650,787	—
Restricted cash	92,000	92,000
Other assets	16,613	—
TOTAL ASSETS	\$ 21,216,120	\$ 3,566,419
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,629,075	\$ 639,877
Operating lease liabilities, current	257,608	—
Deferred revenue	4,902,087	10,842
Convertible notes payable, net	—	2,758,578
Notes payable	75,480	—
Accrued interest	—	266,143
Total current liabilities	11,864,250	3,675,440
Convertible notes payable, noncurrent	—	1,874,972
Notes payable, non-current	114,820	—
Operating lease liabilities, noncurrent	828,005	—
Total Liabilities	\$ 12,807,075	\$ 5,550,412
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, no shares issued	—	—
Series A Preferred Stock, 1,500 shares designated, 1,391 and 0 shares issued and outstanding, respectively	1	—
Common stock, \$0.001 par value, 300,000,000 shares authorized, 148,520,227 and 104,021,836 shares issued and outstanding, respectively	148,520	104,022
Additional paid-in capital	58,447,839	36,480,520
Shares to be issued	—	20,000
Treasury stock, at cost, 0 and 3,699,999 shares, respectively	—	(888,000)
Accumulated deficit	(50,215,448)	(37,662,123)
Accumulated other comprehensive income (loss)	28,133	(38,412)
Total Stockholders' Equity (Deficit)	8,409,045	(1,983,993)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 21,216,120	\$ 3,566,419

This news release includes certain “non-GAAP financial measures” under the rules of the Securities and Exchange Commission, including Regulation G. These non-GAAP measures are calculated using GAAP amounts in our consolidated financial statements.

BYRNA TECHNOLOGIES INC.
Non-GAAP Reconciliation
(Amounts expressed in US Dollars)

Byrna Technologies Inc. Adjusted Results

	Three Months Ended 11/30/2020				Twelve Months Ended 11/30/2020			
	GAAP	Adjustment	Notes	As Adjusted	GAAP	Adjustment		As Adjusted
Total Sales	\$ 11,029,154			\$ 11,029,154	\$ 16,566,295			\$ 16,566,295
COGS	\$ 6,132,544	\$ (473,494)	1	\$ 5,659,050	\$ 9,058,125	\$ (473,494)	1	\$ 8,584,631
Gross Profit (\$)	\$ 4,896,610			\$ 5,370,104	\$ 7,508,170			\$ 7,981,664
Gross Profit (%)	44.4%			48.7%	45.3%			48.2%
OPEX	\$ 6,172,482	\$ (1,095,962)	8,9	\$ 5,076,520	\$ 11,817,003	\$ (1,907,943)	8,9	\$ 9,909,060
Operating Income	\$ (1,275,872)			\$ 293,584	\$ (4,308,833)			\$ (1,927,396)
Non-Operating Expenses								
PIK Interest on Convertible Debt	\$ -			\$ -	\$ 233,095	\$ (233,095)	4	\$ -
Foreign Currency Transaction Loss	\$ 72,794			\$ 72,794	\$ 91,399			\$ 91,399
Accretion of Debt Discounts	\$ -			\$ -	\$ 755,401	\$ (755,401)	5	\$ -
Loss on Extinguishment of Debt	\$ -			\$ -	\$ 6,026,654	\$ (6,026,654)	6	\$ -
Warrant Inducement Expense	\$ -			\$ -	\$ 845,415	\$ (845,415)	7	\$ -
Net Income / (Loss) Before Income Taxes	\$ (1,348,666)			\$ 220,790	\$ (12,260,796)			\$ (2,018,795)
Net Income / (Loss)	\$ (1,348,666)			\$ 220,790	\$ (12,260,796)			\$ (2,018,795)

Notes:

- 1) Byrna Technologies wrote off \$473,794 of accumulated early revision components made obsolete by updates to the specifications of the Byrna HD as Byrna fully industrialized the HD Launcher. This was a one-time event and now that the Byrna HD is in serial production, the Company does not expect to incur this type of write-off going forward.
- 4) Byrna paid PIK interest on a 10% convertible debenture that was retired during 2020. This was a non-cash payment.
- 5) Accretion is a non-cash GAAP charge intended to reflect the change in value of the conversion feature of the convertible debt referenced in Note 4 as well as certain warrants issued in conjunction with this debt. This is treated as a liability and as the stock price increases, the Company books a non-cash "loss" to reflect the increase in the liability resulting from potentially having to issue stock below the current market prices.
- 6) The loss on extinguishment of debt is a (non-cash) GAAP entry that the Company was required to book when we retired the convertible debt referenced in Notes 4&5. The calculation is based on the value of the convertible preferred stock that was issued to retire the debt. At the time of this debt for equity swap, the conversion price on both the debt and preferred stock was in the money, making both the debt and equity worth more than the face value of the debt instrument.
- 7) In order to induce a number of large warrant holders to exercise their warrants early, Byrna offered a limited time "warrant holiday," reducing the exercise price from \$0.25 per share to \$0.16 per share. The purpose was to bring in needed funds without the cost and complexity of issuing new debt. At the time the stock price was approximately \$0.25.
- 8) In order to attract and retain Senior Management during the rapid growth of 2020 when the Company grew from 10 people to 165 people, the Company issued ISO, RSU's, and Restricted Stock. These are non-cash items and the majority of these grants have not vested. For Q4 this non-cash charge came to \$592,950 and for the full year 2020 the Company booked \$1,252,386 in "Stock Compensation Expense."
- 9) Due to the rapid growth, during 2020 Byrna triggered the requirement to charge State Sales tax in a number of jurisdictions. Due to the fact that the requirement to collect sales tax is based on the Company's total sales at the time of shipment, rather than at the time the order was placed, the Company took orders before realizing that sales in these states would eclipse the sales tax threshold. Byrna is now potentially liable for sales tax on orders where we did not collect the tax from the customer. Accordingly, the Company has created a reserve for this amount. This is a one-time event as Byrna now collects sales tax in all states. For Q4 the reserve booked was \$503,012 and for 2020 it was \$655,557.