

# CONSUMER, LAW ENFORCEMENT, AND DEFENSE DEMAND DRIVES TACTICAL INDUSTRY GROWTH

TACTICAL INDUSTRY UPDATE | DECEMBER 2021



**CAPSTONE  
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# Tactical Industry

## Consumer, Law Enforcement, and Defense Demand Drives Growth

### KEY INDUSTRY TAKEAWAYS

Capstone Partners' Consumer Investment Banking Group is pleased to share its Tactical industry report. Tactical companies serving Consumer end markets have benefited from shifting firearm ownership demographics and record first-time gun purchases. Given the strong demand backdrop, Capstone expects merger and acquisition (M&A) activity to continue at a healthy pace through year-end and into 2022 as buyers look to bolster market share in the Tactical industry.

1. Record outdoor participation rates during the pandemic are expected to translate to elevated demand for tactical products.
2. The current spike in Tactical sales is driven heavily by a rise in first-time gun owners.
3. The increasingly diverse demographics of gun owners have expanded the addressable market, providing favorable industry tailwinds.
4. Higher levels of defense spending in the near-term will benefit firearm and ammunition manufacturers that have military contracts.
5. Ammunition prices have soared due to nationwide shortages, unprecedented demand from the Civilian market, record first-time gun purchases, and rising raw material prices.
6. Less-lethal products have also increased in demand in both the Consumer and Law Enforcement markets in response to civil unrest and need for increased safety.
7. Companies in the Tactical industry are monitoring the regulatory environment, and some are moving to states that are more business friendly to the industry.
8. M&A activity has increased year-over-year (YOY) as strategics actively sought target companies with complementary product offerings and exposure to growing segments.
9. Buyers and investors are increasingly attentive to managing a portfolio of complementary brands in the Tactical & Outdoor sector which influences how they view various acquisition opportunities and respective fit.

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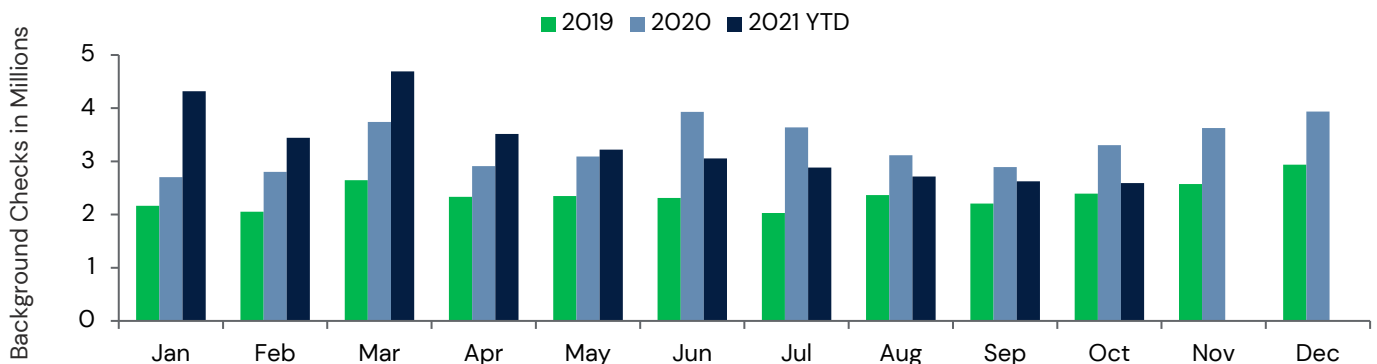
To learn more about Capstone's wide range of advisory services and Tactical industry expertise, please contact [Peter Bailey](#).

## CONSUMER MARKET ATTRACTS HEIGHTENED DEMAND

Throughout the pandemic, the Tactical industry has experienced significant growth, primarily driven by the Civilian Consumer segment as government-imposed lockdowns and safety restrictions led to an increase in demand for hunting and shooting sports equipment. Notably, the outdoor recreation participation rate reached a record high in 2020, with 53% of Americans ages six and over participating in outdoor recreation at least once over the course of the year, according to the Outdoor Industry Association.<sup>1</sup> Continued outdoor recreation engagement is expected to be supported by the Great American Outdoors Act which will provide an annual \$1.9 billion in funding over five years to improve the facilities and infrastructure of federal lands and national parks, according to National Park Service.<sup>2</sup>

Hunting and shooting sports have attracted a substantial portion of new entrants, evidenced by U.S. hunting license sales increasing 11% in 2020, adding nearly 1.5 million new hunters, according to the National Shooting Sports Foundation (NSSF).<sup>3</sup> National Instant Criminal Background Check System (NICS) firearm background checks have also surged, increasing 19% in September 2021 compared to September 2019 as more civilians have bought firearms due to fear of future gun reform and for personal protection, according to the Federal Bureau of Investigation (FBI).<sup>4</sup> Unlike historical increases, the current spike in Tactical sales is mainly being driven by a rise in first-time gun owners, rather than existing firearm owners purchasing more guns. In addition, ownership demographics have shifted, with more African Americans and women purchasing firearms. While firearm background checks have slightly normalized in recent months, the expanding addressable market is expected to translate to recurring revenue for industry participants as consumers purchase additional firearms and ammunition.

**NICS Firearm Background Checks Remain Elevated in 2021**



Sources: Federal Bureau of Investigation

### Firearm Statistics Illustrate Record Growth in the Tactical Industry

**23MM**

#### Guns Were Purchased in 2020

Consumers purchased more than 23 million guns in 2020, outpacing the previous record of 16.6 million in 2016.

**40%**

#### Increase in First Time Purchases

First time buyers reached an all-time high, far above the annual average over the past two decades of 24%.

**58.2%**

#### Rise in African American Gun Ownership

African American firearm ownership experienced the highest increase of any demographic in 2020.

**45%**

#### of New Firearm Buyers Were Female

Women accounted for 45% of total firearm purchases in 2020.

Sources: National Shooting Sports Foundation and The Guardian

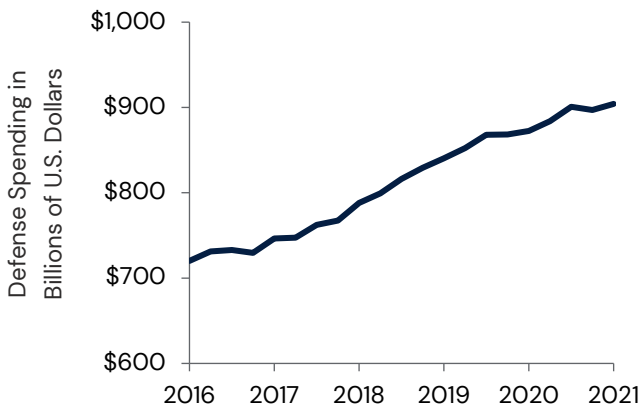
## DEFENSE SPENDING SUPPORTS INDUSTRY GROWTH

### Elevated Defense Spending Provides Favorable Outlook for Companies Serving the Military

As the largest buyer of firearm-related goods, the U.S. Government has a significant effect on industry performance. While the U.S. has aimed to reduce military spending since 2010 and withdraw from the Middle East, the persistent presence of extremist groups in this region has forced global militaries to allocate resources towards defense and de-escalation. As a result, the value of procured ammunition to the U.S. Armed Forces has increased at an annualized rate of 16.5% over the past five years, bolstering segment revenue, according to IBIS World.<sup>5</sup> In 2020, revenue in the U.S. Guns & Ammunition Manufacturing industry grew 13.4% and is projected to grow an additional 13.7% in 2021, before moderating to 2.3% growth through 2026 to reach \$21.4 billion.

While industry revenue is expected to moderate in the long-run, near-term defense spending is forecasted to support growth. In September, The House of Representatives passed the National Defense Authorization Act, a \$777.9 billion defense policy bill for the 2022 fiscal year (FY), increasing defense spending by 5% YOY, according to *The Wall Street Journal*.<sup>6</sup> The bill is larger than President Biden's request of \$752.9 billion for the Defense Department and Energy Department's national security programs. Firearm and ammunition providers that have military contracts will benefit from heightened near-term demand as the defense budget remains elevated.

**National Defense Consumption Expenditures and Gross Investment Increases**



Source: U.S. Bureau of Economic Analysis

### Large Manufacturers Record Growth, Small Companies Look to Increase Market Share

Large public companies serving both Civilian and Military markets such as Vista Outdoor (NYSE:VSTO) and Smith & Wesson Brands (Nasdaq:SWBI) have had substantial increases in demand. Notably, Smith & Wesson reported a 19.5% increase in FY Q1 2022 revenue YOY with a two-year compound growth rate of nearly 170%, according to the company's FY Q1 2022 earnings call.<sup>7</sup> Vista Outdoor reported a 38% increase in sales growth YOY, record gross profit of \$241 million (up 93%), and record EBIT of \$144 million (up 200%), according to its FY Q1 2022 earnings call.<sup>8</sup> Vista has also benefited from the acquisitions of Remington Ammunition (September 2020, \$81.4 million) and Hevi-Shot (December 2020, undisclosed). While Vista and Smith & Wesson expressed a positive outlook, both companies will look for ways to sustain growth as demand begins to normalize from its current unprecedented level.

“In order to hold these gains long term, we need to ensure that during these times, we are working just as hard, if not harder, in sales and marketing, developing marketing plans and programs to connect with the consumer, launching new products, strengthening channel partnerships, et cetera, so that we are ready and waiting when the supply inevitably catches up with the demand.”

**Mark Smith**

President & CEO, Smith & Wesson, FY Q1 2022 Earnings Call

Growth has also created an opportunity for smaller industry participants offering niche, tech-enabled products. Smaller companies will look to add innovative products and consolidate competitors to compete with major players. This is demonstrated by DRG Manufacturing's acquisition of Saltwater Arms, a manufacturer of corrosion-resistant firearms designed to perform in the harshest of marine environments (August, undisclosed). Through the acquisition, firearm-component manufacturer, DRG Manufacturing has added Saltwater's products along with access to the growing online gun shopping space.

## LESS LETHAL AND TACTICAL EQUIPMENT SEGMENTS EXPAND

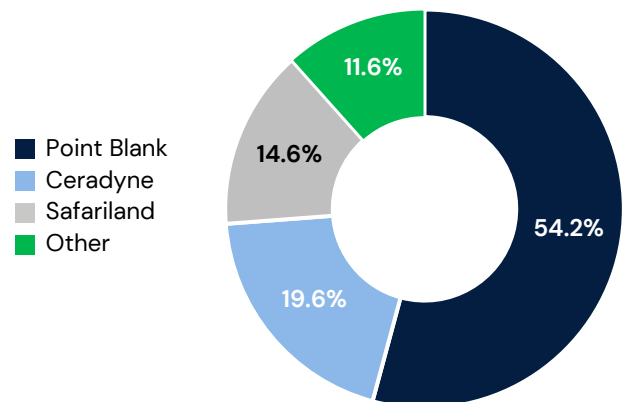
In 2020, the Less-Lethal Tactical market experienced substantial growth as law enforcement agencies, military organizations, and civilians sought alternative methods of self protection amid elevated crime rates. Violent crime increased 5% in 2020 YOY, marking the first time in four years that the estimated number of incidents in the U.S. increased from the previous year, according to the FBI.<sup>9</sup> As a result, non-lethal product manufacturers recorded significant revenue gains bolstered by the widespread adoption of e-commerce. This is evidenced by Mace Security International (OTCPK:MACE) which experienced a combined 38% YOY increase in retail and e-commerce sales in Q2 2021, according to a press release.<sup>10</sup> While Mace's overall revenue has been hindered by the termination of relationships with some private label customers, it is expected to benefit from industry growth dynamics including the rising necessity of personal protection amid the return to public places (offices, college campuses, etc.).

Less-lethal munitions manufacturer, Byrna Technologies (Nasdaq:BYRN) has continued to experience growth with 2021 sales through Q3 already up 100% compared to full-year 2020, according to its most recent earnings call.<sup>11</sup> Beginning in 2020, the company has benefited from a large increase in consumer demand for its Byrna HD non-lethal personal security device. Notably, Byrna estimates that approximately 80% of U.S. adults would consider purchasing its products, according to the company's November Investor Presentation.<sup>12</sup> Byrna has also benefited from inorganic initiatives, utilizing M&A to expand its product offerings. This is exemplified by its acquisition of bulletproof backpack manufacturer Ballistipax in August (terms of the transaction were not disclosed). Through the acquisition, Byrna has added several bulletproof patents to its portfolio.

Conducted energy weapons (CEWs) provider Axon Enterprises (Nasdaq:AXON), which owns the TASER brand, estimates that it will record at least 25% revenue growth in 2021 YOY, according to its Q3 2021 earnings call.<sup>13</sup> The company has capitalized on rising less-lethal demand from law enforcement as it continues to improve its offerings with the aim of making the bullet obsolete. Less-lethal product providers are positioned to benefit from rising law enforcement demand and the expansion of the Consumer market.

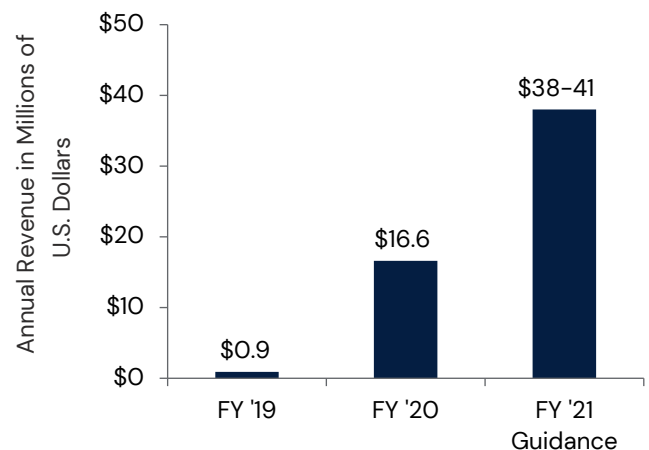
Elevated violent crime rates and near-term defense spending are also expected to translate to increased demand from law enforcement in the Body Armor segment. Large players are positioned to capture a vast majority of the growth due to the segment's high concentration. Notably, Point Blank Enterprises reports that it supplies the U.S. military with about 80% of its soft body armor according to IBIS World.<sup>14</sup> However, future declines in the defense budget could limit industry growth.

**Body Armor Manufacturing Market Share 2021**



Source: IBIS World

**Byrna Experiences Substantial Revenue Growth**



Source: Byrna Investor Presentation (July)

## RIISING PRICES AND BUSINESS RELOCATIONS

### Unprecedented Demand Drives Ammunition Prices to Elevated Levels

Due to the surge of new entrants to the Firearm market, public companies have reported a significant increase in demand for ammunition. "The influx of over 10 million new gun owners into shooting sports has fundamentally changed demand dynamics," said Christopher Metz, CEO of Vista Outdoor, in the company's FY Q1 2022 earnings call. With demand far outpacing supply, manufacturers have been unable to maintain healthy ammunition inventory levels. Notably, in a survey of ~1,800 ammunition consumers conducted in April; three quarters of respondents encountered out of stock situations in Q1 2021, according to Southwick Associates.<sup>15</sup> Of the consumers that indicated that they would like to have more ammunition, 72% expressed that they are uncertain about future ammunition supplies and 70% reported that they are uncertain about future restrictions on ammunition.

The survey results suggest that elevated demand is unlikely to subside in the near term as consumers continue to purchase in bulk to avoid future out of stock issues, further depleting inventories and resultantly increasing demand. Supply chain disruptions and rising raw material prices have exacerbated the issue, with copper, a primary input used in the manufacturing of ammunition, becoming increasingly expensive as evidenced by a 34.5% YOY increase in the Producer Price Index for Copper and Copper Products in October, according to the U.S. Bureau of Labor Statistics.<sup>16</sup>

With supply lagging behind demand and rising input costs, manufacturers have levied price hikes on ammunition. In June, Hornady Manufacturing imposed the following price increases: 10-15% on imported steel products, 10-12% on domestic steel products, 7-12% on ammunition/components, and 12-15% on Frontier branded items, according to The Firearm Blog.<sup>17</sup> Also in June, shotgun shell manufacturer, Kent Cartridge, raised prices between 8-16% on all shipments.<sup>18</sup> In July, Vista Outdoor incorporated an increase of 7% across all CCI, Federal, Remington, and SPEER ammunition, along with a 15% increase in the price of Primers. Ammunition prices are expected to remain elevated until the supply/demand imbalance is resolved, and input prices decrease.



**Peter Bailey**  
Director

*"Some consumers may be reducing their current purchases or deferring their purchases of ammunition to a later date due to the rise in prices. This may extend the demand curve further into the future of sustained purchases of ammunition and related gear and accessories. Companies are also closely evaluating what locations best position them to grow over the long term."*

### Company Relocation on the Rise Due to Potential Gun Restrictions and Increasing Taxes

In response to the prospect of increasingly stringent gun restrictions and rising taxes, many firearm manufacturers have decided to move their headquarters to more politically accommodating states with lower regulations and taxes. Manufacturers looking to relocate have targeted states that welcome their production due to the prospect of job creation. "I think you see that there are states that are certainly hungry to bring in gun companies. They're moving to places where its going to be easier to do business and their business is going to be appreciated by the local governments," said Mark Oliva, Director of Public Affairs at the NSSF, in an article by the Washington Examiner (November).<sup>19</sup>

Although this trend has been prominent for more than a decade, two of the largest gun manufacturers, Remington and Smith & Wesson moved their headquarters in 2021. Remington, which is the country's oldest gun manufacturer, intends to move its headquarters from New York to LaGrange, Georgia. In September, Smith & Wesson unveiled that it plans to move its headquarters from Springfield, Massachusetts to Maryville, Tennessee due to gun policies that are under consideration in Massachusetts that could limit the company's ability to manufacture firearms. Capstone expects industry participants to continue to relocate to more accommodating areas as some state governments pursue more stringent firearm regulation.

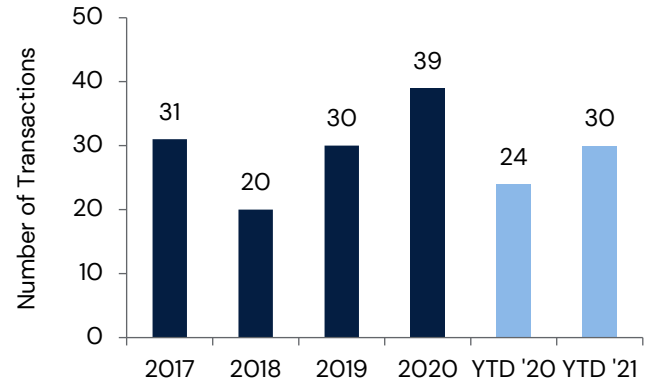
## PANDEMIC TAILWINDS BUOY TRANSACTION VOLUME

Deal activity has continued at a rapid pace in 2021 to-date with 30 deals announced or completed, compared to 24 during the same period in 2020. Capstone expects pandemic tailwinds, including the accelerated growth of the Civilian segment and the shift in demographics, to translate to elevated transaction volume as strategics and private equity (PE)-backed companies look to enhance market share.

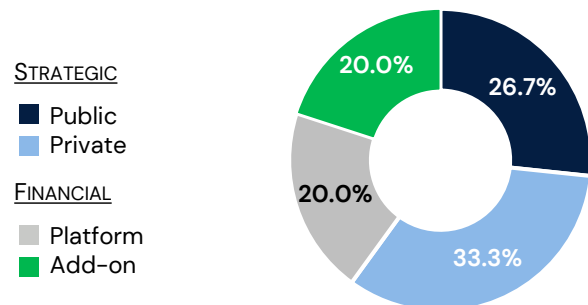
Strategic buyers have comprised the majority of deal activity, accounting for 60% of transactions in 2021. Industry participants have actively targeted companies with complementary product offerings that are capable of bolstering exposure to growing segments or capitalizing on pandemic tailwinds including the widespread adoption of e-commerce. This is evidenced by ammunition and ammunition components provider AMMO's (Nasdaq:POWW) acquisition of online firearm auction company GunBroker.com.

Financial buyers have also remained active with add-on and platform acquisitions each accounting for 20% of deals. While many PE firms have historically been hesitant to transact with firearm manufacturers and ammunition suppliers due to gun-related incidents, PE firms are expected to increasingly build out platforms in the Tactical space as firearm ownership increases. PE demonstrated a particular appetite for the Safety and Civilian segments as evidenced by Monomoy Capital Partners' \$147.5 million acquisition of residential and commercial safe provider, Liberty Safe and Security Products in July.

**Tactical M&A Transaction Volume Continues at Strong Pace**



**Strategics Lead 2021 Transaction Activity**



Note: Year-to-date (YTD) ended October 1  
Source: Capital IQ, PitchBook, FactSet, and Capstone Research



**Pete Bailey, Director**

*"Strategics, financial investors, and lenders have reviewed an increase in the number of tactical, outdoor, firearms & ammunition deals in market during the last year. They have noted a significant increase in company revenue, profitability, and margins, and expect similar performance trends in 2022. While less certain on projecting company financial trends in 2023 and beyond, many are increasingly expecting that consumer demand and retention will be more sustained and that a higher floor is emerging in the industry."*

## SPOTLIGHT ON SELLMARK CORPORATION



**James Sellers, Founder & CEO of Sellmark Corporation**

Capstone spoke with James Sellers, Founder & CEO of Sellmark Corporation, to discuss the growth of the Tactical industry, demand forecasts and trends, and market positioning and strategy. James Sellers founded Sellmark Corporation in 2000 after graduating with an MBA from The University of Texas at Arlington and a BA from Southern Methodist University.

Headquartered in Mansfield, Texas, Sellmark manufactures and develops products for the Civilian, Military, and Law Enforcement Tactical markets. The company leverages its "sellmarketing" strategy to build "Brands that Sell" by gauging shifts in consumer preferences to continually launch outdoor brands in categories with strong growth dynamics. *To learn more about Sellmark visit [www.sellmark.com](http://www.sellmark.com)*

### Sellmark Brands



#### ***What do you attribute to Sellmark's growth since its founding?***

We started with a marketing sales solution (Sellmarketing), and that's where the company name originated. We built our system on developing, maintaining, and growing multiple brands. We are now a full-fledged manufacturer and have our own product development teams designing products. For us, it was pivotal when we realized we're in the Consumer Products industry and the Hunting & Shooting industry, we had to make the investment to take ownership of the design development of those products, and that was one of the best decisions we have ever made.

#### ***How has the pandemic impacted the industry?***

Demand has been a little crazy, anytime there's a higher level of security, division, political strife, violence, crime, you see a correlation in consumer spending. Then you add a pandemic with a very contentious political environment with riots leading up to the election, and a contested election. Then you have people that are not able to do a lot of other things who need to get outside, and hunting and shooting are great things to enjoy that get you out of the house. The whole outdoor space is seeing lifts. The companies that had robust supply chains were able to get more products into the market and meet

demand. Although, there are some companies that couldn't manage supply chains, and production suffered. Labor has also been difficult, in addition to getting components. So, there are probably winners and losers, even in the Outdoor space.

#### ***Could you talk about your dedication to "Brands that Sell" and how that impacts the company?***

The customer doesn't want to buy product for the shelf unless it sells through. We have identified parts of the market that are ripe for innovation and change. We have anticipated changing consumer preferences even before a category exists. We are not afraid of making mistakes and taking risks. We put our money where our mouth is by acquiring companies, developing new brands or products, and taking the chance that they'll be successful.

#### ***What are the trends that you are currently seeing in the industry?***

I see a lot of transactions in the pipeline. Some of the big public outdoor brands have acquired several companies and they are busy with integration. Some major brands have transacted, and you do see this continued consolidation. There is also an interesting amount of private equity money in the Outdoor Recreation space.



## SPOTLIGHT ON SELLMARK CORPORATION

***“In the M&A world, there's a lot of people trying to take advantage of the current tax structure and we've seen this frenzy of activity. It's rare that a day goes by that I don't have a teaser come my way and people calling me to see if I'd be interested in looking at something.”***

**James Sellers**

Founder & CEO of Sellmark Corporation

### **Could you speak about recent acquisitions and the motivations behind those deals?**

We've acquired a couple companies in the Outdoor space, and we found the founders who are passionate about their brands and products, it's their baby. And I think that there is a real need for somebody that can continue that legacy for them and be respectful, honor what they've created, and bring it to market.

Kopfjäger was an interesting one, we loved what they were doing, and we were a big fan of their product. It was a good complementary product set for our Rifle Scopes and Night Vision segments. We just loved the founders. They're two Dallas police officers who came up with the idea of creating the ultimate sniper shooting rest platform and it worked great for what we were trying to do with our optics.

BulletSafe was similar in the sense that it started as a fringe idea for the founder and ended up becoming too big, and he wanted to focus on the rest of his business. He didn't want to lose traction and it was also getting to the scope and scale that he couldn't really manage manufacturing due to

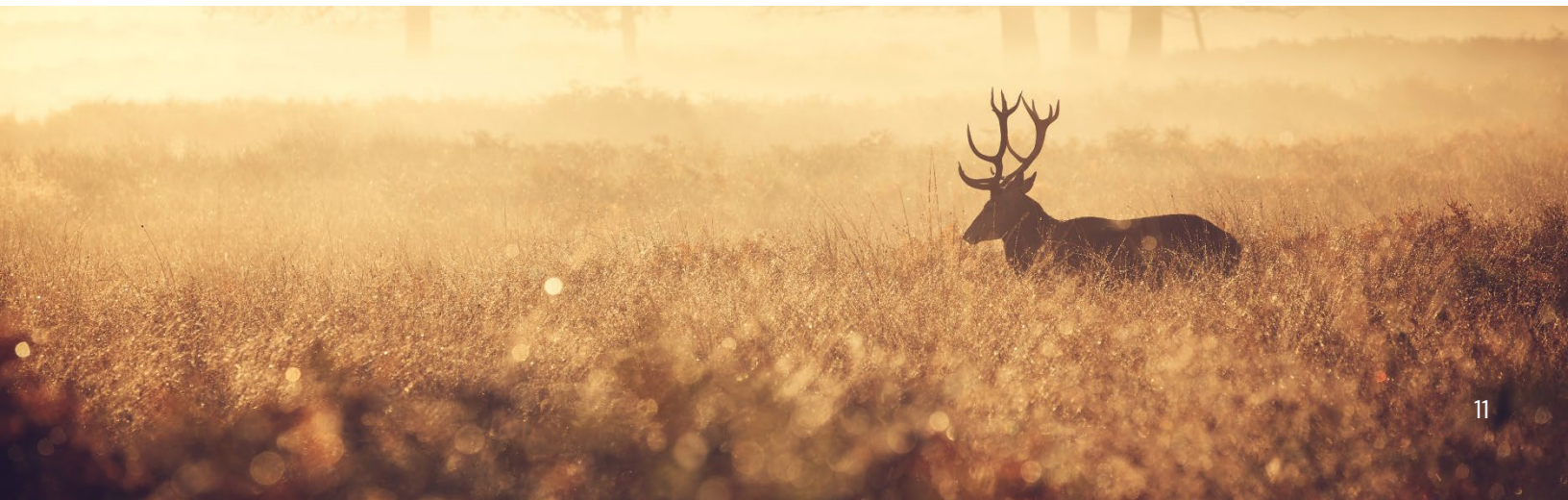
supply chain-related issues. We worked with him to take the brand and absorb it into Sellmark and that's been extremely successful. In fact, I'm really proud of the team, we have some amazing designs and new ideas coming forward in the market, which I think are going to make it even bigger than we imagined when we made the initial acquisition.

### **Any additional advice or insights for other founders and entrepreneurs?**

Something that is a little different about us is that we are a founder, entrepreneur type-company. We really care and understand a lot about what goes into starting a company, and we have a lot more empathy for the difficult decision that a founder goes through when they try to sell their company.

Ultimately, founders work hard, and they put their life on the line to build something. If they can accomplish doing those two things it would be ideal; where they get paid well for it, and they find the right fit. I think for companies that want to enter a transaction and have success, it'd be a great thing to work with investment bankers who can get you top dollar, but also find you a really good fit for your vision in your company.

We're going to be able to work on deals that are more difficult for other companies due to specific circumstances or dynamics of the company. We're filling that spot in the market where our targets are too small for the big companies and small businesses can't manage it. If there's a midcap for the Outdoor market, we're in that space, where you need professional leadership teams, quality management, good innovation, and all those things that large companies have, but we're still interested in working on smaller markets and doing several things simultaneously.



## NOTABLE TRANSACTIONS



Files initial public offering

In November 2021, Irvine, California-based 5.11 ABR Corporation announced that it has filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission relating to a proposed initial public offering (IPO) of its common stock. The company intends to trade on the Nasdaq Global Market under the ticker symbol "VXI." The number of shares to be offered and the price range for the proposed offering have not yet been determined, according to a press release.<sup>20</sup>

5.11 is a portfolio company of private equity firm Compass Diversified (NYSE:CODI) that provides tactical apparel, footwear, and equipment to first responders as well as outdoor recreation and adventure enthusiasts. The company sells its products through its 85 retail locations, company website, and third-party wholesale distributors. The company intends to use its proceeds from its public offering to repay all its indebtedness under the credit and loan facility with Compass, to increase its capitalization and financial flexibility, and for general corporate purposes, according to the Investment Prospectus.<sup>21</sup>



Acquires

Czech Republic-based firearm company Česká zbrojovka (CZ) Group (PRA:CZG) acquired Colt Defense in February for \$222 million equivalent to 4.4x Colt's estimated 2020 EBITDA, and 6.3x average 2019-2020 EBITDA. Based in West Hartford, Connecticut, Colt manufactures firearms for military, personal defense, and recreational purposes. Through the acquisition, CZ Group has gained Colt's U.S. plants, enabling the company to compete in U.S. military contracts as it now meets the Federal Transit Administration's Buy America requirements which require U.S. production, according to a press release.<sup>22</sup> CZ Group has indicated that it aims to nearly double the consortium's pro-forma combined revenue of ~\$570 million in 2020 within a few years.



"This merger is a strategic step for both companies. The acquisition of Colt, an iconic brand and a benchmark for the military, law enforcement, and commercial markets globally, fits perfectly in our strategy to become the leader in the firearms manufacturing industry and a key partner for the armed forces. We are proud to include Colt, which has stood shoulder-to-shoulder with the U.S. Army for over 175 years, in our portfolio," said Lubomír Kovařík, President and Chairman of CZ Group, in the press release.



Acquires

AMMO, a leading provider of ammunition and ammunition component products, acquired GunBroker.com for an enterprise value of \$255 million, equivalent to 6.4x last-twelve-months (LTM) EBITDA and 4.3x LTM revenue (February). GunBroker.com is an online gun auction platform used for the purchase and sale of rifles, shotguns, handguns, and firearm accessories. As a result of the transaction, AMMO will benefit from GunBroker.com's platform and expertise in the online retail space, an area that has experienced tremendous growth amid the pandemic.



"We couldn't be more excited about bringing the GunBroker.com team into the AMMO family. Everyone worked hard to make this happen – and we will now set about to further expand the GunBroker.com brand as we leverage the Amazing IT platform Steve Urvan [Founder and CEO of GunBroker.com] and his team developed to bring AMMO products and a host of other products and merchandise to the vibrant GunBroker.com marketplace," said Fred Wagenhals, AMMO's Chairman and CEO, in a press release.<sup>23</sup>

## SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
09/13/21	Good Sportsman Marketing	SURGE OUTDOORS	Manufactures outdoor sports products for hunting, sport shooting, and rugged outdoor.	-	-	-
08/30/21	BattlBox	EMERGE Commerce (TSXV:ECOM)	Offers a monthly subscription for receiving hand-picked tactical, survival, and everyday carry gear.	\$19.0	0.8x	5.7x
08/27/21	Sportsman's Guide	BHG Ventures	Offers outdoor gear, shooting supplies, military surplus, survival and fishing gear, camping supplies, and more.	-	-	-
08/20/21	Saltwater Arms	DRG Manufacturing	Manufacturer of maritime firearms.	-	-	-
08/19/21	Ballistipax	Byrna Technologies (Nasdaq:BYRN)	Manufacturer of bulletproof jackets and vests.	-	-	-
07/19/21	Liberty Safe and Security Products	Monomoy Capital Partners	Manufactures, sells, and repairs gun, fire, and home safes.	\$147.5	-	-
07/06/21	Spectral Systems	Omega Optical	Provides optical fabrication services.	-	-	-
07/06/21	Capco	Chumash Capital Investments	Provides machine gun mounting systems and other products to military corporations.	-	-	-
06/30/21	United States Bullet Proofing	Quikserv	Manufactures blast, ballistic, and forced entry resistant doors, windows, and wall systems.	-	-	-
06/10/21	Rolands & Associates	Valkyrie Enterprises	Designs, develops and supports civil-military simulation and analysis products and solutions.	-	-	-
05/18/21	HDT Global	Nexus Capital Management	Manufactures rugged and durable products for expeditionary applications.	-	-	-
05/17/21	Golden Nugget Uniform	Municipal Emergency Services	Manufactures custom motorcycle breeches for law enforcement agencies.	-	-	-
04/20/21	Assets of Plano Synergy	Good Sportsman Marketing	Comprises hunting and archery accessories manufacturing business.	-	-	-
04/13/21	Redfield brand of Leupold & Stevens	Academy Sports (Nasdaq:ASO)	Comprises rifle scopes for outdoor activities.	-	-	-
03/24/21	Tactical & Survival Specialties	Noble Sales	Provides tactical and specialized operational equipment for crisis, disaster, and special operations.	-	-	-
03/01/21	Assets of L3Harris (NYSE:LHX)	CAE USA	Comprises a Military Training business designed to assure warfighter safety.	\$1,050.0	2.0x	-
02/16/21	TRUGLO	Good Sportsman Marketing	Provides fiber optic sights.	-	-	-
02/11/21	GunBroker.com	AMMO (Nasdaq:POWW)	Operates an online gun auction platform.	\$255.0	4.3x	6.4x
02/11/21	Colt Defense LLC	CZ Group (SEP:CZG)	Manufactures firearms for military, personal defense, and recreational purposes.	\$222.0	-	4.4x
02/04/21	Federal Ammunition	Vista Outdoor (NYSE:VSTO)	Offers a wide variety of ammunition and other products for shooting sports.	-	-	-
02/01/21	Two Six Labs	The Carlyle Group (Nasdaq:CG)	Manufactures products for warfighters.	-	-	-
01/14/21	BulletSafe	Sellmark	Provider of bulletproof vests, ballistic plates and shields, and other bulletproof products.	-	-	-
01/05/21	TMC Design Corporation	LinQuest	Provides electronic warfare and tactical space superiority solutions to the U.S. government.	-	-	-

Source: Capital IQ, PitchBook, FactSet, Company Filings, Press Releases, and Capstone Research

## PUBLIC COMPANY DATA: TACTICAL, FIREARMS, AND AMMUNITION

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	11/30/21	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
American Outdoor Brands, Inc.	\$23.02	62.9%	\$324.7	\$294.5	\$287.0	\$47.5	16.6%	1.0x	6.2x
AMMO, Inc.	\$6.24	60.2%	\$718.3	\$694.1	\$137.2	\$34.5	25.1%	NM	20.1x
Clarus Corporation	\$26.49	81.9%	\$979.8	\$1,159.7	\$333.6	\$42.6	12.8%	3.5x	NM
CZG – Česká zbrojovka Group SE	\$22.55	84.8%	\$760.8	\$937.8	\$438.5	\$85.9	19.6%	2.1x	10.9x
H&K AG	\$112.70	93.5%	\$3,115.2	\$3,347.4	\$321.6	\$57.5	17.9%	NM	NM
Olin Corporation	\$58.17	89.8%	\$9,271.0	\$12,382.3	\$8,134.3	\$2,145.9	26.4%	1.5x	5.8x
Sturm, Ruger & Company, Inc.	\$71.45	77.3%	\$1,257.3	\$1,066.4	\$732.0	\$228.6	31.2%	1.5x	4.7x
Taurus Armas S.A.	\$4.02	75.9%	\$469.6	\$548.8	\$447.1	\$154.9	34.6%	1.2x	3.5x
Vista Outdoor Inc.	\$44.06	90.4%	\$2,524.5	\$2,844.4	\$2,612.6	\$574.7	22.0%	1.1x	4.9x
EV = enterprise value; LTM = last twelve months \$ in millions, except per share data NM = Not Meaningful				Mean			22.9%	1.7x	8.0x
				Median			22.0%	1.5x	5.8x
				Harmonic Mean			20.9%	1.5x	6.0x

## PUBLIC COMPANY DATA: LESS-LETHAL

	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
Company	11/30/21	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Axon Enterprise, Inc.	\$179.75	84.6%	\$12,307.0	\$11,732.3	\$871.9	NM	NA	NM	NM
Byrna Technologies Inc.	\$14.62	47.9%	\$345.2	\$287.9	\$42.0	NM	NA	NM	NM
KWESST Micro Systems Inc.	\$1.49	70.9%	\$72.7	\$70.9	\$1.0	NM	NA	NM	NM
Mace Security International, Inc.	\$0.29	38.6%	\$18.5	\$18.6	\$14.9	\$1.5	10.1%	1.2x	12.3x
Wrap Technologies, Inc.	\$4.99	50.9%	\$203.5	\$163.7	\$6.7	NM	NA	NM	NM
EV = enterprise value; LTM = last twelve months \$ in millions, except per share data NM = Not Meaningful				Mean			NM	NM	NM
				Median			NM	NM	NM
				Harmonic Mean			NM	NM	NM

## PUBLIC COMPANY DATA: SPORTING GOODS RETAILERS

	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
Company	11/30/21	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Academy Sports and Outdoors, Inc.	\$46.17	90.4%	\$4,109.0	\$5,434.9	\$6,318.4	\$1,036.3	16.4%	0.9x	5.2x
Big 5 Sporting Goods Corporation	\$24.76	52.0%	\$542.0	\$726.4	\$1,179.0	\$254.2	21.6%	0.6x	2.9x
DICK'S Sporting Goods, Inc.	\$122.90	83.4%	\$10,643.9	\$12,326.4	\$12,066.5	\$2,931.7	24.3%	1.0x	4.2x
				Mean			20.8%	0.8x	4.1x
EV = enterprise value; LTM = last twelve months				Median			21.6%	0.9x	4.2x
\$ in millions, except per share data				Harmonic Mean			20.2%	0.8x	3.9x
NM = Not Meaningful									

## TACTICAL REPORT CONTRIBUTORS



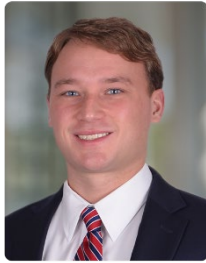
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Pete has 15 years of experience executing M&A and capital markets transactions in a variety of industries. His investment banking coverage includes the Tactical & Outdoor Products and Sports Technology sectors. Prior to joining Capstone Partners, Pete worked as an investment banker at Stephens Inc., Wells Fargo & Company, and Citigroup, Inc.

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Capstone Partners maintains an active Consumer Enthusiast practice in the middle market, with Tactical being an important vertical within our focus. This market presence allows Capstone Partners to provide tactical companies with up-to-date market data and access to key decision makers among the industry's most active acquirers and investors.

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