

TACTICAL PRODUCTS M&A REMAINS STRONG, DEMONSTRATING RESILIENCE

TACTICAL PRODUCTS SECTOR UPDATE | OCTOBER 2024



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Tactical Products

Tactical Products M&A Remains Strong, Demonstrating Resilience

KEY SECTOR TAKEAWAYS

Capstone Partners' [Consumer Investment Banking Group](#) is pleased to share its Tactical Products report, with insights and analysis on sector trends, buyer activity, and public company performance. Sector players have faced a myriad of challenges to the operating environment, including a raw materials shortage, softening demand, and price increases for consumers. However, merger and acquisition (M&A) activity in the sector has surpassed the prior year period on the back of loosening investment restrictions for private equity dealmakers, and a consistent foundation of demand from the sector's core consumers. Several key takeaways are outlined below.

1. Tactical Products M&A activity has outpaced the prior year period, providing optimism for the overall health of the sector.
2. Lower sales among leading sector players have forced a broad increase in the price of firearms, ammunition, and tactical accessories, driving margin expansion.
3. U.S. politicians and leading sector advocates have proposed realistic legislative solutions to de-risking the supply chain for gun powder.
4. Vista Outdoor (NYSE:VSTO) announced the sale of The Kinetic Group to CSG and Revelyst to Strategic Value Partners, which continues a trend of strategics spinning off or selling separate Tactical and Outdoor segments of their business.
5. Demand for tactical and emergency preparedness products may increase given the magnitude of recent hurricane and natural disasters.
6. Tactical products companies continue to target diverse markets for growth including consumer, defense, government, law enforcement, and international.

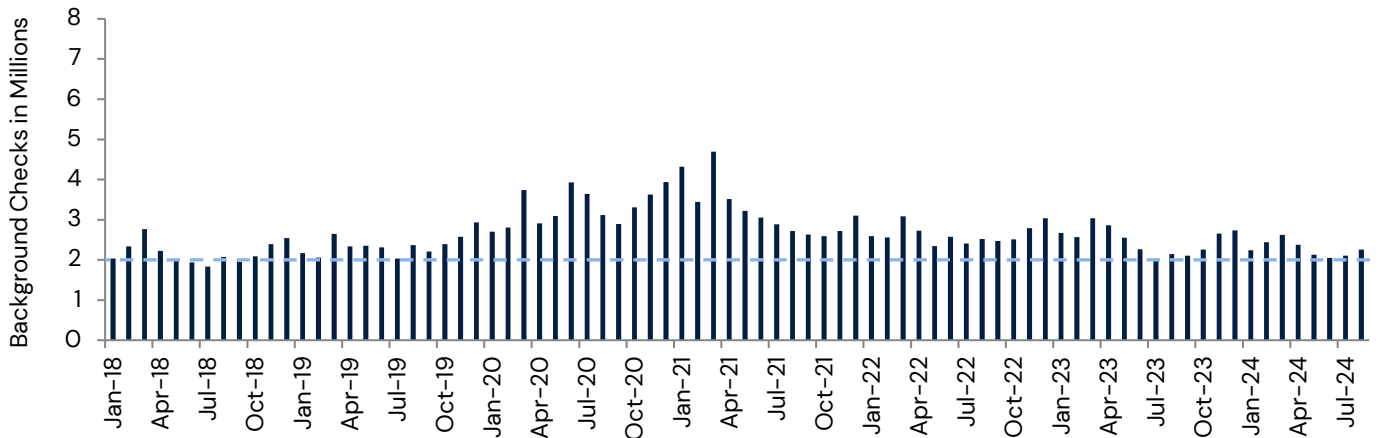
Capstone Partners has developed a full suite of corporate finance solutions, including, financial advisory services, merger and acquisition advisory, debt advisory, and equity capital financing to help privately owned businesses and private equity firms navigate through each stage of a company's lifecycle.

To learn more about Capstone's wide range of advisory services and Tactical Products sector knowledge, please [contact us](#).

DEMAND CONSISTENT AS SECTOR PLAYERS RAISE PRICES

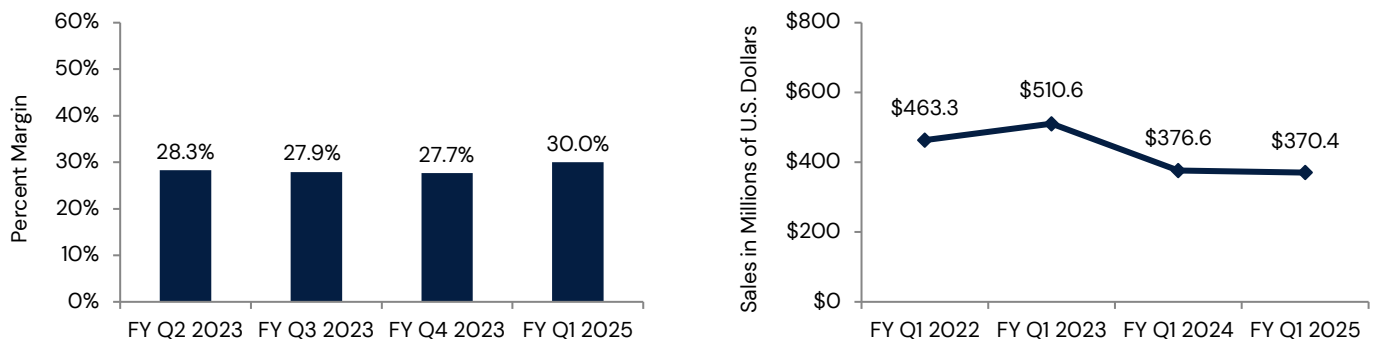
Significant pricing power among entrenched players in the Tactical Products sector has stemmed the tide of slowing demand and supply chain shortages (see page seven). Public companies operating in the sector have reported slower sales growth, reinforced by the National Instant Criminal Background Check System (NICS) which tallied a 9.5% year-over-year (YOY) decline in firearm background checks through August 2024, according to the Federal Bureau of Investigation (FBI).¹ In order to soften the blow from lagging demand, leading sector players have increased prices for ammunition, the most inelastic product within the sector. Vista Outdoor’s Sporting Products segment subsidiary, The Kinetic Group, increased prices between 1-7% across its ammunition brands in January 2024, and between an additional 2-4% in July 2024, according to Southern Defense.² The Kinetic Group, through its multiple brands including Federal, Remington, CCI, HEVI_Shot, and Estate Cartridge, comprises the largest manufacturer and distributor of firearm ammunition in the U.S. The company has seen its ammunition sales drop, reporting a 2% YOY decline in sales to \$370.4 million during its fiscal year (FY) Q1 2025, according to an earnings release.³ Subsequently, The Kinetic Group has been able to partially offset its sales decline through the price increase, improving its adjusted EBITDA margin from 27.7% in its FY Q4 2023 to 30% in its FY Q1 2025, according to the earnings release. Despite negative ammunition sales growth, demand has maintained a consistent level of strength over the last few years. Monthly NICS firearm background checks have remained above two million per month since October 2018 and have remained above one million per month since August 2009.

Firearm Background Checks Remain Above Two Million Per Month Since October 2018



Dotted line indicates two million background check threshold
Source: FBI and Capstone Partners:

The Kinetic Group’s EBITDA Margin Expands as Sales Fall



Note: Adjusted EBITDA is a Non-Generally Accepted Accounting Principal (GAAP) Financial Measure
Source: Vista Outdoor Investor Relations and Capstone Partners

SECTOR M&A ACTIVITY STRONG AS INVESTMENT RESTRICTIONS EASE

Across the Tactical Products sector, M&A activity through year-to-date (YTD) 2024 has increased 41.7% compared to the prior year period. This has been an encouraging development for the sector, as deal volume in full-year 2023 was the lowest since 2018. M&A targets in the Tactical Products sector have been diverse in their core product offerings, with many tactical accessories providers receiving significant buyer interest. Notably, Drago Knives, a manufacturer of throwing knives for both hunting and combat, was acquired by Consumer Automotive Finance (OTCPK:CAFI) in June for an undisclosed sum. Also of note, Good Sportsman Marketing (GSM Outdoors) was acquired by Platinum Equity in July for an undisclosed sum. Good Sportsman sells accessory products for hunting and outdoor sports, including scouting cameras, laser sights, and infrared motion detection sensors.

The GSM Outdoors transaction has been indicative of rising platform acquisition activity by private equity firms in the Tactical Products sector. Sponsor platform acquisitions have only comprised 20.6% of total deals in the sector to-date. However, this has been a considerable shift compared to the prior year period, which saw one platform deal, as well as full-year 2023 which experienced the lone total platform acquisition.

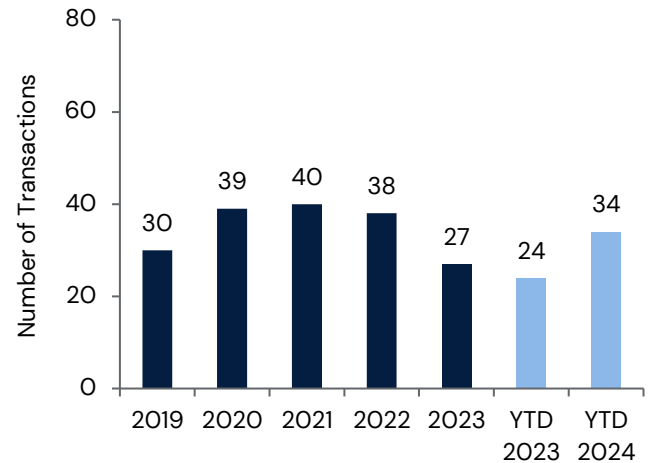
Over the years, many private equity limited partners (LPs), especially public sector pension plans, have placed restrictions on general partner (GP) investments in firearms companies. This may have accounted for the lack of historical direct private equity investment in the sector. Recently however, public sector pension groups have been easing restrictions on firearm investments due to certain state level regulations. Of note, Texas state law [S.B. No. 19](#), passed in 2022, prohibits state government entities from entering into contracts with companies that “discriminate against Firearm and Ammunition industries,” according to the bill.⁴ This indicates that private equity groups, with Texas-based pension LPs, who explicitly avoid investments into firearms companies may be violating Texas state law. This has been a trend over the last two years, with Arkansas, Florida, Georgia, Louisiana, and North Carolina becoming the latest states to pass laws against private equity investment restrictions. As the Tactical Products sector continues to open up for private equity, M&A activity is likely to gain momentum.



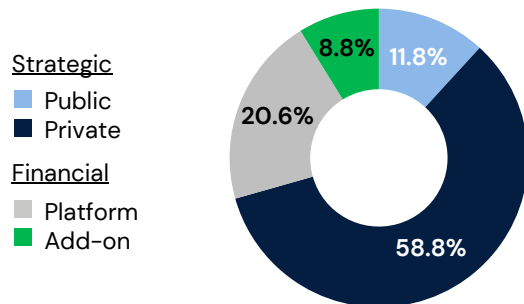
**Peter Bailey,
Senior Director**

“Demand for tactical products and accessories continues to be strong relative to a pre-2020 historical precedent and influenced by trends in crime and civil unrest, geopolitical conflicts, and the magnitude of recent natural disasters. M&A activity will likely increase in 2025 as companies pursue more growth in multiple end markets including consumer, defense, government, law enforcement, and international.”

Tactical Products M&A Volume Signals Health



Private Strategics Dominate Share of Total Deals To-Date



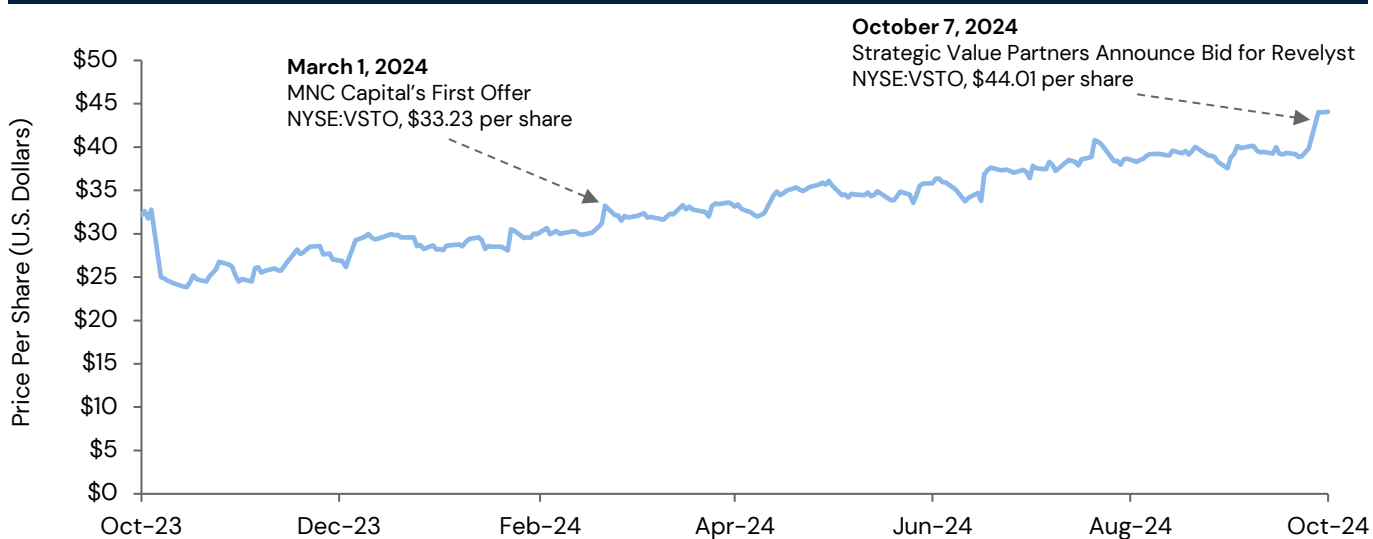
Year-to-date (YTD) ended October 10
Source: Capital IQ, PitchBook, FactSet, and Capstone Partners

LANDMARK ACQUISITION HIGHLIGHTS SECTOR RESILIENCE

Acute raw materials shortages across the ammunition supply chain have been adding to increased pressure from declining consumer demand for firearms purchases. Following the COVID pandemic-induced phenomena of commercial ammunition stockpiling, U.S. producers have faced a severe slowdown in the production of key materials—namely nitrocellulose—used to manufacture the finished good. Nitrocellulose is an essential raw material used to produce gunpowder. To-date, the U.S. has been a net importer of nitrocellulose, while Thailand, India, and China have been the largest exporters of the chemical. This has caused major challenges for the current production of nitrocellulose and ammunition products at large. However, optimism has begun to surface, as U.S. Congress recently introduced the Ammunition Supply Chain Act, which aims to take stock of current U.S. nitrocellulose supply and reinforce its domestic production. The bill has the broad support of sector players including the National Shooting Sports Foundation (NSSF) and The Kinetic Group. “Any good, dependable supply chain requires multiple sourcing points. Our current situation on powder adds potential risk to the domestic supply of ammunition. This act is a welcome advancement to put emphasis on the need to expand our nitrocellulose production domestically to ensure strong American ammunition production,” said Tyson Schmitdke, Vice President of Supply Chain Operations for The Kinetic Group, in a press release.⁵ Recently, the act was amended to be part of the FY 2025 National Defense Authorization Act (NDAA), a recurring piece of legislation that will likely pass next year.

While the nitrocellulose and gunpowder shortage has become a concern for The Kinetic Group, Vista Outdoor Board’s approval of the sale of the business segment to CSG may provide stability moving forward. As the U.S.’ leading producer and distributor of finished ammunition products, the Kinetic Group was caught between the Czechoslovak Group’s (CSG) bid for the business, and MNC Capital’s competing offer to acquire all of Vista Outdoor’s assets. While Vista’s independent board of directors continuously rejected any bid from MNC, each improved offer from the private investment group drove the price of Vista’s stock higher. The announcement of MNC’s initial unsolicited bid drove Vista’s stock from \$31.20 per share on February 29th, to \$33.23 on March 1st. Now, it seems the saga is likely coming to a close with hedge fund sponsor, Strategic Value Partners, set to acquire Vista’s Outdoor Products business (Revelyst) business for an enterprise value of \$1.1 billion (October). Additionally, CSG increased its bid for The Kinetic Group from \$2.1 billion to \$2.2 billion following the acquirer’s approval by the Committee on Foreign Investment in the United States (CIFUS). The announcement of Strategic Value Partners’ offer to acquire Revelyst sent Vista’s stock price up 10.5%, settling at \$44.01 per share on October 7. The completion of the acquisition will likely provide continued stability for one of the most important distributors in the Tactical Products sector.

Vista Outdoor’s Share Price Continues to Climb Through Sale Process



Source: Capital IQ and Capstone Partners as of October 10, 2024

NOTABLE TRANSACTIONS



Gauge Capital, a private equity firm focusing on middle market businesses, announced the recapitalization of Commercial Fire Protection (CFP) in October for an undisclosed sum. CFP is a California-based provider of fire safety services, including the installation and maintenance of fire extinguishers, water sprinklers, emergency generators, and fire alarms. “We look forward to partnering with Gauge for the next chapter in the company’s growth. Each year we have experienced double, and sometimes triple, digit growth due to the trust our clients place in us,” said Dave Edwards, Founder and CEO of CFP, in a press release.⁶

This transaction comes at a time when the increasing rate of severe weather events, such as hurricanes Helene and Milton, has driven demand for emergency preparedness. Businesses in the Tactical Products sector that serve this need, like CFP, will may experience acquisition interest.



In July 2024, Platinum Equity acquired GSM Outdoors from Gridiron Capital in a sponsor-to-sponsor deal for an undisclosed sum. Texas-based GSM comprises more than 40 hunting-focused outdoor sports brands including SOG Knives, Stealth Cam, Hawk Hunting, and Birchwood Casey. Of note, 11 out of the company’s 40 brands are focused on fishing equipment and bait supplies. The acquisition offers many growth opportunities.

Platinum Equity was drawn to GSM due to its multiple distribution channels and high-quality product lines. “This sector is characterized by an attractive combination of resilience, growth potential and M&A opportunities, which suits our firm well. We believe GSM’s distribution network, experience bringing new products to market, rigorous quality control and care for its customers position it well to capitalize on those dynamics and diversify its portfolio,” said Platinum Equity Co-President Louis Samson, in a press release.⁸



World Emblem International, an emblem and badge manufacturer, acquired Hero’s Pride in September for an undisclosed sum. Hero’s Pride manufactures and distributes emblems, badges, and gear for first responders and the military community. The company also offers duty gear including its AIRTEK and Ballistic product lines of ammunition magazine holders and tactical belts. Hero’s Pride has sold over 40 million items across the U.S. and Canada with 10,000 unique stock keeping units (SKUs), according to a press release.⁷

World Emblem saw the potential transactions as an opportunity to be more than a business decision, but also a merging of shared visions and values. “We were attracted by Hero’s Pride’s brand, strong management team, and mission to provide innovative products for first responders. The company also shares our focus on family, teamwork, and collaboration,” said World Emblem CEO, Randy Carr, in the press release.



Vertical Supply Group (VSG), a portfolio company of Gridiron Capital, acquired Yates Gear in May for an undisclosed sum. Yates is a provider of industrial strength ropes, harnesses, and associated accessories. The company offers a line of tactical products which includes rappel ropes for military helicopters, gear bags, gloves, and carabiners. Yates’ tactical products are compliant with the Berry Amendment, which mandates that all clothing and fabrics purchased by the U.S. Department of Defense (DOD) must be 100% manufactured domestically.

This acquisition marks VSG’s fifth acquisition in the Fall Protection and Equipment space. “VSG’s new partnership with Yates adds a strong, well-respected safety brand to the portfolio, expands addressable market, and demonstrates the commitment to delivering best-in-class safety solutions for its customers,” said Tom Burger, Managing Partner at Gridiron, in a press release.⁹



SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Transaction Type
10/2/24	Commercial Fire Protection	Gauge Capital	Provides fire and safety services, including installation and maintenance of fire extinguishers and sprinkler systems.	Platform Investment
9/05/24	Hero's Pride	World Emblem International	Offers duty gear and uniform accessories designed for law enforcement, public safety and military personnel.	Private Strategic
08/06/24	Formaplex Technologies	Unipart Group	Manufactures plating for law enforcement armored personnel carriers.	Private Strategic
07/23/24	Good Sportsman Marketing	Platinum Equity	Distributes and manufactures outdoor sports products for hunting and sport shooting.	Platform Investment
06/24/24	Kalkomeny Enterprises	Macquarie Capital	Provides safety education and certifications for outdoor recreational activities including hunting.	Platform Investment
06/18/24	Drago Knives	Consumer Auto (OTCPK:CAFI)	Manufactures throwing knives for hunting.	Public Strategic
06/15/24	ChimeraXR	Street Smarts VR	Develops extended reality products for police and law enforcement training.	Private Strategic
06/13/24	Nordic Drones	Patria	Manufactures personal drones for hunting.	Private Strategic
05/31/24	YATES Gear	Vertical Supply Group	Produces tactical gear and equipment for the Defense and Personal Safety industry.	Private Equity Add-On
05/02/24	RCBS Reloading	Hodgon Powder Company	Creates ammunition reloading equipment for hunters, competition shooters, and enthusiasts.	Private Strategic
04/30/24	Crosman	Daisy Manufacturing Company	Manufactures air-guns and related products for hunting, recreation, and competitive shooting.	Private Equity Add-On
04/23/24	Ascent AeroSystems	Robinson Helicopter Company	Develops compact drones for public safety and law enforcement applications.	Private Strategic
04/11/24	BudsGunShop.com	Joe Murphy	Sells guns and ammunition in the U.S.	Private Strategic
03/22/24	Catch	Gordon Brothers Group	Distributes fishing products.	Private Strategic
02/13/24	Rogan Shoes	Shoe Carnival (Nasdaq:SCVL)	Provides winter wear and hunting boots.	Public Strategic
02/08/24	DFL Technology	Reveal Technology	Develops service-based software for campus and public safety solutions in the U.S.	Private Equity Add-On
01/30/24	REALDiscovery	BaseMap	Offers research analytics and tools for organizing large group hunts.	Private Strategic

Source: Capital IQ, PitchBook, FactSet, and Capstone Partners

PUBLIC COMPANY DATA

TACTICAL, FIREARMS, AND AMMUNITION

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	10/21/24	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
American Outdoor Brands, Inc.	\$9.35	94.4%	\$120.0	\$130.8	\$199.3	\$7.2	3.6%	0.7x	18.1x
AMMO, Inc.	\$1.28	40.6%	\$152.0	\$115.8	\$135.5	\$6.9	5.1%	0.9x	16.7x
Cadre Holdings, Inc.	\$1.28	40.6%	\$152.0	\$115.8	\$135.5	\$6.9	5.1%	0.9x	16.7x
Clarus Corporation	\$4.39	58.1%	\$168.4	\$136.9	\$283.6	\$2.2	0.8%	0.5x	NM
Colt CZ Group SE	\$13.67	75.7%	\$613.1	\$685.3	\$509.9	\$77.5	15.2%	1.3x	8.8x
H&K AG	\$25.97	87.6%	\$1,364.9	\$2,038.5	\$778.8	\$120.6	15.5%	2.6x	16.9x
Olin Corporation	\$129.22	97.5%	\$4,585.1	\$4,675.6	\$346.0	\$61.8	17.9%	NM	NM
Smith & Wesson Brands, Inc.	\$47.00	77.6%	\$5,522.5	\$8,612.6	\$6,565.3	\$1,167.3	17.8%	1.3x	7.4x
Sturm, Ruger & Company, Inc.	\$47.00	77.6%	\$5,522.5	\$8,612.6	\$6,565.3	\$1,167.3	17.8%	1.3x	7.4x
Taurus Armas S.A.	\$42.48	76.4%	\$716.0	\$612.8	\$519.1	\$54.1	10.4%	1.2x	11.3x
Vista Outdoor Inc.	\$1.75	62.3%	\$223.5	\$284.1	\$308.9	\$35.8	11.6%	0.9x	7.9x
Mean							11.3%	1.2x	11.9x
Median							13.1%	1.2x	10.1x
Harmonic Mean							4.8%	1.0x	10.5x

EV = enterprise value; LTM = last twelve months
\$ in millions, except per share data
NM = Not Meaningful

LESS-LETHAL

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	10/21/24	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Axon Enterprise, Inc.	\$211.93	92.2%	\$15,843.9	\$15,426.8	\$1,365.5	\$152.7	11.2%	NM	NM
Byrna Technologies Inc.	\$3.47	33.4%	\$76.3	\$63.1	\$48.4	NM	NA	1.3x	NM
KWESST Micro Systems Inc.	\$1.79	19.4%	\$10.1	\$9.0	\$0.7	NM	NA	NM	NM
Mace Security International, Inc.	\$0.09	41.7%	\$5.6	\$8.0	\$8.0	NM	NA	1.0x	NM
Wrap Technologies, Inc.	\$1.69	58.3%	\$73.0	\$55.1	\$7.2	NM	NA	NM	NM
Mean							11.2%	1.2x	NA
Median							11.2%	1.2x	NA
Harmonic Mean							11.2%	1.1x	NA

SPORTING GOODS RETAILERS

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	10/21/24	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
Academy Sports and Outdoors, Inc.	\$56.09	74.1%	\$3,943.6	\$5,313.7	\$6,105.8	\$982.1	16.1%	0.9x	5.4x
Big 5 Sporting Goods Corporation	\$2.16	28.0%	\$47.5	\$329.5	\$829.5	\$86.7	10.5%	0.4x	3.8x
DICK'S Sporting Goods, Inc.	\$218.66	91.4%	\$17,801.7	\$20,506.3	\$13,410.6	\$2,688.1	20.0%	1.5x	7.6x
Mean							15.5%	0.9x	5.6x
Median							16.1%	0.9x	5.4x
Harmonic Mean							14.4%	0.7x	5.2x

Source: Capital IQ and Capstone Partners as of October 21, 2024

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FIRM AWARDS & ACCOLADES

Capstone Partners is consistently recognized as an elite middle market firm by multiple leading industry organizations. This has afforded our clients with immediate market credibility in the acquirer and investor communities. From 2016 to 2024, Capstone has received 22 “investment banking firm of the year” awards from organizations such as The M&A Atlas Awards, The M&A Advisor, M&A Today, and ACQ5. A sampling of Capstone’s recent awards is shown below.



FIRM TRACK RECORD

Capstone Partners maintains an active Consumer Enthusiast practice in the middle market, with Tactical Products being an important vertical within our focus. This market presence allows Capstone Partners to provide 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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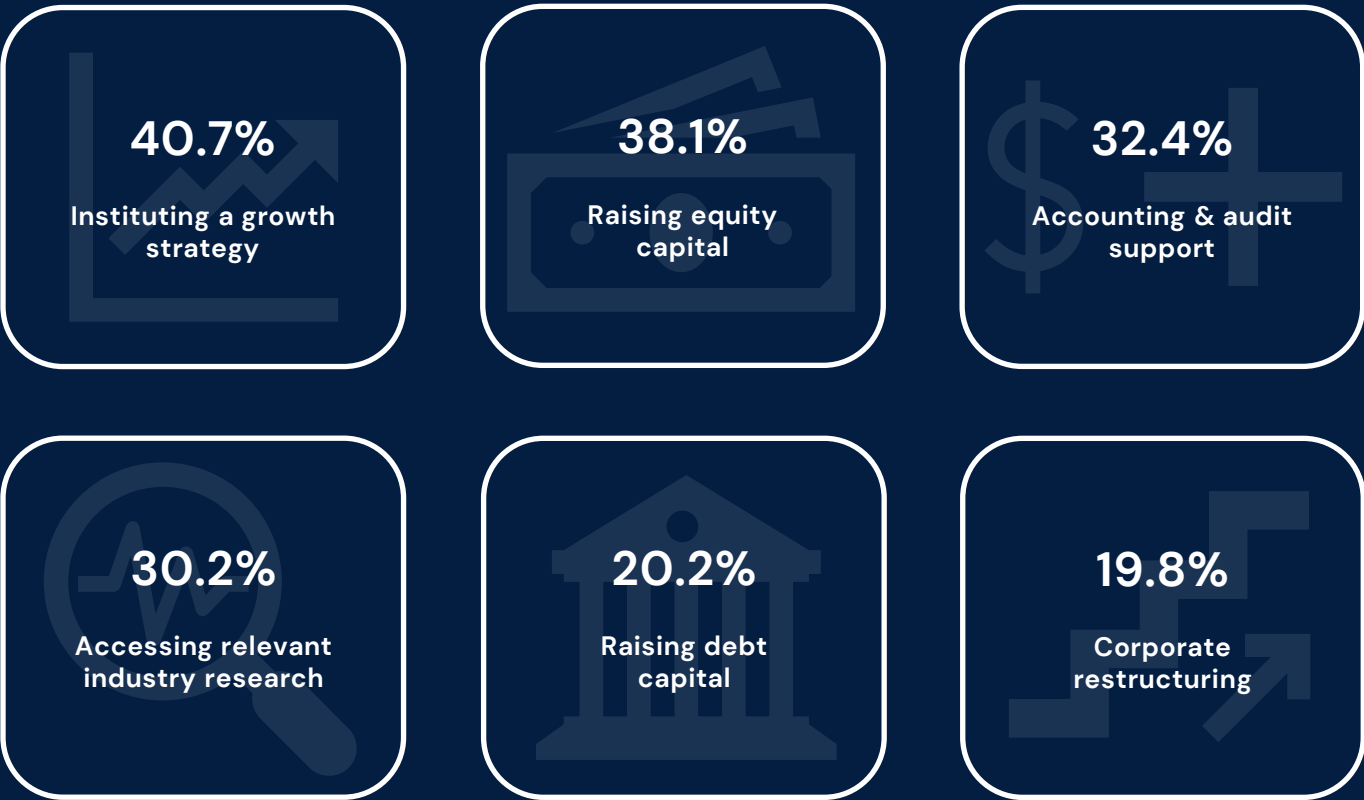
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CAPSTONE’S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The stage and initiatives of a business often dictate which financial services are in demand. As the bulk of CEOs polled in Capstone’s 2024 Middle Market Business Owners Survey indicated growth strategies are a priority for 2025, the lion’s share (40.7%) of owners anticipate a need for growth strategy support services. Similarly, 38.1% of CEOs require equity capital advisory services to support operational initiatives and business expansion. Nearly one-third of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, 30.2% of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of [corporate finance solutions](#) to help privately owned businesses and private equity firms through each stage of the company’s lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed specialty advisory practices to provide financial performance, buy-side, employee stock ownership plan (ESOP), and equity and debt services. All of these capabilities are supported by 12 industry banking groups, an active sponsor coverage group, and a dedicated Market Intelligence Team.

Top Financial Services Required by Business Owners in 2025



*Question: Have you ever had, or do you anticipate having, a need for any of the following services?
Source: Capstone Partners’ Middle Market Business Owner Survey, Rebased Sample Size (N): 278*



ENDNOTES

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Disclosure

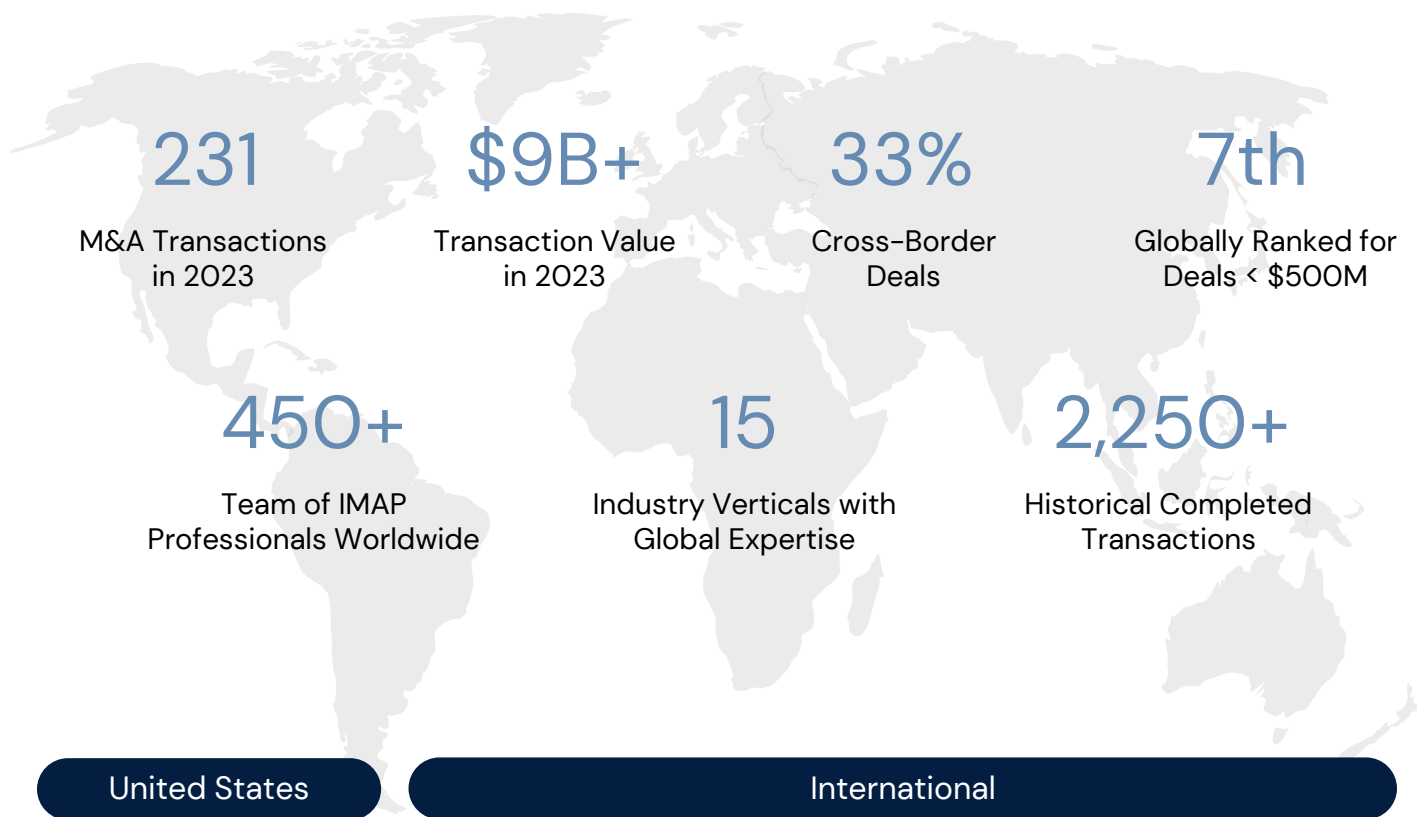
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