



ADRE
HOLDINGS

THIRD QUARTER
2022

FORWARD-LOOKING STATEMENTS

Except for historical information, certain matters discussed in this presentation may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include but are not limited to all projections and anticipated levels of future performance. Forward-looking statements involve risks, uncertainties and other factors that may cause our actual results to differ materially from those discussed herein. Any number of factors could cause actual results to differ materially from projections or forward-looking statements, including without limitation, changes to global economic, social and political conditions, spending patterns of government agencies, competitive pressures, the impact of acquisitions and related integration activities, logistical challenges related to disruptions and delays, product liability claims, the success of new product introductions, currency exchange rate fluctuations and the risks of doing business in the markets in which we operate, including foreign countries. More information on potential factors that could affect the Company's financial results are more fully described from time to time in the Company's public reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. All forward-looking statements included in this presentation are based upon information available to the Company as of the date of this presentation, and speak only as of the date hereof. We assume no obligation to update any forward-looking statements to reflect events or circumstances after the date of this presentation.

TODAY'S PRESENTERS



WARREN KANDERS

Chief Executive Officer and
Chairman of the Board



BRAD WILLIAMS

President



BLAINE BROWERS

Chief Financial Officer

AGENDA

- Q3 Review
- Business Overview
- Financial Summary
- Full Year Outlook
- Conclusion and Q&A



CONTINUED EXECUTION IN Q3

Cadre continues to deliver on strategic objectives in a challenging supply chain and inflationary environment

Commentary:

Pricing Growth:

✓ *Exceeded 1% target above material inflation*

Adjusted EBITDA Conversion:¹

✓ *Generated Adj. EBITDA conversion of 97% in Q3, above the high end of guidance range*

Q3 Mix:

✓ *Higher Duty Gear shipments and improved product mix as expected*

Orders Backlog:

✓ *Maintained strong orders backlog of \$125.2 million as of September 30, 2022*

Healthy M&A Funnel:

✓ *Continue to actively evaluate robust pipeline of opportunities*

Returned Capital to Shareholders:

✓ *Declared fifth consecutive quarterly dividend of \$0.08*

MACRO TAILWINDS SUPPORT LONG TERM SUSTAINABLE GROWTH OPPORTUNITY



Police protection expenditures have continued to trend upward even during previous financial and industrial recessions

Major US cities continue to increase police budgets

The American Rescue Plan provides \$350 billion to hire more police

Two-thirds of all NATO countries spend less than 2% of GDP targets on defense and security

Amidst current geopolitical turmoil, European leaders have advocated for significant increases in defense budgets

LATEST MARKET TRENDS

North American Law Enforcement

- Spend per officer increasing but police departments still struggling to fill open positions

Geopolitical Landscape

- Amid continued war in Ukraine, uptick in inquiries, which have resulted in small orders
- Anticipate larger opportunities to provide safety and survivability equipment as conflict continues

Supply Chain

- Continuing to experience extended lead times with fabrics, electronic components and various raw materials

Consumer

- Seeing stabilized run rate for holster demand

CADRE'S KEY M&A CRITERIA

Business

- ✓ Leading market position
- ✓ Cost structure where material > labor
- ✓ High cost of substitution
- ✓ Leading and defensible technology
- ✓ Mission-critical to customer
- ✓ Strong brand recognition

Financial

- ✓ Recurring revenue profile
- ✓ Asset-light
- ✓ Attractive ROIC

Market

- ✓ Niche market
- ✓ No large-cap competition
- ✓ Resiliency through market cycles



THIRD QUARTER 2022 FINANCIAL PERFORMANCE



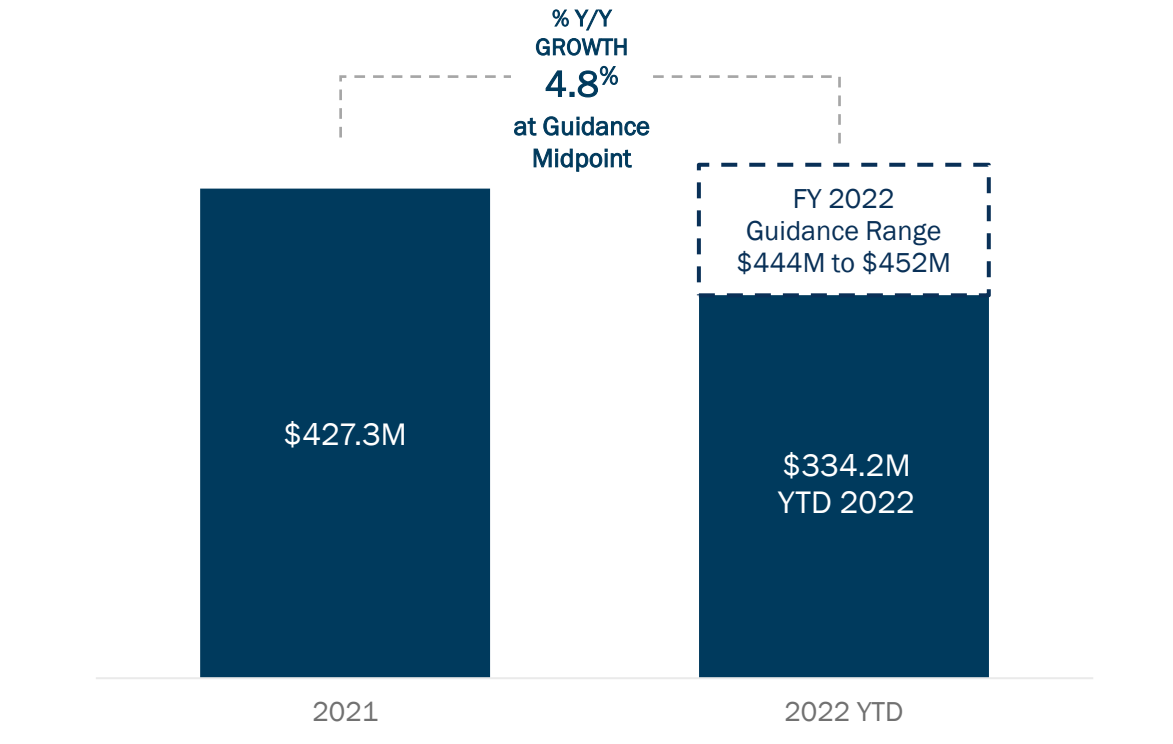
	Q3 2022	Q2 2022	Q3 2021
NET SALES	\$111.6M	\$118.2M	\$98.7M
GROSS MARGIN	39.2%	36.6%	39.8%
NET INCOME (LOSS)	\$4.9M / \$0.13 per diluted share	\$4.4M / \$0.12 per diluted share	(\$5.3M) / (\$0.19) per diluted share
ADJUSTED EBITDA ¹	\$20.7M	\$18.4M	\$15.4M
ADJUSTED EBITDA MARGIN ¹	18.6%	15.6%	15.6%
ADJUSTED EBITDA CONVERSION ¹	97%	92%	95%

- Achieved pricing growth that exceeded target and generated strong gross margin and adjusted EBITDA conversion
- Increased gross margin, net income, adjusted EBITDA, and adjusted EBITDA margin from Q2 to Q3

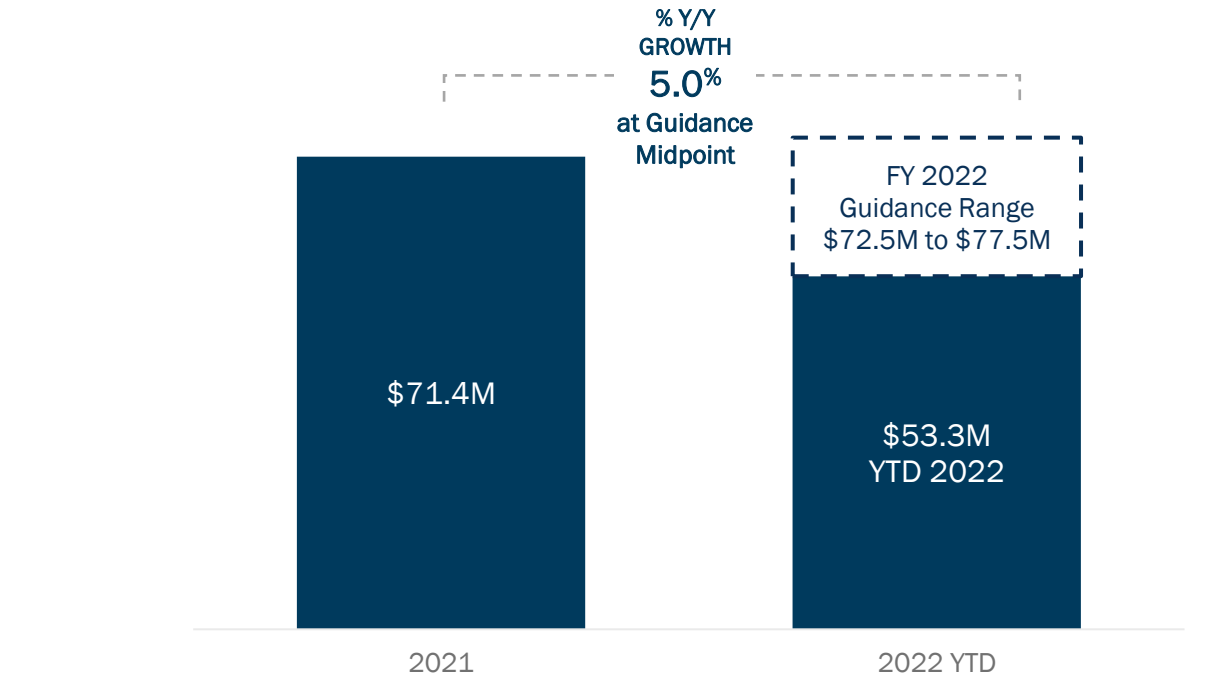
NET SALES AND ADJUSTED EBITDA



NET SALES (\$MM)



ADJ. EBITDA¹ (\$MM)



Q3 2022 CAPITAL STRUCTURE

September 30, 2022

(in thousands)

Cash and cash equivalents	\$	36,350
Debt:		
Revolver	\$	—
Current portion of long-term debt		13,285
Long-term debt		141,530
Capitalized discount/issuance costs		(1,712)
Total debt, net	\$	153,103
Net debt (Total debt net of cash)	\$	116,753
Total debt / LTM Adj. EBITDA ⁽¹⁾		2.2
Net debt / LTM Adj. EBITDA ⁽¹⁾		1.7
LTM Adj. EBITDA ⁽¹⁾	\$	68,610

REAFFIRM 2022 MANAGEMENT OUTLOOK



2022 GUIDANCE

NET SALES

\$444M to \$452M

Adj. EBITDA

\$72.5M to \$77.5M

Adj. EBITDA Conversion

92% to 95%

CONCLUSION



Accelerate Organic Revenue Growth



Continuously Improve Gross and Adj. EBITDA Margins



Pursue M&A Opportunities

APPENDIX



BALANCE SHEET

UNAUDITED (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 36,350	\$ 33,857
Accounts receivable, net of allowance for doubtful accounts of \$774 and \$645, respectively	55,759	48,344
Inventories	79,246	63,978
Prepaid expenses	8,740	10,353
Other current assets	7,493	3,171
Assets held for sale	225	278
Total current assets	187,813	159,981
Property and equipment, net of accumulated depreciation and amortization of \$41,478 and \$37,171, respectively	45,671	33,053
Deferred tax assets, net	5,350	7,059
Intangible assets, net	51,518	42,415
Goodwill	77,196	66,262
Other assets	7,631	3,026
Total assets	\$ 375,179	\$ 311,796
Liabilities, Mezzanine Equity and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 24,523	\$ 19,328
Accrued liabilities	35,515	40,736
Income tax payable	957	1,255
Liabilities held for sale	91	128
Current portion of long-term debt	13,285	13,174
Total current liabilities	74,371	74,621
Long-term debt	139,818	146,516
Deferred tax liabilities	3,526	1,297
Other liabilities	904	722
Total liabilities	218,619	223,156
Mezzanine equity		
Preferred stock (\$0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of September 30, 2022 and December 31, 2021)	—	—
Shareholders' equity		
Common stock (\$0.0001 par value, 190,000,000 shares authorized, 37,332,271 and 34,383,350 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively)	4	3
Additional paid-in capital	203,754	127,606
Accumulated other comprehensive loss	(846)	(1,917)
Accumulated deficit	(46,352)	(37,052)
Total shareholders' equity	156,560	88,640
Total liabilities, mezzanine equity and shareholders' equity	\$ 375,179	\$ 311,796

STATEMENT OF OPERATIONS

UNAUDITED (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 111,554	\$ 98,654	\$ 334,192	\$ 323,751
Cost of goods sold	67,814	59,346	207,042	192,256
Gross profit	43,740	39,308	127,150	131,495
Operating expenses				
Selling, general and administrative	31,732	27,673	118,431	87,168
Restructuring and transaction costs	1,578	(49)	3,380	1,491
Related party expense	112	142	1,346	437
Total operating expenses	33,422	27,766	123,157	89,096
Operating income	10,318	11,542	3,993	42,399
Other expense				
Interest expense	(1,567)	(3,464)	(4,496)	(14,129)
Loss on extinguishment of debt	—	(15,155)	—	(15,155)
Other expense, net	(1,851)	(352)	(2,812)	(881)
Total other expense, net	(3,418)	(18,971)	(7,308)	(30,165)
Income (loss) before provision for income taxes	6,900	(7,429)	(3,315)	12,234
(Provision) benefit for income taxes	(1,959)	2,123	2,536	(3,861)
Net income (loss)	\$ 4,941	\$ (5,306)	\$ (779)	\$ 8,373
Net income (loss) per share:				
Basic	\$ 0.13	\$ (0.19)	\$ (0.02)	\$ 0.30
Diluted	\$ 0.13	\$ (0.19)	\$ (0.02)	\$ 0.30
Weighted average shares outstanding:				
Basic	37,289,880	27,483,350	35,697,891	27,483,350
Diluted	37,747,613	27,483,350	35,697,891	27,483,350

STATEMENT OF CASH FLOWS

UNAUDITED (IN THOUSANDS)

	Nine Months Ended September 30,	
	2022	2021
Cash Flows From Operating Activities:		
Net (loss) income	\$ (779)	\$ 8,373
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	11,319	10,426
Amortization of original issue discount and debt issue costs	554	2,483
Amortization of inventory step-up	3,055	—
Loss on extinguishment of debt	—	15,155
Deferred income taxes	(2,755)	1,533
Stock-based compensation	28,988	—
Provision for (recoveries from) losses on accounts receivable	245	(254)
Foreign exchange loss	3,006	45
Changes in operating assets and liabilities, net of impact of acquisitions:		
Accounts receivable	(3,271)	1,549
Inventories	(7,187)	(10,261)
Prepaid expenses and other assets	986	(4,642)
Accounts payable and other liabilities	(4,660)	6,582
Net cash provided by operating activities	29,501	30,989
Cash Flows From Investing Activities:		
Purchase of property and equipment	(2,938)	(2,225)
Business acquisitions, net of cash acquired	(55,039)	—
Net cash used in investing activities	(57,977)	(2,225)

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STATEMENT OF CASH FLOWS - CONTINUED

UNAUDITED (IN THOUSANDS)

	Nine Months Ended September 30,	
	2022	2021
Cash Flows From Financing Activities:		
Proceeds from revolving credit facilities	43,000	248,000
Principal payments on revolving credit facilities	(43,000)	(223,132)
Proceeds from term loans	—	198,735
Principal payments on term loans	(7,514)	(224,547)
Proceeds from insurance premium financing	3,989	4,269
Principal payments on insurance premium financing	(3,878)	(2,611)
Payment of capital leases	(26)	(32)
Payments for debt issuance costs	—	(2,830)
Payments on extinguishment of debt	—	(4,215)
Taxes paid in connection with employee stock transactions	(6,216)	—
Proceeds from secondary offering, net of underwriter discounts	56,329	—
Deferred offering costs	(2,953)	—
Dividends distributed	(8,521)	(9,996)
Net cash provided by (used in) financing activities	31,210	(16,359)
Effect of foreign exchange rates on cash and cash equivalents	(241)	(3)
Change in cash and cash equivalents	2,493	12,402
Cash and cash equivalents, beginning of period	33,857	2,873
Cash and cash equivalents, end of period	\$ 36,350	\$ 15,275
Supplemental Disclosure of Cash Flows Information:		
Cash paid for income taxes, net	\$ 710	\$ 695
Cash paid for interest	\$ 3,860	\$ 8,524
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Accruals and accounts payable for capital expenditures	\$ 272	\$ —

NON-GAAP RECONCILIATION

(IN THOUSANDS)

	Year ended	Three Months	Three Months Ended		Nine Months Ended		LTM
	December 31,	Ended June 30,	September 30,		September 30,		September 30
	2021	2022	2022	2021	2022	2021	2022
Net income (loss)	\$ 12,661	\$ 4,445	\$ 4,941	\$ (5,306)	\$ (779)	\$ 8,373	\$ 3,509
Add back:							
Depreciation and amortization	13,718	3,836	3,939	3,406	11,319	10,426	14,611
Interest expense	16,425	1,439	1,567	3,464	4,496	14,129	6,792
Provision (benefit) for income taxes	6,531	1,517	1,959	(2,123)	(2,536)	3,861	134
EBITDA	49,335	\$ 11,237	\$ 12,406	\$ (559)	\$ 12,500	\$ 36,789	\$ 25,046
Add back:							
Restructuring and transaction costs ⁽¹⁾	3,430	2,205	1,578	(49)	4,380	1,491	6,319
Loss on extinguishment of debt ⁽²⁾	15,155	—	—	15,155	—	15,155	—
Other expense, net ⁽³⁾	947	756	1,851	352	2,812	881	2,878
Stock-based compensation expense ⁽⁴⁾	355	2,818	2,820	—	29,361	—	29,716
Stock-based compensation payroll tax expense ⁽⁵⁾	—	7	—	—	305	—	305
LTIP bonus ⁽⁶⁾	2,162	174	375	524	933	1,804	1,291
Amortization of inventory step-up ⁽⁷⁾	—	1,191	1,711	—	3,055	—	3,055
Adjusted EBITDA	71,384	\$ 18,386	\$ 20,741	\$ 15,423	\$ 53,346	\$ 56,120	\$ 68,610
Less: Capital expenditures	(3,029)	(1,421)	(720)	(719)	(3,210)	(2,225)	(4,014)
Adjusted EBITDA less capital expenditures	68,355	\$ 16,965	\$ 20,021	\$ 14,704	\$ 50,136	\$ 53,895	\$ 64,596
Adjusted EBITDA conversion rate⁽⁸⁾	96 %	92%	97%	95%	94 %	96 %	94 %
Adjusted EBITDA margin⁽⁹⁾	16.7 %	15.6%	18.6%	15.6%	16.0 %	17.3 %	

1. Reflects the "Restructuring and transaction costs" line item on our consolidated statement of operations, which primarily includes transaction costs composed of legal and consulting fees, and \$1.0 million paid to Kanders & Company, Inc., a company controlled by our Chief Executive Officer, for services related to the acquisition of Cyalume, which is included in related party expense in the Company's consolidated statements of operations and comprehensive income (loss).

2. Reflects losses incurred in connection with the August 2021 debt refinancing.

3. Reflects the "Other expense, net" line item on our consolidated statement of operations. For the three and nine months ended September 30, 2022 and 2021, other expense, net primarily includes losses on foreign currency transactions.

4. Reflects compensation expense related to equity and liability classified stock-based compensation plans.

5. Reflects payroll taxes associated with vested stock-based compensation awards.

6. Reflects the cost of a cash-based long-term incentive plan awarded to employees that vests over three years.

7. Reflects amortization expense related to the step-up inventory adjustment recorded as part of the recent acquisitions.

8. Reflects (Adjusted EBITDA less capital expenditures) / Adjusted EBITDA.

9. Reflects Adjusted EBITDA / Net Sales for the relevant periods.