

INITIATING COVERAGE

Equity | Apparel & Accessories/ Safes

American Rebel Holdings Inc. (NASDAQ:AREB; Target Price: \$5.00)

American Rebel is a well-known brand within the safes, backpacks, and apparel space with a focus on patriotism and the quintessential American trait of family protection. It is providing technologically advanced features in its safes that provide customers with advanced security and the peace of mind they require. In addition to branded safes, the company offers a variety of personal security products, as well as apparel and accessories for men and women. It appears to be at a very interesting juncture today and appears to be an interesting pick for an in-depth analysis.

INVESTMENT THESIS

This is our first report on American Rebel and we look to provide a detailed account of the various drivers that will be responsible for the company's growth in the coming years. The safe industry catering to the consumer market is known to have particularly interesting dynamics. On one hand, we see safes becoming a kind of a must-have appliance in many American households while the industry as a whole has a very small number of companies dominating the market. While there is immense scope for innovation and diversification in this space, few incumbents are demonstrating the same. We believe that American Rebel could really become a game changer in this space with its innovative offerings in safes, backpacks, jackets, and apparel. The company could have a strong upside. Baptista Research looks to evaluate the different factors that could influence American Rebel's price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

COMPANY OVERVIEW

American Rebel Holdings provides safety and personal security products such as vault doors, home, office, as well as personal safes, concealed carry backpacks, and a variety of concealed carry vests, jackets, T-shirts, and coats for men and women. In addition to safety products, it provides additional accessories such as space savings articles for its safes, such as light kits, hangers, moisture guards, and rifle rod kits. The company's products are created to safely store firearms as well as its customers' priceless family heirlooms, keepsakes, and treasured memories. American Rebel is known to be working on product quality and mechanical development in order to improve the performance and affordability of their products while providing support to their distribution channel and consumers in order to strengthen their brand and drive product demand. It aims to sell products that have the features and benefits of higher-end safes but are priced in the middle of the market. Although their primary business is marketing and designing branded safes, as well as personal security and self-defense products, they also create and sell branded clothing and accessories. There is a strong element of patriotism and style in the American Rebel brand given its name, logo, and the fact that the majority of their safes and personal security products are made in the United States. The company was founded in 2014 and is headquartered in Nashville, TN.

Key Report Highlights

Industry View:	In-Line
Stock Rating:	Buy
Price Target:	\$5.00
Current Price:	\$1.47
52-Week-Range:	\$1.13 - \$9.60

Annual Income Statement	2021	2022E	2023E
Revenues	0.99	5.05	10.94
Cost of Goods Sold	0.81	3.46	5.90
Gross Income (excl. D&A)	0.18	1.59	5.04
EBITDA	-2.77	-1.61	0.34
EBIT (incl. extraordinary exp)	-4.04	-1.61	0.34
Net Income	-6.16	-0.75	-0.17
Cash from Operations	-0.85	-0.89	0.29
Free Cash Flows	-5.85	-6.89	0.29

Growth & Margins	2021	2022E	2023E
Sales Growth	-21.4%	410.0%	116.7%
EBITDA Margin	-279.8%	-31.9%	3.1%
EBIT Margin	-408.1%	-31.9%	3.1%
Net Profit Margin	-622.4%	-14.9%	-1.6%

Valuation Ratios	Current	2022E	2023E
EV/ Sales	11.0	6.8	4.0
EV/ EBITDA	NA	NA	127.0
EV/ EBIT	NA	NA	127.0
Price/Earnings	NA	NA	NA

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

1.	DIVERSE SET OF SAFE OFFERINGS
2.	BACKPACKS & OTHER PRODUCTS
3.	COMPELLING INNOVATION PIPELINE
4.	GROWTH STRATEGY & EXPANSION INTO EXISTING MARKETS
5.	EXPERIENCED MANAGEMENT TEAM

Diverse Set Of Safe Offerings

- American Rebel has a wide variety of safes for home, office, and personal use. Its models are available in many sizes, features, and styles.
- The demand for American Rebel safes is growing well across all customer segments, including individuals and families looking to protect their valuables, businesses looking to protect valuables and irreplaceable items like artifacts and jewelry, and community dispensaries looking to protect their inventory and cash flow.
- American Rebel safes have traditionally been popular with responsible gun owners, sportsmen, competitive shooters, and hunters looking for a premium and responsible solution to secure valuables and firearms to prevent theft, and protect loved ones.
- The management expects that the company will benefit from increased awareness of the importance of safe firearm storage in the future.
- They offer different safes, including large, personal, dispensary, and vault doors. There are six premium safes in their current large model safe collection, all of which are built with the same high-quality workmanship, 11-gauge American steel and double plate steel door, double-steel door casements, and reinforced door edges.
- The company is also working on designing a new model safe that will include technologically advanced characteristics like double-steel door-jamb framing, autonomous bolt works, and a uniform geared locking mechanism.

- Some of their key safe offerings available on their website are in the snapshot below.



AR-12 Gun Safe

★★★★★ (1)

\$1,800.00

[SELECT OPTIONS](#)



AR-15 Gun Safe

★★★★★ (1)

\$1,950.00

[SELECT OPTIONS](#)



AR-20 Gun Safe

★★★★★ (2)

\$2,250.00

[SELECT OPTIONS](#)



AR-30 Gun Safe

★★★★★ (3)

\$2,650.00

[SELECT OPTIONS](#)



AR-40 Gun Safe

★★★★★ (2)

\$3,175.00

[SELECT OPTIONS](#)



AR-50 Gun Safe

(1)

\$3,625.00

[SELECT OPTIONS](#)

Source: Company Website

Backpacks & Other Products

- Over and above its home, office, and personal safes, American Rebel offers a variety of security products such as concealed carry backpacks. Their backpacks come in a variety of sizes, styles, and features.

- The 'Personal Protection Pocket' in their concealed carry backpacks uses a sandwich method to keep handguns secure and in the desired and easily accessible position. The handgun can be accessed in the isolated Personal Protection Pocket from either the right- or left-hand sides.
- Its concealed carry backpacks are made to be used on a daily basis while keeping firearms hidden, safe, and accessible. Moreover, the Company's largest concealed carry bag is the Extra-Large Freedom and Cartwright CCW Backpack. A dedicated top-loading laptop pocket, an additional tablet sleeve, and padded compartments are included in this backpack's storage.
- This backpack has two large open compartments for carrying items like laptops or documents from one place to another and multiple interior compartments for storing other personal items.
- Apart from backpacks, American Rebel also offers a wide range of concealed carry jackets, vests, and coats for men and women. They also have American Rebel-branded patriotic clothing for the whole family.
- Their clothing is designed and marketed to be fashionable, patriotic, and bold. The company places a premium on styling that complements each customer's and enthusiasts' lifestyles while representing their community's values and typical American character.
- All of the company's products, including the American Rebel clothing line, have style that goes beyond just pure fashion in the sense that they aim to instill a sense of patriotic pride in the consumers with respect to being American.



Large Freedom CCW Backpack
★★★★★ (2)
\$159.99

[SELECT OPTIONS](#)



Large We The People CCW Backpack
(0)
\$169.99

[SELECT OPTIONS](#)



Medium Freedom CCW Backpack
★★★★★ (1)
\$139.99

[SELECT OPTIONS](#)



Small Freedom CCW Backpack
(0)
\$69.99

[SELECT OPTIONS](#)



Small Plus Freedom CCW Backpack
★★★★★ (1)
\$79.99

[ADD TO CART](#)



Small Plus We The People CCW Backpack
(0)
\$79.99

[ADD TO CART](#)

April 18, 2022

Source: Company Website

Compelling Innovation Pipeline

- The management of American Rebel has big plans for 2022 and plans to introduce additional products to complement its diverse product offerings.
- Their biometric safes will debut the company's line of biometrics, Wi-Fi, and Bluetooth-enabled handgun boxes. Biometric Safes have been designed, engineered, and are ready to be manufactured.
- The team is also working on a non-lethal personal security device that uses an audible siren to deter an attacker while notifying the user's support network that help is needed and providing the location of the attack.
- Besides, the company is manufacturing wall safes that can be easily hidden and provide 'free' storage space since they are able to be tucked into the space between your wall and studs.
- Furthermore, with the goal of keeping kids safe at school, American Rebel is creating the Youth Protection Backpack, which will include a lightweight ballistic shield to protect kids as they go through their school day activities.

Growth Strategy & Expansion In Existing Markets

- As part of American Rebel's corporate mission to accelerate long-term value for their stockholders and create integrated value chains, they are constantly evaluating and considering acquisition opportunities that fit their overall growth strategy. The company has signed an LOI to acquire a safe manufacturer and placed a \$250,000 good faith deposit with the seller.
- The company is constantly looking for new consumer segments to target with its safes. They also anticipate the cannabis dispensary industry to be a significant growth segment.
- Many cannabis dispensary owners have expressed an interest in having American Rebel assist them with inventory locking. When a cannabis dispensary closes, it must comply with various insurance requirements and local ordinances requiring them to secure its inventory.
- Dispensary owners have been buying gun safes and removing the interiors to store cannabis inventory on their own. Recognizing what appears to be an increasing demand for cannabis dispensary operators, the company created a safe that is specifically designed for the cannabis industry.
- Moreover, they believe the company is well-positioned to address the need for dispensaries. The legal cannabis hyper-growth market is expected to exceed \$43 billion by 2025, and an increasing number of states where cannabis growth and cultivation are legal.

April 18, 2022

- Additionally, American Rebel's inventory control solutions have attracted a long list of dispensary owners, growers, and processors. Many in the cannabis industry have chosen to install complete vault rooms instead of individual inventory control safes, and the American Rebel Vault Door has been the choice for that purpose.
- While licensing fees don't generate significant revenue for the company, the management believes that the American Rebel brand name may have significant licensing value in the future for third parties seeking to brand their products to market to the American Rebel target demographic.
- For example, a tool manufacturer interested in pursuing a different marketing strategy for a different look and feel could licence the American Rebel brand name and market their tools under the company's distinct brand.
- With their second line of American Rebel branded tools, this licensee would benefit from the strong American Rebel brand, as they would continue to sell both lines of tools.
- American Rebel, on the other hand, could benefit from being a product licensee. If American Rebel determines that a third party has designed, engineered, and manufactured a product that would be a strong addition to the American Rebel product catalogue, American Rebel may licence that product from the third party and sell it under the American Rebel brand.
- American Rebel's safes product line has always been a cornerstone of its business. Their team is working hard to expand their product lines for home, office, and personal safes.
- In order to reach new enthusiasts and grow their devoted American Rebel community, the company is also working to increase floor space dedicated to its safes and strengthen its online presence.
- They also intend to keep working to create and provide retailers and customers with products that they believe are responsible, safe, dependable, and stylish.
- The management also plans to focus on tailoring their supply and distribution logistics to meet their customers' specific needs. Moreover, the company's new safe model, which they plan to debut at industry trade shows in mid-2022, will be manufactured in the United States due to a partnership with Industrial Maintenance Incorporated (IMI).
- Furthermore, some states, including Massachusetts, California, New York, and Connecticut, are beginning to enact new storage requirements for firearms, which is expected to boost safe sales.
- They also plan to improve their business operations, including research and development, component sourcing, manufacturing processes, marketing programs, and customer service.
- Hence, the team is improving their production by acquiring new equipment, expanding shifts, and improving processes, as well as increasing the operational availability of their equipment, reducing equipment downtime, and improving overall efficiency.
- According to industry estimates, more than 400 million firearms are owned by 70 million to 80 million people in the United States, creating a large potential market for American Rebel's safes and personal security products.

April 18, 2022

Experienced Management Team

- American Rebel is led by the industry veteran Charles A. Ross, Jr. He has a positive and immediate impact on the brand, products, team members, and customers.
- The company believes that under Mr. Ross's leadership, the company will be able to build a strong brand and strengthen the management team.
- To engage customers and drive sales, the team is refocusing on the profitability of their products and reinforcing the quality of safes. Their management team has the right mix of skills, professional experience, and leadership capability to drive board performance and adequately oversee the company's interests, including their long-term corporate strategy.
- Moreover, the management also reflects a balanced tenure approach, allowing the Board to benefit from a mix of newer members who bring fresh perspectives and seasoned directors who provide continuity and a deep understanding of their complex business.

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

Particulars	31-03-2021	30-06-2021	30-09-2021	31-12-2021
Revenues	0.4	0.2	0.3	0.1
% growth		-42.9%	50.0%	-53.3%
Cost of Goods Sold	0.3	0.2	0.3	0.1
% of revenue	77.1%	85.0%	93.3%	71.4%
Gross Income (excl. D&A)	0.1	0.0	0.0	0.0
% of revenue	22.9%	15.0%	6.7%	28.6%
EBITDA	-0.4	-2.0	-1.0	-0.7
% of revenue	-108.6%	-985.0%	-346.7%	-464.3%
Depreciation & Amortization	0.0	0.0	0.0	0.0
Extraordinary Expenses	0.0	0.6	0.1	0.0
EBIT (incl. extraordinary exp)	-0.4	-2.0	-1.0	-0.7
% of revenue	-108.6%	-985.0%	-346.7%	-464.3%
Pretax Income	-0.9	-2.5	-1.4	-1.2
% of revenue	-265.7%	-1270.0%	-476.7%	-864.3%
Income Tax	0.0	0.0	0.0	0.0
% rate	0.0%	0.0%	0.0%	0.0%
Net Income	-0.9	-2.5	-1.4	-1.2
% of revenue	-265.7%	-1270.0%	-476.7%	-864.3%

- Let us start off with analyzing the most recent and historical quarterly data reported by the company. American Rebel has reported a top-line of \$0.14 million in its recent quarterly result which is a -53.33% depreciation over the previous quarter.
- The company reported a positive gross margin of 28.57% for the quarter ended 31-12-2021.
- Its EBITDA for the quarter was -\$0.65 million and the EBITDA margin was -464.29%. This was a -117.62% margin contraction at the EBITDA level which is definitely a negative outcome.
- American Rebel's operating income (EBIT) was reported at -\$0.65 million and a margin of -464.29%. This EBIT margin dropped by 117.62% in this quarter.
- The company's pre-tax margin for the quarter was -864.29%.
- American Rebel reported a net income of -\$1.21 million which resulted in a diluted earnings per share (EPS) of -\$0.99. The company's net margin was -864.29%
- American Rebel burnt -\$0.85 million in terms of operating cash flows for the 12 months period ended 31-12-2021. The company was able to convert about 107.14% of its revenues into operating cash flows in the recent quarter.
- This quarter's EBITDA-to-operating cash flow conversion ratio is -23.08%. Overall, American Rebel delivered a negative free cash flow of \$0.85 million for the past 12 months.

Particulars	2018	2019	2020	2021
Revenues	0.1	0.5	1.3	1.0
% growth		315.4%	133.3%	-21.4%
Cost of Goods Sold	0.1	0.4	1.0	0.8
% of revenue	46.2%	70.4%	75.4%	81.8%
Gross Income (excl. D&A)	0.1	0.2	0.3	0.2
% of revenue	53.8%	29.6%	24.6%	18.2%
EBITDA	-1.7	-5.9	-2.8	-3.1
% of revenue	-1269.2%	-1100.0%	-219.8%	-316.3%
Depreciation & Amortization	0.1	0.1	0.9	0.9
% of Fixed Assets	46.2%	85.7%	9200.0%	#DIV/0!
Extraordinary Expenses	0.0	0.0	0.9	0.7
EBIT (incl. extraordinary exp)	-1.7	-6.0	-3.7	-4.0

<i>% of revenue</i>	-1315.4%	-1111.1%	-292.9%	-408.1%
Pretax Income	-2.0	-7.6	-6.0	-6.1
<i>% of revenue</i>	-1538.5%	-1407.4%	-474.6%	-616.2%
Income Tax	0.0	0.0	0.0	0.0
<i>% rate</i>	0.0%	0.0%	0.0%	0.0%
Net Income	-2.0	-7.6	-6.0	-6.1
<i>% of revenue</i>	-1538.5%	-1407.4%	-474.6%	-616.2%

- When we analyze the company's annualized historical income statement, we see that the top-line was \$0.99 million for the previous financial year ending in 2021.
- The revenue growth was -21.43% in 2021 as compared to around 133.33% in 2020.
- American Rebel's cost of goods sold has increased from 75.40% to 81.82% as a percentage of the top-line resulting in a drop in the gross margins.
- The company's overall annual EBITDA margin of -162.73% is higher than the reported quarterly EBITDA margin for the most recent quarter.
- Non-cash expenses in the form of depreciation and amortization have gone up as compared to the result in 2020.

Particulars	2018	2019	2020	2021
Assets				
Net Intangible Fixed Assets	0.0	0.0	0.0	0.0
Net Tangible Fixed Assets	0.1	0.1	0.0	0.0
Total Fixed Assets	0.1	0.1	0.0	0.0
<i>% of revenue</i>	100.0%	13.0%	0.8%	0.0%
LT Investments	0.0	0.0	0.0	0.0
Inventories	0.8	0.9	0.8	0.7
<i>% of revenue</i>	592.3%	166.7%	65.1%	69.7%
Accounts Receivable	0.0	0.2	0.2	0.1

<i>% of revenue</i>	0.0%	42.6%	14.3%	10.1%
Cash and ST Investments	0.0	0.1	0.1	0.0
<i>% of revenue</i>	15.4%	24.1%	4.8%	2.0%
Other Current Assets	0.1	0.5	0.1	0.2
Total Current Assets	0.9	1.8	1.1	1.0
Other Assets	0.0	0.0	0.0	0.0
Total Assets	1.1	1.9	1.1	1.0
Liabilities & Shareholder's Equity				
Equity & Minorities	-0.9	-3.0	-5.0	-4.2
LT Debt	0.1	0.2	0.3	0.0
Other LT Liabilities	0.0	0.0	0.0	0.0
Total LT Liabilities	0.1	0.2	0.3	0.0
ST Debt	1.3	3.6	4.7	3.9
Accounts Payable	0.3	0.7	0.5	1.0
<i>% of COGS</i>	246.2%	125.9%	42.9%	104.0%
Other ST Liabilities	0.2	0.3	0.6	0.2
Total Current Liabilities	1.8	4.6	5.8	5.1
Total Liabilities	1.9	4.8	6.1	5.1
Total Liabilities & Shareholder's Equity	1.1	1.9	1.1	1.0

- Moving on to the company's historical annualized balance sheet, when we analyze the fixed assets versus the revenues, we see that the percentage has evolved from 0.79% to 0.00%
- Its receivables of \$0.1 million are about 10.10% of the top-line. American Rebel has close to \$0.02 million in terms of liquidity i.e., cash and short-term investments.
- On the other hand, its payables for 2021 account for around 104.04% of the cost of goods sold.

Other Metrics	2018	2019	2020	2021
Total Cash Dividends Paid	0.00	0.00	0.00	0.00
% growth		NA	NA	NA
Total Common Shares Outstanding	30	43	1	2
% change		44.0%	-97.9%	75.8%
Dividend Per Share	0.00	0.00	0.00	0.00
% change		NA	NA	NA

Operating Ratios	2018	2019	2020	2021
Receivables Turnover	NA	2.3	7.0	9.9
Days Receivable	NA	155.5	52.1	36.9
Inventory Turnover	0.1	0.4	1.2	1.2
Inventory Days	4684.2	864.5	315.1	310.9
Payables Turnover	0.2	0.6	1.8	0.8
Days Payable	1946.7	653.2	207.5	464.1
Fixed Asset Turnover	1.0	7.7	126.0	NA
Total Asset Turnover	0.1	0.3	1.1	1.0

Other Performance Ratios	2018	2019	2020	2021

April 18, 2022

Return on Assets	-190.5%	-404.3%	-529.2%	-628.9%
Return on Equity	229.9%	257.6%	119.4%	146.3%

April 18, 2022

- The company does not pay any dividend.
- American Rebel's total common shares outstanding have increased in 2021 by 75.82% implying a share issuance.
- The receivables turnover helps quantify a company's effectiveness in collecting the money owed by clients and demonstrates how well it uses and manages the credit it extends to customers.
- As per the days receivable, the company takes an average period of 36.9 days to collect money from its clients which appears to be reasonable.
- The inventory turnover shows the number of times a given company has sold and replaced inventory during the year and is an indicator of how many days of working capital is blocked in inventory.
- As per the inventory days ratio, American Rebel holds an average inventory of 310.9 days which appears to be on the higher side and blocking its working capital.
- The accounts payable turnover is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. It shows how many days of credit a company gets from its suppliers.
- As per the days payable, the company takes an average period of 464.1 days to pay off its creditors which appears to be reasonable.
- The fixed asset turnover ratio measures how well a company generates sales from its tangible as well as intangible fixed assets. The higher the ratio, the greater the company's efficiency to its assets to generate revenues.
- American Rebel's fixed assets turnover ratio of NA has increased in 2021 indicating that the company is generating greater revenues from its fixed assets.
- The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues.
- American Rebel's total assets turnover has decreased to 1.02 in 2021. Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders' equity.
- The company's overall Return on Assets is -628.87%. American Rebel's Return on Equity is 146.28%. The company's Return on Equity is higher than its Return on Assets and this is because it uses debt to maximize shareholder returns.

Particulars	2019	2020	2021	2022E	2023E	2024E
Revenues	0.5	1.3	1.0	5.0	10.9	21.0
% growth		133.3%	-21.4%	410.0%	116.7%	91.9%
Cost of Goods Sold	0.4	1.0	0.8	3.5	5.9	10.7
% of revenue	70.4%	75.4%	81.8%	68.5%	53.9%	51.0%
Gross Income (excl. D&A)	0.2	0.3	0.2	1.6	5.0	10.3
% of revenue	29.6%	24.6%	18.2%	31.5%	46.1%	49.0%
EBITDA	-1.7	-5.9	-2.8	-1.6	0.3	4.4
% of revenue	-305.6%	-471.4%	-279.8%	-31.9%	3.1%	20.9%
Depreciation & Amortization	0.1	0.1	0.0	0.0	0.0	0.0
EBIT	-6.0	-3.7	-4.0	-1.6	0.3	4.4
% of revenue	-1111.1%	-292.9%	-408.1%	-31.9%	3.1%	20.9%
EBT (GAAP)	-7.6	-6.0	-6.1	-3.8	-1.9	2.2
% of revenue	-1407.4%	-474.6%	-616.2%	-75.5%	-17.0%	-16.8%
Net Income (GAAP)	-7.6	-6.0	-6.1	-3.8	-1.9	2.2
% of revenue	-1407.4%	-474.6%	-616.2%	-75.5%	-17.0%	10.4%
Earnings Per Share (GAAP)	-0.23	-7.83	-4.85	-2.17	-0.96	1.03

Particulars	2019	2020	2021	2022E	2023E	2024E
Net Income (GAAP)	-7.6	-6.0	-6.1	-3.8	-1.9	2.2
+ Depreciation & Amortization	0.1	0.1	0.0	0.0	0.0	0.0
+/- Working Capital, Deferred Taxes & Other Adjustments	5.4	4.0	5.3	2.9	2.1	2.0
Cash Flow from Operations	-2.2	-2.0	-0.9	-0.9	0.3	4.2
% of EBITDA	132.1%	33.2%	30.7%	55.0%	83.1%	95.5%
Net Capex	0.0	0.0	-5.0	-6.0	0.0	0.0
% of revenues	0.0%	0.0%	505.1%	118.8%	0.0%	0.0%
Other Investment Cash Flow items	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow after Investments	0.0	0.0	-5.0	-6.0	0.0	0.0

Free Cash Flow	-2.2	-2.0	-5.9	-6.9	0.3	4.2
-----------------------	-------------	-------------	-------------	-------------	------------	------------

Growth & Margins	2019	2020	2021	2022E	2023E	2024E
Sales Growth		133.3%	-21.4%	410.0%	116.7%	91.9%
EBITDA Margin	-305.6%	-471.4%	-279.8%	-31.9%	3.1%	20.9%
EBIT Margin	-1111.1%	-292.9%	-408.1%	-31.9%	3.1%	20.9%
Net Profit Margin	-1407.4%	-474.6%	-616.2%	-75.5%	-17.0%	10.4%

Leverage Ratios	2019	2020	2021	2022E	2023E	2024E
Net Debt	4	5	4	11	10	6
Net Debt/ Equity	-1.3	-1.0	-0.9			
Net Debt/ EBITDA	-2.2	-0.8	-1.4	-6.7	30.5	1.4

April 18, 2022

- Now let us move on to Baptista Research's forecasts for American Rebel's income statement and cash flows. We forecast a top-line growth of 10.0% for 2021, around 689.3% for 2022, and about 91.9% for 2023.
- We forecast a top-line growth of 410.0% for 2022, around 116.7% for 2023, and about 91.9% for 2024. This growth is expected to translate into an EBITDA of \$-1.611 million in 2022 with a margin of -31.91%
- American Rebel's EBIT margin is expected to be -31.91% in 2022, about 3.14% in 2023, and 20.90% in 2024.
- Our estimate for the company's Net Income (GAAP) is \$-3.811 million implying a net margin of -75.48% and resulting in an earnings per share of \$-2.17. We expect the growth to follow a similar trend in 2023 and 2024.
- American Rebel's Net Debt is expected to increase in 2022 and is expected to follow a similar trend over the coming years.
- The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
- American Rebel's Net Debt-to-EBITDA ratio is expected to be -6.68 in 2022 which indicates that the company is not leveraged.
- Net-Debt-to-Equity ratio, also known as the gearing ratio shows how encumbered a company is with its debt.
- The company's Net Debt-to-Equity ratio for 2021 is -0.93 and it indicates that the company has no gearing.

DISCOUNTED CASH FLOW (DCF) VALUATION

Key DCF Assumptions

WACC	30.6%
CoD	47.0%
CoE	7.4%
Market Rate	6.0%
Risk Free Rate	1.6%
Beta	0.97
Perpetual Growth Rate (g)	13.9%
Terminal Value	25
Tax Rate	0.0%

- For the purpose of carrying out the discounted cash flow valuation of American Rebel, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years. The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 1.60%.
- The company's stock is less volatile than the market as a whole and has a beta of 0.97 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 7.4% which appears reasonable for a company like American Rebel.
- Based on the company's long-term debt and interest payments, the cost of debt is 47.0%. After incorporating the CoE and the CoD and average tax rate of 0.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 30.6%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 3.2 to our forecasted revenues of 2024.

EV and Market Cap	Current	2022E	2023E	2024E
Price (\$)	1.5	5.0	6.4	11.7

Outstanding Number of shares (million)	4.7	4.7	5.2	5.2
Total Market Cap (billion)	6.97	23.50	33.12	60.57
Net Debt	4	11	10	6
Enterprise Value (billion)	10.85	34.27	43.60	66.86

- After applying the discount rate (WACC) of 30.6%, we arrive at a price target of \$5 for 2022.
- Our target price at the end of 2023 is \$6.4 and for 2024 is \$11.7 which implies a total appreciation of nearly 400% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 15.24 and 127.

Valuation Ratios	Current	2022E	2023E	2024E
EV/ Sales	11.0	6.8	4.0	3.2
EV/ EBITDA	NA	NA	127.0	15.2
Price/Earnings	NA	NA	NA	27.7

KEY RISKS

- It is important to highlight the key risks associated with an investment in American Rebel as well as the inherent risks associated with the financial projections and price forecasts presented in this report.
- One of the biggest risks that the company is facing currently is the ongoing impact of COVID-19 around the world, because of which the stock markets in general could be affected. American Rebel's research and operations could be affected materially given the rapidly spreading Omicron variant.
- To accommodate growth and compete effectively, the company will need working capital to have adequate funds to carry out subscriber additions and increase, train, motivate and manage its work force.
- The management may be unable to successfully implement and execute their business strategies, operating plans and growth initiatives. In case the management fails to manage their growth and organizational change effectively, it may harm their business and the results of operations.
- American Rebel has a certain level of dependence on third-parties for components as well as for the growth and scale up of the company. Therefore, any change in contractual relationships or disruption of service provided by these third-party service providers may adversely affect them and subject them to liability.
- Proper utilization and protection of their intellectual property and non-infringement of third parties' intellectual property within the U.S. and other countries where American Rebel plans to expand are vital for their business to succeed.
- There could be a possible dilution and loss of value of their equity shares because the company might require regular infusion of funds through equity issuances for funding their losses until they break even.
- The inability to obtain sufficient quantities of raw materials and components, including casings, primers, gun powder, projectiles, and brass necessary for the production of American Rebel's products could result in reduced or delayed sales or lost orders. Any delay in or loss of sales or orders could adversely impact its operating results.
- Many of the materials used in the production of American Rebel's products are available only from a limited number of suppliers. The company might not have long-term supply contracts with any suppliers. As a result, they could be subject to increased costs, supply interruptions, and difficulties in obtaining raw materials and components.
- If the management fails to raise additional capital, they may need to reduce, defer, curtail or cease their operations, including the product design, development, and marketing.
- American Rebel's ability to continue as a going concern is contingent upon the ability to raise additional capital through the sale of securities and incurrence of debt. Additionally, the future capital requirements of the company depend on many factors including the rate of revenue growth, selling price of the products and research and development efforts which raise substantial doubt about the company's ability to continue as a going concern.

April 18, 2022

- American Rebel operates in a highly competitive environment and faces competition from many large players with tremendous resources in the safe manufacturing as well as the backpacks and apparel space. It will be difficult for the company to compete with its limited financial resources.
- It is worth highlighting that the extent to which Covid-19 impacts the financial results of the company is highly uncertain and could significantly disrupt the operations including sales, manufacturing and supply chain-related activities. It could also result in social, economic, and labor instability in the countries where the customers and suppliers operate.
- With respect to our price projection, we would like to clarify that the valuation of American Rebel in this report is specific to the date of the analysis i.e., 18-04-2022.
- Another one of the biggest risks to American Rebel's model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of American Rebel in this report is specific to the date of the analysis i.e., 18th April 2022.
- We must emphasize that the projected valuation and the share price of American Rebel are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

April 18, 2022

DISCLOSURES

This report has been prepared and distributed by Baptista Research ("Baptista Research", "its", "our"), the research arm of Salesparq, LLC in collaboration with Baptista Research and it is for informational purposes only and does not constitute an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any transaction. Key statistical data, historical data, and price-volume information is sourced from the sources mentioned above which are considered reliable sources. This report is based on publicly-available information about the featured company(s) which Baptista Research considers reliable, but Baptista Research does not represent that it is accurate or complete, and it should not be relied upon as such. All information contained in this report is subject to change without notice. The forward-looking information in the analysis is based on subjective assessments about the future, which constitutes a factor of uncertainty. Baptista Research cannot guarantee that forecasts and forward-looking statements will materialize. Investors shall conduct all investment decisions independently. This analysis is intended to be one of a number of tools that can be used in making an investment decision. All investors are therefore encouraged to supplement this information with additional relevant data and to consult a financial advisor prior to an investment decision. Accordingly, Baptista Research accepts no liability for any loss or damage resulting from the use of this analysis.

This report is not disseminated in connection with any distribution of securities and is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This report neither constitute a personal trading recommendation nor take into account the particular investment objectives, financial situation or needs of the recipients of this report, and does not provide all of the key elements for any user to make an investment decision. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable, appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to any party. Baptista Research does not offer advice on the tax consequences of investment and readers are advised to contact an independent tax adviser. Recipients should consider whether any information in this report is suitable for their particular circumstances, review the company's filings and, if appropriate, seek professional advice, including tax advice.

Investors need to be aware of the high degree of risk in small-cap, mid-cap, and micro-cap equities. The price per share and trading volume of the company(s) in this report may fluctuate and Baptista Research is not liable for these inherent market fluctuations. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Baptista Research and its owners, analysts, employees, contractors or interns accepts no liability whatsoever for any direct or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by the recipients of this report, arising out or in connection with the access to, use, misuse of or reliance on any information contained in this report.

Baptista Research is an equity research focused firm but it is not a FINRA registered broker/dealer or investment advisor and does not provide investment banking services. Baptista Research and its owners, analysts, employees, contractor or interns do not have any long/short equity position of the shares of the companies covered in this report. It is worth highlighting that Baptista Research has been hired by third parties engaged by the company covered in the report as a part of their online awareness and visibility program, of which this report is a part, for which Baptista Research has been duly compensated. Baptista Research has a restrictive policy relating to personal dealing and conflicts of interest. Baptista Research does not receive any equity securities from the featured companies nor do its owners, analysts, employees, contractors or interns. Further, its owners, analysts, employees, contractors or interns do not engage in purchasing or selling the securities of any featured companies at any period beginning 72 hours following the public release of the report and until at least 72 hours after the report is released to general public, via electronic distribution.

April 18, 2022

This report may not be altered, copied, reproduced, redistributed or published in electronic, paper or other form for any purpose without the prior written consent of Baptista Research. Baptista Research and its owners, analysts, employees, contractor and interns accept no liability whatsoever for any direct, indirect or consequential loss arising from any inaccuracy herein or from any use of this report or its contents.

Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will attract penalty. Baptista Research and its owners, analysts, employees, contractors or interns accepts no liability whatsoever for the actions of third parties. Baptista Research and its owners, analysts, employees, contractors or interns makes no representations or warranties whatsoever as to the data and information provided in any third party referenced website and shall have no liability or responsibility arising out of, or in connection with, any such referenced website. Accessing third party portal or website is at your own risk. Additional information regarding this research publication will be furnished upon request.