

February 22, 2021

BOOMER HOLDINGS (OTCQB: BOMH)

BUSINESS DESCRIPTION

Founded in 2019, Boomer Holdings, through the operating company Boomer Naturals and with divisions that include Boomer E-Commerce, Boomer Wholesale, and Boomer Vietnam, provides solutions aimed at improving people's well-being and quality of life. The company has established a strong sales distribution network across multiple channels. The company's products are available through its own website as well as through a retail store in Las Vegas, and in CVS stores across the United States. Boomer has also established a wholesale channel to sell its products through venues such as resorts, golf shops, chiropractic offices, specialty stores, and nail salons.

In January 2020, Boomer entered into a trademark license and royalty agreement with Tommy Bahama Group to produce a co-branded line of wellness products sold at Tommy Bahama stores and online. However, the COVID-19 pandemic caused Tommy Bahama to temporarily close stores and delay e-commerce marketing initiatives.

This disruption to the business due to the COVID-19 pandemic prompted Boomer to diversify its product offerings. By leveraging relationships in Vietnam, Boomer entered into an exclusive North American distribution agreement with a South Vietnamese manufacturer of silver-infused face covers. The agreement enabled Boomer to enter the market for high-quality face masks, which were seeing surging demand due to the pandemic, and aligned well with its focus on health and wellness. It also gave Boomer access to a large inventory that enabled an immediate rollout of a broad product line.

The extended PPE product line includes N95 and KN95 respiratory masks, as well as other models that feature nano-silver technology and meet WHO and CDC standards. The line also includes hand sanitizer, safety gloves, nano-silver gaiters, single-use masks, ear savers, face shields, and safety glasses. Boomer Naturals estimates a total addressable market of \$8.6 billion for its PPE products, or about 67% of the overall \$13 billion North American PPE market (as estimated by Arizton and McKinsey). Based on recent company polling, Boomer believes that its the PPE brand supports premium pricing, which could help to maintain sales well after the peak of the pandemic.

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KEY STATISTICS

Key Stock Statistics

Recent price (2/19/21)	\$0.58
52 week high/low	\$5.01-\$0.34
Shares outstanding (M)	155.3
Market cap (M)	90.1
Dividend	Nil
Yield	Nil

Sector Overview

Sector	Consumer Discretionary
Sector % of S&P 500	12.9%

Financials (\$M)

Cash & Mkt Securities	0.3
Debt	6.3
Working Capital (\$M)	-3.3
Current Ratio	0.8
Total Debt/Equity (%)	NM
Payout ratio	NM
Revenue (M) TTM	40.1
Net Income (M) TTM	NM
Net Margin	NM

Risk

Beta	NA
Inst. ownership	0%

Valuation

P/E forward EPS	NA
Price/Sales (TTM)	2.2
Price/Book (TTM)	NA

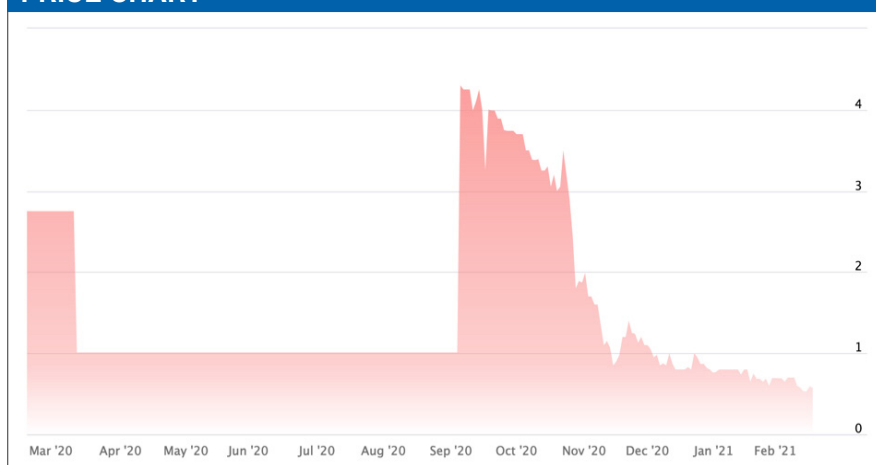
Top Holders

NA
NA
NA

Management

CEO	Mr. Michael Quaid
COO	Ms. Giang Thi Hoang
VP of Sales	Mr. Russell Wong
Company website	www.boomernaturals.com

PRICE CHART



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Given its commercial success and access to quality products from Vietnam, Boomer is focused on building an e-commerce platform to support an expanded product line and drive repeat orders. The company expects to add more than 100 new products in calendar 2021 and to expand its direct-to-consumer (DTC) customer base to the millions from approximately 200,000 today. Boomer expects to grow e-commerce revenues to more than \$50 million by the end of the fiscal year ending January 31, 2022.

The company has also built a wholesale network for its products. Since mid-2020, Boomer has generated wholesale revenue of more than \$30 million from sales to CVS Health, Aetna Insurance, UNFI, Foxwoods, and Tommy Bahama. This network also includes sales to Scrip/Hessco, which serves more than 60,000 chiropractors, massage therapists, physical therapists, and home health organizations. Boomer expects wholesale revenues to reach approximately \$50 million by the end of the fiscal year ending January 31, 2022.

In recent years, Vietnam has become one of the largest and fastest-growing economies in Asia, and an emerging manufacturing hub, increasing exports to the United States at 20%-30% per year. To capitalize on this rapid growth, Boomer recently established a Boomer Vietnam division. The division seeks to leverage its strong relationships with Vietnamese manufacturers and logistics companies to help other companies manufacture products in Vietnam. Boomer Vietnam receives consulting fees and referral commissions for making introductions and facilitating transactions. Boomer projects revenues from this division of approximately \$7 million by the end of the fiscal year ending January 31, 2022.

COMPETITIVE ADVANTAGE

In our view, Boomer Holdings has established a robust product portfolio and commercial infrastructure in a very short time. It has also aggressively invested in marketing in an effort to build its brand and drive consumer traffic to its website, as well as to the sites of its retail partners. In addition, the company has worked to educate consumers about the benefits of the silver-infused technology embedded in the protective mask line, which should help it to launch additional products utilizing this technology.

Boomer has recently expanded its relationships with Vietnamese manufacturers by introducing a line of silver-infused apparel, bedding, bath, and kitchen products. In addition, it has announced plans to import coffee from Vietnam — the second-largest coffee producer in the world — to the United States. We believe that these new product categories will more than offset eventual declines in face mask revenue on the other side of the pandemic, and will account for most of the company’s future e-commerce sales.

To meet the expected demand for products through its e-commerce channel and facilitate the diversification of its product line, Boomer has tripled its inventory and warehousing capacity since April 2020 – and has the financial resources to expand further. We note that the company has also invested in a full array of e-commerce capabilities, including procurement, marketing, logistics, shipping, web development, and customer service.

In our view, the Boomer Botanicals product line (sold through the Boomer Naturals division) is well positioned to compete with cannabidiol (CBD) products (a \$4.7 billion market based on an estimate from the Brightfield Group). Boomer Botanicals’ proprietary formulation differs from CBD in that it includes a variety of terpenes that are “Generally Recognized as Safe” (GRAS) by the FDA. We believe that this distinction allows for broader national advertising and promotion, both on television and social media platforms, than products with regulated ingredients. Like CBD products, Boomer Botanicals are designed to alleviate symptoms associated with physical, mental, and emotional health challenges and are available in multiple formats, including roll-ons, tinctures, oils, creams, and gummies.

On the international front, the company benefits from its relationships with manufacturers in Vietnam, thus avoiding potential trade issues with suppliers in China. Although it does not yet sell its products internationally, it has obtained certificates of free sale that will allow it to export products to more than 20 countries. It is also in discussions with local distributors in multiple countries. As such, we think that Boomer Naturals is well positioned to expand globally over the next several years.

The company has shown a commitment to corporate social responsibility, which we think will reinforce its brand reputation. It has donated nano-silver face masks to organizations serving veterans and the homeless, as well as to healthcare/nursing facilities and other nonprofits. It has pledged to donate one mask for each online order, which has thus far resulted in the donation of more than 300,000 masks.

ANALYST COMMENTARY: EARNINGS

In December 2020, Boomer Holdings reported results for the quarter ended October 31, 2020. Revenue rose to \$28.8 million, up from just \$174,000 a year earlier, and net income rose to \$7.4 million, compared to a loss in the prior-year quarter. The 1Q gross margin improved to 68% from 51%, helped by sales of PPE products. Over the next 3-5 years, we see potential for Boomer to grow revenues in excess of 20% annually, and to expand gross margin beyond 70%, as it works to maintain a healthy sales mix between the direct-to-consumer channel — featuring many products with margins in the 80% range — and the wholesale channel.

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PEER COMPARISON											
Company	Ticker	Recent Price (\$)	52-Week High (\$)	52-Week Low (\$)	Mkt. Cap (\$MIL)	1-yr Price Change (%)	1-yr Rev Growth (%)	1 YR EPS Growth (%)	P/E Ratio	Beta	Yield (%)
Boomer Holdings	BOMH	0.58	5.01	0.34	90	NA	NA	NA	NA	NA	NA
CV Sciences Inc.	CVSI	0.83	1.27	0.25	83	-10	11	NM	NA	0.93	NA
LifeVantage Corp.	LFVN	8.82	17.09	7.75	125	-40	3	58	11.7	1.42	NA
cbdMD Inc.	YCBD	4.45	6.83	0.5	233	288	77	NM	NM	1.79	NA

For the fiscal year ending January 31, 2021, Boomer Holdings expects revenue of \$100-\$125 million and net income of \$22-\$28 million. We view the company as well positioned to generate double-digit revenue growth and to remain profitable despite its substantial investment in future growth.

Boomer Holdings current market cap of \$90 million is below the low-end management's fiscal 2021 revenue guidance range of \$100-\$125 million. We do not believe that this valuation adequately reflects the company's strong commercial results and future positioning and note that many of Boomer's small-cap comparable companies in the wellness and CBD categories trade at valuations higher than 4-X revenues, despite most being unprofitable. As such, we expect the valuation to improve as Boomer Naturals executes its business plan, maintains and expands profitability, and diversifies its product line beyond PPE.

MANAGEMENT

Mike Quaid joined Boomer Naturals as CEO in 2019. He was previously the co-owner and managing director of Typhoon FX trading platforms, which was sold in September 2018. Before Typhoon, Mr. Quaid was the managing partner of Chicago-based trading firm KC CO II, the head of European Derivatives for S.G. Warburg in London, and

an auditor for Arthur Young & Company. He graduated from Millikin University with a degree in accounting and received an MBA from the Kellogg School of Business at Northwestern University.

RECENT DEVELOPMENTS

Over the past three months, Boomer has continued to expand North American distribution of its PPE products. In its December 2020 earnings report, the company said that it had entered into a mask distribution deal with the Chevron Terrible Herbst network of gas stations and convenience stores in Nevada, with more than 100 locations. It has also partnered with Core-Mark, a North American convenience store marketer. The company also sells its products at more than 7,000 CVS stores.

In December 2020, Boomer Holdings uplisted to the OTCQB Venture Market. We expect it to prepare for an uplist to a national exchange in calendar 2021. To that end, Boomer Holdings recently amended its fiscal year-end to January 31 from July 31, which we expect to facilitate the filing of SEC documentation related to the timeliness of its financial statements. The company has also been conducting regular quarterly earnings calls with investors in order to meet regulatory requirements.

Steve Silver

INCOME STATEMENT

Growth Analysis (\$MIL)	2019	Q1 2020	Q2 2020	Q3 2020
Revenue	0.4	1.2	9.8	28.8
Gross Profit	0.3	0.5	6.8	19.6
G&A	3.6	2.4	17.1	11.6
R&D	0.0	0.0	0.0	0.0
Operating Income	-3.3	-1.9	-10.3	8.0
Interest Expense	0.1	0.1	0.2	0.5
Pretax Income	-3.4	-2.0	-10.5	7.5
Tax Rate (%)	NA	NA	NA	NA
Net income	-3.4	-2.0	-10.5	7.5
Diluted Shares	180	NA	NA	NA
EPS	-0.02	-0.02	-0.08	0.05
Dividend	NA	NA	NA	NA
Growth Rates (%)				
Revenue	NA	NA	NA	NA
Operating Income	NA	NA	NA	NA
Net Income	NA	NA	NA	NA
EPS	NA	NA	NA	NA
Valuation Analysis				
Price (\$): High	NA	NA	NA	NA
Price (\$):Low	NA	NA	NA	NA
PE: High	NA	NA	NA	NA
PE: Low	NA	NA	NA	NA
PS: High	NA	NA	NA	NA
PS: Low	NA	NA	NA	NA
Yield: High	NA	NA	NA	NA
Yield: Low	NA	NA	NA	NA
Financial & Risk Analysis (\$MIL)				
Cash	0.3	0.1	4.2	0.3
Working Capital	0	-1.9	-11.0	-3.3
Current Ratio	1.0	0.4	0.5	0.8
LTDebt/Equity (%)	NM	NM	NM	NM
Total Debt/Equity (%)	NM	NM	NM	NM
Ratio Analysis				
Gross Profit Margin	64.0%	37.3%	69.9%	67.9%
Operating Margin	NM	NM	NM	27.7%
Net Margin	NM	NM	NM	26.0%
Return on Assets (%)	NA	NA	NA	NA
Return on Equity (%)	NA	NA	NA	NA
Op Inc/Int Exp	NA	NA	NA	NA
Div Payout	NA	NA	NA	NA

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