



09/29/2020: Ammo, Inc. (POWW): Company Notes Record \$80.1M Backlog

POWW, our favorite high-tech ammo manufacturer, [reported Monday](#) the company's highest **ever** order backlog ... **\$80.1M**.

These are *actual* purchase agreements with commercial vendors, military/government buyers and law enforcement agencies. Not handshakes.

The news sent the shares, well, nowhere. Shares traded **down** 2.53% on Monday before reversing nearly 8% today (hovering around \$2.44 as of writing). In what world besides OTC Markets does a company release great news like this only to end the day 2.53% lower in market cap?

It doesn't make sense. Luckily for us, we have time to take advantage of the news and capture Mr. Market's pocket of inefficiency. Let's break down what this news means for POWW and its valuation over the next five years.

Why The Backlog Increased To \$80.1M

We're living in tumultuous times to say the least. Riots in the streets. Police precincts burned to the ground. Retail stores demolished and pillaged. What are people turning to? Guns and ammo.

Here's a snippet from POWW's PR release (emphasis mine):

*"The National Shooting Sports Foundation (NSSF) tracks the background checks associated with the sale of a firearm based on the FBI's National Instant Background Check System (NICS). **NSSF-adjusted NICS checks for January through July 2020 were a record 12.1 million, which is up 72%.** Nearly 5 million of the record 12.1 million background checks are reported to be first-time gun owners."*

Each new gun-owner represents a potential new POWW customer. And POWW's ammunition is perfect for home defense.

How long will this demand sustain itself? Hard to tell. A hint of a Democratic president sends *most* gun-owners into panic with fear of increased regulations, restrictions on what guns you can buy *and* how much ammo you can purchase. But that's in a *normal* geopolitical environment.

Add in today's riots and protests who knows how high and how long this demand can sustain.

What This Means For POWW's Valuation

POWW trades <1.5x its current \$80.1M order backlog. That seems *very cheap* given the company's 3YR historical revenue growth numbers:



- 2018: 101%
- 2019: 71%
- 2020: 240%

CEO Fred Wagenhals also reaffirmed the company's guidance of **positive** adjusted EBITDA by next fiscal Q2.

But given the updated backlog, what's the probability POWW reaches \$100M in revenue by 2025? They would need roughly 48% 5YR revenue CAGR to hit that figure.

And if they *do* hit \$100M in sales, how would you value the company? Let's think about what a larger player would pay for POWW (mainly because I think this is the most logical future scenario). 3-5x sales for a soon-to-be profitable highly-specialized ammo manufacturer with 30% gross margins and a diehard fan base sounds low. But let's use that.

At 3.5x 2025 sales you're looking at a \$350M company (vs. \$118M market cap today). That's over \$4/share in shareholder value.

Concluding Thoughts

The future remains unseen, but POWW continues to execute on its gameplan in the present. We're extremely bullish about the company and would love to add more around this level if we can.

We're working to get a Macro Ops exclusive interview with founder/CEO Fred Wagenhals. We'll let you know once we have more updates.