

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



3QF26 Earnings Update



AXIL Brands, Inc.

(NYSE American: AXIL)

Report Date: 04/14/26

12- 24 month Price Target: \$14.25

Allocation: 4

Closing Stock Price at Initiation (Closing Px: 01/30/26): \$6.81

Closing Stock Price at This Update (Closing Px: 04/14/26): \$7.20

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Disclosure: Portions of this report are excerpted from AXIL Brand's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

For Q3F26 Axil reported revenues of \$7.3 million and pre-tax net income of \$267,352. Those results compare to our estimate of \$9.1 million and \$1.5 million respectively. Further, Operating Expenses came in at \$4.83 million versus our estimate of \$4.68 million. In that regard, much of the added opex was in Sales and Marketing, which as we understand it, was related to displays and marketing associated with new retail sites. That noted, we clearly missed revenue significantly, which in turn led to the earnings miss. However, we will revisit a few items we highlighted in our initiating coverage of 02/02/26 that we think are topical to the quarter, but more importantly the path forward as we see it.

To briefly revisit our thesis from the initiating coverage, Axil has historically marketed and sold its products online directly to consumers (“B2C”). While that history has included some challenges, which in some periods resulted in lumpy comparable results, the Company has been largely consistently profitable and has managed to continue to grow the brand and associated business through active product innovation on various fronts. We addressed much of that in the initiating coverage, so we would encourage those new to the story to review that analysis. That said, over the past 18 months or so, the Company has managed to add new distribution arrangements with several notable specialty retailers including BassPro, Sheels, Sportman’s Warehouse (Nasdaq: SPWH) and others. Further, those efforts have included the addition of major warehouse retailer, Costco Wholesale Corporation (Nasdaq: COST), the world’s largest retailer, Walmart Inc. (Nasdaq: WMT), and most recently The Home Depot, Inc. (NYSE:HD).

Succinctly, we believe these new physical points of sale will drive brand awareness and customer acquisition resulting in new legs of incremental revenue and profitability. However, and this ties with our revenue miss for the quarter, the pace at which the Company’s products will be added to store shelves, as well as the number of sku’s added by one retailer or another, is difficult to assess at this stage. Obviously, we expected that cadence for 3QF26 to be faster than it was. To that end, we expect that visibility to improve as subsequent filings provide new data points. In the meantime, here are some brief high-level items that continue to shape our expectations.

First, those familiar with consumer product companies will recognize that getting on the shelf at Walmart is not easy. We submit, it does not guarantee success, but generally speaking, companies have to do some things right to end up there. Perhaps more specifically, we believe many of the large retailers look to the success products garner initially through online channels as an indication of how they may also sell through on retail shelves. We believe Axil’s demonstrated direct to consumer success building the brand has led to these new distribution opportunities.

Second, to reiterate, these new points of retail distribution do not guarantee success. For instance, it is certainly reasonable to speculate that a sale in Walmart may come at the expense of a sale online. That sort of cannibalization could make the Company’s new direction a zero-sum game. That is not our expectation here, as we believe these new points of sale will increase brand awareness and ultimately customer acquisition *across all channels*. That is a path we have seen play out in other names.

Third, as our initiating coverage attempts to delineate, we think product innovation has been one of Axil’s telling strengths. That innovation has included multiple form factors, new/improved functionality, sku breath including a range of price points, relatively short (18 months or so) nextgen cycles and others. We think that is paramount to their success, as it drives brand loyalty and repeat customers.

Fourth, Axil cut its teeth in the hunting/shooting vertical. We expect them to work to defend that beachhead. However, they clearly have their eyes set on other verticals as well. For instance, they have initiatives aimed at “noisy events” such as NASCAR and Monster Jam. Here again, our view is that their new retail presence may open the door to other new verticals, as well as supporting those on the board.

To summarize, we submit, the visibility around the breadth and the cadence of these new points of distribution is currently challenging. Our revenue miss for 3QF26 illustrates that point and we have made some modifications to our model in that regard. However, as these initiatives roll out, visibility should improve considerably. Further, we expect them to add new layers of business that we think will provide new legs of growth and profitability that will speak to higher intrinsic valuations, that should translate into higher share prices. As a result, despite getting out over our skies with our 3QF26 estimates, our thesis remains intact. We reiterate our allocation of 4 and our 12-24 month price target of \$14.25.

Projected Operating Model

AXIL Brands, Inc.						
Projected Operating Model						
Prepared by Trickle Research						
	Actual	Actual	Actual	Estimate	Estimate	Estimate
	08/30/25	11/30/25	02/28/26	05/31/26	Fiscal 2026	Fiscal 2027
Sales, net	\$6,856,218	\$ 8,134,859	\$ 7,294,030	\$ 9,125,000	\$ 31,410,107	\$ 41,761,129
Cost of sales	2,221,284	\$ 2,598,622	\$ 2,252,209	\$ 3,051,840	\$ 10,123,955	\$ 14,231,170
Gross profit	4,634,934	\$ 5,536,237	\$ 5,041,821	\$ 6,073,160	\$ 21,286,152	\$ 27,529,960
OPERATING EXPENSES:						
Sales and marketing	2,785,869	\$ 3,125,270	\$ 3,371,228	\$ 3,077,500	\$ 12,359,867	\$ 13,046,558
Compensation and related taxes	204,528	\$ 336,990	\$ 421,766	\$ 348,125	\$ 1,311,409	\$ 1,524,028
Professional and consulting	799,514	\$ 676,730	\$ 601,583	\$ 732,500	\$ 2,810,327	\$ 3,035,223
General and administrative	433,285	\$ 494,176	\$ 433,005	\$ 469,000	\$ 1,829,466	\$ 2,002,267
Total Operating Expenses	4,223,196	\$ 4,633,166	\$ 4,827,582	\$ 4,627,125	\$ 18,311,069	\$ 19,608,076
INCOME FROM OPERATIONS	411,738	\$ 903,071	\$ 214,239	\$ 1,446,035	\$ 2,975,083	\$ 7,921,883
OTHER INCOME (EXPENSE):						
Gain on settlement		\$ -	\$ -	\$ -	\$ -	\$ -
Other income	1,318	\$ 3,746	\$ 21,816	\$ -	\$ 26,880	\$ -
Interest income	37,579	\$ 32,485	\$ 32,732	\$ 34,445	\$ 137,241	\$ 228,991
Interest expense and other finance charges	-1,283	\$ (1,304)	\$ (1,435)	\$ -	\$ (4,022)	\$ -
Other income (expense), net	37,614	\$ 34,927	\$ 53,113	\$ 34,445	\$ 160,099	\$ 228,991
INCOME BEFORE PROVISION FOR INCOME TAXES	449,352	\$ 937,998	\$ 267,352	\$ 1,480,480	\$ 3,135,181	\$ 8,150,874
Provision (benefit) for income taxes	115,058	\$ 233,115	\$ 64,306	\$ 310,901	\$ 723,380	\$ 1,711,684
NET INCOME	\$334,294	\$ 704,883	\$ 203,046	\$ 1,169,579	\$ 2,411,802	\$ 6,439,191
Deemed dividend on preferred stock buyback		\$ -	\$ -	\$ -	\$ -	\$ -
Net income available to common shareholders		\$ 704,883	\$ 203,046	\$ 1,169,579	\$ 2,077,508	\$ 6,439,191
NET INCOME PER COMMON SHARE:		\$ -	\$ -	\$ -		
Basic	\$ 0.05	\$ 0.11	\$ 0.03	\$ 0.17	\$ 0.31	\$ 0.97
Diluted	\$ 0.04	\$ 0.09	\$ 0.02	\$ 0.14	\$ 0.25	\$ 0.78
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:						
Basic	6,638,785	6,638,785	6,638,785	6,795,384	6,677,935	6,638,785
Diluted	8,243,025	8,243,025	8,243,025	8,258,341	8,246,854	8,243,025

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\$250 * 4$). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Hold" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.