Trickle Research

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

Fiscal 2026 Earnings Update

AXIL Brands, Inc.

(NYSE American: AXIL)

Report Date: 08/26/26

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: 08/26/26): $6.24

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

For Fiscal 2026 Axil reported revenues of $30.8 million and pre-tax net income of $3.14 million. Those results compare to our estimate of $31.4 million and $3.14 million respectively. For Q4F26, they reflected revenues of $8.6 million versus our estimate of $9.1 million and fully diluted EPS of $.18 compared to our estimate of $.14. Given slightly lower revenues than we forecast, the better bottom line results were certainly a favorable result. On a high level, gross margin ended better than we expected by about 154 basis points. We will discuss some of that more specifically below. Moving down the Operating Statement, Opex was nearly spot on with our estimates (about $100,000 higher) and EPS was impacted (positively) by lower tax expenses (roughly $200,000), which as we understand it, was impacted (positively) by some R&D credits. All in, the numbers tracked well with our estimates.

Looking inside the numbers, and some of the narrative on the call revealed some bullet points that we think are worth providing some added color.

- **Revenue Mix**

Clearly, the current catalyst in AXIL's hearing protection business, is its (major) entrée into retail customers, and those include some of the largest "big box" stores in the U.S. like Walmart, Costco, Home Depot and others. It also includes other retail segments like specialty retail stores (hunting/sporting goods retailers such as Sportsman's Warehouse, Bass Pro/Cabela's etc.) and military channels (Marine Corps Exchange-MCX) among others. That transition/addition has major implications for AXIL, which we will address, but specifically, along the way the Company guided towards being in 6,000 retail locations by the end of Fiscal 2026. We believe they achieved that goal, and they are now guiding to 10,000+ by the end of fiscal 2027 (ended (05/31/2027). To that end, the Company noted on the call and the filings reflect that "*A year ago, roughly four out of every five dollars (80%) we sold went directly to a consumer through our own e-commerce sites and online marketplaces. This year, that figure is closer to two out of three (66%)"*. That is, in our view, a very constructive data point, and it underscores the base we believe they are building to drive revenue growth, which was 17% YoY F26 vs. F25. Perhaps the most encouraging thing about this new channel is that while it is clearly contributing to revenue growth, they are likely in the early innings of fully scaling the space. To that end (and just for reference), ChatGPT estimates that *"the realistically addressable U.S. physical-retail universe for AXIL at roughly 25,000–35,000 locations, with about 15,000–20,000 locations representing particularly strong fits*". Further, from Company CEO Jeff Toghraie:

> *Taking a snapshot of today's customer is not necessarily going to give us a good window as far as where the company is, three months or six months from now. Again, we're trying to acquire customers on a daily basis, and we are very early stage in that process. I think a better question is probably how far is it until we reach market saturation? I think we're very far from that space*.

This is a telling, and in our view, highly positive comment regarding the direction here and it ties to our next bullet point.

- **Brand Awareness**

Management expressed on the call that they believe their products represent "best in class" options for people looking for hearing protection, and maybe more accurately, functionally advanced hearing protection. Certainly, that view (best in class), is at least partly subjective, but even if it is objectively true, we can all likely site examples of great products that failed to gather commercial traction/success. On that point, brand awareness is a necessary component to the success of most consumer products. As we have alluded to in prior research, for a brand that starts primarily online, getting into Walmart, Costco, Bass

Pro/Cabela's, or similar retailers usually signals that the brand has progressed beyond a purely niche direct-to-consumer position. Large retailers generally want evidence of demand, product quality, acceptable margins, inventory support, and some likelihood of sell-through before committing shelf space. In short, we think their ability to get into these retail stores is de facto evidence of AXIL's growing brand awareness.

As an extension to the above, we think there is also a likely "validation effect" from the AXIL brand being seen in 6,000+ retail locations. To edify, we think consumers often implicitly reason that if a product is carried by Walmart or Costco, it has passed some level of commercial screening. That doesn't automatically make AXIL a household name, but it can reduce the perceived risk of buying an unfamiliar brand. Ifthat proves to be valid, AXIL may now be entering a stage where brand awareness could become the biggest incremental driver of growth. The shelf space is increasingly there. The next question becomes whether someone standing in Walmart looking at several hearing-protection products recognizes AXIL, understands why it is different, and chooses it. Succinctly, this is why the retail space rollout is strategically more valuable than just the revenue generated by these store fronts. 6,000+ stores effectively become thousands of physical advertisements for the AXIL brand. Even consumers who do not buy on the first visit start seeing the name. We believe AXIL is gathering brand recognition momentum through its expanded points of sale, which continue to expand. We would add, and they alluded to this on the call, they have done very little to date in international markets, but we suspect some of that is forthcoming. This bullet point ties to the next as well.

- **New Product Introductions**.

Below are a handful of excerpts of the earnings call from CEO Jeff Toghraie around new product introductions that we think are quite telling.

> *We've learned that even if you're using an actual product and you're happy with it, and it's doing great, when you take a new product with new features and looks a little bit nicer and it's newer, given that earbuds are, at this point, hearing protection products are very comparable to what you would use as like AirPods or something that you're using it for other purposes than other than hearing protection. When you see new features and products, we get a very large percentage of customers that are return customers for us. So what we like to see is to have about an 18-month turnaround on new generation products for our flagship items.*

In conjunction with that comment, he also offered the following:

> *XCOR is now entering its third year without a major upgrade, which makes the next generation XCOR especially important in terms of our future growth. We are now on track to release the next generation of our flagship XCOR wireless earbud line, the XCOR 2.0, in September, coinciding with the start of our second quarter. This is a highly anticipated launch with our retail and distribution partners and will be our most significant product introduction of the year. We believe XCOR 2.0 will further differentiate us in both the consumer and professional channels and help drive velocity as we expand our retail footprint… I'm very hopeful, and from what we see as far as feedback from our customers, from our distributors, I think XCOR 2 is going to surpass a lot of expectations in performance, and* ***it's going to open a new set of customers that weren't necessarily previously there for us****. That's our expectation, that's our goal, and if we don't do it with this generation, we'll do it on the third generation.*

There are some important takeaways from these comments. First, they are clearly focused on leveraging their new points of distribution (and growing brand awareness in our view) to introduce new products and associated upgrades that we think should continue to drive new revenue growth. Second, it looks

as if these new products are aimed at new markets (see the **bolded portion** of the comments in the prior paragraph). For instance, the XCOR earbuds are a form factor that we think is the most popular for music and other audio applications. Succinctly, we do not think XCOR2.0 is aimed at hunters and shooting enthusiasts, but we could be wrong. (To that end, we would add that today, 08/26/26, the Company announced they have *"secured initial orders exceeding $2.8 million, with shipments expected in September, reflecting record early demand from retail and distribution partners"*. Clearly, that launch is on schedule, which we think is another positive data point).

Further to the issue of introducing new products…

> *I think (its) really important to note that a part of what we actually created in the last 18 months is the ability that if Walmart wants something or if somebody else has different requirements, we can contour a product and create a product where whatever they're looking for, we can enhance those options and give them something that, at least for their application, is best in class. That took a long process, actually. It wasn't the easiest apparatus to put in place. But we're at a point now that we can actually achieve that level of delivery, which goes to how many stores that we're able to penetrate because they would be in different industry, whether it's manufacturing or construction or anywhere else.*

This was an interesting revelation. Many of these large retailers (for instance Costco from personal experience) often introduce brand products with specifications unique to the retailer. The fact that they have implanted this functionality (which was apparently not easy to do) tells us that there are discussions they are likely having with some of these retailers. Again, maybe we are getting ahead of ourselves here, but we think that speaks to our notion that the brand is gathering strength. We think new product initiatives will further support that momentum, and more specifically XCOR2.0 looks like it is poised to contribute.

- **Margins**

Management spent some time discussing margin nuances, but from a high level, the general view here is that margins at the wholesale level are expected to be lower than those they have historically realized through their direct-to-consumer channel. We have discussed this in prior notes as well, but on the face, certainly some of their retail customers are known for aggressive pricing, and the fact is, they force that pricing power up the supply chain to their vendors. On the other hand, as we have also discussed, online/direct-to-consumer marketing traditionally comes with considerably costs of customer acquisition. Ostensibly their new "wholesale" channels should reduce marketing expenses where as we understand it, some of that cost of customer acquisition was realized. More specific to 4QF26 and by extension Fiscal 2026, Q4F26 actually reflected an increase in gross margin despite a greater portion of the sales coming from the wholesale channels. Apparently, some of that bump was related to tariff rebates and other (comparative) tariff relief, the large majority of which was collected after quarter end. It is unclear to us how this may impact margins in the current (Q1F27) quarter. We are not going to try to fully project that, so it may provide a non-recurring bump. The shift of some of the marketing costs down the operating statement brings us to operating expenses.

- **Opex**

Pegging operating expense line items may be a bit more difficult over the next couple of quarters because as they noted on the call, *"prior period operating expense amounts have been reclassified to conform to our current presentation. These reclassifications had no effect on total operating expenses, income from*

operations, net income, or earnings per share in any period". The table below illustrates these reclassifications but recognize they will not impact the overall Opex outlays. It may however mean we may have some misses amongst the line items until a couple of filings help delineate the mix.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) - USD ($)	3 Months E Feb. 28, 2025 F
Income Statement [Abstract]	
Sales, net	$ 6,922,367
Cost of sales	1,955,939
Gross profit	4,966,428
OPERATING EXPENSES:	
Sales and marketing	2,994,052
Compensation and related taxes	200,156
Professional and consulting	796,689
General and administrative	392,422
Total Operating Expenses	4,383,319
INCOME (LOSS) FROM OPERATIONS	583,109
OTHER INCOME (EXPENSE):	
Gain on settlement	

CONSOLIDATED STATEMENTS OF OPERATIONS - USD ($)	12 Months May 31, 2026
Income Statement [Abstract]	
Revenues, net	$ 30,847,570
Cost of revenues	9,467,823
Gross profit	21,379,747
OPERATING EXPENSES:	
Sales and marketing	12,159,478
Compensation and related taxes	2,119,368
Research and development	7,000
General and administrative	4,116,858
Total Operating Expenses	18,402,704
INCOME FROM OPERATIONS	2,977,043
OTHER INCOME (EXPENSE):	

The above noted, the new line item is Research & Development, which they noted on the call will "significantly increase" presumably in the coming quarters. The challenge is that the F26 Operating statement reflects R&D expense of $7,000. That was part of our reason for some color from management because we are not sure where a reclassified number of $7,000 for R&D for the full year comes from, but we are inclined to think the applicable number was higher. More importantly, their notion that R&D will be significantly higher, is not particularly insightful from a $7,000 annual base. Regardless, we have taken a blind shot at R&D, as well as some of the other line items that will now also reflect portions of the old Professional and Consulting line item, which was relatively significant. Again, we hope to get overall Opex close to actual, but we may get the distribution wrong until we see them work through the filings. All that said, we think their commitment to increased R&D speaks to some of the opportunity noted above to bring new products and product upgrades to market.

Lastly, there is one additional "big picture" item the Company alluded to that we think is worth addressing, because it may tell us something about the path forward, *beyond hearing protection*.

On the call, Management noted the following:

> *"For us at this stage, it is really marketing.* ***We are very good at marketing. I think our e-commerce marketing is unparalleled from anything I have seen, whether it is in our industry or other places. We have a very robust team.*** *It is really marketing that gives us the footprint that allows us to not have to do a huge amount of advertising when our products goes offline, and R&D. These two areas are going to give us the biggest bang for the buck once we start deploying our marketing, and we get branding, we get that out there".*

While we have not discussed the segment much, the Company continues to operate their personal hair and beauty care business. From the F2026 10K:

> *In our hair and skin care segment, the channel mix remained predominantly retail and wholesale at approximately 80% in both periods. Revenues declined in both DTC and retail and wholesale channels primarily due to reduced advertising and marketing spend associated with* ***a planned rebranding and relaunch of the Reviv3 brand scheduled for September 2026.*** *In connection with the relaunch, we expect to onboard additional distributors and retailers in selected domestic and international markets during the second quarter of fiscal year 2027, although the timing and volume of any resulting orders remain uncertain.*

From our perspective, at the high level, AXIL is a marketing company. Currently, that focus is on their hearing protection brand, but as the narrative above suggests, they are preparing the relaunch of what is effectively the legacy business. This segment does not contribute materially to the overall results of the Company, however, given the relaunch and the Company's proven marketing success, we suspect that division may begin bearing fruit. We have not modeled that scenario, because frankly we are not sure where to start, but we think it may provide some surprises going forward. Perhaps more importantly, we think the Company's marketing capabilities and infrastructure may lead to the onboarding of additional brands in the future. While the Company has made it clear that they believe they have considerable runway ahead in the hearing protection space, their marketing strengths may ultimately provide new avenues for future growth, which from an investment perspective leaves the potential valuation open ended.

To summarize, for fiscal 2026 AXIL reflected revenue growth of 17.5% and Net Income growth of 316%. Moreover, they ended the year with a 4th quarter that reflected record revenue and roughly ½ of the Pretax Net Income they recognized for the full year. The Company's momentum is clearly being driven by its new wholesale channel into major retailers including Walmart, and as we attempted to illustrate above, we believe they are still on the front end of that expansion and are just beginning to realize the multiple benefits of these relationships, not the least of which is a growing awareness of the AXIL brand. We believe that growing awareness will continue to support robust revenue and earnings growth. That said, there are some challenges that remain.

Candidly, as management noted on the call, they are "*not a very newsy company*", and that includes not providing guidance. They also alluded to that lack of guidance (essentially the fact that they are not quite to the point of beginning to provide it), by noting that *"the timing of large orders can create some quarter-to-quarter variability in our results across the income statement, balance sheet, and cash flow statement. However, we expect this effect to moderate as the segment continues to scale"*. On a related point their 10K filing includes the following, *"while our business is not subject to substantial seasonal fluctuations, we do experience typical variations in consumer demand around certain holidays and promotional periods. These fluctuations are consistent with industry norms and do not materially impact our overall operating results"*. These are some of the *"challenges that remain"* so we will elaborate.

Many of our coverage names are early-stage companies with poor revenue visibility, which often makes our modeling/forecasting a difficult endeavor that includes a lot of misses. To that point, despite poor visibility, we continue to provide those models because we think that while sometimes off the mark, they provide a valuable (albeit fluid) framework for valuation and a set of what we view as defensible metrics to help us gauge the Company's progress. Further, we generally are better able to mitigate the misses as these businesses mature and we are more entrenched in the minutia, with the caveat that much of that improvement often hinges on our ability to communicate with management, and some companies do that better than others. From another perspective, while poor visibility certainly entails investment risk, we would argue that companies with poor visibility are likely to provide better opportunities for *alpha* than companies with great visibility, because the latter tend to be more appropriately priced. (By the way, that is not something we came up with, rather, it is the focus and conclusion of considerable market research and theory).

In the case of AXIL, we think it is safe to say that while valuable data points are beginning to emerge (retail storefront counts, and good segment reporting for instance) visibility (most notably on a quarter to quarter basis) remains challenging for management for the reasons they noted above: timing of large orders, holiday seasonality, promotional periods and impact, timing of new product launches and likely others. By extension, if visibility is challenging for management, it is likely magnitudes more challenging for those of us on the outside trying to develop a sense of future performance. That said, we are becoming more comfortable with our general thesis here, which is that AXIL includes a management team with proven

marketing aptitudes, a brand (which frankly could end up being one of many) that is gathering momentum both in terms of consumer awareness and product distribution, as well as improving and profitable financial performance supported by a healthy balance sheet that should support further fundamental progress. Given that profile, we submit that quarterly performance could continue to prove difficult as the wholesale expansion continues to progress/mature. However, as the Company noted, over time, the broadening of wholesale breadth should provide more predictable results as more customers settle into more predictable sell-through patterns. Moreover, because of some of the timing uncertainties noted above, visibility around annual performance should prove more accurate than the quarterly performance(s). We saw that bear out in the second half of fiscal 2026 wherein Q3F26 was comparatively flat (YoY) but 4QF26 picked up the slack. Regardless of how the numbers fall into the quarterly results, we remain constructive on AXIL's ability to continue to build brand awareness, add new distribution, introduce new products and upgrades, and ultimately add new brands and perhaps other marketing related profit centers. We think that setup provides a basis for much better valuations of the underlying shares.

We reiterate our allocation of 4 and our 12-24 month price target of $14.25. However, we would note, we are inclined to raise our allocation given the fact that the stock is trading below our initiation price despite solid new data points along the way. To that end, we would view further weakness in the shares as an opportunity, and we may revisit that notion before the next 10Q filing.

Projected Operating Model

AXIL Brands, Inc.						
Projected Operating Model						
Prepared by Trickle Research						
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	08/30/26	**11/30/26**	**02/28/27**	**05/31/27**	**Fiscal 2027**	**Fiscal 2028**
Sales, net	$ 8,117,988	$ 10,064,205	$ 10,469,750	$ 10,454,279	$ 39,106,222	$ 46,040,896
Cost of sales	$ 2,240,947	$ 3,414,742	$ 3,649,153	$ 3,692,166	$ 12,997,008	$ 16,359,221
Gross profit	$ 5,877,040	$ 6,649,463	$ 6,820,597	$ 6,762,113	$ 26,109,214	$ 29,681,675
OPERATING EXPENSES:						
Sales and marketing	$ 2,794,629	$ 2,968,459	$ 2,915,358	$ 2,873,002	$ 11,551,448	$ 11,669,797
Compensation and related taxes	$ 902,950	$ 951,605	$ 961,744	$ 961,357	$ 3,777,656	$ 3,951,022
Research & Development	$ 312,360	$ 351,284	$ 359,395	$ 359,086	$ 1,382,124	$ 1,520,818
General and administrative	$ 494,832	$ 541,541	$ 551,274	$ 550,903	$ 2,138,549	$ 2,304,982
Total Operating Expenses	$ 4,504,770	$ 4,812,889	$ 4,787,770	$ 4,744,347	$ 18,849,777	$ 19,446,619
INCOME FROM OPERATIONS	$ 1,372,270	$ 1,836,574	$ 2,032,827	$ 2,017,766	$ 7,259,437	$ 10,235,056
OTHER INCOME (EXPENSE):						
Gain on settlement	$ -	$ -	$ -	$ -	$ -	$ -
Other income	$ -	$ -	$ -	$ -	$ -	$ -
Interest income	$ 43,927	$ 51,294	$ 60,991	$ 71,704	$ 227,915	$ 414,397
Interest expense and other finance charges	$ -	$ -	$ -	$ -	$ -	$ -
Other income (expense), net	$ 43,927	$ 51,294	$ 60,991	$ 71,704	$ 227,915	$ 414,397
INCOME BEFORE PROVISION FOR INCOME TAXES	$ 1,416,197	$ 1,887,868	$ 2,093,817	$ 2,089,470	$ 7,487,352	$ 10,649,453
Provision (benefit) for income taxes	$ 297,401	$ 396,452	$ 439,702	$ 438,789	$ 1,572,344	$ 2,236,385
NET INCOME	$ 1,118,795	$ 1,491,416	$ 1,654,116	$ 1,650,681	$ 5,915,008	$ 8,413,068
Deemed dividend on preferred stock buyback	$ -	$ -	$ -	$ -	$ -	$ -
Net income available to common shareholders	$ 1,118,795	$ 1,491,416	$ 1,654,116	$ 1,650,681	$ 5,915,008	$ 8,413,068
NET INCOME PER COMMON SHARE:	$ -	$ -	$ -	$ -		
Basic	$ 0.16	$ 0.22	$ 0.24	$ 0.24	$ 0.86	$ 1.22
Diluted	$ 0.13	$ 0.18	$ 0.19	$ 0.19	$ 0.70	$ 0.93
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:						
Basic	6,832,681	6,842,681	6,852,681	6,862,681	6,847,681	6,887,681
Diluted	8,298,757	8,412,945	8,532,342	8,657,209	8,475,313	8,999,192

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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.