



GrabAGun Digital Holdings, Inc.

Second Quarter 2025 Earnings Conference Call

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CORPORATE PARTICIPANTS

Marc Nemati, *Chief Executive Officer*

Justin Hilty, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Matthew Koranda, *Roth Capital Partners, LLC*

Francesco Marmo, *Maxim Group, LLC*

Operator

Good afternoon, and welcome to GrabAGun Digital Holdings Second Quarter 2025 Earnings Conference Call.

On today's call are Marc Nemati, Chief Executive Officer, and Justin Hilty, Chief Financial Officer.

A recording of this conference call will be available on the GrabAGun Investor Relations website shortly after this call has ended.

I'd like to take this opportunity to remind you that during the call, we will be making certain forward-looking statements. This includes statements relating to the operating performance of our business, future financial results and guidance, strategy, long-term growth, and overall future prospects. We may also make statements regarding regulatory or compliance matters.

These statements are subject to known and unknown risks and uncertainties that could cause our actual results to differ materially from those projected or implied during this call. In particular, those described in our risk factors included in the final prospectus and definitive proxy statement filed by the Company with the SEC on June 23, 2025, as well as the current uncertainty and unpredictability in our business, the markets and the global economy generally.

You should not rely on our forward-looking statements as predictions of future events. All forward-looking statements that we make on this call are based on Management's assumptions and beliefs as of the date hereof, and GrabAGun disclaims any obligation to update any forward-looking statements except as required by law.

Our discussion today will include non-GAAP financial measures, including Adjusted EBITDA. Those non-GAAP measures should be considered in addition to and not as a substitute for or in isolation from our GAAP results. Information regarding our non-GAAP financial measures, including a reconciliation of our non-GAAP financial measures to our most comparable historical GAAP financial measures, may be found in the Management's discussion and analysts of GrabAGun attached as Exhibit 99.4 to the current report on Form 8-K/A, which we filed with the SEC and is available on the Company's Investor Relations site.

I will now turn the call over to your host, Marc Nemati, Chief Executive Officer at GrabAGun. Marc, please go ahead.

Marc Nemati

Thank you, and good afternoon, everyone.

Welcome to GrabAGun's first earnings call as a public company. This is truly a historic moment for our Company, and I'm thrilled to share our progress with you today as we embark on the exciting new chapter. The completion of our public listing in July represents a transformational milestone that validates the strength of our business model and the support of our shareholders for Second Amendment principles. This transaction left us in a strong financial position with approximately \$119 million in net cash proceeds to accelerate our growth and acquisition plans.

For those new to our story, GrabAGun is a digitally native e-commerce retailer of firearms and ammunition, related accessories, and other outdoor enthusiast products. GrabAGun is building out the infrastructure to scale lawful access to firearms while delivering the highest levels of speed and user experience. We've developed industry-leading solutions that revolutionize supply chain management, combining dynamic inventory and order management with AI-powered pricing and demand forecasting. These advancements enable seamless logistics, efficient regulatory compliance, and a streamlined experience for customers, all while working with industry's leading brands. At a time when lawful access is under pressure, GrabAGun is

built for growth, trust, and scale, operating with discipline and transparency while serving lawful gun owners and generating shareholder value.

Turning to our performance this past quarter, we are pleased to announce strong financial performances with net revenues of \$21.2 million, representing a 4% increase compared to that same period last year, and generated positive operating income of \$589,000, demonstrating the resilience of our business model.

Our firearm sales totaled \$17.8 million and increased 11% versus last year, with unit growth up 16%. This was over 19 percentage points above adjusted FBI firearm background check statistics, or NICs, which declined 3.4% over that same period, demonstrating GrabAGun's significant outperformance despite continued industry headwinds.

Importantly, our business accelerated during the second quarter, with our monthly year-over-year sales growth rates increasing significantly from April to June in sharp contrast to NICs, which declined over that same period. Our growth this quarter was not just about higher sales volume, but we saw an increase to overall transaction quality and strength in our customer base. Average order value in Q2 was \$453, up 16% year-over-year from \$392, and up 7% sequentially from \$423 in Q1. Our current LTM AOV is \$431, which underscores the repeat purchasing power of our audience and the long-term monetization potential of each new customer we acquire.

On the engagement side, mobile continues to be the dominant channel for our business. In Q2, mobile sessions grew 11% year-over-year, and mobile accounted for 67% of transactions and 65% of revenue, both above our 12-month averages of 66% and 63%, respectively. This reflects not only more customers shopping on mobile, but also a higher share of wallet coming from that channel. A year ago, in Q2 2024, mobile accounted for 63% of transactions and 60% of revenue. We've seen a meaningful step function shift and channel mix that aligns with our mobile-first strategy.

Looking ahead to the rest of this year and next, our growth strategy centers around building upon our position in the \$25 billion-plus firearms and ammunition industry through strategic acquisition opportunities that complement our core operations, as well as access key adjacent categories, including e-commerce platforms, brands, and innovative technologies that integrate seamlessly into our tech stack. We're focused on acquisition opportunities that grow revenue, expand our market share, accelerate margin growth, improve customer acquisition, drive operational efficiency, and provide first-party customer data for enhanced insights into the industry.

We have always employed a disciplined capital expenditure strategy, and we are evaluating multiple strategic opportunities that will enhance our platform capabilities and broaden our customer reach. These acquisitions are deliberately selected for their accretive potential, expanding our market share in ways that are immediately impactful. Our disciplined approach focuses on acquisitions that demonstrate clear paths to revenue growth, margin expansion, and operational leverage, with particular emphasis on technology integrations that enhance our customer acquisition, efficiency, and lifetime value metrics.

In addition to these strategic acquisitions, we're always looking at strong partnerships that bolster GrabAGun's position in the industry and modernize the firearms purchasing experience for the next generation of buyers. We're also building upon GrabAGun's tech integration capabilities as we continue to modernize the firearms and ammunition retail experience. Our proprietary tech stack includes AI-driven listings, demand prediction, and automated procurement systems that provide us with a competitive edge.

In Q3, we'll be rolling out our Compatio customization platform and launching cryptocurrency and stablecoin payments through trusted payment vendors. These enhancements are designed to expand our customer reach and improve conversion, furthering our commitment to modernizing the firearms and ammunition industry, and we're eager to see how they resonate with our growing mobile-first audience. We're pleased to share that the strong momentum we saw building from April through June has carried into the early parts of the third quarter, particularly in average order value, mobile users, and mobile transactions, demonstrating the success of our mobile-first strategy and overall user session growth.

Through our recent listing, GrabAGun has built out a world-class team and Board of Directors, including Donald Trump Jr., Blake Masters, Chris Cox, Colion Noir, Kelly Reisdorf, Andrew Keegan, and Dusty Wunderlich, who bring invaluable expertise and leadership to our mission. We're looking forward to executing our business model with added support from the public markets and driving growth and long-term value.

To that end, we recently announced a \$20 million share repurchase authorization, further demonstrating our conviction in the strength of our business and firm belief that the current share price is significantly below the Company's intrinsic value. Repurchasing shares at this level represents a compelling and efficient use of capital and underscores our long-term commitment to maximizing shareholder value.

I will now pass the call to our CFO, Justin Hilty, to discuss our financial position and results in more detail. Justin?

Justin Hilty

Thank you, Marc.

The second quarter saw strong operational execution across key metrics. Net revenues of \$21.2 million represented solid growth, with firearm sales contributing \$17.8 million and non-firearm sales adding \$3.4 million. Our gross profit margin of 10% demonstrates our ability to maintain pricing discipline while serving our customers effectively.

We generated net income of \$630,000 and Adjusted EBITDA of \$751,000, showing the cash-generative nature of our business model. The expansion in average order value of \$453 this quarter, which was up 16% from the same period last year and up 7% from Q1, is a key driver of our margin resilience. Higher order values, combined with our LTM AOV of \$431, strengthen our payback periods on customer acquisition spend and improve the leverage of our fixed cost base.

The continued rise in mobile engagement with mobile transactions up to 67% of total orders and 65% of revenue in Q2 creates operational efficiencies, given our tech stack is optimized for mobile conversion. These shifts allow us to scale without proportionally increasing fulfillment or marketing expense.

We are also making progress on several initiatives to drive profitability as our business continues to scale. For example, over the past 24 months, we've increased bulk buying deals with suppliers to lower unit costs, enabling us to deliver more value to customers while at least maintaining margins. Please also note that in addition to announcing Q2 results, as Marc mentioned, today, we also filed a current report on Form 8-K/A with more detail on our historical performance to assist you in your analysis and understanding of our business.

Following the completion of our SPAC transaction in July, we are well-capitalized with over \$120 million in cash on our balance sheet. This strong financial position provides us with the resources needed to execute our strategy and accelerate our growth initiatives. We're focused on disciplined capital allocation across three key areas, strategic acquisitions that expand our market share, operational scalability investments that improve our customer economics, and working capital optimization to support our growth trajectory. We've entered Q3 with healthy inventory positions in our highest demand SKUs and expanded supplier relationships, giving us the ability to respond quickly to demand spikes without compromising margins.

Looking at longer-term trends, GrabAGun is well-positioned as a platform built for the digital age and a new generation of buyers who are mobile-first and prefer online shopping experiences. This demographic shift represents a significant tailwind for our business model.

I'll now pass the call back to Marc.

Marc Nemati

Thanks, Justin.

As you mentioned, GrabAGun is exceptionally well-positioned to capitalize on the generational shift towards digital, mobile-first retail preferences in the firearm and ammunitions industry. We are built for the digital age and the next generation of firearm enthusiasts, sportsmen, and defenders who expect a seamless, technology-enabled shopping experience.

Looking ahead, we remain excited about our strategic acquisition pipeline, our technology integration capabilities, and our ability to scale while delivering exceptional value to our customers and shareholders. We're committed to delivering upon our strategic initiatives across platform enhancement, market expansion, and operational excellence, which will also help to propel significant organic growth. The sustained increases we're seeing in average order value and mobile adoption give us a highly attractive economic foundation to scale on.

As we expand into new categories, integrate acquisitions, and roll out payment innovations like cryptocurrency and stablecoins, as previously discussed, these customer engagement metrics provide confidence that we can grow profitably while extending our leadership in the mobile firearms e-commerce space.

Thank you, everyone, for joining us today on this historic first earnings call as a public company. We appreciate your support and confidence in our mission. We now open up the call for questions. Operator?

Operator

Thank you. At this time, we'll be conducting a question-and-answer session. If you'd like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Our first question comes from Matt Koranda with Roth Capital Partners. Please proceed with your question.

Matthew Koranda

Hey, guys. Good afternoon, and congrats on the first call as a public company. I wanted to dig a little bit more into the outperformance relative to the industry. Plotting NICs checks, adjusted NICs in the quarter, those would have been down 3%. I think you guys cited unit growth of 16% in firearms. Maybe just if you could unpack a little bit of what you think is driving your market share gains in the industry and who you think you're taking share from in the category, that'd be super helpful.

Marc Nemati

Yes, thanks, Matt. Yes, those metrics you've quoted are correct. Yes, we're definitely seeing growth in the firearms part of things. A lot of that, I think, is driven by our mobile first strategy and people coming to look for us as a new or a more modern avenue to fill those firearm needs. I think we're taking market share from a lot of those that are less advanced as we are from a modernization perspective.

Additionally, as I mentioned, I think before, those added supplier relationships are giving us better access to product as we increase volume to give us better unit costs, which allows us to offer better discounts to our consumers, especially in the firearm segment. That's really, we believe, driving a lot of that AOV as well as the increase in units.

Matthew Koranda

Curious how customer acquisition has trended for you guys, I guess in the recent months, you've been able to get a lot more earned media, just given the attention that's been garnered by the SPAC. Maybe talk a little bit about has that helped with customer acquisition and maybe how that's trended through more recent months?

Marc Nemati

Yes. Historically, we haven't had the best operating industry for marketing. A lot of that earned media has definitely helped a lot of that. We can be seen in the growth of our sessions, 11% increase in overall session growth, meaning we're getting more eyeballs to the site. Then they're obviously converting better because we're seeing a year-over-year increase in revenue as well as unit growth, too.

Matthew Koranda

Okay. Great. Then maybe just if I could ask another one on AOV and the pricing environment, pricing and firearms still from what we hear, it sounds a little bit soft just in the general industry with the consumer trading down into lower price point firearms. But maybe just talk about how that plots against the increase in average order value that you guys put up this quarter and what you're seeing in terms of the AOV trend.

Marc Nemati

Yes. A lot of the economics that we're seeing that's increasing the AOV is an increased basket size of more firearm units. The firearm is our bread-and-butter, our base unit versus ammo and other accessories. We're seeing more customers flocking to the firearm aspect, especially as we have more deals to open up because of those industry headwinds that you spoke of and the price softening, allowing us to offer these better deals on higher value products.

Matthew Koranda

Okay. Then maybe if I could just ask one last one. I think Justin cited \$120 million on the balance sheet and cash post the SPAC. Maybe for the benefit of folks on the call, could you just talk about where you are thinking the highest and best use of cash deployment is in the near term? I know you mentioned M&A is a priority. You do have a buyback authorization in place that you just put into place. Maybe how we should think about the way you balance capital allocation with the cash balance that you have.

Marc Nemati

Yes. The buyback, obviously we authorized that because we believe that the current share price is below the Company's intrinsic value. It's definitely one of the first use of proceeds for the \$120 million. Then as you mentioned, M&A is definitely our key growth driver for inorganic growth. We're heavily looking into a pipeline of various acquisition targets. But then besides those two points, we also are going to focus more on obviously growing our business in terms of human capital. We're doing a lot of hiring to grow as we expect to have massive growth in the near future with acquisitions and everything else. Then finally, likely doing more spending in terms of organic growth on some of the marketing spend and stuff like that, that has been more difficult to do in the past.

Matthew Koranda

Okay. I appreciate all that. I'll leave it there.

Operator

Our next question comes from Francesco Marmo with Maxim Group. Please proceed with your question.

Francesco Marmo

Hi, Marc and Justin. Thank you for taking my call and congrats on the quarter. Two quick questions for me, if I may. The first one on top line, can you share whether the growth is being driven by new customers' acquisition or is it more increased spending from existing customers? Then I have a follow-up question.

Marc Nemati

Yes. Thanks for joining Francesco. I think both of those points are correct. Obviously, we're seeing a higher growth in AOV, which is driving the top line number up because the more value per order, the higher top line. But then also as we're acquiring more customers through a lot of that earned media that Matt had even mentioned, as we're seeing traffic growth to the sites is driving more eyeballs and more new customers as well.

Francesco Marmo

Okay. Great. Thank you. Then the second one, I was wondering if you guys could provide a bit more details on the launch of your partnership with Compatio AI. I was curious what the customization tool, whether it would be available both on mobile and desktop, whether you're working with specific brands or product, or this is just something that you guys would be able to roll out using your existing entire product database.

Marc Nemati

It will be available on both mobile and desktop. It's going to be fixed, at least initially around rifles and the use case there is to increase basket size by giving customers better insight to what's compatible with their firearm that they're purchasing. Think about adding optics and magazines and slings and all the various accessories to grow basket size to both increase AOV as well as increase total margin on the order.

Francesco Marmo

Okay. Great. Thank you very much.

Operator

We have reached the end of the question-and-answer session. I'd now like to turn the call back over to Marc Nemati for closing comments.

Marc Nemati

Thank you again, everyone, for joining us on our first earnings call as a public company and we look forward to speaking to you next quarter.