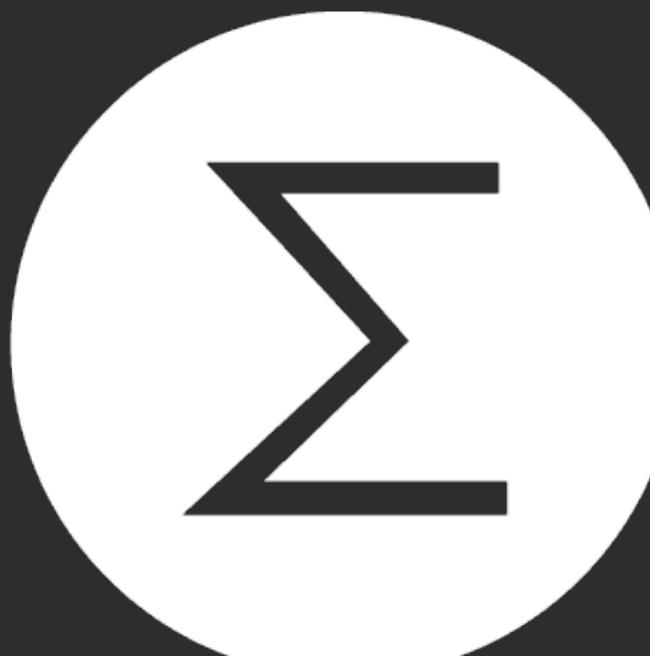


 SUMZERO
MARKET COMMENTARY



DIGGING FOR VALUE
IN NANO-CAPS:
BOOMER HOLDINGS

FEBRUARY 2021



INTRODUCTION

When we reported on the SumZero community's best performing stocks of [1H2020 last October](#), we observed that the **"top 10 performing ideas published in 2020 are all for nano, micro, or small cap companies, with low opening prices but an average of 274.7% returns,"** further noting that of those 10, "six ideas had opening prices lower than \$1 in the stock's given currency, while the remaining four ideas were less than \$20."

Since then, we've seen more and more ideas on nano, micro, and small cap companies submitted to SumZero. Some, like Maven LLC Partner **Scott Preston's** [idea long Tetra Technologies Inc \(TTI: US\)](#) – which he called "the greatest asymmetric trade in the market" in his idea last June – have already seen returns of well over 100%: as of its \$2.55 market close on Feb 19, **TTI's RTD was 473.81% on Preston's entry point of \$0.42.** Those thinking it's too late to find an entry point on that particular idea should note that Preston's price target is \$5.10.

In looking over ideas contributed by SumZero members on small and micro-cap stocks, one name stood out due to a combination of its predicted return, low entry price, and timeframe. **Boomer Holdings Inc. (BOMH: OTCQB)** is a wellness company with a \$171M market cap that sells an array of products through its websites, partnerships with Tommy Bahama (a subsidiary of **OXM: NYSE**), and placement in various golf shops, resorts, grocers, and over 7000 CVS (**CVS: NYSE**) drugstores. Boomer Inc. has two primary businesses: 1) it sells PPE products, including face masks embedded with nano-silver (an anti-microbial agent), sourced from Vietnam and 2) it sells products infused with CB5, a proprietary, FDA-compliant alternative to CBD.

BOMH: OVERLOOKED AND UNDERVALUED

Boomer has grown rapidly since its founding in 2019 and going public in mid-2020. In his [idea long BOMH](#), SumZero contributor and hedge fund consultant **Arham Khan** leads his pitch by stating that the company has scaled from 0 to over \$100 million in one year while developing world class relationships with retailers and suppliers." Khan's thesis, which sets a target price of \$4.20 in 1 - 2 years (submitted on 02/08/21), is simple: **the company is overlooked and undervalued.**

In its Q1 2021 earnings report, Khan points out that "Boomer reported sales of \$29 million, an increase of 16,500% YoY, and generated 28% EBITDA margin. We believe the valuation does not reflect these results. The company is priced at \$108 million, less than 1x guided FY 2021 revenue. We find the equity – supported by revenue, cash flow, proprietary products, quintuple digit growth, comparable valuations, and a strategic, demonstrably proven supply chain – grossly undervalued."

This bullish sentiment is echoed by SumZero contributor **Albert Lee**, a Managing Director at Lee Multi-Strategy Management, LLC, in a January 2021 update on his December 2020 [idea long BOMH](#). "BOMH stock is currently trading at roughly 1x NTM revenue and less than 4x EBITDA," Lee writes, "when in our view it should be trading at minimum 3x this based on comps, GARP and virtually every other valuation metric applicable. Our 12-month target price remains \$5/share."

EXPANDING WITHIN WELLNESS

Arham Khan notes that while **98% of BOMH's business comes from PPE**, the company will “respond to changing demand... by utilizing its strategic Vietnamese supply chain” to launch four new product lines in 2021, all sourced from Vietnam: coffee (including k-cups and instant varieties), apparel/sportswear, bed and bath textiles, and athletic accessories (yoga mats and tote bags). The three latter categories will all incorporate nano-silver technology.

Branching out into apparel and coffee could strengthen BOMH, which already enjoys a novel position due to its diverse offerings. As Albert Lee writes, “assuming October 1Q21 results reflect a revenue run rate north of \$100 million, Boomer appears to be uniquely positioned and well-capitalized to play into **two rapidly growing sectors - botanicals/CBD alternatives and health & wellness.**”

As a public company, management has the ability to more actively engage a broader addressable market and attract a more sophisticated and global investor base. “None of this is accidental: BOMH management made the decision to enter the PPE market in April 2020, just as COVID-19 was becoming a major global crisis”, Khan notes. He interprets this move as “**a propensity to execute and pivot when needed**” and has since praised management’s active transparency, telling SumZero that management is “active in the capital markets and engages with the Street whenever needed. The team, along with advisors and IR consultancy, regularly switch off to share the story, whether it be conference calls or conferences small or large.”

As far as precedent, micro-caps with solid foundations in BOMH's areas of expansion typically do well. In discussing Boomer's growth potential, Lee observes that “well branded, growing and quality micro-mid cap cannabis, pharma, health, nutritional and medical products stocks have outperformed and historically traded at significantly greater multiples versus the major indices such as the Russell 2000 & 3000, Dow Jones US Small-Cap, Morningstar Small-Cap and Wilshire US Small-Cap index.” Lee and Khan are not alone in their assessment of BOMH's potential. In a [report on BOMH](#) published on Feb 22, **Argus Research** cites “the company’s strong commercial results and future positioning” as grounds for a higher valuation, while noting that “**many of Boomer’s small-cap comparable companies in the wellness and CBD categories trade at valuations higher than 4X revenues, despite most being unprofitable.**”

UPSIDE POTENTIAL

Both Khan and Lee predict a **catalyst in the form of a national uplist in 2021**, citing the company’s changing its fiscal year to end on January 31 2021 in an [8-K filing](#) earlier this month. Lee, whose \$5.00 target is set in a timeframe of 6 - 12 months from last December, explains:

“Boomer Holdings filed an 8K on 2/01/21 to amend their fiscal year end to January 31 from July 31, a move we believe is designed to streamline their path to a national up-list within the next 4-6 months. This is because a Nasdaq or NYSE seasoning requirement would require Boomer to file two 10Ks as of the February 2020 close of their reverse merger as reflected in a super 8K. Subsequently, as a July 31, 2020 fiscal, the company filed their first 10K in October 2020, and we anticipate that their 10K for the newly amended January 31, 2021 fiscal year end will be filed a couple of months from now or no later than early April 2021. The January 31, 2021 ending period would have been Boomer's fiscal 2Q21, thus financial reporting matters and accompanying audit for the 10K should occur relatively uninterrupted, in our view.”

Khan and Lee are not alone in this assessment. While there are other listing requirements – share price, round lot minimums, etc – that must be met before an uplisting, OTC stocks that are approved for trading on larger exchanges (e.g., Nasdaq, NYSE) typically see a spike in price. Last December, **BOMH was uplisted** from the Pink Sheets to the OTCQB Venture Market, granting it increased visibility and investor access.

Both Lee and Khan present financial models for BOMH that indicate a unique potential for upside. Although Lee’s target price is \$5.00, he writes, “on the lower end and if the perception of higher risk reward were to increase the discount rate to 17-20%, the net present value of projected cash flows would yield a stock valuation of \$3.50-4.00 per share.” In Khan’s buy rating, a zero-growth scenario deduced from annualized cash flow based on Q1 2021, still delineates 171% upside.

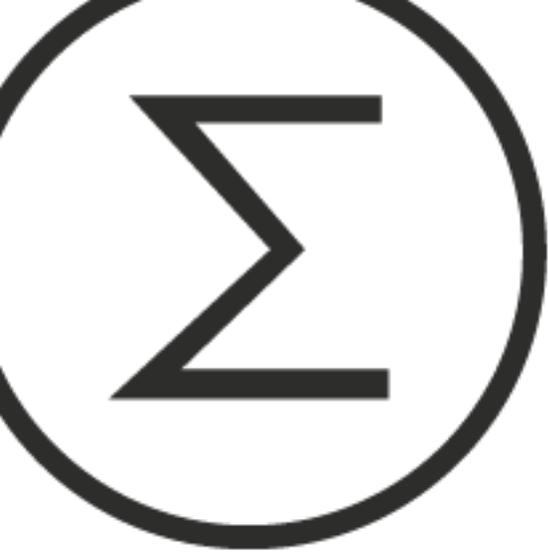
BOMH - Buy Rating	
Target Price	\$4.20
Upside	508%
Market Cap (mil)	\$107.60
Current Share Price	\$0.69
Zero-Growth Valuation	\$1.87
Zero-Growth Upside	171%
Gross Margin	68%
YoY Revenue Growth	16,464%

Source: Arham Khan

CONCLUSION

As of February 22, Boomer Inc. is trading under \$1.00 on the middle tier of OTC exchanges: it’s the kind of entry price that tends to attract even the most conservative retail investors. Moreover, it’s backed by solid research framing it as an opportunity for fund managers wanting to play in the micro-cap space as well.

In addition to its unique array of products, Lee and Khan present evidence that BOMH is well-positioned to expand this year with new offerings, thanks to the partnerships it forged in Vietnam when pivoting to PPE last April. If an uplisting is on the horizon for BOMH over the next 12 months, the expected return could easily meet the bullish targets set by Lee and Khan and make this company a more-than-ok Boomer.



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