

REVENUES

DSI's has seen a significant increase in revenues over the past five years. The increases can be tied to the opening of a new modern store in Buffalo, New York in 2012 and another in Rochester, New York in 2013, high demand for firearms in recent years, and favorable exchange rates for Canadian visitors. However, the most recent year experienced a slowing in revenue.

It is difficult to compare actual sales amounts between companies and benchmark data. In order to compare revenues in a meaningful manner, an Investor would compute a revenue index (current period revenue divided by base period revenue multiplied by 100). This index shows that DSI's revenue growth significantly outpaced both the PGCs and the BizMiner peers. DSI's compounded annual growth rate over the past five years has been approximately 8.3 percent.

GROSS PROFIT MARGIN

Gross profit is the result of subtracting the cost of sales from sales (revenues minus cost of those revenues). A gross profit margin is the ratio of the gross profits to the revenues. The gross profit margin is computed by dividing gross profit by net sales, with the result expressed as a percentage. A high gross profit margin is preferable.

DSI's gross profit margins have slowly increased over the past five years, but the growth has slowed in the past couple of years. In spite of this DSI's gross profit margins have remained above the PGCs and Private Peers. Mr. DiMaggio attributes the slowing to additional costs associated with clearing out obsolete inventory at the older stores and additional inventory purchases made to stock the new stores.

OPERATING EXPENSES

The operating expense margin is the total of operating expenses divided by revenues, with the result expressed as a percentage. Control over operating expenses can mean the difference between profitability and losses. Management's ability to control expenses can be assessed by comparing the operating expense margin to those of industry peers. A low operating expense margin is preferable.

DSI's operating expenses, as a percentage of sales, have been higher in the two most recent years compared to prior years. The Private Peers have also experienced up ticks in operating expenses, while the PGCs operating expense margins have remained relatively consistent.

PRE-TAX EARNINGS

Pre-tax profits are the result of revenues less expenses (not including taxes). The pre-tax profit margin is computed by dividing pre-tax profits by revenues with the result expressed as a percentage. An entity must generate profits in order to grow, succeed and survive over the long-term. A high pre-tax earnings percentage is preferable.