

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended May 4, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 001-36401

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

7035 South High Tech Drive, Midvale, Utah
(Address of principal executive offices)

39-1975614
(I.R.S. Employer
Identification No.)

84047
(Zip code)

Registrant's telephone number, including area code: (801) 566-6681

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$.01 par value	SPWH	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 31, 2019, the registrant had 43,099,213 shares of common stock, \$0.01 par value per share, outstanding.

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u> Financial Statements (unaudited):	3
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Operations	4
Condensed Consolidated Statement of Stockholders' Equity (Deficit)	5
Condensed Consolidated Statements of Cash Flows	6
Notes to Condensed Consolidated Financial Statements	7
<u>Item 2.</u> Management's Discussion and Analysis of Financial Condition and Results of Operations	19
<u>Item 3.</u> Quantitative and Qualitative Disclosures About Market Risk	27
<u>Item 4.</u> Controls and Procedures	28
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u> Legal Proceedings	29
<u>Item 1A.</u> Risk Factors	29
<u>Item 6.</u> Exhibits	30
Signatures	31

We operate on a fiscal calendar that, in a given fiscal year, consists of the 52- or 53-week period ending on the Saturday closest to January 31st. Our fiscal first quarters ended May 4, 2019 and May 5, 2018, both consisted of 13 weeks and are referred to herein as the first quarter of fiscal year 2019 and the first quarter of fiscal year 2018, respectively. Fiscal year 2019 contains 52 weeks of operations and will end on February 1, 2020. Fiscal year 2018 contained 52 weeks of operations ended on February 2, 2019.

References throughout this document to “Sportsman’s Warehouse,” “we,” “us,” and “our” refer to Sportsman’s Warehouse Holdings, Inc. and its subsidiaries, and references to “Holdings” refer to Sportsman’s Warehouse Holdings, Inc. excluding its subsidiaries.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “10-Q”) contains statements that constitute forward-looking statements as that term is defined by the Private Securities Litigation Reform Act of 1995. These statements concern our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition, which are subject to risks and uncertainties. All statements other than statements of historical fact included in this 10-Q are forward-looking statements. These statements may include words such as “aim,” “anticipate,” “assume,” “believe,” “can have,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “likely,” “may,” “objective,” “plan,” “potential,” “positioned,” “predict,” “should,” “target,” “will,” “would” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events or trends. For example, all statements we make relating to our plans and objectives for future operations, growth or initiatives and strategies are forward-looking statements.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management’s beliefs and assumptions. We derive many of our forward-looking statements from our own operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that predicting the impact of known factors is very difficult, and we cannot anticipate all factors that could affect our actual results.

All of our forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from our expectations. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- our retail-based business model is impacted by general economic conditions and economic and financial uncertainties may cause a decline in consumer spending;
- current and future government regulations, in particular regulations relating to the sale of firearms and ammunition, may impact the supply and demand for our products and our ability to conduct our business;
- our concentration of stores in the Western United States makes us susceptible to adverse conditions in this region, which could affect our sales and cause our operating results to suffer;
- we operate in a highly fragmented and competitive industry and may face increased competition;
- we may not be able to anticipate, identify and respond to changes in consumer demands, including regional preferences, in a timely manner; and
- we may not be successful in operating our stores in any existing or new markets into which we expand.

The above is not a complete list of factors or events that could cause actual results to differ from our expectations, and we cannot predict all of them. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements disclosed under “Part I. Item 1A. Risk Factors,” appearing in our Annual Report on Form 10-K for the fiscal year ended February 1, 2019 and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this 10-Q, as such disclosures may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission, including subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, and public communications. You should evaluate all forward-looking statements made in this 10-Q and otherwise in the context of these risks and uncertainties.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on any forward-looking statements we make. These forward-looking statements speak only as of the date of this 10-Q and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties and other factors that are in many cases beyond our control. Except as required by law, we undertake no obligation to update or revise any forward-looking statements publicly, whether as a result of new information, future developments or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
 Amounts in Thousands, Except Per Share Data
 (unaudited)

	May 4, 2019	February 2, 2019
Assets		
Current assets:		
Cash	\$ 1,715	\$ 1,547
Accounts receivable, net	289	249
Merchandise inventories	291,462	276,600
Income tax receivable	597	—
Prepaid expenses and other	9,566	15,174
Total current assets	303,629	293,570
Operating lease right of use asset	189,431	—
Property and equipment, net	91,049	92,084
Deferred income taxes	—	2,997
Definite lived intangibles, net	239	246
Total assets	<u>\$ 584,348</u>	<u>\$ 388,897</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 49,982	\$ 24,953
Accrued expenses	56,528	56,384
Income taxes payable	—	1,838
Operating lease liability, current	31,967	—
Revolving line of credit	141,572	144,306
Current portion of long-term debt, net of discount and debt issuance costs	7,915	7,915
Current portion of deferred rent	—	5,270
Total current liabilities	287,964	240,666
Long-term liabilities:		
Long-term debt, net of discount, debt issuance costs, and current portion	25,739	27,717
Deferred income taxes	535	—
Deferred rent, noncurrent	—	41,854
Operating lease liability, noncurrent	187,570	—
Total long-term liabilities	213,844	69,571
Total liabilities	<u>501,808</u>	<u>310,237</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 20,000 shares authorized; 0 shares issued and outstanding	432	430
Common stock, \$.01 par value; 100,000 shares authorized; 43,174 and 42,978 shares issued and outstanding, respectively	84,753	84,671
Additional paid-in capital	(2,645)	(6,441)
Accumulated deficit	82,540	78,660
Total stockholders' equity	84,880	77,320
Total liabilities and stockholders' equity	<u>\$ 584,348</u>	<u>\$ 388,897</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Amounts in Thousands Except Per Share Data
(unaudited)

	Thirteen Weeks Ended	
	May 4 2019	May 5 2018
Net sales	\$ 174,017	\$ 180,059
Cost of goods sold	119,844	124,493
Gross profit	<u>54,173</u>	<u>55,566</u>
Selling, general, and administrative expenses	59,530	59,216
Loss from operations	(5,357)	(3,650)
Interest expense	(2,105)	(3,557)
Loss before income taxes	(7,462)	(7,207)
Income tax benefit	(2,003)	(1,379)
Net loss	<u>\$ (5,459)</u>	<u>\$ (5,828)</u>
Loss per share:		
Basic	\$ (0.13)	\$ (0.14)
Diluted	<u>\$ (0.13)</u>	<u>\$ (0.14)</u>
Weighted average shares outstanding:		
Basic	43,003	42,727
Diluted	<u>43,003</u>	<u>42,727</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
 Amounts in Thousands
 (unaudited)

	Common Stock		Restricted nonvoting common stock		Additional paid-in-capital Amount	Accumulated deficit Amount	Total stockholders' equity Amount
	Shares	Amount	Shares	Amount			
Balance at February 3, 2018	42,617	\$ 426	—	\$ —	\$ 82,197	\$ (32,825)	\$ 49,798
Impact of change for ASC 606 adoption	—	—	—	—	—	2,634	2,634
Vesting of restricted stock units	216	2	—	—	(2)	—	—
Payment of withholdings on restricted stock units	—	—	—	—	(699)	—	(699)
Stock based compensation	—	—	—	—	1,572	—	1,572
Net income	—	—	—	—	—	(5,828)	(5,828)
Balance at May 5, 2018	42,833	\$ 428	—	\$ —	\$ 83,068	\$ (36,019)	\$ 47,477
Balance at February 2, 2019	42,978	\$ 430	—	\$ —	\$ 84,671	\$ (6,441)	\$ 78,660
Impact of change for ASC 842 adoption	—	—	—	—	—	9,255	9,255
Vesting of restricted stock units	196	2	—	—	(2)	—	—
Payment of withholdings on restricted stock units	—	—	—	—	(369)	—	(369)
Stock based compensation	—	—	—	—	453	—	453
Net loss	—	—	—	—	—	(5,459)	(5,459)
Balance at May 4, 2019	43,174	\$ 432	—	\$ —	\$ 84,753	\$ (2,645)	\$ 82,540

SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Amounts in Thousands
(unaudited)

	Thirteen Weeks Ended	
	May 4, 2019	May 5, 2018
Cash flows from operating activities:		
Net loss	\$ (5,459)	\$ (5,828)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	4,606	4,387
Amortization and write-off of discount on debt and deferred financing fees	84	192
Amortization of definite lived intangible	7	276
Change in deferred rent	—	(649)
Gain on asset dispositions	(311)	—
Noncash lease expense	7,610	—
Deferred income taxes	431	237
Stock-based compensation	453	1,572
Change in operating assets and liabilities:		
Accounts receivable, net	(40)	(63)
Operating lease liabilities	(8,513)	—
Merchandise inventories	(14,862)	(35,607)
Prepaid expenses and other	1,786	(78)
Accounts payable	25,340	27,501
Accrued expenses	(5,254)	630
Income taxes payable and receivable	(2,435)	(1,619)
Net cash provided by (used in) operating activities	<u>3,443</u>	<u>(9,049)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,402)	(4,474)
Proceeds from sale of property and equipment	311	—
Net cash used in investing activities	<u>(3,091)</u>	<u>(4,474)</u>
Cash flows from financing activities:		
Net (payments) borrowings on line of credit	(2,734)	6,874
Increase in book overdraft	4,919	8,358
Payment of withholdings on restricted stock units	(369)	(699)
Principal payments on long-term debt	(2,000)	(400)
Net cash (used in) provided by financing activities	<u>(184)</u>	<u>14,133</u>
Net change in cash	168	610
Cash at beginning of period	1,547	1,769
Cash at end of period	<u>\$ 1,715</u>	<u>\$ 2,379</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	\$ 2,021	\$ 3,137
Income taxes, net of refunds	—	—
Supplemental schedule of noncash investing and financing activities:		
Noncash change in lease asset and operating liabilities from remeasurement of existing leases and addition of new leases	\$ 13,149	\$ —
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 1,356	\$ 1,829

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SPORTSMAN'S WAREHOUSE HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements (Unaudited)

Amounts reported in thousands, except per share data

(1) Description of Business and Basis of Presentation

Description of Business

Sportsman's Warehouse Holdings, Inc. ("Holdings") and its subsidiaries (collectively, the "Company") operate retail sporting goods stores. As of May 4, 2019, the Company operated 92 stores in 23 states. The Company also operates an e-commerce platform at www.sportsmans.com. The Company's stores and website are aggregated into one single operating and reportable segment.

Basis of Presentation

The condensed consolidated financial statements included herein are unaudited and have been prepared by management of the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The Company's condensed consolidated balance sheet as of February 2, 2019 was derived from the Company's audited consolidated balance sheet as of that date. All other condensed consolidated financial statements contained herein are unaudited and reflect all adjustments that are, in the opinion of management, necessary to summarize fairly our condensed consolidated financial statements for the periods presented. All of these adjustments are of a normal recurring nature. The results of the fiscal quarter ended May 4, 2019 are not necessarily indicative of the results to be obtained for the year ending February 1, 2020. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2019 filed with the SEC on March 29, 2019 (the "Fiscal 2018 Form 10-K").

(2) Summary of Significant Accounting Policies

The Company's significant accounting policies are described in Note 1 to the Company's Fiscal 2018 Form 10-K. Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these condensed consolidated financial statements.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), which requires lessees to recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. Consistent with prior GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or operating lease. However, unlike prior GAAP—which required only finance (formerly capital) leases to be recognized on the balance sheet—the new ASU requires both types of leases to be recognized on the balance sheet. The ASU took effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This standard can be applied at the beginning of the earliest period presented using the modified retrospective approach, which includes certain practical expedients that an entity may elect to apply, including an election to use certain transition relief. In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases and ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, which make improvements to Accounting Standards Codification ("ASC") 842 and allow entities to not restate comparative periods in transition to ASC 842 and instead report the comparative periods under ASC 840.

The Company adopted ASC 842 using the modified retrospective approach at the beginning of the first quarter of fiscal 2019, coinciding with the standard's effective date. In accordance with ASC 842, the Company did not restate comparative periods in transition to ASC 842 and instead reported comparative periods under ASC 840. Adoption of the

standard resulted in the initial recognition of operating lease right-of-use ("ROU") assets of \$183,000 and operating lease liabilities of \$214,000 as of February 3, 2019. These amounts are based on the present value of such commitments using the Company's incremental borrowing rate ("IBR"), which was determined through use of the Company's credit rating to develop a rate curve that approximates the Company's market risk profile. The adoption of this standard had a material impact on the Company's consolidated statement of income, stockholders' equity(deficit) and cash flows, with a \$9,300 net adjustment recorded to beginning retained earnings on February 3, 2019 due to the acceleration of recognition of a deferred gain and derecognition of related deferred tax asset the Company was amortizing relating to the historical sale of owned properties. In addition, the Company completed its evaluation of the practical expedients offered and enhanced disclosures required in ASC 842, as well as identified arrangements that contain embedded leases, among other activities, to account for the adoption of this standard.

The Company elected the following practical expedients:

- A package of practical expedients allowing the Company to:
 1. Carry forward its historical lease classification (i.e. it was not necessary to reclassify any existing leases at the adoption date of ASC 842),
 2. Avoid reassessing whether any expired or existing contracts are or contain leases, and
 3. Avoid reassessing initial indirect costs for any existing lease.
- A practical expedient allowing the Company to not separate lease components (e.g. fixed payments including, rent, real estate taxes, and insurance costs) from nonlease components (e.g. common area maintenance costs), primarily impacting the Company's real estate leases. The election of this practical expedient eliminates the burden of separately estimating the real estate lease and nonlease costs on a relative stand-alone basis.
- A practical expedient related to land easements, allowing the Company to carry forward the accounting treatment for land easements on existing agreements and eliminated the need to reassess existing lease contracts to determine if land easements are separate leases under ASC 842.

The Company did not elect a practical expedient which would allow the Company to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and to assess impairment of the entity's ROU assets, since election of this expedient could make adoption more complex give that re-evaluation of the lease term and impairment consideration affect other aspects of lease accounting.

In accordance with ASC 842, the Company determines if an arrangement is a lease at inception. The Company has operating leases for the Company's retail stores, distribution center, and corporate office. Operating leases are included in operating lease ROU assets and operating lease liabilities, current and noncurrent, on the interim unaudited condensed consolidated balance sheet. Lease liabilities are calculated using the effective interest method. Operating lease classification results in a straight-line expense recognition pattern over the lease term and recognized lease expense as a single expense component, which results in amortization of the ROU asset that equals the difference between lease expense and interest expense. Operating leases are included in selling, general and administrative expense, based on the use of the leased asset, on the interim unaudited condensed consolidated statement of operations. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are not material; the Company recognizes lease expense for these leases on a straight-line basis over the remaining lease term.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As the Company's leases generally do not provide an implicit rental rate, the Company uses an IBR to determine the present value of future rental payments. The IBR is based on the Company's credit rating to develop a yield curve that approximates the Company's market risk profile. The operating lease ROU asset also includes any prepaid lease payments made by the tenant and is reduced by lease incentives such as tenant improvement allowances. The operating lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

For fiscal 2018, the Company evaluated and classified its leases as operating leases for financial reporting purposes, in accordance with ASC 840.

In accordance with ASC 840, deferred rent represents the difference between rent paid and amounts expensed for operating leases. Certain leases have scheduled rent increases, and certain leases include an initial period of free or

reduced rent as an inducement to enter into the lease agreement (“rent holidays”). The Company recognized rent expense for rent increases and rent holidays on a straight-line basis over the term of the underlying leases, without regard to when rent payments are made. The calculation of straight-line rent begins on the possession date and extends through the “reasonably assured” lease term as defined in ASC 840.

Additionally, in accordance with ASC 840, landlord allowances for tenant improvements, or lease incentives, were recorded as deferred rent and amortized on a straight-line basis over the “reasonably assured” lease term as a component of rent expense.

See Note 5 for a further discussion on leases.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company’s accounting for the service element of a hosting arrangement that is a service contract is not affected by the proposed amendments and will continue to be expensed as incurred in accordance with existing guidance. This standard does not expand on existing disclosure requirements except to require a description of the nature of hosting arrangements that are service contracts. This standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. Entities can choose to adopt the new guidance prospectively or retrospectively. The Company plans to adopt the updated disclosure requirements of ASU No. 2018-15 prospectively in the first quarter of fiscal 2020, coinciding with the standard’s effective date, and expects the impact from this standard to be immaterial.

(3) Revenue Recognition

Revenue recognition accounting policy

The Company operates solely as an outdoor retailer, which includes both retail stores and an e-commerce platform, that offers a broad range of products in the United States and online. Generally, all revenues are recognized when control of the promised goods is transferred to customers, in an amount that reflects the consideration in exchange for those goods. Accordingly, the Company implicitly enters into a contract with customers to deliver merchandise inventory at the point of sale. Collectability is reasonably assured since the Company only extends immaterial credit purchases to certain municipalities.

Substantially all of the Company’s revenue is for single performance obligations for the following distinct items:

- Retail store sales
- E-commerce sales
- Gift cards and loyalty reward program

For performance obligations related to retail store and e-commerce sales contracts, the Company typically transfers control, for retail stores, upon consummation of the sale when the product is paid for and taken by the customer and, for e-commerce sales, when the products are tendered for delivery to the common carrier.

The transaction price for each contract is the stated price on the product, reduced by any stated discounts at that point in time. The Company does not engage in sales of products that attach a future material right which could result in a separate performance obligation for the purchase of goods in the future at a material discount. The implicit point-of-sale contract with the customer, as reflected in the transaction receipt, states the final terms of the sale, including the description, quantity, and price of each product purchased. Payment for the Company’s contracts is due in full upon delivery. The customer agrees to a stated price implicit in the contract that does not vary over the contract.

The transaction price relative to sales subject to a right of return reflects the amount of estimated consideration to which the Company expects to be entitled. This amount of variable consideration included in the transaction price, and measurement of net sales, is included in net sales only to the extent that it is probable that there will be no significant reversal in a future period. Actual amounts of consideration ultimately received may differ from the Company's estimates. The allowance for sales returns is estimated based upon historical experience and a provision for estimated returns is recorded as a reduction in sales in the relevant period. The estimated merchandise inventory cost related to the sales returns is recorded in prepaid expenses and other. The estimated refund liabilities are recorded in accrued expenses. If actual results in the future vary from the Company's estimates, the Company adjusts these estimates, which would affect net sales and earnings in the period such variances become known.

Contract liabilities are recognized primarily for gift card sales and our loyalty reward program. Cash received from the sale of gift cards is recorded as a contract liability in accrued expenses, and the Company recognizes revenue upon the customer's redemption of the gift card. Gift card breakage is recognized as revenue in proportion to the pattern of customer redemptions by applying a historical breakage rate of 3.0% when no escheat liability to relevant jurisdictions exists. Based upon historical experience, gift cards are predominantly redeemed in the first two years following their issuance date. The Company does not sell or provide gift cards that carry expiration dates. ASC 606 requires the Company to allocate the transaction price between the goods and the loyalty reward points based on the relative stand alone selling price. The Company recognized revenue for the breakage of loyalty reward points as revenue in proportion to the pattern of customer redemption of the points by applying a historical breakage rate of 25% when no escheat liability to relevant jurisdictions exists.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

Sales returns

The Company estimates a reserve for sales returns and records the respective reserve amounts, including a right of return asset when a product is expected to be returned and resold. Historical experience of actual returns and customer return rights are the key factors used in determining the estimated sales returns.

Contract balances

The following table provides information about right of return assets, contract liabilities, and sales return liabilities with customers as of May 4, 2019:

	May 4, 2019	February 2, 2019
Right of return assets, which are included in prepaid expenses and other	\$ 1,051	\$ 1,496
Estimated contract liabilities, net of breakage	(19,239)	(20,298)
Sales return liabilities, which are included in accrued expenses	1,569	2,233

For the 13 weeks ended May 4, 2019 the Company recognized approximately \$290 in gift card breakage and approximately \$310 in loyalty reward breakage. Gift card and loyalty reward breakage revenue for the 13 weeks ended May 5, 2018 were \$319 and \$265, respectively.

The current balance of the right of return assets is the expected amount of inventory to be returned that is expected to be resold. The current balance of the contract liabilities primarily relates to the gift card and loyalty reward program liabilities. The Company expects the revenue associated with these liabilities to be recognized in proportion to the pattern of customer redemptions over the next two years. The current balance of sales return liabilities is the expected amount of sales returns from sales that have occurred.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by department. The percentage of net sales related to the Company's departments for the 13 weeks ended May 4, 2019 and May 5, 2018, was approximately:

Department	Product Offerings	Thirteen Weeks Ended	
		May 4, 2019	May 5, 2018
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools	11.9%	11.5%
Clothing	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear	8.0%	7.3%
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats	12.1%	11.6%
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots	7.4%	6.4%
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear	53.6%	56.2%
Optics, Electronics, Accessories, and Other	Gift items, GPS devices, knives, lighting, optics (e.g. binoculars), two-way radios, and other license revenue, net of revenue discounts	7.0%	7.0%
Total		100.0%	100.0%

(4) Property and Equipment

Property and equipment as of May 4, 2019 and February 2, 2019 were as follows:

	May 4, 2019	February 2, 2019
Furniture, fixtures, and equipment	\$ 72,184	\$ 71,820
Leasehold improvements	95,011	94,573
Construction in progress	4,494	1,743
Total property and equipment, gross	171,689	168,136
Less accumulated depreciation and amortization	(80,640)	(76,052)
Total property and equipment, net	\$ 91,049	\$ 92,084

(5) Accrued Expenses

Accrued expenses consisted of the following as of May 4, 2019 and February 2, 2019:

	May 4, 2019	February 2, 2019
Book overdraft	\$ 15,216	\$ 10,297
Unearned revenue	20,616	21,836
Accrued payroll and related expenses	8,472	11,590
Sales and use tax payable	4,054	4,250
Accrued construction costs	1,239	760
Other	6,931	7,651
Total Accrued Expenses	\$ 56,528	\$ 56,384

(6) Leases

At the inception of the lease, the Company's operating leases have remaining certain lease terms of up to 10 years, which typically includes multiple options for the Company to extend the lease which are not reasonably certain.

The adoption of ASC 842 resulted in recording a non-cash transitional adjustment to ROU assets and operating lease liabilities of \$183,000 and \$214,000, respectively, as of February 3, 2019. The difference between the ROU assets and operating lease liabilities at transition primarily represented existing deferred rent, tenant improvement allowances and prepaid rent of \$14,200, \$20,600 and \$3,800, respectively, which were recorded as a component of the ROU asset in connection with the non-cash transitional adjustment. As a result of the adoption of ASC 842, the Company also recorded an increase to retained earnings of \$9,300, net of tax, as of February 3, 2019, in relation to the accelerated recognition of a deferred gain, and derecognition of the related deferred tax asset, which the Company was amortizing relating to the historical sales of owned properties it currently leases.

As of May 4, 2019, ROU assets recorded for operating leases were \$189,400 and accumulated amortization associated with operating leases was \$7,600. In the first quarter of fiscal 2019, the Company recorded a non-cash increase of \$13,100 to ROU assets and operating lease liabilities resulting from lease remeasurements from the exercise of lease extension options and new leases added.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In accordance with ASC 842, total lease expense recorded during the 13 weeks ended May 4, 2019 was \$14,384.

In accordance with ASC 842, other information related to leases was as follows:

	13 Weeks Ended May 4, 2019
Operating cash flows from operating leases	\$ (11,868)
Cash paid for amounts included in the measurement of lease liabilities - operating leases	(11,868)
	As of May 4, 2019
Right-of-use assets obtained in exchange for new or remeasured operating lease liabilities	\$ 13,149
Weighted-average remaining lease term - operating leases	6.11 years
Weighted-average discount rate - operating leases	7.80%

In accordance with ASC 842, maturities of operating lease liabilities as of May 4, 2019 were as follows:

Year Endings:	Operating Leases (in thousands)
2019	\$ 36,127
2020	47,939
2021	44,185
2022	40,003
2023	34,787
Thereafter	83,076
Undiscounted cash flows	\$ 286,117
Reconciliation of lease liabilities:	
Present values	\$ 219,537
Lease liabilities - current	31,967
Lease liabilities - noncurrent	187,570
Lease liabilities - total	\$ 219,537
Difference between undiscounted and discounted cash flows	\$ 66,580

In accordance with ASC 840, rent expense for operating leases consisted of the following:

	13 Weeks Ended	
	May 5, 2018	
Operating lease expense	\$	13,138
Total lease expense		<u>13,138</u>

In accordance with ASC 840, future minimum lease payments under non-cancelable leases as of February 2, 2019 were as follows:

Year Endings:	Operating Leases (in thousands)	
2019	\$	47,551
2020		46,824
2021		43,070
2022		38,160
2023		33,246
Thereafter		74,821
Total minimum lease payments	\$	<u>283,672</u>

(7) Revolving Line of Credit

On May 23, 2018, Sportsman's Warehouse, Inc. ("SWI"), a wholly owned subsidiary of the Company, as borrower, and Wells Fargo Bank, National Association ("Wells Fargo"), with a consortium of banks led by Wells Fargo, entered into an Amended and Restated Credit Agreement (as amended, restated, supplemented or otherwise modified, the "Amended Credit Agreement"). The Amended Credit Agreement amended and restated in its entirety that certain Credit Agreement, dated as of May 28, 2010, by and among SWI, as borrower, and Wells Fargo, as lender, and the other parties listed on the signature pages thereto.

The Amended Credit Agreement increased the amount available to borrow under the Company's senior secured revolving credit facility ("Revolving Line of Credit") from \$150,000 to \$250,000, subject to a borrowing base calculation, and provided for a new \$40,000 term loan (the "Term Loan").

In conjunction with the Amended Credit Agreement, the Company incurred \$1,331 of fees paid to various parties which were capitalized. Fees associated with the Revolving Line of Credit were recorded in prepaid and other assets. Fees associated with the Term Loan offset the loan balance on the condensed consolidated balance sheet of the Company.

As of May 4, 2019 and February 2, 2019, the Company had \$150,016 and \$151,341 in outstanding revolving loans under the Revolving Line of Credit, respectively. Amounts outstanding are offset on the condensed consolidated balance sheets by amounts in depository accounts under lock-box or similar arrangements, which were \$8,444 and \$7,035 as of May 4, 2019 and February 2, 2019, respectively. As of May 4, 2019, the Company had stand-by commercial letters of credit of \$1,705 under the terms of the Revolving Line of Credit.

The Amended Credit Agreement contains customary affirmative and negative covenants, including covenants that limit the Company's ability to incur, create or assume certain indebtedness, to create, incur or assume certain liens, to make certain investments, to make sales, transfers and dispositions of certain property and to undergo certain fundamental changes, including certain mergers, liquidations and consolidations. The Amended Credit Agreement also requires the Company to maintain a minimum availability at all times of not less than 10% of the gross borrowing base. The Amended Credit Agreement contains customary events of default. The Revolving Line of Credit matures on May 23, 2023.

As of May 4, 2019, the Revolving Line of Credit had \$1,022 in deferred financing fees and as of February 2, 2019, the Revolving Line of Credit had \$1,085 in deferred financing fees. During the 13 weeks ended May 4, 2019, the Company recognized \$63 of non-cash interest expense with respect to the amortization of these deferred financing fees. During the 13 weeks ended May 5, 2018, the Company recognized \$22 of non-cash interest expense with respect to the amortization of deferred financing fees.

For the 13 weeks ended May 4, 2019, and May 5, 2018, gross borrowings under the Revolving Line of Credit were \$185,616 and \$206,533 respectively. For the 13 weeks ended May 4, 2019, and May 5, 2018 gross paydowns under the Revolving Line of Credit were \$189,280 and \$197,467 respectively.

(8) Long-Term Debt

Long-term debt consisted of the following as of May 4, 2019 and February 2, 2019:

	May 4, 2019	February 2, 2019
Term loan	34,000	36,000
Less debt issuance costs	(346)	(368)
	33,654	35,632
Less current portion, net of discount and debt issuance costs	(7,915)	(7,915)
Long-term portion	<u>\$ 25,739</u>	<u>\$ 27,717</u>

Term Loan

On May 23, 2018, the Company entered into the Term Loan, which was issued at a price of 100% of the aggregate principal amount of \$40,000 and has a maturity date of May 23, 2023.

Also on May 23, 2018, the Company borrowed \$135,400 under the Revolving Line of Credit and used the proceeds from the New Term Loan and the Revolving Line of Credit to repay the Company's prior term loan with a financial institution that had an outstanding principal balance of \$134,700 and was scheduled to mature on December 3, 2020 (the "Prior Term Loan").

The Term Loan bears interest at a rate of LIBOR plus 5.75%.

As of May 4, 2019, and February 2, 2019, the Term Loan had an outstanding balance of \$34,000 and \$36,000, respectively. The outstanding amounts under the Term Loan as of May 4, 2019 and February 2, 2019 are offset on the condensed consolidated balance sheets by an unamortized debt issuance costs of \$346 and \$368, respectively.

During the 13 weeks ended May 4, 2019 and May 5, 2018, the Company recognized \$22 and \$113, respectively, of non-cash interest expense with respect to the amortization of the debt issuance costs.

During the 13 weeks ended May 5, 2018, the Company recognized \$58, of non-cash interest expense with respect to the amortization of the discount related to the Prior Term Loan.

During the 13 weeks ended May 4, 2019, the Company made the required quarterly payment on the New Term Loan of \$2,000.

Restricted Net Assets

The provisions of the Term Loan and the Revolving Line of Credit restrict all of the net assets of the Company's consolidated subsidiaries, which constitute all of the net assets on the Company's condensed consolidated balance sheet as of May 4, 2019, from being used to pay any dividends without prior written consent from the financial institutions party to the Company's Term Loan and Revolving Line of Credit.

(9) Income Taxes

The Company recognized an income tax benefit of \$2,003 and \$1,379 in the 13 weeks ended May 4, 2019 and May 5, 2018, respectively. The Company's effective tax rate for the 13 weeks ended May 4, 2019 and May 5, 2018 was 26.8% and 19.1%, respectively. The Company's effective tax rate will generally differ from the U.S. Federal statutory rate of 21.0%, due to state taxes, permanent items, and discrete items relating to stock award deductions.

(10) Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding, reduced by the number of shares repurchased and held in treasury, during the period. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of outstanding share option awards, nonvested share awards and nonvested share unit awards.

The following table sets forth the computation of basic and diluted income per common share:

	Thirteen Weeks Ended	
	May 4, 2019	May 5, 2018
Net loss	\$ (5,459)	\$ (5,828)
Weighted-average shares of common stock outstanding:		
Basic	43,003	42,727
Dilutive effect of common stock equivalents	—	—
Diluted	43,003	42,727
Basic loss per share	\$ (0.13)	\$ (0.14)
Diluted loss per share	\$ (0.13)	\$ (0.14)
Restricted stock units considered anti-dilutive and excluded in the calculation	155	331

(11) Stock-Based Compensation**Stock-Based Compensation**

During the 13 weeks ended May 4, 2019 and May 5, 2018, the Company recognized total stock-based compensation expense of \$453 and \$1,572, respectively. Compensation expense related to the Company's stock-based payment awards is recognized in selling, general, and administrative expenses in the condensed consolidated statements of operations.

Employee Stock Plans

As of May 4, 2019, the number of shares available for awards under the 2013 Performance Incentive Plan (the "2013 Plan") was 276. As of May 4, 2019, there were 432 unvested stock awards outstanding under the 2013 Plan.

Employee Stock Purchase Plan

The Company also has an Employee Stock Purchase Plan ("ESPP") that was approved by shareholders in fiscal year 2015, under which 800 shares of common stock have been authorized. Shares are issued under the ESPP twice yearly at the end of each offering period. For the 13 weeks ended May 4, 2019, no shares were issued under the ESPP and the number of shares available for issuance was 566.

Nonvested Restricted Stock Awards

During the 13 weeks ended May 4, 2019 and May 5, 2018, the Company did not issue any nonvested restricted stock awards to employees.

The following table sets forth the rollforward of outstanding nonvested stock awards (per share amounts are not in thousands):

	Shares	Weighted average grant-date fair value
Balance at February 2, 2019	26	\$ 11.25
Grants	—	—
Forfeitures	—	—
Vested	(26)	11.25
Balance at May 4, 2019	—	\$ —
	Shares	Weighted average grant-date fair value
Balance at February 3, 2018	108	\$ 11.25
Grants	—	—
Forfeitures	—	—
Vested	(80)	11.25
Balance at May 5, 2018	28	\$ 11.25

Nonvested Performance-Based Stock Awards

During the 13 weeks ended May 4, 2019, the Company did not issue any performance-based stock awards.

During the 13 weeks ended May 5, 2018, the Company issued 163 nonvested performance-based stock awards to employees at a weighted average grant date fair value of \$4.91 per share. The nonvested performance-based stock awards issued to employees vest over three years with one third vesting on each grant date anniversary. The number of shares issued was contingent on management achieving fiscal year 2018 performance targets for same store sales and gross margin. If minimum threshold performance targets are not achieved, no shares will vest. The maximum number of shares subject to the award is 326, and the "target" number of shares subject to the award is 163 as reported below. Following the end of the performance period (fiscal year 2018), the number of shares eligible to vest, based on actual performance, will be fixed and vesting will then be subject to each employee's continued employment over the remaining service period. The issued shares estimate the most likely outcome of the performance conditions to be achieved for the performance period. Based on the fiscal year 2018 results, the number of shares issued in relation to these grants was 34.

The following table sets forth the rollforward of outstanding nonvested performance-based stock awards (per share amounts are not in thousands):

	Shares	Weighted average grant-date fair value
Balance at February 2, 2019	34	\$ 6.07
Grants	—	—
Forfeitures	—	—
Vested	(6)	11.25
Balance at May 4, 2019	28	\$ 4.91

	Shares	Weighted average grant-date fair value
Balance at February 3, 2018	49	\$ 11.25
Grants	163	4.91
Forfeitures	—	—
Vested	(46)	11.25
Balance at May 5, 2018	166	\$ 5.17

Nonvested Stock Unit Awards

During the 13 weeks ended May 4, 2019, the Company issued 157 nonvested stock units to employees of the Company at an average value of \$4.89 per share. The shares issued to employees of the Company vest over a three year period with one third of the shares vesting on each grant date anniversary.

During the 13 weeks ended May 5, 2018, the Company issued 250 nonvested stock units to employees of the Company at an average value of \$4.91 per share. The shares issued to employees of the Company vest over a three year period with one third of the shares vesting on each grant date anniversary.

The following table sets forth the rollforward of outstanding nonvested stock units (per share amounts are not in thousands):

	Shares	Weighted average grant-date fair value
Balance at February 2, 2019	441	\$ 4.92
Grants	157	4.89
Forfeitures	(9)	4.91
Vested	(185)	4.75
Balance at May 4, 2019	404	\$ 4.91

	Shares	Weighted average grant-date fair value
Balance at February 3, 2018	419	\$ 5.15
Grants	250	4.91
Forfeitures	(1)	4.91
Vested	(248)	4.74
Balance at May 5, 2018	420	\$ 4.91

(12) Commitments and Contingencies

Legal Matters

The Company is involved in various legal matters generally incidental to its business. After discussion with legal counsel, management is not aware of any matters for which the likelihood of a loss is probable and reasonably estimable and which could have a material impact on its consolidated financial condition, liquidity, or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The discussion below contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those which are discussed in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019. Also see "Statement Regarding Forward-Looking Statements" preceding Part I in this 10-Q.

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in this 10-Q.

Overview

We are an outdoor sporting goods retailer focused on meeting the everyday needs of the seasoned outdoor veteran, the first-time participant and every enthusiast in between. Our mission is to provide a one-stop shopping experience that equips our customers with the right quality, brand name hunting, shooting, fishing and camping gear to maximize their enjoyment of the outdoors.

Our business was founded in 1986 as a single retail store in Midvale, Utah. Today, we operate 92 stores in 23 states, totaling approximately 3.6 million gross square feet. During fiscal year 2019 to date, we have not opened any new stores. We currently plan to open three new stores during fiscal year 2019.

Individual stores are aggregated into one operating and reportable segment.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures for determining how our business is performing are net sales, same store sales, gross margin, selling, general, and administrative expenses, income from operations and Adjusted EBITDA.

Net Sales and Same Store Sales

Our net sales are primarily received from revenue generated in our stores and also include sales generated through our e-commerce platform. When measuring revenue generated from our stores, we review our same store sales as well as the performance of our stores that have not operated for a sufficient amount of time to be included in same store sales. We include net sales from a store in same store sales on the first day of the 13th full fiscal month following the store's opening or acquisition by us. We include net sales from e-commerce in our calculation of same store sales.

Measuring the change in year-over-year same store sales allows us to evaluate how our retail store base is performing. Various factors affect same store sales, including:

- changes or anticipated changes to regulations related to some of the products we sell;
- consumer preferences, buying trends and overall economic trends;
- our ability to identify and respond effectively to local and regional trends and customer preferences;
- our ability to provide quality customer service that will increase our conversion of shoppers into paying customers;
- the success of our omni-channel strategy and our e-commerce platform;
- competition in the regional market of a store;
- atypical weather;
- changes in our product mix; and
- changes in pricing and average ticket sales.

Opening new stores is also an important part of our growth strategy. For fiscal year 2019, we plan to open three stores. While our target is to grow square footage at a rate of greater than 5% annually, we expect we will grow our square footage approximately 3% for fiscal year 2019 as we continue to shift some of our cash use to reducing our debt balance.

For our new locations, we measure our investment by reviewing the new store's four-wall Adjusted EBITDA margin and pre-tax return on invested capital ("ROIC"). We target a minimum 10% four-wall Adjusted EBITDA margin and a minimum ROIC of 50% excluding initial inventory costs (or 20% including initial inventory cost) for the first full twelve months of operations for a new store. The 52 new stores that we have opened since 2010 and that have been open for a full twelve months (excluding the 10 acquired stores) have achieved an average four-wall Adjusted EBITDA margin of 11.6% and an average ROIC of 61.5% excluding initial inventory cost (and 23.9% including initial inventory cost) during their first full twelve months of operations. Four-wall Adjusted EBITDA means, for any period, a particular store's Adjusted EBITDA, excluding any allocations of corporate selling, general, and administrative expenses allocated to that store. Four-wall Adjusted EBITDA margin means, for any period, a store's four-wall Adjusted EBITDA divided by that store's net sales. For a definition of Adjusted EBITDA and Adjusted EBITDA margin and a reconciliation of net income to Adjusted EBITDA, see "—Non-GAAP Measures." ROIC means a store's four-wall Adjusted EBITDA for a given period divided by our initial cash investment in the store. We calculate ROIC both including and excluding the initial inventory cost.

We also have been scaling our e-commerce platform and increasing sales through our website, www.sportsmans.com.

We believe the key drivers to increasing our total net sales will be:

- increasing our total gross square footage by opening new stores;
- continuing to increase same store sales in our existing markets;
- increasing customer visits to our stores and improving our conversion rate through focused marketing efforts and continually high standards of customer service;
- increasing the average ticket sale per customer; and
- expanding our omni-channel capabilities.

Gross Margin

Gross profit is our net sales less cost of goods sold. Gross margin measures our gross profit as a percentage of net sales. Our cost of goods sold primarily consists of merchandise acquisition costs, including freight-in costs, shipping costs, payment term discounts received from the vendor and vendor allowances and rebates associated directly with merchandise and shipping costs related to e-commerce sales.

We believe the key drivers to improving our gross margin are increasing the product mix to higher margin products, particularly clothing and footwear, increasing foot traffic within our stores, improving buying opportunities with our vendor partners and coordinating pricing strategies among our stores and our merchandising department. Our ability to properly manage our inventory can also impact our gross margin. Successful inventory management ensures we have sufficient high margin products in stock at all times to meet customer demand, while overstocking of items could lead to markdowns in order to help a product sell. We believe that the overall growth of our business will allow us to generally maintain or increase our gross margins, because increased merchandise volumes will enable us to maintain our strong relationships with our vendors.

Selling, General, and Administrative Expenses

We closely manage our selling, general, and administrative expenses. Our selling, general, and administrative expenses are comprised of payroll, rent and occupancy, depreciation and amortization, acquisition expenses, pre-opening expenses and other operating expenses, including stock-based compensation expense. Pre-opening expenses include expenses incurred in the preparation and opening of a new store location, such as payroll, travel and supplies, but do not include the cost of the initial inventory or capital expenditures required to open a location.

Our selling, general, and administrative expenses are primarily influenced by the volume of net sales of our locations, except for our corporate payroll, rent and occupancy and depreciation and amortization, which are generally fixed in nature. We control our selling, general, and administrative expenses through a budgeting and reporting process that allows our personnel to adjust our expenses as trends in net sales activity are identified.

We expect that our selling, general, and administrative expenses will increase in future periods due to our continuing growth. Furthermore, 51 of our current stores are being impacted by minimum wage increases in fiscal year 2019 that have and will continue to drive up our selling, general, and administrative costs during fiscal year 2019.

Income from Operations

Income from operations is gross profit less selling, general, and administrative expenses. We use income from operations as an indicator of the productivity of our business and our ability to manage selling, general, and administrative expenses.

Adjusted EBITDA

We define Adjusted EBITDA as net income plus interest expense, income tax expense, depreciation and amortization, stock-based compensation expense, pre-opening expenses, and other gains, losses and expenses that we do not believe are indicative of our ongoing expenses. In evaluating our business, we use Adjusted EBITDA and Adjusted EBITDA margin as an additional measurement tool for purposes of business decision-making, including evaluating store performance, developing budgets and managing expenditures. See “—Non-GAAP Measures.”

Results of Operations

The following table summarizes key components of our results of operations as a percentage of net sales for the periods indicated:

	Thirteen Weeks Ended	
	May 4, 2019	May 5, 2018
Percentage of net sales:		
Net sales	100.0%	100.0%
Cost of goods sold	68.9	69.1
Gross profit	31.1	30.9
Selling, general, and administrative expenses	34.2	32.9
Loss from operations	(3.1)	(2.0)
Interest expense	1.2	2.0
Loss before income taxes	(4.3)	(4.0)
Income tax benefit	1.2	0.8
Net loss	(3.1)%	(3.2)%
Adjusted EBITDA	0.2%	2.7%

The following table shows our sales during the periods presented by department:

Department	Product Offerings	Thirteen Weeks Ended	
		May 4, 2019	May 5, 2018
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools	11.9%	11.5%
Clothing	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear	8.0%	7.3%
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats	12.1%	11.6%
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots	7.4%	6.4%
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear	53.6%	56.2%
Optics, Electronics, Accessories, and Other	Gift items, GPS devices, knives, lighting, optics (e.g. binoculars), two-way radios, and other license revenue, net of revenue discounts	7.0%	7.0%
Total		100.0%	100.0%

13 Weeks Ended May 4, 2019 Compared to 13 Weeks Ended May 5, 2018

Net Sales. Net sales decreased by \$6.1 million, or 3.4%, to \$174.0 million during the 13 weeks ended May 4, 2019 compared to \$180.1 million in the corresponding period of fiscal year 2018. Net sales decreased primarily due to lower firearm and ammunition sales, due to difficult comparisons from event-driven actions taken by our competitors in the comparable 13 week period of fiscal year 2018. Stores that were opened in fiscal year 2018, and that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed \$4.9 million to net sales which was offset by a decrease in same store sales for the period of 5.7% compared to the comparable 13 week period of fiscal year 2018.

Our footwear, clothing, optics, electronics and accessories, and fishing departments saw increases of \$1.4 million, \$0.7 million, \$0.2 million, and \$0.1 million, respectively, in the first quarter of fiscal year 2019 compared to the comparable 13-week period of fiscal 2018. Our hunting and camping departments saw decreases of \$8.5 million and \$0.2 million, respectively, in the first quarter of fiscal year 2019 compared to the comparable 13-week period of fiscal year 2018. Within hunting, our firearm and ammunition categories saw decreases of \$5.0 million and \$3.7 million, respectively, in the first quarter of fiscal year 2019 compared to the comparable 13-week period of fiscal year 2018.

With respect to same store sales, during the 13 weeks ended May 4, 2019, our footwear and clothing departments had increases of 10.3%, and 3.5%, respectively while the hunting, camping, fishing, and optics, electronics and accessories departments had decreases of 10.8%, 2.5%, 2.5% and 0.1%, respectively, compared to the comparable 13-week period of fiscal year 2018. We had decreased sales in our hunting category due to lower firearm and ammunition sales, due to difficult comparisons from event-driven actions taken by our competitors in the comparable 13-week period of fiscal year 2018. Within our hunting and shooting department, firearms and ammunition decreased on a same store sales basis by 14.4%, and 13.5%, respectively, during the 13 weeks ended May 4, 2019 compared to the comparable 13-week period of fiscal year 2018. We experienced a decrease in demand for fishing and camping gear due to the above average snowpack in the western United States, which delayed the start of the fishing and camping seasons. As of May 4, 2019, we had 88 stores included in our same store sales calculation.

Gross Profit. Gross profit decreased to \$54.2 million during the 13 weeks ended May 4, 2019 compared to \$55.6 million for the corresponding period of fiscal year 2018. As a percentage of net sales, gross profit increased to 31.1% for the 13 weeks ended May 4, 2019, compared to 30.9% for the corresponding period of fiscal year 2018.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased by \$0.3 million, or 0.5%, to \$59.5 million during the 13 weeks ended May 4, 2019 from \$59.2 million for the comparable 13-week period of fiscal year 2018. As a percentage of net sales, selling, general, and administrative expenses increased to 34.2% of net sales in the first quarter of fiscal year 2019, compared to 32.9% of net sales in the first quarter of fiscal year 2018. We incurred additional rent and other expenses of \$1.2 million and \$0.2 million, respectively, primarily related to the opening of new stores since May 5, 2018. These increases were partially offset by decreases in payroll, preopening expenses, and depreciation, of \$0.7 million, \$0.4 million, and \$0.1 million, respectively.

Interest Expense. Interest expense decreased by \$1.5 million, or 41.7%, to \$2.1 million during the 13 weeks ended May 4, 2019 from \$3.6 million for the comparable 13-week period of fiscal year 2018. Interest expense decreased primarily as a result of the entry into our amended credit facility in May 2018 that lowered the interest rate on our new term loan compared to our prior term loan, and also shifted a significant portion of the balance on the prior term loan to the revolving credit facility which bears interest at a lower rate.

Income Taxes. We recognized an income tax benefit of \$2.0 million and \$1.4 million during the 13 weeks ended May 4, 2019 and May 5, 2018, respectively. Our effective tax rate for the 13 weeks ended May 4, 2019 and May 5, 2018 was 26.8% and 19.1%, respectively. Our effective tax rate will generally differ from the U.S. Federal statutory rate of 21.0%, due to state taxes, permanent items, and discrete items relating to stock award deductions.

Seasonality

Due to holiday buying patterns and the openings of hunting season across the country, net sales are typically higher in the third and fourth fiscal quarters than in the first and second fiscal quarters. We also incur additional expenses in the third and fourth fiscal quarters due to higher volume and increased staffing in our stores. We anticipate our net sales will continue to reflect this seasonal pattern.

The timing of our new retail store openings also may have an impact on our quarterly results. First, we incur certain one-time expenses related to opening each new retail store, all of which are expensed as they are incurred. Second, most store expenses generally vary proportionately with net sales, but there is also a fixed cost component, which includes occupancy costs. These fixed costs typically result in lower store profitability during the initial period after a new retail store opens. Due to both of these factors, new retail store openings may result in a temporary decline in operating profit, in dollars and/or as a percentage of net sales.

Weather conditions affect outdoor activities and the demand for related clothing and equipment. Customers' demand for our products, and, therefore, our net sales, can be significantly impacted by weather patterns on a local, regional and national basis.

Liquidity and Capital Resources

Our primary capital requirements are for seasonal working capital needs and capital expenditures related to opening new stores. Our sources of liquidity to meet these needs have primarily been borrowings under our revolving credit facility.

operating cash flows and short and long-term debt financings from banks and financial institutions. We believe that our cash on hand, cash generated by operating activities and funds available under our revolving credit facility will be sufficient to finance our operating activities for at least the next twelve months.

For the 13 weeks ended May 4, 2019, we incurred approximately \$3.4 million in capital expenditures. We expect total capital expenditures between \$18.0 million and \$23.0 million for fiscal year 2019. We intend to fund our capital expenditures with operating cash flows and funds available under our revolving credit facility. Other investment opportunities, such as potential strategic acquisitions or store expansion rates in excess of those presently planned, may require additional funding.

Cash flows from operating, investing and financing activities are shown in the following table:

	Thirteen Weeks Ended	
	May 4, 2019	May 5, 2018
	(in thousands)	
Cash flows provided by (used in) operating activities	\$ 3,443	\$ (9,049)
Cash flows used in investing activities	(3,091)	(4,474)
Cash flows (used in) provided by financing activities	(184)	14,133
Cash at end of period	1,715	2,379

Net cash provided by operating activities was \$3.4 million for the 13 weeks ended May 4, 2019, compared to cash used in operating activities of \$9.0 million for the corresponding period of fiscal year 2018, a change of approximately \$12.4 million. The change in our cash used in operating activities is primarily a result of decreased purchases of inventory as we continue to manage our in-store inventory more efficiently, and a reduction of prepaid assets.

Net cash used in investing activities was \$3.1 million for the 13 weeks ended May 4, 2019 compared to \$4.5 million for the corresponding period of fiscal year 2018. The change in our cash flows from investing activities is primarily a result of the timing of new store openings in 2019 compared to 2018.

Net cash used in financing activities was \$0.2 million for the 13 weeks ended May 4, 2019, compared to net cash provided by financing activities of \$14.1 million for the corresponding period of fiscal year 2018. The decrease in net cash provided by financing activities when compared to 2018 was primarily due to reduced inventory purchases during the quarter and the timing of new store openings for 2019, which are both funded through our revolving credit facility.

Our outstanding debt consists of our Amended Credit Facility and our Term Loan.

Amended Credit Agreement. We entered into an amended and restated credit agreement with a consortium of banks led by Wells Fargo Bank, National Association in May 2018 that provides for a revolving credit facility with borrowing capacity up to \$250.0 million, subject to a borrowing base calculation, and a \$40.0 million aggregate principal amount term loan. Both the revolving credit facility and term loan mature on May 23, 2023. At the time of entering into our amended credit agreement in May 2018, we used the proceeds from our \$40.0 million term loan and borrowings of \$135.4 million under our revolving credit facility to repay our prior term loan that had an outstanding principal balance of \$134.7 million and was scheduled to mature on December 3, 2020. As of February 2, 2019, we had \$151.3 million outstanding under the revolving credit facility, with \$19.3 million available for borrowing and \$1.7 million in stand-by commercial letters of credit, and our term loan had an aggregate principal amount of \$34.0 million.

Borrowings under the revolving credit facility bear interest based on either, at our option, the base rate or LIBOR, in each case plus an applicable margin. The base rate is the higher of (1) Wells Fargo's prime rate, (2) the federal funds rate (as defined in the credit agreement) plus 0.50% and (3) the one-month LIBOR (as defined in the credit agreement) plus 1.00%. The applicable margin for loans under the revolving credit facility, which varies based on the average daily availability, ranges from 0.25% to 0.75% per year for base rate loans and from 1.25% to 1.75% per year for LIBOR loans.

Interest on base rate loans is payable monthly in arrears and interest on LIBOR loans is payable based on the LIBOR interest period selected by us, which can be 7, 30, 60 or 90 days. All amounts that are not paid when due under our

revolving credit facility will accrue interest at the rate otherwise applicable plus 2.00% until such amounts are paid in full.

Our term loan was issued at a price of 100% of the \$40.0 million aggregate principal amount and has a maturity date of May 23, 2023. The term loan accrues interest at a rate of LIBOR plus 5.75%. The term loan requires principal payments of \$2.0 million payable quarterly, which began November 1, 2018 and continues to and including May 23, 2023 at which time the remaining balance is due in full.

Each of the subsidiaries of Sportsman's Warehouse Holdings, Inc. ("Holdings") is a borrower under the revolving credit facility and the term loan, and Holdings guarantees all obligations under the revolving credit facility and term loan. All obligations under the revolving credit facility and term loan are secured by a lien on substantially all of Holdings' tangible and intangible assets and the tangible and intangible assets of all of Holdings' subsidiaries, including a pledge of all capital stock of each of the Holdings' subsidiaries. The lien securing the obligations under the revolving credit facility and term loan is a first priority lien as to certain liquid assets, including cash, accounts receivable, deposit accounts and inventory.

We may be required to make mandatory prepayments under the revolving credit facility and term loan in the event of a disposition of certain property or assets, in the event of receipt of certain insurance or condemnation proceeds, upon the issuance of certain debt or equity securities, upon the incurrence of certain indebtedness for borrowed money or upon the receipt of certain payments not received in the ordinary course of business.

Our credit agreement contains customary affirmative and negative covenants, including covenants that limit our ability to incur, create or assume certain indebtedness, to create, incur or assume certain liens, to make certain investments, to make sales, transfers and dispositions of certain property and to undergo certain fundamental changes, including certain mergers, liquidations and consolidations. Our revolving credit facility also requires us to maintain a minimum availability at all times of not less than 10% of the gross borrowing base. Our credit agreement contains customary events of default. As of May 4, 2019, we were in compliance with all covenants under our credit agreement.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP. In connection with the preparation of the financial statements, we are required to make assumptions, make estimates and apply judgment that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that we believe to be relevant at the time the condensed consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

There have been no significant changes to our critical accounting policies as described in our Fiscal 2018 Form 10-K except for the implementation of certain estimates for lease accounting under Accounting Standard Codification Topic 842, *Leases* ("Topic 842") as disclosed below.

We adopted Accounting Standards Codification ("ASC") 842, *Leases*, as of February 3, 2019, coinciding with the standard's effective date.

We have operating leases for the Company's retail stores facilities, distribution center, and corporate office. In accordance with ASC 842, we determine if an arrangement is a lease at inception. Operating lease liabilities are calculated using the present value of future payments and recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As our leases generally do not provide an implicit rate, we used a incremental borrowing rate ("IBR") to determine the present value of lease payments. The IBR is based on an established credit rating with a yield curve that approximates our market risk profile.

Our adoption of ASC 842 resulted in the initial recognition of operating lease liabilities of \$214.0 million as of February 3, 2019.

Off Balance Sheet Arrangements

We are not party to any off balance sheet arrangements.

Contractual Obligations

Both our revolving credit facility and term loan will mature on May 23, 2023. All changes to our contractual obligations during the 13 weeks ended May 4, 2019 were completed in the normal course of business and are not considered material.

Non-GAAP Measures

In evaluating our business, we use Adjusted EBITDA and Adjusted EBITDA margin as supplemental measures of our operating performance. We define Adjusted EBITDA as net income plus interest expense, income tax expense, depreciation and amortization, stock-based compensation expense, pre-opening expenses, and other gains, losses and expenses that we do not believe are indicative of our ongoing expenses. In addition, Adjusted EBITDA excludes pre-opening expenses because we do not believe these expenses are indicative of the underlying operating performance of our stores. The amount and timing of pre-opening expenses are dependent on, among other things, the size of new stores opened and the number of new stores opened during any given period. Adjusted EBITDA margin means, for any period, the Adjusted EBITDA for that period divided by the net sales for that period. We consider Adjusted EBITDA and Adjusted EBITDA margin important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Other companies in our industry, however, may calculate Adjusted EBITDA and Adjusted EBITDA margin differently than we do. Management also uses Adjusted EBITDA and Adjusted EBITDA margin as additional measurement tools for purposes of business decision-making, including evaluating store performance, developing budgets and managing expenditures. Management believes Adjusted EBITDA and Adjusted EBITDA margin allow investors to evaluate the company's operating performance and compare our results of operations from period to period on a consistent basis by excluding items that management does not believe are indicative of our core operating performance.

Adjusted EBITDA is not defined under GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with GAAP. Adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, you should not consider Adjusted EBITDA in isolation or as a substitute for net income or other condensed consolidated statement of operations data prepared in accordance with GAAP. Some of these limitations include, but are not limited to:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA may be defined differently by other companies, and, therefore, it may not be directly comparable to the results of other companies in our industry;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; and
- Adjusted EBITDA does not reflect income taxes or the cash requirements for any tax payments.

The following table presents a reconciliation of net income, the most directly comparable financial measure presented in accordance with GAAP, to Adjusted EBITDA for the 13 weeks ended May 4, 2019 and May 5, 2018.

	Thirteen Weeks Ended	
	May 4, 2019	May 5, 2018
	(dollars in thousands)	
Net loss	\$ (5,459)	\$ (5,828)
Interest expense	2,105	3,557
Income tax benefit	(2,003)	(1,379)
Depreciation and amortization	4,613	4,663
Stock-based compensation expense (1)	453	435
Pre-opening expenses (2)	329	716
Executive transition costs (3)	350	—
CEO retirement (4)	—	2,647
Adjusted EBITDA	\$ 387	\$ 4,811
Adjusted EBITDA margin	0.2%	2.7%

- (1) Stock-based compensation expense represents non-cash expenses related to equity instruments granted to employees under our 2013 Performance Incentive Plan and Employee Stock Purchase Plan.
- (2) Pre-opening expenses include expenses incurred in the preparation and opening of a new store location, such as payroll, travel and supplies, but do not include the cost of the initial inventory or capital expenditures required to open a location.
- (3) Expenses incurred relating to the transition of our CFO and the recruitment and hiring of various key members of our senior management team. These events are not expected to be recurring.
- (4) Payroll and stock compensation expenses incurred in conjunction with the retirement of our former CEO.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, see Note 2 to our condensed consolidated financial statements in this 10-Q. Under the Jumpstart Our Business Start-up Act, “emerging growth companies” (“EGCs”), we can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards, and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not EGCs. We currently expect that we will cease to be an EGC at the end of the fifth fiscal year after our initial public offering, which is February 1, 2020.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal exposure to market risk relates to changes in interest rates. Our revolving credit facility and term loan carry floating interest rates that are tied to LIBOR, the federal funds rate and the prime rate, and, therefore, our income and cash flows will be exposed to changes in interest rates to the extent that we do not have effective hedging arrangements in place. We historically have not used interest rate swap agreements to hedge the variable cash flows associated with the interest on our credit facilities. At May 4, 2019, the weighted average interest rate on our borrowings under our revolving credit facility was 4.22%. Based on a sensitivity analysis at May 4, 2019, assuming the amount outstanding under our revolving credit facility would be outstanding for a full year, a 100 basis point increase in interest rates would increase our annual interest expense by approximately \$1.5 million. We do not use derivative financial instruments for speculative or trading purposes. However, this does not preclude our adoption of specific hedging strategies in the future.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, management, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon and as of the date of the evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of May 4, 2019 to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the 13 weeks ended May 4, 2019 the Company has implemented new lease administration and accounting software and has developed and mapped new and existing controls in the context of the Company's control environment.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims, including employment claims, wage and hour claims, intellectual property claims, contractual and commercial disputes and other matters that arise in the ordinary course of our business. While the outcome of these and other claims cannot be predicted with certainty, we do not believe that the likelihood of a loss for any of these matters individually or in the aggregate is probable or reasonably estimable such that they will have a material adverse effect on our business, results of operations or financial condition.

ITEM 1A. RISK FACTORS

Our business faces significant risks and uncertainties. Certain important factors may have a material adverse effect on our business prospects, financial condition and results of operations, and you should carefully consider them. There have been no material changes in our assessment of our risk factors from those set forth in our Fiscal 2018 Form 10-K.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Sportsman's Warehouse Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on June 11, 2014).
3.2	Amended and Restated Bylaws of Sportsman's Warehouse Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on June 11, 2014).
10.1	Severance Agreement, dated April 2, 2019, between Sportsman's Warehouse Holdings, Inc. and Robert Julian (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 8, 2019).
10.2	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 8, 2019).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

Date: May 31, 2019

By: _____
/s/ Jon Barker
Jon Barker
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 31, 2019

By: _____
/s/ Robert K. Julian
Robert K. Julian
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Certification of Chief Executive Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jon Barker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sportsman's Warehouse Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 31, 2019

/s/ Jon Barker

Jon Barker
President and Chief Executive Officer

**Certification of Chief Financial Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert K. Julian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sportsman's Warehouse Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 31, 2019

/s/ Robert K. Julian
Robert K. Julian
Chief Financial Officer and Secretary

**Certification pursuant to 18 U.S.C. Section 1350,
as Adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Sportsman's Warehouse Holdings, Inc. (the "Registrant") for the fiscal quarter ended May 4, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jon Barker, as President and Chief Executive Officer of the Registrant, and Robert K. Julian, the Chief Financial Officer and Secretary of the Registrant, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 31, 2019

/s/ Jon Barker

Jon Barker
President and Chief Executive Officer

Date: May 31, 2019

/s/ Robert K. Julian

Robert K. Julian
Chief Financial Officer and Secretary

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.
