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 November 2, 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)**	**39-1975614** **(I.R.S. Employer Identification No.)**
7035 South High Tech Drive, Midvale, Utah **(Address of principal executive offices)**	**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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☒		

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 December 6, 2019, the registrant had 43,230,023 shares of common stock, $0.01 par value per share, outstanding.

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

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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 third quarters ended November 2, 2019 and November 3, 2018 both consisted of 13 weeks and are referred to herein as the third quarter of fiscal year 2019 and the third 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 ability to integrate the eight stores we recently acquired from Dick's Sporting Goods;*
- *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)

	November 2, 2019	February 2, 2019
Assets		
Current assets:		
Cash	$ 1,737	$ 1,547
Accounts receivable, net	620	249
Merchandise inventories	337,894	276,600
Prepaid expenses and other	11,062	15,174
Total current assets	351,313	293,570
Operating lease right of use asset	211,957	—
Property and equipment, net	107,627	92,084
Deferred income taxes	140	2,997
Goodwill	1,749	—
Definite lived intangibles, net	226	246
Total assets	$ 673,012	$ 388,897
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 105,527	$ 24,953
Accrued expenses	64,198	56,384
Income taxes payable	2,868	1,838
Operating lease liability, current	35,451	—
Revolving line of credit	130,765	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	346,724	240,666
Long-term liabilities:		
Long-term debt, net of discount, debt issuance costs, and current portion	21,781	27,717
Deferred rent, noncurrent	—	41,854
Operating lease liability, noncurrent	204,688	—
Total long-term liabilities	226,469	69,571
Total liabilities	573,193	310,237
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 20,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock, $.01 par value; 100,000 shares authorized; 43,230 and 42,978 shares issued and outstanding, respectively	432	430
Additional paid-in capital	86,041	84,671
Accumulated earnings (deficit)	13,346	(6,441)
Total stockholders' equity	99,819	78,660
Total liabilities and stockholders' equity	$ 673,012	$ 388,897

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		Thirty-Nine Weeks Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Net sales	$ 242,466	$ 223,099	$ 628,249	$ 606,447
Cost of goods sold	158,256	145,518	416,644	401,022
Gross profit	84,210	77,581	211,605	205,425
Selling, general, and administrative expenses	68,336	60,070	191,326	178,374
Income from operations	15,874	17,511	20,279	27,051
Interest expense	2,094	2,633	6,552	10,524
Income before income taxes	13,780	14,878	13,727	16,527
Income tax expense	3,287	2,480	3,195	3,406
Net income	$ 10,493	$ 12,398	$ 10,532	$ 13,121
Earnings per share:				
Basic	$ 0.24	$ 0.29	$ 0.24	$ 0.31
Diluted	$ 0.24	$ 0.29	$ 0.24	$ 0.31
Weighted average shares outstanding:				
Basic	43,230	42,938	43,126	42,854
Diluted	43,559	43,094	43,316	42,937

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
Amounts in Thousands
(unaudited)

For the Thirteen Weeks Ended November 2, 2019 and November 3, 2018

	Common Stock		Restricted nonvoting common stock		Additional paid-in-capital	Accumulated (deficit) earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount	Amount	Amount	Amount
Balance at August 4, 2018	42,937	$ 429	—	$ —	$ 83,751	$ (29,468)	$ 54,712
Stock based compensation	—	—	—	—	380	—	380
Net income	—	—	—	—	—	12,398	12,398
Balance at November 3, 2018	42,937	$ 429	—	$ —	$ 84,131	$ (17,070)	$ 67,490
Balance at August 3, 2019	43,230	$ 432	—	$ —	$ 85,422	$ 2,853	$ 88,707
Stock based compensation	—	—	—	—	619	—	619
Net income	—	—	—	—	—	10,493	10,493
Balance at November 2, 2019	43,230	$ 432	—	$ —	$ 86,041	$ 13,346	$ 99,819

For the Thirty-nine Weeks Ended November 2, 2019 and November 3, 2018

	Common Stock		Restricted nonvoting common stock		Additional paid-in-capital	Accumulated (deficit) earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount	Amount	Amount	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	320	3	—	—	(3)	—	—
Payment of withholdings on restricted stock units	—	—	—	—	(699)	—	(699)
Issuance of common stock for cash per employee stock purchase plan	—	—	—	—	202	—	202
Stock based compensation	—	—	—	—	2,434	—	2,434
Net income	—	—	—	—	—	13,121	13,121
Balance at November 3, 2018	42,937	$ 429	—	$ —	$ 84,131	$ (17,070)	$ 67,490
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	198	2	—	—	(2)	—	—
Payment of withholdings on restricted stock units	—	—	—	—	(369)	—	(369)
Issuance of common stock for cash per employee stock purchase plan	54	—	—	—	174	—	174
Stock based compensation	—	—	—	—	1,567	—	1,567
Net income	—	—	—	—	—	10,532	10,532
Balance at November 2, 2019	43,230	$ 432	—	$ —	$ 86,041	$ 13,346	$ 99,819

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

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

	Thirty-Nine Weeks Ended	
	November 2, 2019	November 3, 2018
Cash flows from operating activities:		
Net income	$ 10,532	$ 13,121
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	14,070	13,317
Amortization and write-off of discount on debt and deferred financing fees	252	1,959
Amortization of definite lived intangible	20	283
Change in deferred rent	—	(280)
(Gain) loss on asset dispositions	(311)	30
Noncash lease expense	22,132	—
Deferred income taxes	(245)	2,194
Stock-based compensation	1,567	2,435
Change in operating assets and liabilities, net of amounts acquired:		
Accounts receivable, net	(371)	(100)
Operating lease liabilities	(22,571)	—
Merchandise inventories	(42,142)	(98,463)
Prepaid expenses and other	165	(2,195)
Accounts payable	70,270	55,204
Accrued expenses	3,449	2,277
Income taxes payable and receivable	1,030	(4,203)
Net cash provided by (used in) operating activities	57,847	(14,421)
Cash flows from investing activities:		
Purchase of property and equipment, net of amounts acquired	(22,914)	(15,183)
Purchase of intangible asset	—	(259)
Acquisition of Field and Stream stores, net of cash acquired	(19,074)	—
Proceeds from deemed sale-leaseback transactions	—	1,717
Proceeds from sale of property and equipment	311	226
Net cash used in investing activities	(41,677)	(13,499)
Cash flows from financing activities:		
Net (payments) borrowings on line of credit	(13,541)	121,574
Increase in book overdraft	3,756	5,424
Proceeds from issuance of common stock per employee stock purchase plan	174	202
Payment of withholdings on restricted stock units	(369)	(699)
Borrowings on term loan	—	40,000
Payment of deferred financing costs	—	(1,331)
Principal payments on long-term debt	(6,000)	(137,127)
Net cash (used in) provided by financing activities	(15,980)	28,043
Net change in cash	190	123
Cash at beginning of period	1,547	1,769
Cash at end of period	$ 1,737	$ 1,892
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 6,761	$ 10,411
Income taxes, net of refunds	2,416	5,616
Supplemental schedule of noncash activities:		
Noncash change in operating lease right of use asset and operating lease liabilities from remeasurement of existing leases and addition of new leases	$ 48,737	$ —
Purchases of property and equipment included in accounts payable and accrued expenses	$ 2,636	$ 487
Payable to seller relating to acquisition of Field and Stream stores	9,462	—

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 and store count 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 November 2, 2019, the Company operated 103 stores in 27 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 November 2, 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 could 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 prior comparative periods in transition to ASC 842 and instead reported prior 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 were based on the present value of such commitments as of February 3, 2019 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, balance sheet, 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 the 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 reviewed arrangements to identify 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 of ASC 842 more complex given 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 initially recorded at the present value of the lease payments by discounting the lease payments by the IBR and then recording accretion over the lease term 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 lease expense is 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 of 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 determined by using 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 6 for a further discussion on leases.

Business combinations

The Company allocates the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over these fair values is recorded as goodwill. The Company has engaged an independent third-party valuation firm to assist in determining the fair values of certain assets acquired and liabilities assumed. Such valuations require management to make certain estimates and assumptions. The fair values assigned to the identified tangible and intangible assets are discussed in Note 13.

Estimates in valuing the operating lease right of use asset include but are not limited to: market lease rates and discount rates. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and thus, actual results may differ from estimates.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic350-40): 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 sales contracts, the Company typically transfers control upon consummation of the sale when the product is paid for and taken by the customer. For performance obligations related to e-commerce sales contracts, the Company typically transfers control 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 35% 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 November 2, 2019:

	November 2, 2019	February 2, 2019
Right of return assets, which are included in prepaid expenses and other	$ 1,608	$ 1,496
Estimated contract liabilities, net of breakage	(18,725)	(20,298)
Sales return liabilities, which are included in accrued expenses	(2,400)	(2,233)

For the 13 and 39 weeks ended November 2, 2019, the Company recognized approximately $235 and $740 in gift card breakage and approximately $404 and $1,064 in loyalty reward breakage, respectively. For the 13 and 39 weeks ended November 3, 2018, the Company recognized approximately $147 and $652 in gift card breakage and approximately $327 and $880 in loyalty reward breakage, 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 and 39 weeks ended November 2, 2019 and November 3, 2018, was approximately:

		Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
Department	**Product Offerings**	**November 2, 2019**	**November 3, 2018**	**November 2, 2019**	**November 3, 2018**
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools	14.9%	14.5%	15.5%	15.6%
Clothing	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear	10.3%	9.8%	8.7%	8.2%
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats	8.9%	8.6%	12.6%	12.3%
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots	7.5%	7.8%	7.4%	7.3%
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear	48.5%	48.7%	47.4%	47.9%
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	9.9%	10.6%	8.4%	8.7%
Total		100.0%	100.0%	100.0%	100.0%

(4) Property and Equipment

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

	November 2, 2019	February 2, 2019
Furniture, fixtures, and equipment	$ 83,576	$ 71,820
Leasehold improvements	101,578	94,573
Construction in progress	12,560	1,743
Total property and equipment, gross	197,714	168,136
Less accumulated depreciation and amortization	(90,087)	(76,052)
Total property and equipment, net	$ 107,627	$ 92,084

(5) Accrued Expenses

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

	November 2, 2019	February 2, 2019
Book overdraft	$ 14,053	$ 10,297
Unearned revenue	20,906	21,836
Accrued payroll and related expenses	10,486	11,590
Sales and use tax payable	5,668	4,250
Accrued construction costs	1,366	760
Other	11,719	7,651
Total accrued expenses	$ 64,198	$ 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 November 2, 2019, ROU assets recorded for operating leases were $211,957 and accumulated amortization associated with operating leases was $22,571. In the 13 and 39 weeks ended November 2, 2019, the Company recorded a non-cash increase of $34,215 and $48,737, respectively, to ROU assets and operating lease liabilities resulting from lease remeasurements from the exercise of lease extension options, acquired leases, 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, including common area maintenance (CAM), recorded during the 13 and 39 weeks ended November 2, 2019 was $14,666 and $43,480, respectively.

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

	Thirty-Nine Weeks Ended November 2, 2019
Operating cash flows from operating leases	$ (36,300)
Cash paid for amounts included in the measurement of lease liabilities - operating leases	(36,300)
	As of November 2, 2019
Right-of-use assets obtained in exchange for new or remeasured operating lease liabilities	$ 48,737
Weighted-average remaining lease term - operating leases	5.52
Weighted-average discount rate - operating leases	7.90%

In accordance with ASC 842, maturities of operating lease liabilities as of November 2, 2019 were as follows:

Year Endings:		Operating Leases
2019 (remainder)	$	17,661
2020		53,217
2021		49,980
2022		45,801
2023		40,795
Thereafter		112,573
Undiscounted cash flows	$	320,027
Reconciliation of lease liabilities:		
Present values	$	240,139
Lease liabilities - current		35,451
Lease liabilities - noncurrent		204,688
Lease liabilities - total	$	240,139
Difference between undiscounted and discounted cash flows	$	79,888

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

		Thirteen Weeks Ended November 3, 2018
Operating lease expense	$	13,974
Total lease expense		13,974

		Thirty-Nine Weeks Ended November 3, 2018
Operating lease expense	$	40,448
Total lease expense		40,448

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
2019	$	47,551
2020		46,824
2021		43,070
2022		38,160
2023		33,246
Thereafter		74,821
Total minimum lease payments	$	283,672

(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 November 2, 2019, and February 2, 2019, the Company had $141,637 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 $10,872 and $7,035 as of November 2, 2019 and February 2, 2019, respectively. As of November 2, 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 November 2, 2019, the Revolving Line of Credit had $897 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 and 39 weeks ended November 2, 2019, the Company recognized $67 and $188, respectively, of non-cash interest expense with respect to the amortization of these deferred financing fees. During the 13 and 39 weeks ended November 3, 2018, the Company recognized $67 and $129, respectively, of non-cash interest expense with respect to the amortization of deferred financing fees.

For the 13 and 39 weeks ended November 2, 2019, gross borrowings under the Revolving Line of Credit were $271,309 and $676,639 respectively. For the 13 and 39 weeks ended November 3, 2018 gross borrowing under the Revolving Line of Credit were $256,006 and $792,092, respectively. For the 13 and 39 weeks ended November 2, 2019, gross paydowns under the Revolving Line of Credit were $268,972 and $692,989 respectively. For the 13 and 39 weeks ended November 3, 2018, gross paydowns under the Revolving Line of Credit were $253,549 and $676,086, respectively.

(8) Long-Term Debt

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

	November 2, 2019	February 2, 2019
Term loan	30,000	36,000
Less debt issuance costs	(304)	(368)
	29,696	35,632
Less current portion, net of discount and debt issuance costs	(7,915)	(7,915)
Long-term portion	$ 21,781	$ 27,717

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 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 November 2, 2019 and February 2, 2019, the Term Loan had an outstanding balance of $30,000 and $36,000, respectively. The outstanding amounts under the Term Loan as of November 2, 2019 and February 2, 2019 are offset on the condensed consolidated balance sheets by an unamortized debt issuance costs of $304 and $368, respectively.

During the 13 and 39 weeks ended November 2, 2019, the Company recognized $21 and $64, respectively, of non-cash interest expense with respect to the amortization of the debt issuance costs. During the 13 and 39 weeks ended November 3, 2018, the Company recognized $21 and $1,152, respectively, of non-cash interest expense with respect to the amortization of the debt issuance costs.

During the 13 and 39 weeks ended November 3, 2018, the Company recognized $0 and $678, respectively, of non-cash interest expense with respect to the amortization of the discount related to the Prior Term Loan.

During the 13 weeks ended November 2, 2019, the Company made the required quarterly payment on the 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 November 2, 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 income tax expense of $3,287 and $2,480 in the 13 weeks ended November 2, 2019 and November 3, 2018, respectively. The Company recognized an income tax expense of $3,195 and 3,406 in the 39 weeks ended November 2, 2019 and November 3, 2018, respectively. The Company's effective tax rate for the 13 weeks ended November 2, 2019 and November 3, 2018 was 23.9% and 16.7%, respectively. The Company's effective tax rate for the 39 weeks ended November 2, 2019 and November 3, 2018 was 23.3% and 20.6%, 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		Thirty-Nine Weeks Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Net income	$ 10,493	$ 12,398	$ 10,532	$ 13,121
Weighted-average shares of common stock outstanding:				
Basic	43,230	42,938	43,126	42,854
Dilutive effect of common stock equivalents	329	156	190	83
Diluted	43,559	43,094	43,316	42,937
Basic earnings per share	$ 0.24	$ 0.29	$ 0.24	$ 0.31
Diluted earnings per share	$ 0.24	$ 0.29	$ 0.24	$ 0.31
Restricted stock units considered anti-dilutive and excluded in the calculation	16	216	42	49

(11) Stock-Based Compensation

Stock-Based Compensation

During the 13 weeks ended November 2, 2019 and November 3, 2018, the Company recognized total stock-based compensation expense of $619 and $380, respectively. During the 39 weeks ended November 2, 2019 and November 3, 2018, the Company recognized stock-based compensation expense of $1,567 and $2,434, 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 November 2, 2019, the number of shares available for awards under the 2019 Performance Incentive Plan (the "2019 Plan") was 3,071. As of November 2, 2019, there were 1,088 unvested stock awards outstanding under the 2019 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 and 39 weeks ended November 2, 2019, 0 and 54 shares, respectively, were issued under the ESPP and the number of shares available for issuance was 512.

Nonvested Restricted Stock Awards

During the 13 and 39 weeks ended November 2, 2019 and November 3, 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 November 2, 2019	—	$ —

	Shares	Weighted average grant-date fair value
Balance at February 3, 2018	108	$ 11.25
Grants	—	—
Forfeitures	(2)	—
Vested	(80)	11.25
Balance at November 3, 2018	26	$ 11.25

Nonvested Performance-Based Stock Awards

During the 13 weeks ended November 2, 2019, the Company did not issue any performance-based stock awards. During the 39 weeks ended November 2, 2019, the Company issued 289 nonvested performance-based stock awards to employees at a weighted average grant date fair value of $3.56 per share. The nonvested performance-based stock awards issued to employees vest in full on the third anniversary of the grant date. The number of shares issued is contingent on management achieving fiscal year 2019 performance targets for omni-channel revenue growth and adjusted EPS. If minimum threshold performance targets are not achieved, no shares will vest. The maximum number of shares subject to the award is 578, and the “target” number of shares subject to the award is 289 as reported below. Following the end of the performance period (fiscal year 2019), 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.

During the 13 weeks ended November 3, 2018, the Company did not issue any performance-based stock awards. During the 39 weeks ended November 3, 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.

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	289	3.56
Forfeitures	(7)	4.91
Vested	(6)	11.25
Balance at November 2, 2019	310	$ 3.64

	Shares	Weighted average grant-date fair value
Balance at February 3, 2018	49	$ 11.25
Grants	163	4.91
Forfeitures	(5)	5.36
Vested	(46)	11.25
Balance at November 3, 2018	161	$ 5.15

Nonvested Stock Unit Awards

During the 13 and 39 weeks ended November 2, 2019, the Company issued 6 and 622 nonvested stock units to employees and members of the Board of Directors of the Company, respectively, at an average value of $4.08 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 shares issued to the members of the Board of Directors of the Company vest over a twelve month period.

During the 13 weeks ended November 3, 2018, the Company issued 3 nonvested stock units to employees of the Company at an average value of $5.56 per share. During the 39 weeks ended November 3, 2018, the Company issued 322 nonvested stock units to employees of the Company and independent members of the Board of Directors at an average value of $4.88 per share.

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	622	4.08
Forfeitures	(53)	5.13
Vested	(237)	4.74
Balance at November 2, 2019	773	$ 4.29

	Shares	Weighted average grant-date fair value
Balance at February 3, 2018	419	$ 5.15
Grants	322	4.88
Forfeitures	(8)	4.91
Vested	(279)	5.23
Balance at November 3, 2018	454	$ 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.

Parsons v. Colt's Manufacturing Company, *2:19-cv-01189-APG-EJY* – On July 2, 2019 the estate and family of a victim of the Route 91 Harvest Festival shooting filed litigation against 16 defendants, one of which being a subsidiary of Sportsman's Warehouse Holdings, Inc., for wrongful death and negligence. The Company believes the plaintiffs' attempts to re-interpret the federal National Firearms Act and Gun Control Act are improper and intend to vigorously defend ourselves in the matter. No reasonable estimate of the amount of any potential losses or range of potential losses relating to this matter can be determined at this time.

(13) Acquisition of Field and Stream Stores

On September 28, 2019, Sportsman's Warehouse, Inc. ("SWI"), a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "Purchase Agreement") with DICK'S Sporting Goods, Inc. ("DICK'S"). Pursuant to the Purchase Agreement, SWI agreed, subject to certain conditions, to acquire from DICK'S all cash, inventory, furniture, fixtures, and equipment, and certain other assets related to up to eight Field & Stream stores operated by DICK'S (the "Acquired Stores"). The Acquired Stores are located in New York (2), Pennsylvania (3), North Carolina (2) and Michigan (1). The acquisition of the eight Acquired Stores closed on October 11, 2019 (the "Closing Date"). On or prior to the Closing Date, SWI entered into a sublease with DICK's with respect to each Acquired Store location. Pursuant to the Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement related to the Acquired Stores by which DICK'S will provide transition services to the Company for a period of up to 120 days of the Closing Date.

The aggregate consideration to be paid to DICK'S under the Purchase Agreement is $28.7 million (the "Purchase Price"), subject to certain post-closing adjustments set forth in the Purchase Agreement. On the Closing Date, SWI drew $19.8 million under the Revolving Line of Credit to fund a portion of the purchase price. The remaining approximately $9 million of consideration owed to DICK'S in connection with the acquisition is due in January 2020.

As part of the Acquisition, the Company incurred legal, accounting, and other due diligence fees that were expensed as incurred. Total fees incurred for the three months ended November 2, 2019 were $387 which were included as a component of Selling, general, and administrative expenses.

The following table summarizes the Purchase Price consideration and related cash outflow at the Closing Date:

		October 11, 2019
Cash paid to seller	$	19,241
Payable to seller		9,462
Total purchase price	$	28,703

The net Purchase Price of $28,703 has been allocate to identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the Acquired Stores other than the lease obligation. The excess of the Purchase Price over the fair value of the tangible and intangible assets acquired is recorded as goodwill. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the Closing Date:

		(*Preliminary Allocation*) October 11, 2019
Cash	$	167
Inventory		19,152
Property, plant, and equipment		5,250
Operating lease right of use asset		33,436
Operating lease right of use liability		(31,051)
Goodwill		1,749
Total	$	28,703

Due to the fact that the Acquisition occurred during an interim period, the Company is still waiting on the finalization of the fair value measurements of the assets acquired and post closing adjustments. As a result, the Company's fair value estimate for the purchase price and assets acquired may change during the allowable measurement period. The allowable measurement period continues from the date the Company obtains and analyzes all relevant information that existed as of the Acquisition date to determine the fair values of the assets acquired, but in no case is to exceed more that one year from the Acquisition date.

Right of Use Asset and Liability

The right of use asset and liability were determined by taking the present value of the future minimum lease payments associated with the acquired stores. The Company utilized discount rates for the leases similar to the rates used to present value its other leases. The difference between the asset and the liability noted above is attributable to favorable lease rates in the acquired store leases.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the assets acquired. The Company believes that the primary factors supporting the amount of goodwill is the workforce acquired in the store locations. The amount of goodwill that is amortizable for tax purposes is $4,134.

Results of Operations

The results of operations of the Acquired stores were included in the Company's results of operations beginning on October 11, 2019. From October 11, 2019 through November 2, 2019 the acquired stores generated net sales of $3,759 which had an immaterial impact on net income.

Pro Forma Results

The following pro forma results are based on the individual historical results of the acquired stores with adjustments to give effect to the combined operations as if the acquisition had been consummated at the beginning of fiscal year 2018. The pro forma results are intended for informational purposes only and do not purport to represent what the combined results of operations would actually have been had the acquisition in fact occurred at the beginning of the earliest period presented. The pro forma information includes the following adjustments (i) depreciation based on the fair value of acquired property, plant, and equipment; (ii) cost of goods sold based on the step-up in fair value of the acquired inventory; (iii) interest expense incurred in connection with the borrowings on the revolving line of credit used to finance the acquisition; and (iv) elimination of acquisition expenses.

		Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
		November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Net sales	$	282,734	242,482	668,517	659,376
Net income	$	10,630	13,120	10,669	15,161
Earnings per share:					
Basic	$	0.25	0.31	0.25	0.35
Diluted	$	0.24	0.30	0.25	0.35

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 outstanding gear and exceptional service to inspire outdoor memories.

Our business was founded in 1986 as a single retail store in Midvale, Utah. Today, we operate 103 stores in 27 states, totaling approximately 4.1 million gross square feet. During fiscal year 2019 to date, we have opened three and acquired eight new stores.

Individual stores and our website www.sportsmans.com are aggregated into one operating and reportable segment.

Recent Developments

On October 11, 2019, we acquired the cash, inventory, furniture, fixtures, and equipment, and certain other assets for eight Field & Stream stores operated by DICK'S Sporting Goods, Inc. ("DICK'S") for an aggregate purchase price of approximately $28.0 million, subject to certain post-closing adjustments, pursuant to an asset purchase agreement dated September 28, 2019. We borrowed $19.8 million under our revolving credit facility to fund the portion of the purchase price due at closing. The remaining approximately $9 million of consideration owed to DICK'S in connection with the acquisition is due in January 2020 and we expect to fund it with borrowings under our revolving credit facility. The acquired stores are located in New York (2), Pennsylvania (3), North Carolina (2) and Michigan (1). See Note 13 to the Notes to the Condensed Consolidated Financial Statements for additional information.

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 and acquiring new stores is also an important part of our growth strategy. While our target is to grow square footage at a rate of greater than 5% annually, we may deviate from this target if attractive opportunities are presented to open or acquire stores outside of our target growth rate.

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 57 new stores that we have opened since 2010 and that have been open for a full twelve months (excluding the 10 stores we acquired in 2013) have achieved an average four-wall Adjusted EBITDA margin of 11.0% and an average ROIC of 68.3% excluding initial inventory cost (and 22.6% 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 or acquiring 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		Thirty-Nine Weeks Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Percentage of net sales:				
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	65.3	65.2	66.3	66.1
Gross profit	34.7	34.8	33.7	33.9
Selling, general, and administrative expenses	28.2	26.9	30.5	29.4
Income from operations	6.5	7.9	3.2	4.5
Interest expense	0.9	1.2	1.0	1.7
Income (loss) before income taxes	5.6	6.7	2.2	2.8
Income tax expense (benefit)	1.4	1.1	0.5	0.6
Net income	4.2%	5.6%	1.7%	2.2%
Adjusted EBITDA	9.6%	10.1%	6.3%	7.7%

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

		Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
Department	Product Offerings	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools	14.9%	14.5%	15.5%	15.6%
Clothing	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear	10.3%	9.8%	8.7%	8.2%
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats	8.9%	8.6%	12.6%	12.3%
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots	7.5%	7.8%	7.4%	7.3%
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear	48.5%	48.7%	47.4%	47.9%
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	9.9%	10.6%	8.4%	8.7%
Total		100.0%	100.0%	100.0%	100.0%

Thirteen Weeks Ended November 2, 2019 Compared to Thirteen Weeks Ended November 3, 2018

Net Sales. Net sales increased by $19.4 million, or 8.7%, to $242.5 million during the 13 weeks ended November 2, 2019 compared to $223.1 million in the corresponding period of fiscal year 2018. Net sales increased primarily due to the opening and acquisition of new stores since November 3, 2018 and an increase in same store sales during the period. Stores that were opened in fiscal year 2019 and that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed $9.3 million to net sales. Same store sales also increased by 4.8% for the 13 weeks ended November 2, 2019 compared to the comparable 13 week period of fiscal year 2018, driven by increases across all categories.

Our hunting, clothing, camping, fishing, footwear and optics, electronics, and accessories departments saw increases of $9.0 million, $3.2 million, $3.0 million, $2.5 million, $1.0 million and $0.9 million, respectively, in the third quarter of fiscal year 2019 compared to the comparable 13-week period of fiscal 2018. Within hunting, our firearm and ammunition categories saw increases of $3.2 million and $2.5 million, respectively, in the third 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 November 2, 2019, our fishing, clothing, camping, hunting, footwear, and optics, electronics, and accessories departments had increases of 9.0%, 8.3%, 6.8%, 4.0%, 2.2% and 2.0%, respectively, compared to the comparable 13-week period of fiscal year 2018. As of November 2, 2019, we had 92 stores included in our same store sales calculation.

Gross Profit. Gross profit increased to $84.2 million during the 13 weeks ended November 2, 2019 compared to $77.6 million for the corresponding period of fiscal year 2018. As a percentage of net sales, gross profit remained flat at 34.7% for the 13 weeks ended November 2, 2019, compared to 34.8% for the corresponding period of fiscal year 2018.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased by $8.3 million, or 13.8%, to $68.3 million during the 13 weeks ended November 2, 2019 from $60.0 million for the comparable 13-week period of fiscal year 2018. As a percentage of net sales, selling, general, and administrative expenses increased to 28.2% of net sales in the third quarter of fiscal year 2019, compared to 26.9% of net sales in the third quarter of fiscal year 2018. We incurred additional payroll, other, pre-opening, rent, acquisition costs and depreciation expenses of $4.0 million, $1.6 million, $1.2 million, $0.7 million, $0.4 million and $0.4 million, respectively, primarily related to the opening of new and acquired stores since November 3, 2018. Additionally, with respect to the increase in payroll, we have experienced minimum wage increases in 51 of our current stores.

Interest Expense. Interest expense decreased by $0.5 million, or 20.5%, to $2.1 million during the 13 weeks ended November 2, 2019 from $2.6 million for the comparable 13-week period of fiscal year 2018. Interest expense decreased primarily as a result of the paydown of debt during the quarter when compared to the corresponding period of fiscal year 2018.

Income Taxes. We recognized income tax expense of $3.3 million and $2.5 million during the 13 weeks ended November 2, 2019 and November 3, 2018, respectively. Our effective tax rate for the 13 weeks ended November 2, 2019 and May 5, 2018 was 23.9% and 16.7%, 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.

Thirty-Nine Weeks Ended November 2, 2019 Compared to Thirty-Nine Weeks Ended November 3, 2018

Net Sales. Net sales increased by $21.8 million, or 3.6%, to $628.2 million during the 39 weeks ended November 2, 2019 compared to $606.4 million in the corresponding period of fiscal year 2018. Net sales increased primarily due to the opening of new and acquired stores since February 4, 2018. Stores that were opened in fiscal year 2019, and that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed $20.1 million to net sales. Same stores sales for the period increased 0.6% compared to the comparable 39 week period of fiscal year 2018.

Our hunting, fishing, clothing, footwear, camping, and optics, electronics, and accessories departments saw increases of $6.9 million, $5.1 million, $4.8 million, $2.4 million, $2.3 million and $1.2 million, respectively, in the 39-week period of fiscal year 2019 compared to the comparable 39-week period of fiscal 2018. Within hunting, our ammunition category saw an increase of $2.1 million, while our firearm category saw a decrease of $0.2 million, respectively, in the 39-week period of fiscal year 2019 compared to the comparable 39-week period of fiscal year 2018.

With respect to same store sales, during the 39 weeks ended November 2, 2019, our clothing, fishing, footwear, camping and optics, electronics, and accessories departments had increases of 5.6%, 3.6%, 2.9%, 0.4% and 0.4%, respectively while the hunting department had a decrease of 0.9% compared to the comparable 39-week period of fiscal year 2018. As of November 2, 2019, we had 92 stores included in our same store sales calculation.

Gross Profit. Gross profit increased to $211.6 million during the 39 weeks ended November 2, 2019 compared to $205.4 million for the corresponding period of fiscal year 2018. As a percentage of net sales, gross profit decreased to 33.7% for the 39 weeks ended November 2, 2019, compared to 33.9% for the corresponding period of fiscal year 2018. Gross profit as a percentage of sales was negatively impacted by a sales mix change to lower margin categories compared to the prior year period and promotional activity during the period.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses increased by $13.0 million, or 7.3%, to $191.3 million during the 39 weeks ended November 2, 2019 from $178.4 million for the comparable 39-week period of fiscal year 2018. As a percentage of net sales, selling, general, and administrative expenses increased to 30.5% of net sales in the 39-weeks of fiscal year 2019, compared to 29.4% of net sales in the 39-weeks of fiscal year 2018. We incurred additional payroll, rent, other, pre-opening, depreciation, and acquisition expenses of $5.1 million, $3.3 million, $3.0 million, $0.7 million, $0.5 million, and $0.4 million, respectively, primarily related to the opening of new and acquired stores since February 3, 2019. Additionally, with respect to the increase in payroll, we have experienced minimum wage increases in 51 of our current stores.

Interest Expense. Interest expense decreased by $4.0 million, or 37.8%, to $6.5 million during the 39 weeks ended November 2, 2019 from $10.5 million for the comparable 39-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 our revolving credit facility which bears interest at a lower rate.

Income Taxes. We recognized income tax expense of $3.2 million and $3.4 million during the 39 weeks ended November 2, 2019 and November 3, 2018, respectively. Our effective tax rate for the 39 weeks ended November 2, 2019 and November 3, 2018 was 23.3% and 20.6%, 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 39 weeks ended November 2, 2019, we incurred approximately $32.2 million in capital expenditures, net of $9.5 million of cash paid for inventory purchased in conjunction with our acquisition, primarily related to the opening of three new stores during the period, the acquisition of the eight stores we acquired in October 2019, and the development and relocation of our new corporate headquarters. We expect total net capital expenditures between $22.0 million and $25.0 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:

	Thirty-Nine Weeks Ended	
	November 2 2019	November 3 2018
	(in thousands)	
Cash flows provided by (used in) operating activities	$ 57,847	$ (14,421)
Cash flows used in investing activities	(41,677)	(13,499)
Cash flows (used in) provided by financing activities	(15,980)	28,043
Cash at end of period	1,737	1,892

Net cash provided by operating activities was $57.9 million for the 39 weeks ended November 2, 2019, compared to cash used in operating activities of $14.4 million for the corresponding period of fiscal year 2018, a change of approximately $72.3 million. The change in our cash flows from operating activities is primarily a result of decreased purchases of inventory as we continue to manage our in-store inventory more efficiently, and an increase in accounts payable.

Net cash used in investing activities was $41.7 million for the 39 weeks ended November 2, 2019 compared to $13.5 million for the corresponding period of fiscal year 2018. The change in our cash flows from investing activities is primarily a result of the capital expenditures and the purchase of inventory relating to the acquisition of the eight stores from DICK'S in October 2019 and capital expenditures relating to our new corporate headquarters.

Net cash used in financing activities was $16.0 million for the 39 weeks ended November 2, 2019, compared to net cash provided by financing activities of $28.0 million for the corresponding period of fiscal year 2018. The decrease in net cash provided by financing activities when compared to fiscal year 2018 was primarily due to reduced borrowings under our revolving credit facility due to less inventory purchases during the thirty-nine weeks ended November 2, 2019 compared to the corresponding period of the prior year and an increase in accounts payable, which are all funded through our revolving credit facility. The reduced borrowings were partially offset by the borrowing of $19.1 million under our revolving credit facility to fund a portion of the purchase price of the eight stores acquired from DICK'S in October 2019.

Our outstanding debt consists of our $250.0 million revolving credit facility and our $40.0 million term loan. Borrowings under our revolving credit facility are subject to a borrowing base calculation. Our revolving credit facility and term loan are goverened by an amended and restated credit agreement with a consortium of banks led by Wells Fargo Bank, National Association. 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 November 2, 2019, we had $141.6 million outstanding under the revolving credit facility, with $78.7 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 $30.0 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 November 2, 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 accounting principles generally accepted in the United States of America ("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 Annual Report on Form 10-K for the fiscal year ended February 2, 2019 filed with the SEC on March 29, 2019 ("Fiscal 2018 Form 10-K") except for the implementation of certain estimates for lease accounting under Accounting Standard Codification Topic 842, *Leases* 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 an incremental borrowing rate ("IBR") to determine the present value of lease payments. The IBR is determined by using our credit rating to develop 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. As previously disclosed, we borrowed $19.1 million under our revolving credit facility to fund the portion of the purchase price due at closing for the eight stores acquired from DICK'S in October 2019. The remaining approximately $9 million of consideration owed to DICK'S in connection with the acquisition is due in January 2020. As of November 2, 2019, we had $141.6 million outstanding under our revolving credit facility, with $78.7 million available for borrowing and $1.7 million in stand-by commercial letters of credit. All other changes to our contractual obligations during the 13 weeks ended November 2, 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 and 39 weeks ended November 2, 2019 and November 3, 2018.

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
	(dollars in thousands)			
Net income	$ 10,493	$ 12,398	$ 10,532	$ 13,121
Interest expense	2,094	2,633	6,552	10,524
Income tax expense	3,287	2,480	3,195	3,406
Depreciation and amortization	4,832	4,438	14,090	13,600
Stock-based compensation expense (1)	619	366	1,567	1,348
Pre-opening expenses (2)	1,482	320	2,483	1,832
Executive transition costs (3)	—	—	623	—
Acquisition costs (4)	387	—	387	—
CEO retirement (5)	—	—	—	2,647
Adjusted EBITDA	$ 23,194	$ 22,635	$ 39,429	$ 46,478
Adjusted EBITDA margin	9.6%	10.1%	6.3%	7.7%

(1) Stock-based compensation expense represents non-cash expenses related to equity instruments granted to employees under our 2019 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 recruitment and hiring of various key members of our senior management team. These events are not expected to be recurring.
(4) Expenses incurred relating to the acquisition of eight Field & Stream stores. See Note 13 to the Notes to the Condensed Consolidated Financial Statements for additional information.
(5) 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 Startup 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 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 November 2, 2019, the weighted average interest rate on our borrowings under our revolving credit facility was 3.56%. Based on a sensitivity analysis at November 2, 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 $1.3 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 November 2, 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

There were no changes in our internal control over financial reporting during the 13 weeks ended November 2, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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. See Note 11, “Commitments and Contingencies” to our condensed consolidated financial statements for additional information.

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 5. OTHER INFORMATION

On May 29, 2019, at the Company’s annual meeting of stockholders (the “Annual Meeting”), the Company’s stockholders approved the Sportsman’s Warehouse Holdings, Inc. 2019 Performance Incentive Plan (the “2019 Plan”), as described in the Company’s Definitive Proxy Statement, filed with the Securities and Exchange Commission on May 29, 2019 (the “Proxy Statement”) to replace the Sportsman’s Warehouse Holdings, Inc. 2013 Performance Incentive Plan (the “2013 Plan”), effective as of the date of stockholder approval. The 2019 Plan, which was previously approved, subject to stockholder approval, by the Board of Directors of the Company, permits the Company to grant equity awards with respect to a maximum of (i) 3,500,000 shares of the Company’s common stock, plus (ii) the number of shares available for additional award grant purposes under the 2013 Plan as of the date of the Annual Meeting and determined immediately prior to the termination of the authority to grant new awards under that plan as of the date of the Annual Meeting, plus (iii) the number of any shares subject to restricted stock unit awards under the 2013 Plan that are outstanding and unvested as of the date of the Annual Meeting which are forfeited, terminated, cancelled, or otherwise reacquired after the date of the Annual Meeting without having become vested, plus any shares that are withheld or reacquired by the Company to satisfy the tax withholding obligations related to any award granted under the 2013 Plan that is outstanding as of the date of the Annual Meeting. The Company’s directors, officers and employees are currently eligible to receive equity awards under the 2019 Plan.

A summary of the 2019 Plan is set forth in the Proxy Statement. That summary and the foregoing description of the 2019 Plan is qualified in its entirety by reference to the text of the 2019 Plan, a copy of which is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

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, General Release and Waiver, dated June 3, 2019, between Sportsman's Warehouse Holdings, Inc. and Kevan Talbot (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 7, 2019).
10.2*	2019 Performance Incentive Plan
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: December 6, 2019	By: /s/ Jon Barker **Jon Barker** *President and Chief Executive Officer* *(Principal Executive Officer)*
Date: December 6, 2019	By: /s/ Robert K. Julian **Robert K. Julian** *Chief Financial Officer* *(Principal Financial and Accounting Officer)*

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.
2019 PERFORMANCE INCENTIVE PLAN

1. PURPOSE OF PLAN

The purpose of this Sportsman's Warehouse Holdings, Inc. 2019 Performance Incentive Plan (this "**Plan**") of Sportsman's Warehouse Holdings, Inc., a Delaware corporation (the "**Corporation**"), is to promote the success of the Corporation by providing an additional means through the grant of awards to attract, motivate, retain and reward selected employees and other eligible persons and to enhance the alignment of the interests of the selected participants with the interests of the Corporation's stockholders.

2. ELIGIBILITY

The Administrator (as such term is defined in Section 3.1) may grant awards under this Plan only to those persons that the Administrator determines to be Eligible Persons. An "**Eligible Person**" is any person who is either: (a) an officer (whether or not a director) or employee of the Corporation or one of its Subsidiaries; (b) a director of the Corporation or one of its Subsidiaries; or (c) an individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Corporation or one of its Subsidiaries in a capital-raising transaction or as a market maker or promoter of securities of the Corporation or one of its Subsidiaries) to the Corporation or one of its Subsidiaries and who is selected to participate in this Plan by the Administrator; provided, however, that a person who is otherwise an Eligible Person under clause (c) above may participate in this Plan only if such participation would not adversely affect either the Corporation's eligibility to use Form S-8 to register under the Securities Act of 1933, as amended (the "**Securities Act**"), the offering and sale of shares issuable under this Plan by the Corporation or the Corporation's compliance with any other applicable laws. An Eligible Person who has been granted an award (a "participant") may, if otherwise eligible, be granted additional awards if the Administrator shall so determine. As used herein, "**Subsidiary**" means any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation; and "**Board**" means the Board of Directors of the Corporation.

3. PLAN ADMINISTRATION

3.1 ***The Administrator***. This Plan shall be administered by and all awards under this Plan shall be authorized by the Administrator. The "**Administrator**" means the Board or one or more committees (or subcommittees, as the case may be) appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of this Plan. Any such committee shall be comprised solely of one or more directors or such number of directors as may be required under applicable law. A committee may delegate some or all of its authority to another committee so constituted. The Board or a committee comprised solely of directors may also delegate, to the extent permitted by applicable law, to one or more officers of the Corporation, its authority under this Plan. The Board or another committee (within its delegated authority) may delegate different levels of authority to different committees or persons with administrative and grant authority under this Plan. Unless otherwise provided in the Bylaws of the Corporation or the applicable charter of any Administrator: (a) a majority of the members of the acting Administrator shall constitute a quorum, and (b) the vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the members of the Administrator shall constitute action by the acting Administrator.

3.2 ***Powers of the Administrator***. Subject to the express provisions of this Plan, the Administrator is authorized and empowered to do all things necessary or desirable in connection with the authorization of awards and the administration of this Plan (in the case of a committee or delegation to one or more officers, within any express limits on the authority delegated to that committee or person(s)), including, without limitation, the authority to:

(a) determine eligibility and, from among those persons determined to be eligible, determine the particular Eligible Persons who will receive an award under this Plan;

(b) grant awards to Eligible Persons, determine the price (if any) at which securities will be offered or awarded and the number of securities to be offered or awarded to any of such persons (in the case of securities-based awards), determine the other specific terms and conditions of awards consistent with the express limits of this Plan, establish the installment(s) (if any) in which such awards shall become exercisable or shall vest (which may include, without limitation, performance and/or time-based schedules), or determine that no delayed exercisability or vesting is required, establish any applicable performance-based exercisability or vesting requirements, determine the circumstances in which any performance-based goals (or the applicable measure of performance) will be adjusted and the nature and impact of any such adjustment, determine the extent (if any) to which any applicable exercise and vesting requirements have been satisfied, establish the events (if any) on which exercisability or vesting may accelerate (which may include, without limitation, retirement and other specified terminations of employment or services, or other circumstances), and establish the events (if any) of termination, expiration or reversion of such awards;

(c) approve the forms of any award agreements (which need not be identical either as to type of award or among participants);

(d) construe and interpret this Plan and any agreements defining the rights and obligations of the Corporation, its Subsidiaries, and participants under this Plan, make any and all determinations under this Plan and any such agreements, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan or the awards granted under this Plan;

(e) cancel, modify, or waive the Corporation’s rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consent under Section 8.6.5;

(f) accelerate, waive or extend the vesting or exercisability, or modify or extend the term of, any or all such outstanding awards (in the case of options or stock appreciation rights, within the maximum term of such awards) in such circumstances as the Administrator may deem appropriate (including, without limitation, in connection with a retirement or other termination of employment or services, or other circumstances) subject to any required consent under Section 8.6.5;

(g) adjust the number of shares of Common Stock subject to any award, adjust the price of any or all outstanding awards or otherwise waive or change previously imposed terms and conditions, in such circumstances as the Administrator may deem appropriate, in each case subject to Sections 4 and 8.6 (and subject to the no repricing provision below);

(h) determine the date of grant of an award, which may be a designated date after but not before the date of the Administrator’s action to approve the award (unless otherwise designated by the Administrator, the date of grant of an award shall be the date upon which the Administrator took the action approving the award);

(i) determine whether, and the extent to which, adjustments are required pursuant to Section 7.1 hereof and take any other actions contemplated by Section 7 in connection with the occurrence of an event of the type described in Section 7;

(j) acquire or settle (subject to Sections 7 and 8.6) rights under awards in cash, stock of equivalent value, or other consideration (subject to the no repricing provision below); and

(k) determine the fair market value of the Common Stock or awards under this Plan from time to time and/or the manner in which such value will be determined.

3.3 ***Prohibition on Repricing***. Notwithstanding anything to the contrary in Section 3.2 and except for an adjustment pursuant to Section 7.1 or a repricing approved by stockholders, in no case may the Administrator (1) amend an outstanding stock option or SAR to reduce the exercise price or base price of the award, (2) cancel, exchange, or surrender an outstanding stock option or SAR in exchange for cash or other awards for the purpose of repricing the award, or (3) cancel, exchange, or surrender an outstanding stock option or SAR in exchange for an option or SAR with an exercise or base price that is less than the exercise or base price of the original award.

3.4 ***Binding Determinations***. Any determination or other action taken by, or inaction of, the Corporation, any Subsidiary, or the Administrator relating or pursuant to this Plan (or any award made under this Plan) and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. Neither the Board nor any other Administrator, nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan (or any award made under this Plan), and all such persons shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time. Neither the Board nor any other Administrator, nor any member thereof or person acting at the direction thereof, nor the Corporation or any of its Subsidiaries, shall be liable for any damages of a participant should an option intended as an ISO (as defined below) fail to meet the requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), applicable to ISOs, should any other award(s) fail to qualify for any intended tax treatment, should any award grant or other action with respect thereto not satisfy Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, or otherwise for any tax or other liability imposed on a participant with respect to an award.

3.5 ***Reliance on Experts***. In making any determination or in taking or not taking any action under this Plan, the Administrator may obtain and may rely upon the advice of experts, including employees and professional advisors to the Corporation. No director, officer or agent of the Corporation or any of its Subsidiaries shall be liable for any such action or determination taken or made or omitted in good faith.

3.6 ***Delegation***. The Administrator may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Corporation or any of its Subsidiaries or to third parties.

4. SHARES OF COMMON STOCK SUBJECT TO THE PLAN; SHARE LIMITS

4.1 ***Shares Available***. Subject to the provisions of Section 7.1, the capital stock that may be delivered under this Plan shall be shares of the Corporation's authorized but unissued Common Stock and any shares of its Common Stock held as treasury shares. For purposes of this Plan, "**Common Stock**" shall mean the common stock of the Corporation and such other securities or property as may become the subject of awards under this Plan, or may become subject to such awards, pursuant to an adjustment made under Section 7.1.

4.2 ***Aggregate Share Limit***. The maximum number of shares of Common Stock that may be delivered pursuant to awards granted to Eligible Persons under this Plan (the "**Share Limit**") is equal to the sum of the following:

(1) 3,500,000 shares of Common Stock, plus

(2) the number of shares of Common Stock available for additional award grant purposes under the Corporation's 2013 Performance Incentive Plan (the "**2013 Plan**") as of the date of stockholder approval of this Plan (the "**Stockholder Approval Date**") and determined immediately prior to the termination of the authority to grant new awards under the 2013 Plan as of the Stockholder Approval Date, plus

(3) the number of any shares subject to restricted stock unit awards granted under the 2013 Plan that are outstanding and unvested on the Stockholder Approval Date that are forfeited, terminated, cancelled or otherwise reacquired by the Corporation without having become vested, plus any shares that are withheld or reacquired by the Corporation to satisfy the tax withholding obligations related to any award granted under the 2013 Plan that is outstanding and unvested on the Stockholder Approval Date;

provided that in no event shall the Share Limit exceed 4,427,492 shares (which is the sum of the 3,500,000 shares set forth above, plus the number of shares available under the 2013 Plan for additional award grant purposes as of the Effective Date (as such term is defined in Section 8.6.1), plus the aggregate number of shares subject to awards previously granted and outstanding under the 2013 Plan as of the Effective Date).

4.3 ***Additional Share Limits***. The following limits also apply with respect to awards granted under this Plan. These limits are in addition to, not in lieu of, the aggregate Share Limit in Section 4.2.

(a) The maximum number of shares of Common Stock that may be delivered pursuant to options qualified as incentive stock options granted under this Plan is 3,500,000 shares.

(b) Awards that are granted under this Plan during any one calendar year to any person who, on the grant date of the award, is a non-employee director are subject to the limits of this Section 4.3(b). The maximum number of shares of Common Stock subject to those awards that are granted under this Plan during any one calendar year to an individual who, on the grant date of the award, is a non-employee director is the number of shares that produce a grant date fair value for the award that, when combined with the grant date fair value of any other awards granted under this Plan during that same calendar year to that individual in his or her capacity as a non-employee director, is $125,000; provided that this limit is $200,000 as to (1) a non-employee director who is serving as the independent Chair of the Board or as a lead independent director at the time the applicable grant is made or (2) any new non-employee director for the calendar year in which the non-employee director is first elected or appointed to the Board. For purposes of this Section 4.3(b), a "non-employee director" is an individual who, on the grant date of the award, is a member of the Board who is not then an officer or employee of the Corporation or one of its Subsidiaries. For purposes of this Section 4.3(b), "grant date fair value" means the value of the award as of the date of grant of the award and as determined using the equity award valuation principles applied in the Corporation's financial reporting. The limits of this Section 4.3(b) do not apply to, and shall be determined without taking into account, any award granted to an individual who, on the grant date of the award, is an officer or employee of the Corporation or one of its

Subsidiaries. The limits of this Section 4.3(b) apply on an individual basis and not on an aggregate basis to all non-employee directors as a group.

4.4 ***Share-Limit Counting Rules***. The Share Limit shall be subject to the following provisions of this Section 4.4:

(a) Shares that are subject to or underlie awards granted under this Plan which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan shall not be counted against the Share Limit and shall be available for subsequent awards under this Plan.

(b) Except as provided below, to the extent that shares of Common Stock are delivered pursuant to the exercise of a stock appreciation right granted under this Plan, the number of underlying shares which are actually issued in payment of the award shall be counted against the Share Limit. (For purposes of clarity, if a stock appreciation right relates to 100,000 shares and is exercised in full at a time when the payment due to the participant is 15,000 shares, 15,000 shares shall be counted against the Share Limit with respect to such exercise and the 85,000 shares not issued shall not be counted against the Share Limit and shall be available for subsequent awards under this Plan.)

(c) Shares that are exchanged by a participant or withheld by the Corporation as full or partial payment in connection with any award granted under this Plan, as well as any shares exchanged by a participant or withheld by the Corporation or one of its Subsidiaries to satisfy the tax withholding obligations related to any award granted under this Plan, shall not be counted against the Share Limit and shall be available for subsequent awards under this Plan.

(d) To the extent that an award granted under this Plan is settled in cash or a form other than shares of Common Stock, the shares that would have been delivered had there been no such cash or other settlement shall not be counted against the Share Limit and shall be available for subsequent awards under this Plan.

(e) In the event that shares of Common Stock are delivered in respect of a dividend equivalent right granted under this Plan, the number of shares delivered with respect to the award shall be counted against the Share Limit. (For purposes of clarity, if 1,000 dividend equivalent rights are granted and outstanding when the Corporation pays a dividend, and 50 shares are delivered in payment of those rights with respect to that dividend, 50 shares shall be counted against the Share Limit). Except as otherwise provided by the Administrator, shares delivered in respect of dividend equivalent rights shall not count against any individual award limit under this Plan other than the aggregate Share Limit.

(f) The Corporation may not increase the Share Limit by repurchasing shares of Common Stock on the market (by using cash received through the exercise of stock options or otherwise).

Refer to Section 8.10 for application of the share limits of this Plan, including the limits in Sections 4.2 and 4.3, with respect to assumed awards. Each of the numerical limits and references in Sections 4.2 and 4.3, and in this Section 4.4, is subject to adjustment as contemplated by Section 4.3, Section 7 and Section 8.10.

4.5 ***No Fractional Shares; Minimum Issue***. Unless otherwise expressly provided by the Administrator, no fractional shares shall be delivered under this Plan. The Administrator may pay cash in lieu of any fractional shares in settlements of awards under this Plan. The Administrator may from time to time impose a limit (of not greater than 100 shares) on the minimum number of shares that may be purchased or exercised as to awards (or any particular award) granted under this Plan unless (as to any particular award) the total number purchased or exercised is the total number at the time available for purchase or exercise under the award.

5. AWARDS

5.1 ***Type and Form of Awards***. The Administrator shall determine the type or types of award(s) to be made to each selected Eligible Person. Awards may be granted singly, in combination or in tandem. Awards also may be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for grants or rights under any other employee or compensation plan of the Corporation or one of its Subsidiaries. The types of awards that may be granted under this Plan are:

5.1.1 ***Stock Options***. A stock option is the grant of a right to purchase a specified number of shares of Common Stock during a specified period as determined by the Administrator. An option may be intended as an incentive stock option within the meaning of Section 422 of the Code (an "**ISO**") or a nonqualified stock option (an option not intended to be an ISO). The agreement evidencing the grant of an option will indicate if the option is intended as an ISO; otherwise it will be deemed to be a nonqualified stock option. The maximum term of each option (ISO or nonqualified) shall be ten (10) years. The per share exercise price for each option shall be not less than 100% of the fair market value of a share of Common Stock on the date of grant of the option. When an option is exercised, the exercise price for the shares to be purchased shall be paid in full in cash or such other method permitted by the Administrator consistent with Section 5.4.

5.1.2 ***Additional Rules Applicable to ISOs***. To the extent that the aggregate fair market value (determined at the time of grant of the applicable option) of stock with respect to which ISOs first become exercisable by a participant in any calendar year exceeds $100,000, taking into account both Common Stock subject to ISOs under this Plan and stock subject to ISOs under all other plans of the Corporation or one of its Subsidiaries (or any parent or predecessor corporation to the extent required by and within the meaning of Section 422 of the Code and the regulations promulgated thereunder), such options shall be treated as nonqualified stock options. In reducing the number of options treated as ISOs to meet the $100,000 limit, the most recently granted options shall be reduced first. To the extent a reduction of simultaneously granted options is necessary to meet the $100,000 limit, the Administrator may, in the manner and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an ISO. ISOs may only be granted to employees of the Corporation or one of its subsidiaries (for this purpose, the term "subsidiary" is used as defined in Section 424(f) of the Code, which generally requires an unbroken chain of ownership of at least 50% of the total combined voting power of all classes of stock of each subsidiary in the chain beginning with the Corporation and ending with the subsidiary in question). No ISO may be granted to any person who, at the time the option is granted, owns (or is deemed to own under Section 424(d) of the Code) shares of outstanding Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation, unless the exercise price of such option is at least 110% of the fair market value of the stock subject to the option and such option by its terms is not exercisable after the expiration of five years from the date such option is granted. If an otherwise-intended ISO fails to meet the applicable requirements of Section 422 of the Code, the option shall be a nonqualified stock option.

5.1.3 ***Stock Appreciation Rights***. A stock appreciation right or "**SAR**" is a right to receive a payment, in cash and/or Common Stock, equal to the excess of the fair market value of a specified number of shares of Common Stock on the date the SAR is exercised over the "**base price**" of the award, which base price shall be set forth in the applicable award agreement and shall be not less than 100% of the fair market value of a share of Common Stock on the date of grant of the SAR. The maximum term of a SAR shall be ten (10) years.

5.1.4 ***Other Awards; Dividend Equivalent Rights***. The other types of awards that may be granted under this Plan include: (a) stock bonuses, restricted stock, performance stock, stock units, restricted stock units, deferred shares, phantom stock or similar rights to purchase or acquire shares, whether at a fixed or variable price (or no price) or fixed or variable ratio related to the Common Stock, and any of which may (but need not) be fully vested at grant or vest upon the passage of time, the occurrence of one or more events, the satisfaction of performance criteria or other conditions, or any combination thereof; or (b) cash awards. The types of cash awards that may be granted under this Plan include the opportunity to receive a payment for the achievement of one or more goals established by the Administrator, on such terms as the Administrator may provide, as well as discretionary cash awards. Dividend equivalent rights may be granted as a separate award or in connection with another award under this Plan; provided, however, that dividend equivalent rights may not be granted as to a stock option or SAR granted under this Plan. In addition, any dividends and/or dividend equivalents as to the portion of an award that is subject to unsatisfied vesting requirements will be subject to termination and forfeiture to the same extent as the corresponding portion of the award to which they relate in the event the applicable vesting requirements are not satisfied.

5.2 ***Award Agreements***. Each award shall be evidenced by either (1) a written award agreement in a form approved by the Administrator and executed by the Corporation by an officer duly authorized to act on its behalf, or (2) an electronic notice of award grant in a form approved by the Administrator and recorded by the Corporation (or its designee) in an electronic recordkeeping system used for the purpose of tracking award grants under this Plan generally (in each case, an "award agreement"), as the Administrator may provide and, in each case and if required by the Administrator, executed or otherwise electronically accepted by the recipient of the award in such form and manner as the Administrator may require. The Administrator may authorize any officer of the Corporation (other than the particular award recipient) to execute any or all award agreements on behalf of the Corporation. The award agreement shall set forth the material terms and conditions of the award as established by the Administrator consistent with the express limitations of this Plan.

5.3 ***Deferrals and Settlements***. Payment of awards may be in the form of cash, Common Stock, other awards or combinations thereof as the Administrator shall determine, and with such restrictions (if any) as it may impose. The Administrator may also require or permit participants to elect to defer the issuance of shares or the settlement of awards in cash under such rules and procedures as it may establish under this Plan. The Administrator may also provide that deferred settlements include the payment or crediting of interest or other earnings on the deferral amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in shares.

5.4 ***Consideration for Common Stock or Awards***. The purchase price (if any) for any award granted under this Plan or the Common Stock to be delivered pursuant to an award, as applicable, may be paid by means of any lawful consideration as determined by the Administrator, including, without limitation, one or a combination of the following methods:

- services rendered by the recipient of such award;

- cash, check payable to the order of the Corporation, or electronic funds transfer;
- notice and third party payment in such manner as may be authorized by the Administrator;
- the delivery of previously owned shares of Common Stock;
- by a reduction in the number of shares otherwise deliverable pursuant to the award; or
- subject to such procedures as the Administrator may adopt, pursuant to a "cashless exercise" with a third party who provides financing for the purposes of (or who otherwise facilitates) the purchase or exercise of awards.

In no event shall any shares newly-issued by the Corporation be issued for less than the minimum lawful consideration for such shares or for consideration other than consideration permitted by applicable state law. Shares of Common Stock used to satisfy the exercise price of an option shall be valued at their fair market value. The Corporation will not be obligated to deliver any shares unless and until it receives full payment of the exercise or purchase price therefor and any related withholding obligations under Section 8.5 and any other conditions to exercise or purchase have been satisfied. Unless otherwise expressly provided in the applicable award agreement, the Administrator may at any time eliminate or limit a participant's ability to pay any purchase or exercise price of any award or shares by any method other than cash payment to the Corporation.

5.5 ***Definition of Fair Market Value***. For purposes of this Plan, "fair market value" shall mean, unless otherwise determined or provided by the Administrator in the circumstances, the closing price (in regular trading) for a share of Common Stock on the NASDAQ Stock Market (the "**Market**") for the date in question or, if no sales of Common Stock were reported on the Market on that date, the closing price (in regular trading) for a share of Common Stock on the Market for the next preceding day on which sales of Common Stock were reported on the Market. The Administrator may, however, provide with respect to one or more awards that the fair market value shall equal the closing price (in regular trading) for a share of Common Stock on the Market on the last trading day preceding the date in question or the average of the high and low trading prices of a share of Common Stock on the Market for the date in question or the most recent trading day. If the Common Stock is no longer listed or is no longer actively traded on the Market as of the applicable date, the fair market value of the Common Stock shall be the value as reasonably determined by the Administrator for purposes of the award in the circumstances. The Administrator also may adopt a different methodology for determining fair market value with respect to one or more awards if a different methodology is necessary or advisable to secure any intended favorable tax, legal or other treatment for the particular award(s) (for example, and without limitation, the Administrator may provide that fair market value for purposes of one or more awards will be based on an average of closing prices (or the average of high and low daily trading prices) for a specified period preceding the relevant date).

5.6 ***Transfer Restrictions***.

5.6.1 ***Limitations on Exercise and Transfer***. Unless otherwise expressly provided in (or pursuant to) this Section 5.6 or required by applicable law: (a) all awards are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (b) awards shall be exercised only by the participant; and (c) amounts payable or shares issuable pursuant to any award shall be delivered only to (or for the account of) the participant.

5.6.1 ***Exceptions***. The Administrator may permit awards to be exercised by and paid to, or otherwise transferred to, other persons or entities pursuant to such conditions and procedures, including limitations on subsequent transfers, as the Administrator may, in its sole discretion, establish in writing. Any permitted transfer shall be subject to compliance with applicable federal and state securities laws and shall not be for value (other than nominal consideration, settlement of marital property rights, or for interests in an entity in which more than 50% of the voting interests are held by the Eligible Person or by the Eligible Person's family members).

5.6.1 ***Further Exceptions to Limits on Transfer***. The exercise and transfer restrictions in Section 5.6.1 shall not apply to:

(a) transfers to the Corporation (for example, in connection with the expiration or termination of the award),

(b) the designation of a beneficiary to receive benefits in the event of the participant's death or, if the participant has died, transfers to or exercise by the participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution,

(c) subject to any applicable limitations on ISOs, transfers to a family member (or former family member) pursuant to a domestic relations order if received by the Administrator,

(d) if the participant has suffered a disability, permitted transfers or exercises on behalf of the participant by his or her legal representative, or

(e) the authorization by the Administrator of "cashless exercise" procedures with third parties who provide financing for the purpose of (or who otherwise facilitate) the exercise of awards consistent with applicable laws and any limitations imposed by the Administrator.

5.7 ***International Awards***. One or more awards may be granted to Eligible Persons who provide services to the Corporation or one of its Subsidiaries outside of the United States. Any awards granted to such persons may be granted pursuant to the terms and conditions of any applicable sub-plans, if any, appended to this Plan and approved by the Administrator from time to time. The awards so granted need not comply with other specific terms of this Plan, provided that stockholder approval of any deviation from the specific terms of this Plan is not required by applicable law or any applicable listing agency.

6. EFFECT OF TERMINATION OF EMPLOYMENT OR SERVICE ON AWARDS

6.1 ***General***. The Administrator shall establish the effect (if any) of a termination of employment or service on the rights and benefits under each award under this Plan and in so doing may make distinctions based upon, inter alia, the cause of termination and type of award. If the participant is not an employee of the Corporation or one of its Subsidiaries, is not a member of the Board and provides other services to the Corporation or one of its Subsidiaries, the Administrator shall be the sole judge for purposes of this Plan (unless a contract or the award otherwise provides) of whether the participant continues to render services to the Corporation or one of its Subsidiaries and the date, if any, upon which such services shall be deemed to have terminated.

6.2 ***Events Not Deemed Terminations of Employment***. Unless the express policy of the Corporation or one of its Subsidiaries, or the Administrator, otherwise provides, or except as otherwise required by applicable law, the employment relationship shall not be considered terminated in the case of (a) sick leave, (b) military leave, or (c) any other leave of absence authorized by the Corporation or one of its Subsidiaries, or the Administrator; provided that, unless reemployment upon the expiration of such leave is guaranteed by contract or law or the Administrator otherwise provides, such leave is for a period of not more than three months. In the case of any employee of the Corporation or one of its Subsidiaries on an approved leave of absence, continued vesting of the award while on leave from the employ of the Corporation or one of its Subsidiaries may be suspended until the employee returns to service, unless the Administrator otherwise provides or applicable law otherwise requires. In no event shall an award be exercised after the expiration of any applicable maximum term of the award.

6.3 ***Effect of Change of Subsidiary Status***. For purposes of this Plan and any award, if an entity ceases to be a Subsidiary of the Corporation a termination of employment or service shall be deemed to have occurred with respect to each Eligible Person in respect of such Subsidiary who does not continue as an Eligible Person in respect of the Corporation or another Subsidiary that continues as such after giving effect to the transaction or other event giving rise to the change in status unless the Subsidiary that is sold, spun-off or otherwise divested (or its successor or a direct or indirect parent of such Subsidiary or successor) assumes the Eligible Person's award(s) in connection with such transaction.

7. ADJUSTMENTS; ACCELERATION

7.1 ***Adjustments***.

(a) Subject to Section 7.2, upon (or, as may be necessary to effect the adjustment, immediately prior to): any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split; any merger, combination, consolidation, conversion or other reorganization; any spin-off, split-up, or similar extraordinary dividend distribution in respect of the Common Stock; or any exchange of Common Stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; then the Administrator shall equitably and proportionately adjust: (1) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of awards (including the specific share limits, maximums and numbers of shares set forth elsewhere in this Plan); (2) the number, amount and type of shares of Common Stock (or other securities or property) subject to any outstanding awards; (3) the grant, purchase, or exercise price (which term includes the base price of any SAR or similar right) of any outstanding awards; and/or (4) the securities, cash or other property deliverable upon exercise or payment of any outstanding awards, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by this Plan and the then-outstanding awards.

(b) Without limiting the generality of Section 3.4, any good faith determination by the Administrator as to whether an adjustment is required in the circumstances pursuant to this Section 7.1, and the extent and nature of any such adjustment, shall be conclusive and binding on all persons.

7.2 ***Corporate Transactions - Assumption and Termination of Awards***.

(a) Upon any event in which the Corporation does not survive, or does not survive as a public company in respect of its Common Stock (including, without limitation, a dissolution, merger, combination, consolidation, conversion, exchange of securities, or other reorganization, or a sale of all or substantially all of the business, stock or assets of the Corporation, in any case in connection with which the Corporation does not survive or does not survive as a public company in respect of its Common Stock), then the Administrator may make provision for a cash payment in settlement of, or for the termination, assumption, substitution or exchange of any or all outstanding awards or the cash, securities or property deliverable to the holder of any or all outstanding awards, based upon, to the extent relevant under the circumstances, the distribution or consideration payable to holders of the Common Stock upon or in respect of such event. Upon the occurrence of any event described in the preceding sentence in connection with which the Administrator has made provision for the award to be terminated (and the Administrator has not made a provision for the substitution, assumption, exchange or other continuation or settlement of the award): (1) unless otherwise provided in the applicable award agreement, each then-outstanding option and SAR shall become fully vested, all shares of restricted stock then outstanding shall fully vest free of restrictions, and each other award granted under this Plan that is then outstanding shall become payable to the holder of such award (with any performance goals applicable to the award in each case being deemed met, unless otherwise provided in the award agreement, at the "target" performance level); and (2) each award (including any award or portion thereof that, by its terms, does not accelerate and vest in the circumstances) shall terminate upon the related event; provided that the holder of an option or SAR shall be given reasonable advance notice of the impending termination and a reasonable opportunity to exercise his or her outstanding vested options and SARs (after giving effect to any accelerated vesting required in the circumstances) in accordance with their terms before the termination of such awards (except that in no case shall more than ten days' notice of the impending termination be required and any acceleration of vesting and any exercise of any portion of an award that is so accelerated may be made contingent upon the actual occurrence of the event).

(b) Without limiting the preceding paragraph, in connection with any event referred to in the preceding paragraph or any change in control event defined in any applicable award agreement, the Administrator may, in its discretion, provide for the accelerated vesting of any award or awards as and to the extent determined by the Administrator in the circumstances.

(c) For purposes of this Section 7.2, an award shall be deemed to have been "assumed" if (without limiting other circumstances in which an award is assumed) the award continues after an event referred to above in this Section 7.2, and/or is assumed and continued by the surviving entity following such event (including, without limitation, an entity that, as a result of such event, owns the Corporation or all or substantially all of the Corporation's assets directly or through one or more subsidiaries (a "**Parent**")), and confers the right to purchase or receive, as applicable and subject to vesting and the other terms and conditions of the award, for each share of Common Stock subject to the award immediately prior to the event, the consideration (whether cash, shares, or other securities or property) received in the event by the stockholders of the Corporation for each share of Common Stock sold or exchanged in such event (or the consideration received by a majority of the stockholders participating in such event if the stockholders were offered a choice of consideration); provided, however, that if the consideration offered for a share of Common Stock in the event is not solely the ordinary common stock of a successor corporation or a Parent, the Administrator may provide for the consideration to be received upon exercise or payment of the award, for each share subject to the award, to be solely ordinary common stock of the successor corporation or a Parent equal in fair market value to the per share consideration received by the stockholders participating in the event.

(d) The Administrator may adopt such valuation methodologies for outstanding awards as it deems reasonable in the event of a cash or property settlement and, in the case of options, SARs or similar rights, but without limitation on other methodologies, may base such settlement solely upon the excess if any of the per share amount payable upon or in respect of such event over the exercise or base price of the award. In the case of an option, SAR or similar right as to which the per share amount payable upon or in respect of such event is less than or equal to the exercise or base price of the award, the Administrator may terminate such award in connection with an event referred to in this Section 7.2 without any payment in respect of such award.

(e) In any of the events referred to in this Section 7.2, the Administrator may take such action contemplated by this Section 7.2 prior to such event (as opposed to on the occurrence of such event) to the extent that the Administrator deems the action necessary to permit the participant to realize the benefits intended to be conveyed with respect to the underlying shares. Without limiting the generality of the foregoing, the Administrator may deem an acceleration and/or termination to occur immediately prior to the applicable event and, in such circumstances, will reinstate the original terms of the award if an event giving rise to an acceleration and/or termination does not occur.

(f) Without limiting the generality of Section 3.4, any good faith determination by the Administrator pursuant to its authority under this Section 7.2 shall be conclusive and binding on all persons.

(g) The Administrator may override the provisions of this Section 7.2 by express provision in the award agreement and may accord any Eligible Person a right to refuse any acceleration, whether pursuant to the award agreement or otherwise, in such circumstances as the Administrator may approve. The portion of any ISO accelerated in connection with an event referred to in this Section 7.2 (or such other circumstances as may trigger accelerated vesting of the award) shall remain exercisable as an ISO only to the extent the applicable $100,000 limitation on ISOs is not exceeded. To the extent exceeded, the accelerated portion of the option shall be exercisable as a nonqualified stock option under the Code.

8. OTHER PROVISIONS

8.1 ***Compliance with Laws***. This Plan, the granting and vesting of awards under this Plan, the offer, issuance and delivery of shares of Common Stock, and/or the payment of money under this Plan or under awards are subject to compliance with all applicable federal, state, local and foreign laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. The person acquiring any securities under this Plan will, if requested by the Corporation or one of its Subsidiaries, provide such assurances and representations to the Corporation or one of its Subsidiaries as the Administrator may deem necessary or desirable to assure compliance with all applicable legal and accounting requirements.

8.2 ***No Rights to Award***. No person shall have any claim or rights to be granted an award (or additional awards, as the case may be) under this Plan, subject to any express contractual rights (set forth in a document other than this Plan) to the contrary.

8.3 ***No Employment/Service Contract***. Nothing contained in this Plan (or in any other documents under this Plan or in any award) shall confer upon any Eligible Person or other participant any right to continue in the employ or other service of the Corporation or one of its Subsidiaries, constitute any contract or agreement of employment or other service or affect an employee's status as an employee at will, nor shall interfere in any way with the right of the Corporation or one of its Subsidiaries to change a person's compensation or other benefits, or to terminate his or her employment or other service, with or without cause. Nothing in this Section 8.3, however, is intended to adversely affect any express independent right of such person under a separate employment or service contract other than an award agreement.

8.4 ***Plan Not Funded***. Awards payable under this Plan shall be payable in shares or from the general assets of the Corporation, and no special or separate reserve, fund or deposit shall be made to assure payment of such awards. No participant, beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including shares of Common Stock, except as expressly otherwise provided) of the Corporation or one of its Subsidiaries by reason of any award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan shall create, or be construed to create, a trust of any kind or a fiduciary relationship between the Corporation or one of its Subsidiaries and any participant, beneficiary or other person. To the extent that a participant, beneficiary or other person acquires a right to receive payment pursuant to any award hereunder, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

8.5 ***Tax Withholding***. Upon any exercise, vesting, or payment of any award, or upon the disposition of shares of Common Stock acquired pursuant to the exercise of an ISO prior to satisfaction of the holding period requirements of Section 422 of the Code, or upon any other tax withholding event with respect to any award, arrangements satisfactory to the Corporation shall be made to provide for any taxes the Corporation or any of its Subsidiaries may be required or permitted to withhold with respect to such award event or payment. Such arrangements may include (but are not limited to) any one of (or a combination of) the following:

(a) The Corporation or one of its Subsidiaries shall have the right to require the participant (or the participant's personal representative or beneficiary, as the case may be) to pay or provide for payment of the amount of any taxes which the Corporation or one of its Subsidiaries may be required or permitted to withhold with respect to such award event or payment.

(b) The Corporation or one of its Subsidiaries shall have the right to deduct from any amount otherwise payable in cash (whether related to the award or otherwise) to the participant (or the participant's personal representative or beneficiary, as the case may be) the amount of any taxes which the Corporation or one of its Subsidiaries may be required or permitted to withhold with respect to such award event or payment.

(c) In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Plan, the Administrator may in its sole discretion (subject to Section 8.1) require or grant (either at the time of the award or thereafter) to the participant the right to elect, pursuant to such rules and subject to such conditions as the Administrator may establish, that the Corporation reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares, valued in a consistent manner at their fair market value or at the sales price in accordance with authorized procedures for cashless exercises, necessary to satisfy any applicable withholding obligation on exercise, vesting or payment.

8.6 ***Effective Date, Termination and Suspension, Amendments***.

8.6.1 ***Effective Date***. This Plan is effective as of April 5, 2019, the date of its approval by the Board (the "**Effective Date**"). This Plan shall be submitted for and subject to stockholder approval no later than twelve months after the Effective Date. Unless earlier terminated by the Board and subject to any extension that may be approved by stockholders, this Plan shall terminate at the close of business on the day before the tenth anniversary of the Effective Date. After the termination of this Plan either upon such stated termination date or its earlier termination by the Board, no additional awards may be granted under this Plan, but previously granted awards (and the authority of the Administrator with respect thereto, including the authority to amend such awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of this Plan.

8.6.2 ***Board Authorization***. The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No awards may be granted during any period that the Board suspends this Plan.

8.6.3 ***Stockholder Approval***. To the extent then required by applicable law, or deemed necessary or advisable by the Board, any amendment to this Plan shall be subject to stockholder approval.

8.6.4 ***Amendments to Awards***. Without limiting any other express authority of the Administrator under (but subject to) the express limits of this Plan, the Administrator by agreement or resolution may waive conditions of or limitations on awards to participants that the Administrator in the prior exercise of its discretion has imposed, without the consent of a participant, and (subject to the requirements of Sections 3.2 and 8.6.5) may make other changes to the terms and conditions of awards. Any amendment or other action that would constitute a repricing of an award is subject to the no-repricing provision of Section 3.3.

8.6.5 ***Limitations on Amendments to Plan and Awards***. No amendment, suspension or termination of this Plan or amendment of any outstanding award agreement shall, without written consent of the participant, affect in any manner materially adverse to the participant any rights or benefits of the participant or obligations of the Corporation under any award granted under this Plan prior to the effective date of such change. Changes, settlements and other actions contemplated by Section 7 shall not be deemed to constitute changes or amendments for purposes of this Section 8.6.

8.7 ***Privileges of Stock Ownership***. Except as otherwise expressly authorized by the Administrator, a participant shall not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by the participant. Except as expressly required by Section 7.1 or otherwise expressly provided by the Administrator, no adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

8.8 ***Governing Law; Severability***.

8.8.1 ***Choice of Law***. This Plan, the awards, all documents evidencing awards and all other related documents shall be governed by, and construed in accordance with the laws of the State of Delaware, notwithstanding any Delaware or other conflict of law provision to the contrary.

8.8.1 ***Severability***. If a court of competent jurisdiction holds any provision invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

8.9 ***Captions***. Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

8.10 ***Stock-Based Awards in Substitution for Stock Options or Awards Granted by Other Corporation***. Awards may be granted to Eligible Persons in substitution for or in connection with an assumption of employee stock options, SARs, restricted stock or other stock-based awards granted by other entities to persons who are or who will become Eligible Persons in respect of the Corporation or one of its Subsidiaries, in connection with a distribution, merger or other reorganization by or with the granting entity or an affiliated entity, or the acquisition by the Corporation or one of its Subsidiaries, directly or indirectly, of all or a substantial part of the stock or assets of the employing entity. The awards so granted need not comply with other specific terms of this Plan, provided the awards reflect adjustments giving effect to the assumption or substitution consistent with any conversion applicable to the common stock (or the securities otherwise subject to the award) in the transaction and any change in the issuer of the security. Any shares that are delivered and any awards that are granted by, or become obligations of, the Corporation, as a result of the assumption by the Corporation of, or in substitution for, outstanding awards previously granted or assumed by an acquired company (or previously granted or assumed by a predecessor employer (or direct or indirect parent thereof) in the case of persons that become employed by the Corporation or one of its Subsidiaries in connection with a business or asset acquisition or similar transaction) shall not be counted against the Share Limit or other limits on the number of shares available for issuance under this Plan.

8.11 ***Non-Exclusivity of Plan***. Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Administrator to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

8.12 ***No Corporate Action Restriction***. The existence of this Plan, the award agreements and the awards granted hereunder shall not limit, affect or restrict in any way the right or power of the Corporation or any Subsidiary (or any of their respective shareholders, boards of directors or committees thereof (or any subcommittees), as the case may be) to make or authorize: (a) any adjustment, recapitalization, reorganization or other change in the capital structure or business of the Corporation or any Subsidiary, (b) any merger, amalgamation, consolidation or change in the ownership of the Corporation or any Subsidiary, (c) any issue of bonds, debentures, capital, preferred or prior preference stock ahead of or affecting the capital stock (or the rights thereof) of the Corporation or any Subsidiary, (d) any dissolution or liquidation of the Corporation or any Subsidiary, (e) any sale or transfer of all or any part of the assets or business of the Corporation or any Subsidiary, (f) any other award, grant, or payment of incentives or other compensation under any other plan or authority (or any other action with respect to any benefit, incentive or compensation), or (g) any other corporate act or proceeding by the Corporation or any Subsidiary. No participant, beneficiary or any other person shall have any claim under any award or award agreement against any member of the Board or the Administrator, or the Corporation or any employees, officers or agents of the Corporation or any Subsidiary, as a result of any such action. Awards need not be structured so as to be deductible for tax purposes.

8.13 ***Other Company Benefit and Compensation Programs***. Payments and other benefits received by a participant under an award made pursuant to this Plan shall not be deemed a part of a participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Corporation or any Subsidiary, except where the Administrator expressly otherwise provides or authorizes in writing. Awards under this Plan may be made in addition to, in combination with, as alternatives to or in payment of grants, awards or commitments under any other plans, arrangements or authority of the Corporation or its Subsidiaries.

8.14 ***Clawback Policy.*** The awards granted under this Plan are subject to the terms of the Corporation's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of awards or any shares of Common Stock or other cash or property received with respect to the awards (including any value received from a disposition of the shares acquired upon payment of the awards).

Exhibit 31.1

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: December 6, 2019

/s/ Jon Barker

Jon Barker

President and Chief Executive Officer

Exhibit 31.2

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: December 6, 2019

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

Exhibit 32.1

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 November 2, 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: December 6, 2019

/s/ Jon Barker

Jon Barker
President and Chief Executive Officer

Date: December 6, 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.