# Sportsman's Warehouse Holdings, Inc. Announces Third Quarter 2020 Financial Results

December 2, 2020

WEST JORDAN, Utah, Dec. 02, 2020 (GLOBE NEWSWIRE) -- Sportsman's Warehouse Holdings, Inc. ("Sportsman's Warehouse" or the “Company”) (Nasdaq: SPWH) today announced financial results for the thirteen and thirty-nine weeks ended October 31, 2020.

“Sportsman’s Warehouse continued its exceptional performance in the third quarter of 2020. We were extremely pleased with the efforts of associates in all of our facilities as we worked as a team to safely and effectively serve customers, both new and returning,” said Jon Barker, Sportsman’s Warehouse CEO. “During the third quarter, same store sales increased 41% compared to the same period last year, driven by elevated participation in fishing, camping and hunting, and our continued market share gains in firearms.”

Mr. Barker stated, “We continue to be excited about the expansion of our ecommerce capabilities, with ecommerce-driven sales up over 200% from the prior year period. We are also highly encouraged by the strong visitor traffic on both our website and inside of our stores. We opened 9 new stores year-to-date in 2020, taking the total Sportsman’s Warehouse store count to 111. In addition, our first Legacy Shooting Center, which opened earlier this year, is performing ahead of expectations.”

“We believe we are well positioned to continue to capitalize on substantial growth opportunities, including heightened participation in outdoor activities, ecommerce growth, and new store expansion to create long-term shareholder value.”

**For the thirteen weeks ended October 31, 2020:**

- Net sales were $385.7 million, an increase of $143.2 million, or 59.1%, as compared to the third quarter of fiscal year 2019. The net sales increase was primarily due to a surge in demand across all major categories, led by our hunting and shooting category, as well as strong growth in our ecommerce platform compared to the prior year period.
- Same store sales increased 40.9% during the third quarter of 2020 compared to the third quarter of 2019.
- Gross profit was $130.6 million or 33.9% of net sales, compared to $84.2 million or 34.7% of net sales in the comparable prior year period, a year-over-year increase of $46.4 million in gross profit and an 80-basis point decrease in gross profit margin.
- Net income was $30.5 million compared to net income of $10.5 million in the third quarter of 2019. Adjusted net income was $31.5 million compared to adjusted net income of $10.8 million in the third quarter of 2019 (see “GAAP and Non-GAAP Measures”).
- Adjusted EBITDA was $49.9 million compared to $23.2 million in the comparable prior year period (see "GAAP and Non-GAAP Measures").
- Diluted earnings per share were $0.68 compared to a diluted earnings per share of $0.24 in the comparable prior year period. Adjusted diluted earnings per share were $0.71 compared to adjusted diluted earnings per share of $0.25 for the comparable prior year period (see "GAAP and Non-GAAP Measures").

**For the thirty-nine weeks ended October 31, 2020:**

- Net sales were $1,013.6 million, an increase of $385.3 million, or 61.3%, as compared to the first three quarters of fiscal year 2019. The net sales increase was primarily due to a surge in demand across all major categories, led by our hunting and shooting category, as well as strong growth in our ecommerce platform compared to the prior year period.
- Same store sales increased 44.4% during the first three quarters of 2020 compared to the comparable period in 2019.
- Gross profit was $334.5 million or 33.0% of net sales, as compared to $211.6 million or 33.7% of net sales for the comparable prior year period, a year-over-year increase of $122.9 million in gross profit and a 70-basis point decrease in gross profit margin.
- Net income was $61.8 million compared to net income of $10.5 million in the first quarters of 2019. Adjusted net income was $65.6 million compared to adjusted net income of $11.3 million in the first three quarters of 2019 (see “GAAP and

Non-GAAP Measures").

- Adjusted EBITDA was $111.7 million compared to $39.4 million in the first three quarters of 2019 (see "GAAP and Non-GAAP Measures").

- Diluted earnings per share were $1.40 for the thirty-nine weeks ended October 31, 2020 compared to diluted earnings per share of $0.24 for the same period last year. Adjusted diluted earnings per share were $1.48 for the thirty-nine weeks ended October 31, 2020 compared to adjusted diluted earnings per share of $0.26 for the same period last year (see "GAAP and Non-GAAP Measures").

**Balance sheet highlights as of October 31, 2020:**

- The Company was in a net cash position at the end of the third quarter of 2020 with of $19.3 million in cash on hand, no borrowings under the Company's revolving credit facility, and $8.0 million outstanding under the term loan, net of unamortized debt issuance costs. This is an improvement in net debt of $170.1 million year-over-year.

- Total liquidity was $238 million as of the end of the second quarter of 2020, comprised of $218 million of availability on the revolving credit facility and $19 million of cash on hand, compared to $80 million in total liquidity at the end of the third quarter of 2019.

**Fourth quarter and fiscal year 2020 outlook:**

For the fourth quarter of fiscal year 2020, net sales are expected to be in the range of $356 million to $386 million based on same store sales growth in the range of 32% to 42% compared to the corresponding period of fiscal year 2019. Adjusted EBITDA is expected to be in the range of $31.0 million to $35.0 million with diluted earnings per share of $0.39 to $0.45 on a weighted average of approximately 44.5 million estimated common shares outstanding.

For fiscal year 2020, net sales are expected to be in the range of $1,370 million to $1,400 million based on same store sales growth in the range of 42% to 46% compared to fiscal year 2019. Adjusted EBITDA is expected to be in the range of $143.6 million to $147.2 million with adjusted earnings per diluted share of $1.87 to $1.93 on a weighted average of approximately 44.3 million estimated common shares outstanding (see "GAAP and Non-GAAP Measures").

**Conference Call Information:**

A conference call to discuss third quarter and third quarter year-to-date 2020 financial results is scheduled for today, December 2, 2020, at 4:30 PM Eastern Time. The conference call will be webcast and may be accessed via the Investor Relations section of the Company's website at www.sportsmans.com.

**Non-GAAP Information**

This press release includes the following financial measures defined as non-GAAP financial measures by the Securities and Exchange Commission (the "SEC"): adjusted income from operations, adjusted net income, adjusted diluted earnings per share and Adjusted EBITDA. We define adjusted income from operations and adjusted net income as income from operations and net income, respectively, in each case, plus expenses incurred relating to bonuses and increased wages paid to front-line and non-executive back office associates due to COVID-19, costs incurred for the recruitment and hiring of key members of management, certain expenses incurred relating to the acquisition of Field and Stream stores, tax benefits recognized, a legal settlement accrual, and the costs and impairments recorded relating to the closure of one store during the first quarter of 2020, as applicable. We define adjusted diluted earnings per share as diluted earnings per share excluding the impact of expenses incurred related to the bonuses and increased wages paid to front-line and non-executive back office associates due to COVID-19, expenses incurred relating to the recruitment and hiring of key members of management, certain expenses incurred relating to the acquisition of Field and Stream stores, a legal settlement accrual, and the costs and impairments recorded relating to the closure of one store during the first quarter of 2020, as applicable. We define Adjusted EBITDA as net income plus interest expense, income tax (benefit) expense, depreciation and amortization, stock-based compensation expense, bonuses and increased wages paid to front-line and non-executive back office associates due to COVID-19, pre-opening expenses, and other gains, losses and expenses that we do not believe are indicative of our ongoing expenses. The Company has reconciled these non-GAAP financial measures with the most directly comparable GAAP financial measures under "GAAP and Non-GAAP Measures" in this release. The Company believes that these non-GAAP financial measures not only provide its management with comparable financial data for internal financial analysis but also provide meaningful supplemental information to investors. Specifically, these non-GAAP financial measures allow investors to better understand the performance of the Company's business and facilitate a more meaningful comparison of its diluted earnings per share and actual results on a period-over-period basis. The Company has provided this information as a means to evaluate the results of its ongoing operations. Other companies in the Company's industry may calculate these items differently than the Company does. Each of these measures is not a measure of performance under GAAP and should not be considered as a substitute for the most directly comparable financial measures prepared in accordance with GAAP. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company's results as reported under GAAP.

**Forward-Looking Statements**

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this release include, but are not limited to, statements regarding our outlook for the fourth quarter and fiscal year 2020, our ability to execute on our growth strategy. Investors can identify these statements by the fact that they use words such as "continue", "expect", "may", “opportunity”, "plan", "future", “ahead” and similar terms and phrases. The Company cannot assure investors that future developments affecting the Company will be those that it has anticipated. Actual results may differ materially from these expectations due to many factors including, but not limited to: the potential effects of COVID-19 and measures intended to reduce its spread on the Company’s operations; the Company’s retail-based business model; general economic, market and other conditions and changes in consumer spending; the Company’s concentration of stores in the Western United States; competition in the outdoor activities and specialty retail market; changes in consumer demands; the Company’s expansion into new markets and planned growth; current and future government regulations; risks related to the Company’s continued retention of its key management; the Company’s existing distribution center or the Company’s planned new distribution center; quality or safety concerns about the Company’s merchandise; events that may affect the Company’s vendors; trade restrictions; public health crises and social unrest; and other factors that are set forth in the Company's filings with the SEC, including under the caption “Risk Factors” in the Company’s Form 10-K for the fiscal year ended February 1, 2020 which was filed with the SEC on April 9, 2020, and the Company’s other public filings made with the SEC and available at www.sec.gov. If one or more of these risks or uncertainties materialize, or if any of the Company’s assumptions prove incorrect, the Company’s actual results may vary in material respects from those projected in these forward-looking statements. Any forward-looking statement made by the Company in this release speaks only as of the date on which the Company makes it. Factors or events that could cause the Company’s actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

**About Sportsman's Warehouse Holdings, Inc.**

Sportsman’s Warehouse Holdings, Inc. is an outdoor specialty retailer focused on meeting the needs of the seasoned outdoor veteran, the first-time participant, and everyone in between. We provide outstanding gear and exceptional service to inspire outdoor memories.

For press releases and certain additional information about the Company, visit the Investor Relations section of the Company's website at www.sportsmans.com.

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**SPORTSMAN’S WAREHOUSE HOLDINGS, INC.**
**Condensed Consolidated Statements of Loss (Unaudited)**
**(in thousands, except per share data)**

| | For the Thirteen Weeks Ended | | | | |
|---|---|---|---|---|---|
| | **October 31, 2020** | **% of net sales** | **November 2, 2019** | **% of net sales** | **YOY Variance** |
| Net sales | $ 385,748 | *100.0%* | $ 242,466 | *100.0%* | $ 143,282 |
| Cost of goods sold | 255,166 | *66.1%* | 158,256 | *65.3%* | 96,910 |
| Gross profit | 130,582 | *33.9%* | 84,210 | *34.7%* | 46,372 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 92,252 | *23.9%* | 68,336 | *28.2%* | 23,916 |
| Income from operations | 38,330 | *10.0%* | 15,874 | *6.5%* | 22,456 |
| Bargain purchase gain | (2,218) | *(0.6%)* | - | *0.0%* | (2,218) |
| Interest expense | 536 | *0.1%* | 2,094 | *0.9%* | (1,558) |
| Income before income tax expense | 40,012 | *9.9%* | 13,780 | *5.6%* | 26,232 |
| Income tax expense | 9,530 | *2.5%* | 3,287 | *1.4%* | 6,243 |
| Net income | $ 30,482 | *7.4%* | $ 10,493 | *4.2%* | $ 19,989 |

| | | | |
|---|---|---|---|
| Earnings per share | | | |
| Basic | $ 0.70 | $ 0.24 | $ 0.46 |
| Diluted | $ 0.68 | $ 0.24 | $ 0.44 |
| Weighted average shares outstanding | | | |
| Basic | 43,609 | 43,230 | 379 |
| Diluted | 44,510 | 43,559 | 951 |

**SPORTSMAN'S WAREHOUSE HOLDINGS, INC.**
**Condensed Consolidated Statements of Income (Unaudited)**
**(in thousands, except per share data)**

| | For the Thirty-Nine Weeks Ended | | | | |
|---|---|---|---|---|---|
| | **October 31, 2020** | **% of net sales** | **November 2, 2019** | **% of net sales** | **YOY Variance** |
| Net sales | $ 1,013,572 | *100.0%* | $ 628,249 | *100.0%* | $ 385,323 |
| Cost of goods sold | 679,122 | *67.0%* | 416,644 | *66.3%* | 262,478 |
| Gross profit | 334,450 | *33.0%* | 211,605 | *33.7%* | 122,845 |
| Operating expenses: | | | | | |
| Selling, general and administrative expenses | 251,077 | *24.8%* | 191,326 | *30.5%* | 59,751 |
| Income from operations | 83,373 | *8.2%* | 20,279 | *3.2%* | 63,094 |
| Bargain purchase gain | (2,218) | *(0.2%)* | - | *0.0%* | (2,218) |
| Interest expense | 3,088 | *0.3%* | 6,552 | *1.0%* | (3,464) |
| Income (loss) before income tax expense | 82,503 | *7.9%* | 13,727 | *2.2%* | 68,776 |
| Income tax expense (benefit) | 20,690 | *2.0%* | 3,195 | *0.5%* | 17,495 |
| Net Income | $ 61,813 | *5.9%* | $ 10,532 | *1.7%* | $ 51,281 |
| Earnings per share | | | | | |
| Basic | $ 1.42 | | $ 0.24 | | $ 1.18 |
| Diluted | $ 1.40 | | $ 0.24 | | $ 1.15 |
| Weighted average shares outstanding | | | | | |
| Basic | 43,490 | | 43,126 | | 364 |
| Diluted | 44,260 | | 43,316 | | 944 |

**SPORTSMAN'S WAREHOUSE HOLDINGS, INC.**
**Condensed Consolidated Balance Sheets (Unaudited)**
**(in thousands)**

**Assets**

| | **October 31, 2020** | **February 1, 2020** |
|---|---|---|
| Current assets: | | |
| Cash | $ 19,314 | $ 1,685 |
| Accounts receivable, net | 462 | 904 |

| | | |
|---|---|---|
| Merchandise inventories | 322,078 | 275,505 |
| Income tax receivable | - | 812 |
| Prepaid expenses and other | 14,564 | 12,732 |
| Total current assets | 356,418 | 291,638 |
| Operating lease right of use asset | 239,254 | 224,520 |
| Property and equipment, net | 99,495 | 98,767 |
| Goodwill | 1,496 | 1,496 |
| Definite lived intangible assets, net | 299 | 220 |
| Total assets | $ 696,962 | $ 616,641 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 135,949 | $ 38,157 |
| Accrued expenses | 106,430 | 70,118 |
| Operating lease liability, current | 35,730 | 34,487 |
| Income taxes payable | 5,315 | - |
| Revolving line of credit | - | 116,078 |
| Current portion of long-term debt, net of discount and debt issuance costs | - | 5,936 |
| Total current liabilities | 283,424 | 264,776 |
| Long-term liabilities: | | |
| Long-term debt, net of discount, debt issuance costs, and current portion | 7,950 | 23,781 |
| Deferred income taxes | 4,154 | 562 |
| Operating lease liability, noncurrent | 227,333 | 217,254 |
| Total long-term liabilities | 239,437 | 241,597 |
| Total liabilities | 522,861 | 506,373 |
| Stockholders' equity: | | |
| Common stock | 436 | 433 |
| Additional paid-in capital | 88,823 | 86,806 |
| Accumulated earnings | 84,842 | 23,029 |
| Total stockholders' equity | 174,101 | 110,268 |
| Total liabilities and stockholders' equity | $ 696,962 | $ 616,641 |

**SPORTSMAN'S WAREHOUSE HOLDINGS, INC.**
**Condensed Consolidated Statements of Cash Flows (Unaudited)**
**(in thousands)**

| | October 31, 2020 | November 2, 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | $ 61,813 | $ 10,532 |
| ***Adjustments to reconcile net income to net cash provided by operating activities:*** | | |
| Depreciation and amortization | 15,992 | 14,070 |
| Amortization of discount on debt and deferred financing fees | 422 | 252 |
| Amortization of Intangible assets | 21 | 20 |
| Loss (gain) on asset dispositions | 937 | (311) |
| Gain on bargain purchase | (2,218) | - |
| Noncash operating lease expense | 17,760 | 22,132 |
| Deferred income taxes | 2,801 | (245) |
| Stock based compensation | 2,436 | 1,567 |
| **Change in assets and liabilities, net of amounts acquired:** | | |

| | | |
|---|---|---|
| Accounts receivable, net | 442 | (371) |
| Operating lease liabilities | (20,781) | (22,571) |
| Merchandise inventory | (38,887) | (42,142) |
| Prepaid expenses and other | (2,021) | 165 |
| Accounts payable | 94,900 | 70,270 |
| Accrued expenses | 31,992 | 3,449 |
| Income taxes payable and receivable | 6,127 | 1,030 |
| **Net cash provided by operating activities** | 171,736 | 57,847 |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of property and equipment, net of amounts acquired | (15,394) | (22,914) |
| Acquisition of Field and Stream stores, net of cash acquired | (4,778) | (19,074) |
| Proceeds from sale of property and equipment | - | 311 |
| **Net cash used in investing activities** | (20,172) | (41,677) |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Net (payments) borrowings on line of credit | (116,078) | (13,541) |
| (Decrease) Increase in book overdraft | 4,559 | 3,756 |
| Proceeds from issuance of common stock per employee stock purchase plan | 273 | 174 |
| Payment of withholdings on restricted stock units | (689) | (369) |
| Principal payments on long-term debt | (22,000) | (6,000) |
| **Net cash used in financing activities** | (133,935) | (15,980) |
| | | |
| Net change in cash | 17,629 | 190 |
| Cash at beginning of year | 1,685 | 1,547 |
| Cash at end of period | $ 19,314 | $ 1,737 |

**SPORTSMAN'S WAREHOUSE HOLDINGS, INC.**
**GAAP and Non-GAAP Measures (Unaudited)**
**(in thousands, except per share data)**

**Reconciliation of GAAP net income and GAAP dilutive earnings per share to adjusted net income and adjusted diluted earnings per share:**

| | For the Thirteen Weeks Ended | | For the Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | **October 31, 2020** | **November 2, 2019** | **October 31, 2020** | **November 2, 2019** |
| Numerator: | | | | |
| Net income | $ 30,482 | $ 10,493 | $ 61,813 | $ 10,532 |
| Acquisition costs (1) | 297 | - | 332 | 387 |
| Hazard pay (2) | 2,000 | - | 4,600 | - |
| Store closing write-off (3) | - | - | 1,039 | - |
| Legal accrual (4) | 2,125 | - | 2,125 | - |
| Gain on bargain purchase (6) | (2,218) | - | (2,218) | - |
| Executive transition costs (5) | - | 387 | - | 623 |
| Less tax benefit | (1,154) | (100) | (2,113) | (262) |
| Adjusted net income | $ 31,532 | $ 10,780 | $ 65,578 | $ 11,280 |
| | | | | |
| Denominator: | | | | |
| Diluted weighted average shares outstanding | 44,414 | 43,559 | 44,260 | 43,316 |

**Reconciliation of earnings per share:**

| | | | | |
|---|---|---|---|---|
| Dilutive earnings per share | $ 0.69 | $ 0.24 | $ 1.40 | $ 0.24 |
| Impact of adjustments to numerator and denominator | 0.02 | 0.01 | 0.08 | 0.02 |
| Adjusted diluted earnings per share | $ 0.71 | $ 0.25 | $ 1.48 | $ 0.26 |

**Reconciliation of net income to adjusted EBITDA:**

| | For the Thirteen Weeks Ended | | For the Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | October 31, 2020 | November 2, 2019 | October 31, 2020 | November 2, 2019 |
| Net income | $ 30,482 | $ 10,493 | $ 61,813 | $ 10,532 |
| Interest expense | 465 | 2,094 | 3,016 | 6,552 |
| Income tax expense (benefit) | 9,530 | 3,287 | 20,691 | 3,195 |
| Depreciation and amortization | 5,404 | 4,832 | 16,085 | 14,090 |
| Stock-based compensation expense (7) | 882 | 619 | 2,436 | 1,567 |
| Pre-opening expenses (8) | 958 | 1,482 | 1,778 | 2,483 |
| Acquisition costs (1) | 297 | 387 | 332 | 387 |
| Hazard pay (2) | 2,000 | - | 4,600 | - |
| Store closing write-off (3) | - | - | 1,039 | - |
| Gain on bargain purchase (6) | (2,218) | - | (2,218) | - |
| Legal accrual (4) | 2,125 | - | 2,125 | - |
| Executive transition costs (5) | - | - | - | 623 |
| Adjusted EBITDA | $ 49,925 | $ 23,194 | $ 111,697 | $ 39,429 |

(1) Expenses incurred relating to the acquisition of Field & Stream stores.

(2) Expense incurred relating to bonuses and increased wages paid to front-line and non-executive back office associates due to COVID-19.

(3) Costs and impairments recorded relating to the closure of one store during the first quarter of 2020.

(4) Accrual relating to pending labor litigation in the state of California.

(5) Costs incurred for the recruitment and hiring of key members of management.

(6) Excess of fair value over the purchase price of tangible assets acquired in connection with the Field & Stream stores acquired during fiscal year 2020.

(7) 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.

(8) 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.

**SPORTSMAN'S WAREHOUSE HOLDINGS, INC.**
**GAAP and Non-GAAP Measures (Unaudited)**
**(in thousands, except per share data)**

**Reconciliation of fourth quarter and 2020 fiscal year guidance:**

| | Estimated Q4 '20 | | Estimated FY '20 | |
|---|---|---|---|---|
| | Low | High | Low | High |
| Numerator: | | | | |
| Net income | $ 17,160 | $ 19,800 | $ 78,973 | $ 81,613 |
| Acquisition costs (1) | - | - | 332 | 332 |
| Hazard pay (2) | - | - | 4,600 | 4,600 |
| Store closing write-off (3) | - | - | 1,039 | 1,039 |
| Legal accrual (4) | - | - | 2,125 | 2,125 |
| Gain on bargain purchase (5) | - | - | (2,218) | (2,218) |

| | | | | |
|---|---|---|---|---|
| Less tax benefit | - | - | (2,113) | (2,113) |
| Adjusted net income | $ 17,160 | $ 19,800 | $ 82,738 | $ 85,378 |
| Denominator: | | | | |
| Diluted weighted average shares outstanding | 44,450 | 44,450 | 44,300 | 44,300 |
| | | | | |
| Reconciliation of earnings per share: | | | | |
| Diluted earnings per share | $ 0.39 | $ 0.45 | $ 1.78 | $ 1.84 |
| Impact of adjustments to numerator and denominator | - | $ - | 0.08 | 0.08 |
| Adjusted diluted earnings per share | $ 0.39 | $ 0.45 | $ 1.87 | $ 1.93 |

(1) Expenses incurred relating to the acquisition of Field & Stream stores.

(2) Expense incurred relating to bonuses and increased wages paid to front-line and non-executive back office associates due to COVID-19.

(3) Costs and impairments recorded relating to the closure of one store during the first quarter of 2020.

(4) Accrual relating to pending labor litigation in the state of California.

(5) Excess of fair value over the purchase price of tangible assets acquired in connection with the Field & Stream stores acquired during fiscal year 2020.

Source: Sportsman's Warehouse Holdings, Inc.