**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 October 30, 2021**

**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**<br>**(State or other jurisdiction of incorporation or organization)** | **39-1975614**<br>**(I.R.S. Employer Identification No.)** |
| **1475 West 9000 South, Suite A, West Jordan, Utah**<br>**(Address of principal executive offices)** | **84088**<br>**(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 8, 2021, the registrant had 43,879,984 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 October 30, 2021 and October 31, 2020 both consisted of 13 weeks and are referred to herein as the third quarter of fiscal year 2021 and the third quarter of fiscal year 2020, respectively. Fiscal year 2021 contains 52 weeks of operations and will end on January 29, 2022. Fiscal year 2020 contained 52 weeks of operations and ended on January 30, 2021.

**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,” “positioned,” “potential,” “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:*

- *the potential impact of the termination of our merger agreement with Great Outdoors Group, LLC, including any impact on our stock price, business, financial condition and results of operations, and the potential negative impact to our business and employee relationships;*
- *current and future government regulations, in particular regulations relating to the sale of firearms and ammunition, which may impact the supply and demand for our products and our ability to conduct our business;*
- *the impact of COVID-19 pandemic on our operations*;
- *our retail-based business model which is impacted by general economic and market conditions and economic, market and financial uncertainties that may cause a decline in consumer spending;*
- *our concentration of stores in the Western United States which makes us susceptible to adverse conditions in this region, and could affect our sales and cause our operating results to suffer;*
- *the highly fragmented and competitive industry in which we operate and the potential for increased competition;*
- *changes in consumer demands, including regional preferences, which we may not be able to identify and respond to in a timely manner; and*
- *our entrance into new markets or operations in existing markets, which may not be successful.*

*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 January 30, 2021 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)**

| | October 30, 2021 | January 30, 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 2,532 | $ 65,525 |
| Accounts receivable, net | 684 | 581 |
| Merchandise inventories | 428,497 | 243,434 |
| Prepaid expenses and other | 15,706 | 15,113 |
| Total current assets | 447,419 | 324,653 |
| Operating lease right of use asset | 241,951 | 235,262 |
| Property and equipment, net | 123,457 | 99,118 |
| Deferred income taxes | 124 | — |
| Goodwill | 1,496 | 1,496 |
| Definite lived intangibles, net | 267 | 289 |
| Total assets | $ 814,714 | $ 660,818 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 123,510 | $ 77,441 |
| Accrued expenses | 105,289 | 109,056 |
| Income taxes payable | 2,500 | 4,917 |
| Operating lease liability, current | 39,790 | 36,014 |
| Revolving line of credit | 57,551 | — |
| Total current liabilities | 328,640 | 227,428 |
| Long-term liabilities: | | |
| Deferred income taxes | — | 434 |
| Operating lease liability, noncurrent | 231,498 | 228,296 |
| Total long-term liabilities | 231,498 | 228,730 |
| Total liabilities | 560,138 | 456,158 |
| | | |
| 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; 43,879 and 43,623 shares issued and outstanding, respectively | 438 | 436 |
| Additional paid-in capital | 89,693 | 89,815 |
| Accumulated earnings | 164,445 | 114,409 |
| Total stockholders' equity | 254,576 | 204,660 |
| Total liabilities and stockholders' equity | $ 814,714 | $ 660,818 |

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 | |
|---|---|---|---|---|
| | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| Net sales | $ 401,014 | $ 385,748 | $ 1,089,784 | $ 1,013,572 |
| Cost of goods sold | 271,392 | 255,166 | 736,061 | 679,122 |
| Gross profit | 129,622 | 130,582 | 353,723 | 334,450 |
| | | | | |
| Selling, general, and administrative expenses | 99,974 | 92,252 | 286,263 | 251,077 |
| Income from operations | 29,648 | 38,330 | 67,460 | 83,373 |
| Bargain purchase gain | — | (2,218) | — | (2,218) |
| Interest expense | 413 | 536 | 905 | 3,088 |
| Income before income taxes | 29,235 | 40,012 | 66,555 | 82,503 |
| Income tax expense | 7,372 | 9,530 | 16,519 | 20,690 |
| Net income | $ 21,863 | $ 30,482 | $ 50,036 | $ 61,813 |
| Earnings per share: | | | | |
| Basic | $ 0.50 | $ 0.70 | $ 1.14 | $ 1.42 |
| Diluted | $ 0.49 | $ 0.68 | $ 1.13 | $ 1.40 |
| Weighted average shares outstanding: | | | | |
| Basic | 43,878 | 43,609 | 43,809 | 43,490 |
| Diluted | 44,582 | 44,510 | 44,471 | 44,260 |

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 October 30, 2021 and October 31, 2020**

| | 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 1, 2020 | 43,591 | $ 436 | — | $ — | $ 87,941 | $ 54,360 | $ 142,737 |
| Stock based compensation | — | — | — | — | 882 | — | 882 |
| Net Income | — | — | — | — | — | 30,482 | 30,482 |
| Balance at October 31, 2020 | 43,591 | $ 436 | — | $ — | $ 88,823 | $ 84,842 | $ 174,101 |
| | | | | | | | |
| Balance at July 31, 2021 | 43,831 | $ 438 | — | $ — | $ 89,587 | $ 142,582 | $ 232,607 |
| Payment of withholdings on restricted stock units | — | — | — | — | (88) | — | (88) |
| Stock based compensation | 48 | — | — | — | 194 | — | 194 |
| Net income | — | — | — | — | — | 21,863 | 21,863 |
| Balance at October 30, 2021 | 43,879 | $ 438 | — | $ — | $ 89,693 | $ 164,445 | $ 254,576 |

**For the Thirty-Nine Weeks Ended October 30, 2021 and October 31, 2020**

| | 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 1, 2020 | 43,296 | $ 433 | — | $ — | $ 86,806 | $ 23,029 | $ 110,268 |
| Vesting of restricted stock units | 255 | 3 | — | — | (3) | — | — |
| Payment of withholdings on restricted stock units | — | — | — | — | (689) | — | (689) |
| Issuance of common stock for cash per employee stock purchase plan | 40 | — | — | — | 273 | — | 273 |
| Stock based compensation | — | — | — | — | 2,436 | — | 2,436 |
| Net income | — | — | — | — | — | 61,813 | 61,813 |
| Balance at October 31, 2020 | 43,591 | $ 436 | — | $ — | $ 88,823 | $ 84,842 | $ 174,101 |
| | | | | | | | |
| Balance at January 30, 2021 | 43,623 | $ 436 | — | $ — | $ 89,815 | $ 114,409 | $ 204,660 |
| Vesting of restricted stock units | 256 | 2 | — | — | (2) | — | — |
| Payment of withholdings on restricted stock units | — | — | — | — | (2,356) | — | (2,356) |
| Stock based compensation | — | — | — | — | 2,236 | — | 2,236 |
| Net income | — | — | — | — | — | 50,036 | 50,036 |
| Balance at October 30, 2021 | 43,879 | $ 438 | — | $ — | $ 89,693 | $ 164,445 | $ 254,576 |

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 | |
|---|---|---|
| | October 30, 2021 | October 31, 2020 |
| Cash flows from operating activities: | | |
| Net income | $ 50,036 | $ 61,813 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation of property and equipment | 18,778 | 15,992 |
| Amortization of deferred financing fees | 188 | 422 |
| Amortization of definite lived intangible | 23 | 21 |
| Loss on asset dispositions | — | 937 |
| Gain on bargain purchase | — | (2,218) |
| Noncash lease expense | 21,204 | 17,760 |
| Deferred income taxes | (558) | 2,801 |
| Stock-based compensation | 2,236 | 2,436 |
| Change in operating assets and liabilities, net of amounts acquired: | | |
| Accounts receivable, net | (103) | 442 |
| Operating lease liabilities | (20,915) | (20,781) |
| Merchandise inventories | (185,063) | (38,887) |
| Prepaid expenses and other | (781) | (2,021) |
| Accounts payable | 41,723 | 94,900 |
| Accrued expenses | (2,694) | 31,992 |
| Income taxes payable and receivable | (2,417) | 6,127 |
| Net cash (used in) provided by operating activities | (78,343) | 171,736 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment, net of amounts acquired | (38,463) | (15,394) |
| Acquisition of Field and Stream stores, net of cash acquired | — | (4,778) |
| Net cash used in investing activities | (38,463) | (20,172) |
| Cash flows from financing activities: | | |
| Net borrowings/ (payments) on line of credit | 57,551 | (116,078) |
| Increase in book overdraft, net | (1,382) | 4,559 |
| Proceeds from issuance of common stock per employee stock purchase plan | — | 273 |
| Payment of withholdings on restricted stock units | (2,356) | (689) |
| Principal payments on long-term debt | — | (22,000) |
| Net cash provided by (used in) financing activities | 53,813 | (133,935) |
| Net change in cash | (62,993) | 17,629 |
| Cash at beginning of period | 65,525 | 1,685 |
| Cash at end of period | $ 2,532 | $ 19,314 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest, net of amounts capitalized | $ 905 | $ 3,087 |
| Income taxes, net of refunds | 19,494 | 11,763 |
| | | |
| 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 | $ 27,979 | $ 33,392 |
| Purchases of property and equipment included in accounts payable and accrued expenses | $ 6,606 | $ 1,991 |
| Payable to seller relating to acquisition of Field and Stream stores | $ — | $ 1,774 |

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 October 30, 2021, the Company operated 119 stores in 29 states. The Company also operates an e-commerce platform at www.sportsmans.com. The Company's stores and website are aggregated into one 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 January 30, 2021 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 October 30, 2021 are not necessarily indicative of the results to be obtained for the year ending January 29, 2022. 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 January 30, 2021 filed with the SEC on April 2, 2021 (the "Fiscal 2020 Form 10-K").

**Impact of COVID-19 Pandemic**

Beginning in March 2020, the Company reduced store hours to allow sufficient time to restock its shelves and perform additional cleaning, and the Company also limited the number of customers in its stores at any one time.  During the second quarter of fiscal 2020, the Company returned to normal operating hours in each of its stores and continues to operate normally as of the end of the third quarter of fiscal 2021.

**(2) Summary of Significant Accounting Policies**

The Company's significant accounting policies are described in Note 2 to the Company's Fiscal 2020 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.

**Recently Issued Accounting Pronouncements**

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to existing guidance on contract modifications and hedge accounting to facilitate the market transition from existing reference rates, such as the London Inter-Bank Offered Rate ("LIBOR"), certain tenors of which are being phased out in 2021, to alternate reference rates, such as the Secured Overnight Financing Rate.

The standard is currently effective and upon adoption may be applied prospectively to contract modifications made on or before December 31, 2022. The provisions have impact as contract modifications and other changes occur while LIBOR is phased out. The Company is in the process of evaluating the optional relief guidance provided within this ASU. Management will continue its assessment and monitor regulatory developments during the LIBOR transition period.

**(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 credit for immaterial purchases to certain municipalities.

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

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

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

The transaction price for each contract is the stated price on the product, reduced by any stated discounts at that point in time. The Company does not engage in sales of products that attach a future material right and 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 the Company’s 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 3.5% 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.

Accounting Standards Codification (“ASC”) 606 requires the Company to allocate the transaction price between the goods and the loyalty reward points based on the relative standalone 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 50% when no escheat liability to relevant jurisdictions exists.

The Company offers promotional financing and credit cards issued by a third-party bank that manages and directly extends credit to the Company's customers. The Company provides a license to its brand and marketing services, and the Company facilitates credit applications in its stores and online. The banks are the sole owners of the accounts receivable generated under the program and, accordingly, the Company does not hold any customer receivables related to these programs and acts as an agent in the financing transactions with customers. The Company is eligible to receive a profit share from certain of its banking partners based on the annual performance of their corresponding portfolio, and the Company receives monthly payments based on forecasts of full-year performance. This is a form of variable consideration. The Company records such profit share as revenue over time using the most likely amount method, which reflects the amount earned each month when it is determined that the likelihood of a significant revenue reversal is not probable, which is typically monthly. Profit-share payments occur monthly, shortly after the end of each program month.

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 allows customers to return items purchased within 30 days provided the merchandise is in resaleable condition with original packaging and the original sales/gift receipt is presented. The Company estimates a reserve for sales returns and records the respective reserve amounts, including a right to 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 October 30, 2021 and January 30, 2021:

| | October 30, 2021 | January 30, 2021 |
|---|---|---|
| Right of return assets, which are included in prepaid expenses and other | $ 2,552 | $ 2,940 |
| Estimated gift card contract liability, net of breakage | (15,257) | (22,069) |
| Estimated loyalty contract liability, net of breakage | (13,525) | (12,131) |
| Sales return liabilities, which are included in accrued expenses | (3,809) | (4,388) |

For the 13 and 39 weeks ended October 30, 2021, the Company recognized approximately $275 and $948 in gift card breakage, respectively and approximately $1,581 and $4,202 in loyalty reward breakage, respectively. For the 13 and 39 weeks ended October 31, 2020, the Company recognized approximately $287 and $809 in gift card breakage, respectively and approximately $820 and $2,148 in loyalty reward breakage, respectively. For the 13 and 39 weeks ended October 30, 2021, the Company recognized revenue of $1,465 and $11,341, respectively, relating to contract liabilities that existed at January 30, 2021.

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 October 30, 2021 and October 31, 2020, was approximately:

| | | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|---|
| Department | Product Offerings | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| Camping | Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools | 12.6% | 12.9% | 13.9% | 13.8% |
| Apparel | Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear | 9.1% | 8.6% | 7.4% | 6.5% |
| Fishing | Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats | 7.7% | 7.8% | 11.3% | 11.5% |
| Footwear | Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots | 6.4% | 5.6% | 6.3% | 5.3% |
| Hunting and Shooting | Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear | 55.4% | 57.4% | 53.7% | 56.3% |
| Optics, Electronics, Accessories, and Other | Gift items, GPS devices, knives, lighting, optics, two-way radios, and other license revenue, net of revenue discounts | 8.8% | 7.7% | 7.4% | 6.6% |
| Total | | 100.0% | 100.0% | 100.0% | 100.0% |

**(4) Property and Equipment**

Property and equipment as of October 30, 2021 and January 30, 2021 were as follows:

| | October 30, 2021 | January 30, 2021 |
|---|---|---|
| Furniture, fixtures, and equipment | $ 109,375 | $ 96,085 |
| Leasehold improvements | 125,061 | 112,338 |
| Construction in progress | 16,956 | 2,614 |
| Total property and equipment, gross | 251,392 | 211,037 |
| Less accumulated depreciation and amortization | (127,935) | (111,919) |
| Total property and equipment, net | $ 123,457 | $ 99,118 |

**(5) Accrued Expenses**

Accrued expenses consisted of the following as of October 30, 2021 and January 30, 2021:

| | October 30, 2021 | January 30, 2021 |
|---|---|---|
| Book overdraft | $ 12,064 | $ 13,445 |
| Unearned revenue | 41,413 | 38,454 |
| Accrued payroll and related expenses | 24,128 | 28,453 |
| Sales and use tax payable | 8,087 | 7,317 |
| Accrued construction costs | 411 | 339 |
| Other | 19,186 | 21,048 |
| Total accrued expenses | $ 105,289 | $ 109,056 |

**(6) Leases**

At the inception of the lease, the Company’s operating leases have certain lease terms of up to 13 years, which typically includes multiple options for the Company to extend the lease which are not reasonably certain and as such are excluded from the measurement of the right of use asset and liability.

The Company determines whether a contract is or contains a lease at contract inception. As the rate implicit in the lease is not readily determinable in most of the Company’s leases, it uses its incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The operating lease asset also includes any fixed lease payments made and includes lease incentives and incurred initial direct costs. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. The Company’s lease terms may include options to extend or terminate the lease. Additionally, the Company’s leases do not contain any material residual guarantees or material restrictive covenants.

In the 13 and 39 weeks ended October 30, 2021, the Company recorded a non-cash increase of $3,536 and $27,979, respectively, to the right of use assets and operating lease liabilities resulting from lease remeasurements from the exercise of lease extension options, acquired leases, and new leases added.

In accordance with ASC 842, total lease expense, including common area maintenance (“CAM”), recorded during the 13 and 39 weeks ended October 30, 2021 was $18,936 and $55,675, respectively. In accordance with ASC 842, total lease expense, including CAM, recorded during the 13 and 39 weeks ended October 31, 2020 was $17,068 and $50,270, respectively.

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

| | Thirty-Nine Weeks Ended | |
|---|---|---|
| | October 30, 2021 | October 31, 2020 |
| Operating cash flows from operating leases | $ (44,094) | $ (41,257) |
| Cash paid for amounts included in the measurement of lease liabilities - operating leases | (44,094) | (41,257) |

| | As of October 30, 2021 | As of October 31, 2020 |
|---|---|---|
| Right-of-use assets obtained in exchange for new or remeasured operating lease liabilities | $ 27,979 | $ 33,392 |
| Terminated right-of-use assets and liabilities | — | (3,202) |
| Weighted-average remaining lease term - operating leases | 5.83 | 5.11 |
| Weighted-average discount rate - operating leases | 8.29% | 8.09% |

In accordance with ASC 842, maturities of operating lease liabilities as of October 30, 2021 were as follows:

| Year Endings: | | Operating Leases |
|---|---|---|
| 2021 (remainder) | $ | 15,408 |
| 2022 | | 62,128 |
| 2023 | | 57,161 |
| 2024 | | 48,485 |
| 2025 | | 41,925 |
| Thereafter | | 164,227 |
| Undiscounted cash flows | $ | 389,334 |
| Reconciliation of lease liabilities: | | |
| Present values | $ | 271,288 |
| Lease liabilities - current | | 39,790 |
| Lease liabilities - noncurrent | | 231,498 |
| Lease liabilities - total | $ | 271,288 |
| Difference between undiscounted and discounted cash flows | $ | 118,046 |

**(7) Revolving Line of Credit**

On May 23, 2018, Sportsman's Warehouse, Inc. ("SWI"), a wholly owned subsidiary of the Company, as lead 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 governs the Company's senior secured revolving credit facility ("Revolving Line of Credit") and a $40,000 term loan (the "Term Loan"). The Revolving Line of Credit provides borrowing capacity of up to $250,000, subject to a borrowing base calculation. The Term Loan was repaid in full during the 39-week period ended October 31, 2020.

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 expenses and other assets.

Amounts outstanding under the Revolving Line of Credit are offset on the condensed consolidated balance sheets by amounts in depository accounts under lock-box or similar arrangements, which were $16,212 and $13,553 as of October 30, 2021 and January 30, 2021, respectively. As of both October 30, 2021 and January 30, 2021, borrowings outstanding under the Revolving Line of Credit were $73,763 and $0, respectively. As of October 30, 2021, the Company had stand-by commercial letters of credit of $1,955 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 October 30, 2021, the Revolving Line of Credit had $395 in deferred financing fees and as of January 30, 2021, the Revolving Line of Credit had $583 in deferred financing fees. During the 13 and 39 weeks ended October 30, 2021, the Company recognized $63 and $188, respectively, of non-cash interest expense with respect to the amortization of deferred financing fees. During the 13 and 39 weeks ended October 31, 2020, the Company recognized $63 and $188, respectively, of non-cash interest expense with respect to the amortization of deferred financing fees.

For the 13 and 39 weeks ended October 30, 2021, gross borrowings under the Revolving Line of Credit were $477,879 and $1,270,059, respectively. For the 13 and 39 weeks ended October 31, 2020, gross borrowing under the Revolving Line of Credit were $403,960 and $984,577, respectively. For the 13 and 39 weeks ended October 30, 2021, gross paydowns under the Revolving Line of Credit were $441,531 and $1,197,001, respectively. For the 13 and 39 weeks ended October 31, 2020, gross paydowns under the Revolving Line of Credit were $424,826 and $1,110,758, respectively.

**Restricted Net Assets**

The provisions of 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 October 30, 2021, from being used to pay any dividends without prior written consent from the financial institutions party to the Company's Revolving Line of Credit.

**(8) Income Taxes**

The Company recognized an income tax expense of $7,372 and $9,530, respectively, in the 13 weeks ended October 30, 2021 and October 31, 2020. The Company's effective tax rate for the 13 weeks ended October 30, 2021 and October 31, 2020 was 25.2% and 23.8%, respectively. The Company recognized an income tax expense of $16,519 and $20,690, respectively, for the 39 weeks ended October 30, 2021 and October 31, 2020. The Company's effective tax rate for the 39 weeks ended October 30, 2021 and October 31, 2020 was 24.8% and 25.1%, respectively. The Company's effective tax rate will generally differ from the U.S. Federal statutory rate of 21.0%, due to state taxes, permanent items, and discrete items relating to stock award deductions.

**(9) 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 | |
|---|---|---|---|---|
| | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| Net income | $ 21,863 | $ 30,482 | $ 50,036 | $ 61,813 |
| Weighted-average shares of common stock outstanding: | | | | |
| Basic | 43,878 | 43,609 | 43,809 | 43,490 |
| Dilutive effect of common stock equivalents | 704 | 901 | 662 | 770 |
| Diluted | 44,582 | 44,510 | 44,471 | 44,260 |
| Basic earnings per share | $ 0.50 | $ 0.70 | $ 1.14 | $ 1.42 |
| Diluted earnings per share | $ 0.49 | $ 0.68 | $ 1.13 | $ 1.40 |
| Restricted stock units considered anti-dilutive and excluded in the calculation | 8 | 4 | 26 | 25 |

**(10) Stock-Based Compensation**

**Stock-Based Compensation**

During the 13 and 39 weeks ended October 30, 2021 the Company recognized total stock-based compensation expense of $194 and $2,236, respectively. During the 13 and 39 weeks ended October 31, 2020, the Company recognized total stock-based compensation expense of $882 and $2,436, 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 October 30, 2021, the number of shares available for awards under the 2019 Performance Incentive Plan (the “2019 Plan”) was 2,334. As of October 30, 2021, there were 1,108 unvested stock awards outstanding under the 2019 Plan.

**Employee Stock Purchase Plan**

The Company also had an Employee Stock Purchase Plan (“ESPP”) that was approved by shareholders in fiscal year 2015, under which 800 shares of common stock were authorized. For the 13 and 39 weeks ended October 30, 2021, no shares were issued under the ESPP and, as of October 30, 2021, the number of shares available for issuance was 374. As of January 30, 2021, due to the proposed merger with the Great Outdoors Group (as defined below), the Company discontinued its ESPP in accordance with the plan document.

**Nonvested Performance-Based Stock Awards**

During the 13 and 39 weeks ended October 30, 2021, the Company did not issue any nonvested performance-based stock awards.

During the 13 weeks ended October 31, 2020, the Company did not issue any nonvested performance-based stock awards. During the 39 weeks ended October 31, 2020, the Company issued 206 nonvested performance-based stock awards to employees at a weighted average grant date fair value of $5.95 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 issuable is contingent on management achieving fiscal year 2020, 2021, and 2022 performance targets for total revenue growth and adjusted EPS. If minimum threshold performance targets are not achieved, no shares will vest. Based on the performance conditions met for fiscal year 2020, 412 shares were issued, which was the maximum number of shares subject to the award. Vesting of the shares issued is subject to the employees' continued employment with the Company.

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 January 30, 2021 | 624 | $ 5.13 |
| Grants | — | — |
| Forfeitures | (111) | 5.14 |
| Vested | (22) | 4.91 |
| Balance at October 30, 2021 | 491 | $ 5.13 |

| | Shares | Weighted average grant-date fair value |
|---|---|---|
| Balance at February 1, 2020 | 250 | $ 3.66 |
| Grants | 206 | 5.95 |
| Forfeitures | (38) | 4.33 |
| Vested | — | — |
| Balance at October 31, 2020 | 418 | $ 4.73 |

**Nonvested Stock Unit Awards**

During the 13 and 39 weeks ended October 31, 2021, the Company issued 110 and 359, nonvested stock units, respectively, to employees and directors of the Company at an average value of $17.44 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 members of the Board of Directors of the Company vest over a twelve-month period.

During the 13 and 39 weeks ended October 31, 2020, the Company issued 4 and 430, nonvested stock units, respectively, to employees and Directors of the Company at an average value of $6.37 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 members of the Board of Directors of the Company vest over a twelve-month period.

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 January 30, 2021 | 779 | $ 5.19 |
| Grants | 359 | 17.44 |
| Forfeitures | (191) | 7.72 |
| Vested | (330) | 5.54 |
| Balance at October 30, 2021 | 617 | $ 11.37 |

| | Shares | Weighted average grant-date fair value |
|---|---|---|
| Balance at February 1, 2020 | 744 | $ 4.32 |
| Grants | 430 | 6.37 |
| Forfeitures | (63) | 4.71 |
| Vested | (320) | 4.70 |
| Balance at October 31, 2020 | 791 | $ 5.25 |

## (11) 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's motion to dismiss was granted except as to the wrongful death claim. The court also certified three questions to the Nevada Supreme Court, including an issue potentially dispositive of this matter: whether Nevada's statute granting firearms manufacturers and retailers immunity from civil suit, NRS 41.131, precludes the plaintiffs' theory of liability. On December 2, 2021, the Nevada Supreme Court issued a unanimous published decision in favor of the manufacturers and retailers, finding that the statute bars all claims. The plaintiffs have a period to petition the Supreme Court for reconsideration. If the decision remains undisturbed, the matter will be sent back to the federal district court, which will likely be obligated to dismiss the case in its entirety. 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.

*TMS McCarthy, LP, Etc., Pltf. v. Sportsman's Warehouse Southwest, Inc. Etc. Et Al., Dfts.*- On June 23, 2020 TMS McCarthy, LP filed a complaint against Sportsman's Warehouse Southwest, Inc., a wholly owned subsidiary of Sportsman's Warehouse Holdings Inc., claiming the Company wrongfully terminated the lease relating to one of its stores. The Company believes the plaintiffs' complaint is without merit based on the plain language of the lease at issue and on August 14, 2020 filed a counterclaim for declaratory relief. 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.

**(12) Proposed Merger with Great Outdoors Group**

On December 21, 2020, Sportsman's Warehouse entered into an Agreement and Plan of Merger (the "Merger Agreement") with Great Outdoors Group, LLC, ("Great Outdoors Group") and Phoenix Merger Sub I. Inc., ("Merger Subsidiary"). Pursuant to the terms and conditions set forth in the Merger Agreement, subject to the satisfaction or waiver of certain conditions, Merger Subsidiary would be merged with and into Sportsman's Warehouse (the "Merger"), with Sportsman's Warehouse continuing as the surviving corporation in the Merger and a wholly-owned subsidiary of Great Outdoors Group. On December 2, 2021, the parties terminated the Merger Agreement. See Note 14, Subsequent Events for additional information.

**(13) Acquisition of Field and Stream Stores**

On February 14, 2020, SWI, a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "2020-I Purchase Agreement") with DICK's Sporting Goods ("DICK'S"). Pursuant to the 2020-I 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 one Field & Stream store located in Kentucky and operated by DICK'S (the "2020-I Acquisition"). The acquisition of the 2020-I Acquisition closed on March 12, 2020 (the "2020-I Closing Date"). On the 2020-I Closing Date, SWI entered into a sublease with DICK's with respect to the 2020-I Acquisition location. Pursuant to the 2020-I Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement pursuant to which DICK'S provided transition services to the Company for a period of up to 120 days after the 2020-I Closing Date.

The aggregate consideration paid to DICK'S under the 2020-I Purchase Agreement was $2,139 (the "2020-I Purchase Price"), subject to certain post-closing adjustments set forth in the 2020-I Purchase Agreement. On the 2020-I Closing Date, SWI drew $1,100 under the Revolving Line of Credit to fund a portion of the 2020-I Purchase Price. The remaining approximately $1,000 of consideration owed to DICK'S in connection with the acquisition was paid in June 2020.

On March 6, 2020, SWI, a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "2020-II Purchase Agreement") with DICK'S. Pursuant to the 2020-II 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 one Field & Stream store located in Michigan and operated by DICK'S (the "2020-II Acquisition"). The 2020-II Acquisition closed on May 14, 2020 (the "2020-II Closing Date"). On the 2020-II Closing Date, SWI entered into a sublease with DICK's with respect to the 2020-II Acquisition. Pursuant to the 2020-II Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement related to the 2020-II Acquisition pursuant to which DICK'S provided transition services to the Company for a period of up to 120 days after the 2020-II Closing Date.

The aggregate consideration paid to DICK'S under the 2020-II Purchase Agreement was $2,411 (the "2020-II Purchase Price"), subject to certain post-closing adjustments set forth in the 2020-II Purchase Agreement. On the 2020-II Closing Date, SWI drew $1,317 under the Revolving Line of Credit to fund a portion of the 2020-II Purchase Price. The remaining approximately $1,100 of consideration owed to DICK'S in connection with the acquisition was paid in August 2020.

On September 16, 2020, SWI, a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "2020-III Purchase Agreement") with DICK'S. Pursuant to the 2020-III 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 two Field & Stream stores located in South Carolina and Pennsylvania and operated by DICK'S (the "2020-III Acquisition"). The 2020-III Acquisition closed on October 8, 2020 (the "2020-III Closing Date"). On the 2020-III Closing Date, SWI entered into a sublease with DICK's with respect to the locations. Pursuant to the 2020-III Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement pursuant to which DICK'S will provide transition services to the Company for a period of up to 120 days after the 2020-III Closing Date.

The aggregate consideration to be paid to DICK'S under the 2020-III Purchase Agreement is $2,000, net of rent concessions and deferrals of $2,597 (the "2020-III Purchase Price"), and subject to certain post-closing adjustments set forth in the 2020-III Purchase Agreement. On the 2020-III Closing Date, SWI drew $226 under the Revolving Line of Credit to fund a portion of the 2020-III Purchase Price. The remaining approximately $1,774 of consideration owed to DICK'S in connection with the acquisition was paid in January 2021.

As part of the acquisitions that closed in 2020, the Company incurred legal, accounting, and other due diligence fees that were expensed as incurred. Total fees incurred for the three and nine months ended October 31, 2020 were $297 and $332, respectively, which were included as a component of selling, general, and administrative expenses.

The acquired locations were in line with the seller's intention to reduce its footprint in the hunting and firearms business, which resulted in a below fair value purchase price consideration shown in the tables below.

The following table summarizes the 2020-I Purchase Price consideration and related cash outflow at the 2020-I Closing Date:

| | | March 12, 2020 |
|---|---|---|
| Cash paid to seller | $ | 1,075 |
| Payable to seller | | 1,064 |
| **Total purchase price** | $ | 2,139 |

The net 2020-I Purchase Price of $2,139 has been allocated to identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the 2020-I Acquired Stores other than the lease obligation. The excess of the fair value over the 2020-I Purchase price of the tangible and intangible assets acquired is recorded as a bargain purchase. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the Closing Date:

| | | March 12, 2020 |
|---|---|---|
| Cash | $ | 10 |
| Inventory | | 2,133 |
| Property, plant, and equipment | | 892 |
| Operating lease right of use asset | | 2,070 |
| Operating lease right of use liability | | (1,794) |
| Deferred tax liability | | (314) |
| Bargain purchase | | (858) |
| **Total** | $ | 2,139 |

The following table summarizes the 2020-II Purchase Price consideration and related cash outflow at the 2020-II Closing Date:

| | | May 14, 2020 |
|---|---|---|
| Cash paid to seller | $ | 1,317 |
| Payable to seller | | 1,094 |
| **Total purchase price** | $ | 2,411 |

The net 2020-II Purchase Price of $2,411 has been allocated to identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the 2020-II Acquired Stores other than the lease obligation. The excess of the fair value over the 2020-II Purchase Price of the tangible and intangible assets acquired is recorded as a bargain purchase. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the Closing Date:

| | | May 14, 2020 |
|---|---|---|
| Cash | $ | 18 |
| Inventory | | 2,218 |
| Property, plant, and equipment | | 375 |
| Operating lease right of use asset | | 5,605 |
| Operating lease right of use liability | | (5,605) |
| Deferred tax liability | | (53) |
| Bargain purchase | | (147) |
| **Total** | $ | 2,411 |

The following table summarizes the 2020-III Purchase Price consideration and related cash outflow at the 2020-III Closing Date:

| | | October 8, 2020 |
|---|---|---|
| Cash paid to seller | $ | 227 |
| Payable to seller | | 1,774 |
| **Total purchase price** | $ | 2,001 |

The net 2020-III Purchase Price of $2,001 has been allocated to identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the 2020-III Acquired Stores other than the lease obligation. The excess of the fair value over the 2020-III Purchase Price of the tangible and intangible assets acquired is recorded as a bargain purchase. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the Closing Date:

| | | October 8, 2020 |
|---|---|---|
| Cash | $ | 50 |
| Inventory | | 3,515 |
| Property, plant, and equipment | | 1,046 |
| Operating lease right of use asset | | 9,534 |
| Operating lease right of use liability | | (10,508) |
| Deferred tax liability | | (423) |
| Bargain purchase | | (1,213) |
| **Total** | $ | 2,001 |

**(14) Subsequent Events**

On December 2, 2021, the Company, Great Outdoors Group and Merger Subsidiary entered into a Termination Agreement (the “Termination Agreement”) under which the parties agreed to terminate the Merger Agreement effective immediately. The decision to terminate the Merger Agreement followed feedback from the Federal Trade Commission (“FTC”) that led the parties to believe that they would not have obtained FTC clearance to consummate the Merger. Under the Termination Agreement, Great Outdoors Group agreed to pay the Company the Parent Termination Fee (as defined in the Merger Agreement) of $55.0 million by wire transfer of immediately available funds concurrently with the execution of the Termination Agreement. The Company received the $55.0 million payment on December 2, 2021.

**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 Fiscal 2020 Form 10-K. 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 everyone 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 119 stores in 29 states, totaling approximately 4.6 million gross square feet. We list the locations of our stores on our website, *www.sportsmans.com*. We also operate an e-commerce platform at *www.sportsmans.com*.

Our stores and our e-commerce platform are aggregated into one operating and reportable segment.

**Proposed Merger with Great Outdoors Group, Inc.**

On December 21, 2020, Sportsman's Warehouse entered into an Agreement and Plan of Merger (the "Merger Agreement") with Great Outdoors Group and Phoenix Merger Sub I, Inc., a Delaware corporation and a wholly owned subsidiary of Great Outdoors Group ("Merger Subsidiary"). Pursuant to the terms and conditions set forth in the Merger Agreement, subject to the satisfaction or waiver of certain conditions, Merger Subsidiary would be merged with and into Sportsman's Warehouse, with Sportsman's Warehouse continuing as the surviving corporation in the Merger and a wholly-owned subsidiary of Great Outdoors Group. On December 2, 2021, Sportsman's Warehouse, Great Outdoors Group and Merger Subsidiary entered into a Termination Agreement (the "Termination Agreement") under which the parties agreed to terminate the Merger Agreement effective immediately. The decision to terminate the Merger Agreement followed feedback from the Federal Trade Commission ("FTC") that led the parties to believe that they would not have obtained FTC clearance to consummate the Merger. Under the Termination Agreement, Great Outdoors Group agreed to pay us the Parent Termination Fee (as defined in the Merger Agreement) of $55.0 million by wire transfer of immediately available funds concurrently with the execution of the Termination Agreement. We received the $55.0 million payment on December 2, 2021.

**Update on Impact of COVID-19 Pandemic**

We have experienced a significant increase in sales as compared to historical sales levels since mid-March of 2020 for a variety of reasons, including the COVID-19 pandemic and an increased participation in outdoor activities, as well as the opening of new stores, increased demand through our e-commerce platform, and demand driven by the change in consumer behavior associated with the presidential election, change in presidential administration and social unrest. A larger than normal portion of those sales has come from certain product categories, particularly firearms and ammunition. While we continued to experience increased sales through the third quarter of this year, resulting in sales of $1.1 billion for the first three quarters of fiscal 2021, we have begun to experience a stabilization of demand for our products. Our increase in sales for the third quarter of fiscal year 2021 was primarily due to the opening of seven new stores since October 31, 2020, while our same store sales for the third quarter of fiscal 2021 decreased 1.5% compared to the same period last year. We expect that our net sales will continue to stabilize or decrease for the fourth quarter of fiscal 2021 compared to the same period last year. We had a strong fourth quarter of fiscal 2020 primarily resulting from the change in presidential administration and social unrest at that time. In addition, we expect our fourth quarter results for fiscal 2021 will continue to be impacted by supply chain disruptions we have begun to experience. The demand for ammunition, in particular, continues to outpace supply. Global supply chain constraints are resulting in higher transportation costs, which are negatively impacting our gross profit. We expect these higher transportation costs to continue during the fourth quarter of fiscal 2021 and likely into 2022.

## 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 exclude sales from stores that were closed during the period from our same store sales calculation. We include net sales from e-commerce in our calculation of same store sales. Some of our competitors and other retailers may calculate same store sales differently than we do. As a result, data regarding our same store sales may not be comparable to similar data made available by other retailers.

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:

- the impact of the COVID-19 pandemic;
- changes or anticipated changes to regulations related to some of the products we sell;
- consumer preferences, buying trends and overall economic trends;
- our ability to identify and respond effectively to local and regional trends and customer preferences;
- our ability to provide quality customer service that will increase our conversion of shoppers into paying customers;
- the success of our omni-channel strategy and our e-commerce platform;
- competition in the regional market of a store;
- atypical weather;
- changes in our product mix; and
- changes in pricing and average ticket sales.

Opening new stores and acquiring store locations is also an important part of our growth strategy. While our target is to grow square footage at a rate of greater than 8%-10% annually, we may deviate from this target if attractive opportunities are presented to open stores or acquire new store locations outside of our target growth rate.

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 include:

- increasing our total gross square footage by opening new stores or acquiring new store locations;
- 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 apparel and footwear, increasing foot traffic within our stores and traffic to our website, improving buying opportunities with our vendor partners and coordinating pricing strategies among our stores and our merchandise group. 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, 12 of our current stores are being impacted by minimum wage increases in fiscal year 2021 that have and will continue to drive up our selling, general, and administrative costs during fiscal year 2021.

**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 | |
|---|---|---|---|---|
| | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| **Percentage of net sales:** | | | | |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of goods sold | 67.7 | 66.1 | 67.5 | 67.0 |
| Gross profit | 32.3 | 33.9 | 32.5 | 33.0 |
| Selling, general, and administrative expenses | 24.9 | 23.9 | 26.3 | 24.8 |
| Income from operations | 7.4 | 10.0 | 6.2 | 8.2 |
| Gain on bargain purchase | - | (0.6) | - | (0.2) |
| Interest expense | 0.1 | 0.1 | 0.1 | 0.3 |
| Income before income taxes | 7.3 | 10.5 | 6.1 | 8.1 |
| Income tax expense | 1.8 | 2.5 | 1.5 | 2.0 |
| Net income | 5.5% | 8.0% | 4.6% | 6.1% |
| Adjusted EBITDA | 9.8% | 12.9% | 9.0% | 11.0% |

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

| | | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|---|
| Department | Product Offerings | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| Camping | Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools | 12.6% | 12.9% | 13.9% | 13.8% |
| Apparel | Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear | 9.1% | 8.6% | 7.4% | 6.5% |
| Fishing | Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats | 7.7% | 7.8% | 11.3% | 11.5% |
| Footwear | Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots | 6.4% | 5.6% | 6.3% | 5.3% |
| Hunting and Shooting | Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear | 55.4% | 57.4% | 53.7% | 56.3% |
| Optics, Electronics, Accessories, and Other | Gift items, GPS devices, knives, lighting, optics, two-way radios, and other license revenue, net of revenue discounts | 8.8% | 7.7% | 7.4% | 6.6% |
| Total | | 100.0% | 100.0% | 100.0% | 100.0% |

**Thirteen Weeks Ended October 30, 2021 Compared to Thirteen Weeks Ended October 31, 2020**

***Net Sales.*** Net sales increased by $15.3 million, or 4.0%, to $401.0 million during the 13 weeks ended October 30, 2021 compared to $385.7 million in the corresponding period of fiscal year 2020. Our net sales primarily increased due to the opening of seven new stores since October 31, 2020. Stores that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed $24.7 million to net sales. Same store sales decreased by 1.5% for the 13 weeks ended October 30, 2021 compared to the comparable 13-week period of fiscal year 2020, primarily driven by a decrease in our hunting and shooting department. The decrease in our hunting and shooting department is due to a leveling out in demand compared to the corresponding period of fiscal year 2020.

Our footwear, apparel, optics, electronics, and accessories, camping, fishing, and hunting and shooting departments saw increases of $4.0 million, $3.0 million, $2.2 million, $1.7 million, $0.9 million and $0.2 million, respectively, in the third quarter of fiscal year 2021 compared to the comparable 13-week period of fiscal year 2020 due to the opening of seven new stores since October 31, 2020. Within the hunting and shooting department, our firearm category saw a decrease of $9.3 million or 10.0%, while our ammunition category saw an increase of $1.8 million or 2.9% in the third quarter of fiscal year 2021 compared to the comparable 13-week period of fiscal year 2020. The decrease seen in the firearm category is primarily due to lower demand as we anniversaried the social unrest and pending presidential election of the prior year period. The increase in the ammunition category is due to the opening of seven new stores since October 31, 2020, partially offset by supply chain disruptions.

With respect to same store sales, during the 13 weeks ended October 30, 2021, our footwear, apparel, and optics, electronics, and accessories, departments had increases of 14.3%, 5.6%, and 3.5%, respectively, compared to the comparable 13-week period of fiscal year 2020. Our hunting and shooting, fishing, and camping departments saw decreases of 6.1%, 1.8%, and 0.4%, respectively, as we anniversaried the demand driven in the prior year by the COVID-19 pandemic, social unrest, and the pending presidential election. As of October 30, 2021, we had 109 stores included in our same store sales calculation.

***Gross Profit.*** Gross profit decreased to $129.6 million during the 13 weeks ended October 30, 2021 compared to $130.6 million for the corresponding period of fiscal year 2020. As a percentage of net sales, gross profit decreased to 32.3% for the 13 weeks ended October 30, 2021, compared to 33.9% for the corresponding period of fiscal year 2020 due to higher freight costs. The higher freight costs were partially offset by an increase in product margins across most departments and increased vendor incentives. We expect higher transportation costs to continue to impact the business during the remainder of fiscal 2021.

***Selling, General, and Administrative Expenses.*** Selling, general, and administrative expenses increased by $7.8 million, or 8.4%, to $100.0 million during the 13 weeks ended October 30, 2021 from $92.2 million for the comparable 13-week period of fiscal year 2020. This increase was primarily due to an increase in our payroll expense of $2.8 million, which was the result of opening seven new stores since October 31, 2020, and minimum wage increases impacting 12 of our stores in fiscal year 2021. We also had an increase in acquisition costs of $0.8 million due to costs relating to the proposed merger with Great Outdoors Group, as well as increases in rent, depreciation, pre-opening, and other selling, general and administrative costs of $1.8 million, $1.3 million, $0.8 million, and $0.2 million, respectively, during the 13 weeks ended October 30, 2021 primarily related to the opening of seven new stores since October 31, 2020. As a percentage of net sales, selling, general, and administrative expenses increased to 24.9% of net sales in the third quarter of fiscal year 2021, compared to 23.9% of net sales in the third quarter of fiscal year 2020, due to the same reasons disclosed for the increase in selling, general, and administrative expenses.

***Interest Expense.*** Interest expense decreased by $0.1 million, or 22.9%, to $0.4 million during the 13 weeks ended October 30, 2021 from $0.5 million for the comparable 13-week period of fiscal year 2020. Interest expense decreased primarily as a result of decreased borrowings on our term loan during the third quarter of fiscal year 2021 compared to the third quarter of fiscal year 2020.

***Income Taxes.*** We recognized income tax expense of $7.4 million compared to an income tax expense of $9.5 million during the 13 weeks ended October 30, 2021 and October 31, 2020, respectively. Our effective tax rate for the 13 weeks ended October 30, 2021 and October 31, 2020 was 25.2% and 23.8%, 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 October 30, 2021 Compared to Thirty-Nine Weeks Ended October 31, 2020**

***Net Sales.*** Net sales increased by $76.2 million, or 7.5%, to $1,089.8 million during the 39 weeks ended October 30, 2021 compared to $1,013.6 million in the corresponding period of fiscal year 2020. Our net sales increased due to a variety of reasons including: the opening of seven new stores since October 31, 2020, increased participation in outdoor activities, increased demand through our e-commerce platform, and demand driven by the change in consumer behavior associated with the COVID-19 pandemic and social unrest, partially offset by lower demand during the second and third quarters of fiscal 2021 compared to the same periods in fiscal 2020 in certain categories as we anniversaried the demand driven in the prior year by the COVID-19 pandemic, social unrest, and the pending presidential election. Stores that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed $67.1 million to net sales. Same store sales increased by 1.5% for the 39 weeks ended October 30, 2021 compared to the comparable 39-week period of fiscal year 2020, primarily driven by increases in all of our departments.

All of our departments had increases in net sales for the 39 weeks ended October 30, 2021 compared to the corresponding period in fiscal year 2020, led by our hunting and shooting department with an increase in net sales of $17.2 million, or 3.0%. Our apparel, footwear, camping, optics, electronics, and accessories and fishing departments saw increases of $15.5 million, $15.3 million, $12.4 million, $10.0 million and $7.5 million, respectively, in the first three quarters of fiscal year 2021 compared to the comparable 39-week period of fiscal year 2020 due to increased traffic within our stores and online. Within hunting and shooting, our firearm and ammunition categories saw decreases of $0.6 million or 0.2% and $3.2 million or 1.8%, respectively, during the first three quarters of fiscal year 2021 compared to the comparable 39-week period of fiscal year 2020. The decrease seen in the firearm category is due to lower demand as we anniversaried the social unrest and pending presidential election of the prior year period and supply chain disruptions experienced in the first half of 2021.  The decrease seen in the ammunition category is due to the lack of supply in the market as a result of supply chain disruptions caused by the COVID-19 pandemic and demand that is outpacing manufacturing capacity.

In regards to same store sales, each of our departments except our hunting and shooting department, had increases for the 39 weeks ended October 30, 2021. Our footwear, apparel, optics, electronics, and accessories, camping, and fishing departments had increases of 23.3%, 19.2%, 10.3%, 4.5%, and 0.7%, respectively, for the first 39 weeks of fiscal year 2021 compared to the comparable 39-week period of fiscal year 2020. We saw a substantial increase in same store sales for our clothing and footwear departments as we saw consumer spending return to a more normalized pattern during the first 39 weeks of fiscal 2021 compared to the same 39-week period of fiscal year 2020. Our hunting and shooting department had a decrease of 3.3%, with our firearm and ammunition categories having decreases of 7.4% and 8.1%, respectively, for the first 39 weeks of fiscal year 2021 compared to the first 39 weeks of fiscal year 2020. Our hunting and shooting department and firearm and ammunition categories saw a year-over-year decline because we began recognizing strong demand for these products during the second and third quarters of fiscal 2020 due to social unrest and the pending presidential election at that time. As of October 30, 2021, we had 109 stores included in our same store sales calculation.

***Gross Profit.*** Gross profit increased to $353.7 million during the 39 weeks ended October 30, 2021 compared to $334.5 million for the corresponding period of fiscal year 2020 primarily as a result of increased sales. As a percentage of net sales, gross profit decreased to 32.5% for the 39 weeks ended October 30, 2021, compared to 33.0% for the corresponding period of fiscal year 2020 due to higher freight costs. The higher freight costs were partially offset by an increase in product margins across most departments and increased vendor incentives. We expect higher transportation costs to continue to impact the business during the remainder of fiscal 2021 and likely into 2022.

***Selling, General, and Administrative Expenses.*** Selling, general, and administrative expenses increased by $35.2 million, or 14.0%, to $286.3 million during the 39 weeks ended October 30, 2021 from $251.1 million for the comparable 39-week period of fiscal year 2020.  This increase was primarily due to an increase in our payroll expense of $17.3 million, which was the result of opening seven new stores since October 31, 2020, and minimum wage increases impacting 12 of our stores in fiscal year 2021. We also had increases in acquisition costs of $6.1 million due to costs relating to the proposed merger with Great Outdoors Group, as well as increases in rent, other selling, general and administrative costs, depreciation, and pre-opening expenses of $5.4 million, $3.1 million, $2.0 million and $1.3 million. respectively, during the 39 weeks ended October 30, 2021 primarily related to the opening of seven new stores since October 31, 2020. As a percentage of net sales, selling, general, and administrative expenses increased to 26.3% of net sales in the first three quarters of fiscal year 2021, compared to 24.8% of net sales in the first three quarters of fiscal year 2020, primarily as a result of opening seven new stores since October 31, 2020 and costs associated with the proposed merger with Great Outdoors Group.

***Interest Expense.*** Interest expense decreased by $2.2 million, or 70.7%, to $0.9 million during the 39 weeks ended October 30, 2021 from $3.0 million for the comparable 39-week period of fiscal year 2020.  Interest expense decreased primarily as a result of decreased borrowings on our revolving line of credit and our term loan during the first 39 weeks of fiscal year 2021 compared to the first 39 weeks of fiscal year 2020.

***Income Taxes.*** We recognized income tax expense of $16.5 million compared to an income tax expense of $20.7 million during the 39 weeks ended October 30, 2021 and October 31, 2020, respectively. Our effective tax rate for the 39 weeks ended October 30, 2021 and October 31, 2020 was 24.8% and 25.1%, respectively. Our effective tax rate will generally differ from the U.S. Federal statutory rate of 21.0%, due to state taxes, permanent items, and discrete items relating to stock award deductions.

## Seasonality

Due to the openings of hunting season across the country and consumers' holiday buying patterns, 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 sales volume and increased staffing in our stores. While we typically would expect our net sales to continue to reflect this seasonal pattern, we may not recognize higher sales volume in the fourth fiscal quarter of fiscal year 2021, in particular compared to the fourth fiscal quarter of last year, because of the significant spike in sales during the fourth quarter of fiscal year 2020 as a result of the demand driven by the COVID-19 pandemic, social unrest, and the pending presidential election.

The timing of our new retail store openings also may have an impact on our quarterly results. First, we incur certain non-recurring expenses related to opening each new retail store, 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 apparel 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 and acquiring new store locations. 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. In addition, on December 2, 2021, we received a $55.0 million cash payment from Great Outdoors Group in connection with the termination of the Merger Agreement. See above under "Proposed Merger with Great Outdoors Group" for additional information.  We have not yet determined our use for those proceeds.  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 October 30, 2021, we incurred approximately $43.1 million in capital expenditures primarily related to the construction of new stores and the refurbishment of existing stores during the period. We expect total net capital expenditures between $45.0 million and $50.0 million for fiscal year 2021 primarily to refurbish many of our existing stores and to open ten new stores in fiscal year 2021. 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 | |
|---|---|---|
| | October 30, 2021 | October 31, 2020 |
| | (in thousands) | |
| Cash flows (used in) provided by operating activities | $ (78,343) | $ 171,736 |
| Cash flows used in investing activities | (38,463) | (20,172) |
| Cash provided by (used in) financing activities | 53,813 | (133,935) |
| Cash at end of period | 2,532 | 19,314 |

Net cash used in operating activities was $78.3 million for the 39 weeks ended October 30, 2021, compared to cash provided by operating activities of $171.7 million for the corresponding period of fiscal year 2020, a change of approximately $250.0 million. The decrease in our cash flows from operating activities was primarily the result of our buildup of inventory during the first 39 weeks of fiscal 2021 and a reduction in accounts payable. We focused on rebuilding our inventory during the first three quarters of fiscal 2021 after experiencing strong demand since the second quarter of fiscal 2020 while also encountering supply chain disruptions at the same time and in order to mitigate global supply chain constraints in advance of the holiday season.

Net cash used in investing activities was $38.5 million for the 39 weeks ended October 30, 2021 compared to $20.2 million for the corresponding period of fiscal year 2020. For the 39 weeks ended October 30, 2021, we incurred capital expenditures related to the construction of new stores and the refurbishment of existing stores.

Net cash provided by financing activities was $53.8 million for the 39 weeks ended October 30, 2021, compared to net cash used in financing activities of $133.9 million for the corresponding period of fiscal year 2020. During the 39 weeks ended October 30, 2021, we had an increase in borrowings under our revolving line of credit, primarily to pay for the increased capital expenditures associated with the opening of new stores and refurbishing of existing stores and the buildup of our inventory. During the 39 weeks ended October 31, 2020, we repaid $22.0 million of principal outstanding on our term loan and $123.5 million on our revolving line of credit.

As of October 30, 2021, $73.8 million was outstanding under the revolving credit facility. We maintain a $250.0 million revolving credit facility. Borrowings under our revolving credit facility are subject to a borrowing base calculation. Our revolving credit facility is governed by an amended and restated credit agreement with a consortium of banks led by Wells Fargo Bank, National Association. The revolving credit facility matures on May 23, 2023. As of October 30, 2021, we had $149.3 million available for borrowing, subject to certain borrowing base restrictions, and $1.9 million in stand-by commercial letters of credit.

Borrowings under our 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.

Each of the subsidiaries of Sportsman’s Warehouse Holdings, Inc. (“Holdings”) is a borrower under the revolving credit facility, and Holdings guarantees all obligations under the revolving credit facility. All obligations under the revolving credit facility 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 is a first priority lien as to certain liquid assets, including cash, accounts receivable, deposit accounts and inventory. In addition, our credit agreement contains provisions that enable Wells Fargo to require us to maintain a lock-box, or similar arrangement, for the collection of all receipts.

We may be required to make mandatory prepayments under the revolving credit facility 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 revolving credit facility requires us to maintain a minimum availability at all times of not less than 10% of the gross borrowing base. In addition, the credit agreement governing our revolving credit facility 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 credit agreement also contains customary events of default. As of October 30, 2021, we were in compliance with all covenants under the credit agreement governing our revolving credit facility.

## 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 Fiscal 2020 Form 10-K.

## Off Balance Sheet Arrangements

We are not party to any off balance sheet arrangements.

## Contractual Obligations

The following table summarizes our contractual obligations as of October 30, 2021 and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | **Total** | **Less than 1 year** | **1-3 years** | **3-5 years** | **More than 5 years** |
| Operating lease obligations (1) | 389,334 | 15,408 | 119,289 | 90,410 | 164,227 |
| Standby letters of credit | 1,955 | 1,955 | - | - | - |
| Purchase/construction obligations (2) | - | - | - | - | - |
| Revolving line of credit (3) | 73,763 | 73,763 | - | - | - |

(1) Operating lease obligations in the table above do not include additional payments associated with common area maintenance, real estate, taxes and insurance. Such payments were $13.2 million, $11.2 million, and $10.1 million in fiscal years 2020, 2019, and 2018, respectively.

(2) In the ordinary course of business, we enter into arrangements with vendors to purchase merchandise in advance of expected delivery. Because these purchase orders do not contain any termination payments or other penalties if cancelled, they are not included in this table of contractual obligations. In accordance with GAAP, these obligations are not recorded in our financial statements.

(3) The Revolving Line of Credit matures on May 23, 2023.

## 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 our 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 October 30, 2021 and October 31, 2020.

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | October 30, 2021 | October 31, 2020 | October 30, 2021 | October 31, 2020 |
| | (dollars in thousands) | | | |
| Net income (loss) | $ 21,863 | $ 30,482 | $ 50,036 | $ 61,813 |
| Interest expense | 413 | 465 | 905 | 3,016 |
| Income tax expense (benefit) | 7,372 | 9,530 | 16,519 | 20,691 |
| Depreciation and amortization | 6,665 | 5,404 | 18,801 | 16,085 |
| Stock-based compensation expense (1) | 194 | 882 | 2,237 | 2,436 |
| Pre-opening expenses (2) | 1,712 | 958 | 3,090 | 1,778 |
| Hazard pay (3) | — | 2,000 | — | 4,600 |
| Acquisition costs (4) | 1,113 | 297 | 6,419 | 332 |
| Bargain purchase (5) | — | (2,218) | — | (2,218) |
| Legal accrual (6) | — | 2,125 | — | 2,125 |
| Store closure (7) | — | — | — | 1,039 |
| Adjusted EBITDA | $ 39,332 | $ 49,925 | $ 98,007 | $ 111,697 |
| | | | | |
| Net sales | $ 401,014 | $ 380,989 | 1,089,784 | 1,013,572 |
| Net income margin | 5.5% | 8.0% | 4.6% | 6.1% |
| Adjusted EBITDA margin (8) | 9.8% | 12.9% | 9.0% | 11.0% |

(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) Expense relating to bonuses and increased wages paid to front-line and back office associates due to the COVID-19 pandemic.
(4) For the 13 and 39 weeks ended October 30, 2021, includes $1.1 million and $6.4 million of expenses incurred relating to the proposed merger with Great Outdoors Group. For the 13 and 39 weeks ended October 31, 2020 includes expenses incurred relating to the acquisition of cash, inventory, furniture, fixtures, and equipment, and certain other assets related to Field & Stream stores operated by DICK’S Sporting Goods in fiscal year 2020.
(5) Excess of the fair value over the purchase price of tangible assets acquired in connection with the Field & Stream stores acquired during fiscal year 2020.
(6) Accrual related to labor litigation in the state of California during fiscal 2020.
(7) Costs and impairments recorded relating to the closure of one store during the first quarter of 2020. These costs were recorded as a component of selling, general, and administration expenses on the condensed consolidated statement of operations.
(8) We define Adjusted EBITDA margin as Adjusted EBITDA divided by net sales.

**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. Based on a sensitivity analysis at October 30, 2021, 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 not have increased our interest expense significantly. 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**

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Interim Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures. Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Interim Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Report. Based on that evaluation, our Chief Executive Officer and Interim Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of October 30, 2021.

**Inherent Limitations in Effectiveness of Controls**

Our management, including our Chief Executive Officer and Interim Chief Financial Officer, does not expect that our disclosure controls and procedures, or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake or fraud. Additionally, controls can be circumvented by individuals or groups of persons or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements in our public reports due to error or fraud may occur and not be detected.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the 13 weeks ended October 30, 2021 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

See Note 11, “Commitments and Contingencies” to our condensed consolidated financial statements for additional information, which is incorporated herein by reference.

## 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 2020 Form 10-K.

**ITEM 5. EXHIBITS**

| Exhibit Number | Description |
|---|---|
| 10.1 | Severance Agreement, dated September 26, 2021, between Sportsman's Warehouse Holdings, Inc. and Jeff White (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on September 28, 2021) |
| 10.2 | Termination Agreement, dated December 2, 2021, among Sportsman's Warehouse Holdings, Inc., Great Outdoors Group, LLC and Phoenix Merger Sub I, Inc. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on December 2, 2021). |
| 31.1* | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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. |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

* 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 8, 2021 | By: | /s/ Jon Barker |
| | | **Jon Barker** |
| | | *President and Chief Executive Officer* |
| | | *(Principal Executive Officer)* |
| Date: December 8, 2021 | By: | /s/ Jeff White |
| | | **Jeff White** |
| | | *Interim Chief Financial Officer* |
| | | *(Principal Financial and Accounting Officer)* |

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 8, 2021

/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, Jeff White, 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 8, 2021

/s/ Jeff White

**Jeff White**

*Interim 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 October 30, 2021, 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 Jeff White, the Interim 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 8, 2021

/s/ Jon Barker

**Jon Barker**
*President and Chief Executive Officer*

Date: December 8, 2021

/s/ Jeff White

**Jeff White**
*Interim 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.