**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 July 30, 2022**

**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 September 2, 2022, the registrant had 38,868,040 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 second fiscal quarters ended July 30, 2022 and July 31, 2021 both consisted of 13 weeks and are referred to herein as the second quarter of fiscal year 2022 and the second quarter of fiscal year 2021 respectively. Fiscal year 2022 contains 52 weeks of operations and will end on January 28, 2023. Fiscal year 2021 contained 52 weeks of operations and ended on January 29, 2022.

**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:*

- *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;*
- *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;*
- *our entrance into new markets or operations in existing markets, which may not be successful; and*
- *the impact of COVID-19 pandemic on our operations.*

*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 29, 2022 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)**

| | July 30, 2022 | January 29, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 6,018 | $ 57,018 |
| Accounts receivable, net | 1,911 | 1,937 |
| Merchandise inventories | 437,382 | 386,560 |
| Prepaid expenses and other | 20,855 | 21,955 |
| Total current assets | 466,166 | 467,470 |
| Operating lease right of use asset | 250,936 | 243,047 |
| Property and equipment, net | 137,152 | 128,304 |
| Goodwill | 1,496 | 1,496 |
| Definite lived intangibles, net | 419 | 264 |
| Total assets | $ 856,169 | $ 840,581 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 98,845 | $ 58,916 |
| Accrued expenses | 91,040 | 109,012 |
| Income taxes payable | 4,852 | 9,500 |
| Operating lease liability, current | 42,195 | 40,924 |
| Revolving line of credit | 90,780 | 66,054 |
| Total current liabilities | 327,712 | 284,406 |
| Long-term liabilities: | | |
| Deferred income taxes | 5,009 | 5,779 |
| Operating lease liability, noncurrent | 243,596 | 236,227 |
| Total long-term liabilities | 248,605 | 242,006 |
| Total liabilities | 576,317 | 526,412 |
| | | |
| 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; 44,215 issued and 38,867 outstanding on July 30, 2022 and 43,880 shares issued and outstanding on January 29, 2022 | 442 | 439 |
| Treasury stock, at cost; 5,348 and 0 shares, respectively | (52,057) | — |
| Additional paid-in capital | 91,976 | 90,851 |
| Accumulated earnings | 239,491 | 222,879 |
| Total stockholders' equity | 279,852 | 314,169 |
| Total liabilities and stockholders' equity | $ 856,169 | $ 840,581 |

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 | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | July 30, 2022 | July 31, 2021 | July 30, 2022 | July 31, 2021 |
| Net sales | $ 351,021 | $ 361,778 | $ 660,526 | $ 688,770 |
| Cost of goods sold | 233,482 | 241,724 | 443,896 | 464,669 |
| Gross profit | 117,539 | 120,054 | 216,630 | 224,101 |
| | | | | |
| Selling, general, and administrative expenses | 97,023 | 95,870 | 193,108 | 186,289 |
| Income from operations | 20,516 | 24,184 | 23,522 | 37,812 |
| Interest expense | 767 | 266 | 1,334 | 492 |
| Income before income taxes | 19,749 | 23,918 | 22,188 | 37,320 |
| Income tax expense | 5,135 | 6,195 | 5,576 | 9,147 |
| Net income | $ 14,614 | $ 17,723 | $ 16,612 | $ 28,173 |
| Earnings per share: | | | | |
| Basic | $ 0.35 | $ 0.40 | $ 0.39 | $ 0.64 |
| Diluted | $ 0.35 | $ 0.40 | $ 0.38 | $ 0.63 |
| Weighted average shares outstanding: | | | | |
| Basic | 41,962 | 43,860 | 42,950 | 43,775 |
| Diluted | 42,194 | 44,716 | 43,180 | 44,600 |

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 July 30, 2022 and July 31, 2021**

| | Common Stock | | Restricted nonvoting Common Stock | | Treasury Stock | | Additional paid-in-capital | Accumulated (deficit) earnings | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Amount | Amount | Amount |
| Balance at May 1, 2021 | 43,831 | $ 438 | — | $ — | — | $ — | $ 88,560 | $ 124,859 | $ 213,857 |
| Stock based compensation | — | — | — | — | — | — | 1,027 | — | 1,027 |
| Net Income | — | — | — | — | — | — | — | 17,723 | 17,723 |
| Balance at July 31, 2021 | 43,831 | $ 438 | — | $ — | — | $ — | $ 89,587 | $ 142,582 | $ 232,607 |
| | | | | | | | | | |
| Balance at April 30, 2022 | 44,121 | $ 441 | — | $ — | — | $ — | $ 90,362 | $ 224,877 | $ 315,680 |
| Repurchase of treasury stock | — | — | — | — | 5,348 | (52,057) | — | — | (52,057) |
| Vesting of restricted stock units | 30 | — | — | — | — | — | — | — | — |
| Payment of withholdings on restricted stock units | — | — | — | — | — | — | (2) | — | (2) |
| Issuance of common stock for cash per employee stock purchase plan | 64 | 1 | — | — | — | — | 525 | — | 526 |
| Stock based compensation | — | — | — | — | — | — | 1,091 | — | 1,091 |
| Net income | — | — | — | — | — | — | — | 14,614 | 14,614 |
| Balance at July 30, 2022 | 44,215 | $ 442 | — | $ — | 5,348 | $ (52,057) | $ 91,976 | $ 239,491 | $ 279,852 |

**For the Twenty-Six Weeks Ended July 30, 2022 and July 31, 2021**

| | Common Stock | | Restricted nonvoting common stock | | Treasury Stock | | Additional paid-in-capital | Accumulated (deficit) earnings | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Amount | Amount | Amount |
| Balance at January 30, 2021 | 43,623 | $ 436 | — | $ — | — | $ — | $ 89,815 | $ 114,409 | $ 204,660 |
| Vesting of restricted stock units | 208 | 2 | — | — | — | — | (2) | — | — |
| Payment of withholdings on restricted stock units | — | — | — | — | — | — | (2,269) | — | (2,269) |
| Stock based compensation | — | — | — | — | — | — | 2,043 | — | 2,043 |
| Net income | — | — | — | — | — | — | — | 28,173 | 28,173 |
| Balance at July 31, 2021 | 43,831 | $ 438 | — | $ — | — | $ — | $ 89,587 | $ 142,582 | $ 232,607 |
| | | | | | | | | | |
| Balance at January 29, 2022 | 43,880 | $ 439 | — | $ — | — | $ — | $ 90,851 | $ 222,879 | $ 314,169 |
| Repurchase of treasury stock | — | — | — | — | 5,348 | (52,057) | — | — | (52,057) |
| Vesting of restricted stock units | 271 | 2 | — | — | — | — | (2) | — | — |
| Payment of withholdings on restricted stock units | — | — | — | — | — | — | (1,847) | — | (1,847) |
| Issuance of common stock for cash per employee stock purchase plan | 64 | 1 | — | — | — | — | 525 | — | 526 |
| Stock based compensation | — | — | — | — | — | — | 2,449 | — | 2,449 |
| Net income | — | — | — | — | — | — | — | 16,612 | 16,612 |
| Balance at July 30, 2022 | 44,215 | $ 442 | — | $ — | 5,348 | $ (52,057) | $ 91,976 | $ 239,491 | $ 279,852 |

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)**

| | Twenty-Six Weeks Ended | |
|---|---|---|
| | July 30, 2022 | July 31, 2021 |
| Cash flows from operating activities: | | |
| Net income | $ 16,612 | $ 28,173 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation of property and equipment | 15,137 | 12,116 |
| Amortization of deferred financing fees | 108 | 126 |
| Amortization of definite lived intangible | 36 | 20 |
| Noncash lease expense | 16,027 | 7,962 |
| Deferred income taxes | (770) | (238) |
| Stock-based compensation | 2,449 | 2,043 |
| Change in operating assets and liabilities, net of amounts acquired: | | |
| Accounts receivable, net | 26 | (35) |
| Operating lease liabilities | (15,276) | (13,926) |
| Merchandise inventories | (50,822) | (134,919) |
| Prepaid expenses and other | 1,500 | 2,614 |
| Accounts payable | 38,269 | 32,351 |
| Accrued expenses | (10,681) | (1,403) |
| Income taxes payable and receivable | (4,648) | (2,666) |
| Net cash provided by (used in) operating activities | 7,967 | (67,782) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment, net of amounts acquired | (22,588) | (17,936) |
| Net cash used in investing activities | (22,588) | (17,936) |
| Cash flows from financing activities: | | |
| Net borrowings on line of credit | 24,726 | 20,191 |
| (Decrease) increase in book overdraft, net | (7,221) | 4,891 |
| Proceeds from issuance of common stock per employee stock purchase plan | 525 | — |
| Payments to acquire treasury stock | (52,057) | — |
| Payment of withholdings on restricted stock units | (1,844) | (2,269) |
| Payment of deferred financing costs | (508) | — |
| Net cash (used in) provided by financing activities | (36,379) | 22,813 |
| Net change in cash and cash equivalents | (51,000) | (62,905) |
| Cash and cash equivalents at beginning of period | 57,018 | 65,525 |
| Cash and cash equivalents at end of period | $ 6,018 | $ 2,620 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest, net of amounts capitalized | $ 1,220 | $ 492 |
| Income taxes, net of refunds | 10,993 | 12,051 |
| | | |
| 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 | $ 23,972 | $ 24,443 |
| Purchases of property and equipment included in accounts payable and accrued expenses | $ 5,409 | $ 6,541 |

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., a Delaware corporation ("Holdings"), and its subsidiaries (collectively, the "Company") operate retail sporting goods stores. As of July 30, 2022, the Company operated 126 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 29, 2022 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 July 30, 2022 are not necessarily indicative of the results to be obtained for the year ending January 28, 2023. 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 29, 2022 filed with the SEC on March 30, 2022 (the "Fiscal 2021 Form 10-K").

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

The Company's significant accounting policies are described in Note 2 to the Company's Fiscal 2021 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 FASB issued (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 were 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 rewards program

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

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

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

Contract liabilities are recognized primarily for gift card sales and 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 4.0% when no escheat liability to relevant jurisdictions exist. 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 25%.

As it relates to e-commerce sales, the Company accounts for shipping and handling as fulfillment activities, and not as separate performance obligation. Accordingly, the Company recognizes revenue for only one performance obligation, the sale of the product, at the shipping point (when the customer gains control). The costs associated with fulfillment are recorded in costs of goods sold.

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 July 30, 2022 and January 29, 2022:

| | July 30, 2022 | January 29, 2022 |
|---|---|---|
| Right of return assets, which are included in prepaid expenses and other | $ 2,438 | $ 2,142 |
| Estimated gift card contract liability, net of breakage | (20,551) | (23,128) |
| Estimated loyalty contract liability, net of breakage | (5,400) | (7,211) |
| Sales return liabilities, which are included in accrued expenses | (3,639) | (3,197) |

For the 13 and 26 weeks ended July 30, 2022, the Company recognized approximately $351 and $785 in gift card breakage and approximately $991 and $1,595 in loyalty reward breakage. For the 13 and 26 weeks ended July 31, 2021, the Company recognized approximately $292 and $673 in gift card breakage and approximately $773 and $1,328 in loyalty reward breakage. For the 13 and 26 weeks ended July 30, 2022, the Company recognized revenue of $4,796 and $15,383 relating to contract liabilities that existed at January 29, 2022.

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 26 weeks ended July 30, 2022 and July 31, 2021, was approximately:

| | | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|---|
| **Department** | **Product Offerings** | **July 30, 2022** | **July 31, 2021** | **July 30, 2022** | **July 31, 2021** |
| Camping | Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools | 16.9% | 17.8% | 14.0% | 14.7% |
| Apparel | Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear | 7.1% | 6.6% | 7.0% | 6.5% |
| Fishing | Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats | 13.4% | 15.1% | 12.0% | 13.4% |
| Footwear | Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots | 6.7% | 6.6% | 6.5% | 6.4% |
| Hunting and Shooting | Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear | 50.5% | 48.1% | 55.1% | 53.1% |
| Optics, Electronics, Accessories, and Other | Gift items, GPS devices, knives, lighting, optics, two-way radios, and other license revenue, net of revenue discounts | 5.4% | 5.8% | 5.4% | 5.9% |
| Total | | 100.0% | 100.0% | 100.0% | 100.0% |

**(4) Property and Equipment**

Property and equipment as of July 30, 2022 and January 29, 2022 were as follows:

| | **July 30, 2022** | **January 29, 2022** |
|---|---|---|
| Furniture, fixtures, and equipment | $ 122,815 | $ 115,597 |
| Leasehold improvements | 150,385 | 143,064 |
| Construction in progress | 14,131 | 5,007 |
| Total property and equipment, gross | 287,331 | 263,668 |
| Less accumulated depreciation and amortization | (150,179) | (135,364) |
| Total property and equipment, net | $ 137,152 | $ 128,304 |

**(5) Accrued Expenses**

Accrued expenses consisted of the following as of July 30, 2022 and January 29, 2022:

| | **July 30, 2022** | **January 29, 2022** |
|---|---|---|
| Book overdraft | $ 9,031 | $ 16,252 |
| Unearned revenue | 37,902 | 42,058 |
| Accrued payroll and related expenses | 18,135 | 26,309 |
| Sales and use tax payable | 7,058 | 8,788 |
| Accrued construction costs | 344 | 416 |
| Other | 18,570 | 15,189 |
| Total accrued expenses | $ 91,040 | $ 109,012 |

**(6) Leases**

At the inception of the lease, the Company’s operating leases have remaining certain lease terms of up to 15 years, which typically includes multiple options for the Company to extend the lease which are not reasonably certain.

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, the Company 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 26 weeks ended July 30, 2022, the Company recorded a non-cash increase of $17,594 and $23,972 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.

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

In accordance with ASC 842, total lease expense was comprised of the following:

| | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | July 30, 2022 | July 31, 2021 | July 30, 2022 | July 31, 2021 |
| Operating lease expense | $ 14,550 | $ 13,836 | $ 28,945 | $ 27,702 |
| Variable lease expense | 4,760 | 4,282 | 9,062 | 8,557 |
| Short-term lease expense | 314 | 223 | 584 | 480 |
| Total lease expense | $ 19,624 | $ 18,341 | $ 38,591 | $ 36,739 |

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

| | Twenty-Six Weeks Ended | |
|---|---|---|
| | July 30, 2022 | July 31, 2021 |
| Operating cash flows from operating leases | $ (31,351) | $ (29,209) |
| Cash paid for lease liabilities - operating leases | (31,351) | (29,209) |
| | **As of July 30, 2022** | **As of July 31, 2021** |
| Right-of-use assets obtained in exchange for new or remeasured operating lease liabilities | $ 23,972 | $ 24,443 |
| Terminated right-of-use assets and liabilities | — | — |
| Weighted-average remaining lease term - operating leases | 5.75 | 6 |
| Weighted-average discount rate - operating leases | 8.16% | 8.33% |

In accordance with ASC 842, maturities of operating lease liabilities as of July 30, 2022 were as follows:

| Year Endings: | | Operating Leases |
|---|---|---|
| 2022 (remainder) | | 32,389 |
| 2023 | | 62,579 |
| 2024 | | 54,350 |
| 2025 | | 47,790 |
| 2026 | | 42,625 |
| Thereafter | | 151,658 |
| Undiscounted cash flows | $ | 391,391 |
| Reconciliation of lease liabilities: | | |
| Present values | $ | 285,791 |
| Lease liabilities - current | | 42,195 |
| Lease liabilities - noncurrent | | 243,596 |
| Lease liabilities - total | $ | 285,791 |
| Difference between undiscounted and discounted cash flows | $ | 105,600 |

The Company has excluded in the table above approximately $29.1 million of leases (undiscounted basis) that were entered into as of September 2, 2022. These leases will commence in 2022 and 2023 with lease terms of 10 years.

**(7) Revolving Line of Credit**

On May 27, 2022, Sportsman's Warehouse, Inc. ("SWI"), a wholly owned subsidiary of Holdings, as lead borrower, Holdings and other subsidiaries of the Company, each as borrowers or guarantors, 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 "Credit Agreement"). The Credit Agreement governs the Company's senior secured revolving credit facility ("Revolving Line of Credit"). The Revolving Line of Credit provides borrowing capacity of up to $350,000, subject to a borrowing base calculation.

In conjunction with the Credit Agreement, the Company incurred $508 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.

As of July 30, 2022 and January 29, 2022, the Company had $105,719 and $76,976, in outstanding revolving loans under the Revolving Line of Credit and the Company's previous revolving line of credit, respectively. Amounts outstanding are offset on the condensed consolidated balance sheets by amounts in depository accounts under lock-box type arrangements, which were $14,939 and $10,923 as of July 30, 2022 and January 29, 2022, respectively. As of July 30, 2022, the Company had stand-by commercial letters of credit of $1,967 under the terms of the Revolving Line of Credit.

Borrowings under the Revolving Line of Credit bear interest based on either the base rate or Term SOFR, at the Company's option, in each case plus an applicable margin. The base rate is the greatest of (1) the floor rate (as defined in the credit agreement as a rate of interest equal to 0.0%) (2) Wells Fargo's prime rate, (3) the federal funds rate (as defined in the Amended Credit Agreement) plus 0.50% or (4) the one-month Term SOFR (as defined in the Amended 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 0.50% per year for base rate loans and from 1.35% to 1.60% per year for Term SOFR loans. The Company is required to pay a commitment fee for the unused portion of the revolving credit facility, which will range from 0.20% to 0.225% per annum, depending on the average daily availability under the Revolving Line of Credit.

The Company may be required to make mandatory prepayments under the Revolving Line of Credit 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.

The 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 Credit Agreement also requires the Company to maintain a minimum availability at all times of not less than 10% of the gross borrowing base and contains customary events of default. The Revolving Line of Credit matures on May 27, 2027.

Each of the subsidiaries of Holdings is a borrower under the Revolving Line of Credit, and all obligations under the Revolving Line of Credit are guaranteed by Holdings. All of the obligations under the Revolving Line of Credit are secured by a lien on substantially all of Holdings' tangible and intangible working capital assets and the tangible and intangible working capital assets of all of Holdings' subsidiaries, including a pledge of all capital stock of each of Holdings' subsidiaries. The lien securing the obligations under the Revolving Line of Credit is a first priority lien as to certain liquid assets, including cash, accounts receivable, deposit accounts and inventory.

As of July 30, 2022 and January 29, 2022, the Credit Agreement and the Company's prior credit agreement had $733 and $333, respectively, in deferred financing fees. During the 13 and 26 weeks ended July 30, 2022, the Company recognized $46 and $108 of non-cash interest expense with respect to the amortization of deferred financing fees. During the 13 and 26 weeks ended July 31, 2021, the Company recognized $63 and $126 of non-cash interest expense with respect to the amortization of deferred financing fees.

For the 13 and 26 weeks ended July 30, 2022, gross borrowings under the Revolving Line of Credit and the Company's prior revolving line of credit were $379,778 and $752,494, respectively. For the 13 and 26 weeks ended July 31, 2021 gross borrowing under the Company's prior revolving line of credit were $434,702 and $792,180, respectively. For the 13 and 26 weeks ended July 30, 2022, gross paydowns under the Revolving Line of Credit and the Company's prior revolving line of credit were $387,886 and $725,525, respectively. For the 13 and 26 weeks ended July 31, 2021, gross paydowns under the Company's prior revolving line of credit were $397,830 and $755,470, 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 July 30, 2022, 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 income tax expense of $5,135 and $6,195, respectively, in the 13 weeks ended July 30, 2022 and July 31, 2021. The Company's effective tax rate for the 13 weeks ended July 30, 2022 and July 31, 2021 was 26.0% and 25.9%, respectively. The Company recognized income tax expense of $5,576 and $9,147, respectively, in the 26 weeks ended July 30, 2022 and July 31, 2021. The Company's effective tax rate for the 26 weeks ended July 30, 2022 and July 31, 2021 was 25.1% and 24.5%, 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) Stockholder's Equity**

*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 earnings per common share:

| | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | July 30, 2022 | July 31, 2021 | July 30, 2022 | July 31, 2021 |
| Net income | $ 14,614 | $ 17,723 | $ 16,612 | $ 28,173 |
| Weighted-average shares of common stock outstanding: | | | | |
| Basic | 41,962 | 43,860 | 42,950 | 43,775 |
| Dilutive effect of common stock equivalents | 232 | 856 | 230 | 825 |
| Diluted | 42,194 | 44,716 | 43,180 | 44,600 |
| Basic earnings per share | $ 0.35 | $ 0.40 | $ 0.39 | $ 0.64 |
| Diluted earnings per share | $ 0.35 | $ 0.40 | $ 0.38 | $ 0.63 |
| Restricted stock units considered anti-dilutive and excluded in the calculation | 166 | 2 | 150 | 5 |

*Treasury Stock*

On March 24, 2022 the Company announced that its Board of Directors authorized a share repurchase program (the "Repurchase Program") to allow for the repurchase of up to $75.0 million outstanding shares of the Company's common stock, $.01 par value per share commencing on March 31, 2022 (the "Commencement Date"). The Repurchase Program will terminate on the first anniversary of the Commencement Date. During the 13 weeks ended July 30, 2022 the Company repurchased approximately 5.3 million shares of its common stock for $52.1 million, utilizing cash on hand.

**(10) Stock-Based Compensation**

**Stock-Based Compensation**

During the 13 and 26 weeks ended July 30, 2022 the Company recognized total stock-based compensation expense of $1,091 and $2,449. During the 13 and 26 weeks ended July 31, 2021, the Company recognized total stock-based compensation expense of $1,027 and $2,043. 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 July 30, 2022, the number of shares available for awards under the 2019 Performance Incentive Plan (the "2019 Plan") was 1,637. As of July 30, 2022, there were 1,366 unvested stock awards outstanding under the 2019 Plan.

**Employee Stock Purchase Plan**

The Company also has an Employee Stock Purchase Plan ("ESPP") that was approved by shareholders in fiscal year 2015, under which 800 shares of common stock were authorized. For the 13 weeks ended July 30, 2022, 64 shares were issued under the ESPP and, as of July 30, 2022, the number of shares available for issuance was 310.

**Nonvested Performance-Based Stock Awards**

During the 13 weeks ended July 30, 2022, the Company issued 47 nonvested performance-based stock awards to employees at a weighted average grant date fair value of $9.65 per share. During the 26 weeks ended July 30, 2022, the Company issued 188 nonvested performance-based stock awards to employees at a weighted average grant date fair value of $10.88 per share. The nonvested performance-based stock awards issued to employees vest in full on the third anniversary of the grant date. The number of shares issued is contingent on management achieving fiscal year 2022, 2023, and 2024 performance targets for total revenue growth and adjusted EPS. If minimum threshold performance targets are not achieved, no shares will vest. The maximum number of shares subject to the award is 376, and the "target" number of shares subject to the award is 188 as reported below. Following the end of the performance period (fiscal years 2022, 2023, and 2024), the number of shares eligible to vest, based on actual performance, will be fixed and vesting will then be subject to each employee's continued employment over the remaining service period.

During the 13 weeks ended July 31, 2021, the Company did not issue any nonvested performance-based stock awards.

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 29, 2022 | 487 | $ 5.13 |
| Grants | 188 | 10.88 |
| Forfeitures | (89) | 5.47 |
| Vested | (168) | 3.49 |
| Balance at July 30, 2022 | 418 | $ 8.31 |

| | Shares | Weighted average grant-date fair value |
|---|---|---|
| Balance at January 30, 2021 | 624 | $ 5.13 |
| Grants | — | — |
| Forfeitures | (13) | 5.63 |
| Vested | (22) | 4.91 |
| Balance at July 31, 2021 | 589 | $ 5.13 |

**Nonvested Stock Unit Awards**

During the 13 and 26 weeks ended July 30, 2022, the Company issued 110 and 418 nonvested stock units, respectively, to employees and directors of the Company at an average value of $9.51 and $10.82 per share, respectively. 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 directors of the Company vest over a 12 month period with one twelfth of the shares vesting each month.

During the 13 weeks ended July 31, 2021, the Company issued 28 nonvested stock units to directors of the Company at an average value of $17.77 per share. The shares issued to directors of the Company vest over a 12 month period with one twelfth of the shares vesting each month.

During the 26 weeks ended July 31, 2021, the Company issued 249 nonvested stock units to employees and directors of the Company at an average value of $17.33 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 directors of the Company vest over a 12 month period with one twelfth of the shares vesting each month.

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 29, 2022 | 929 | $ 11.56 |
| Grants | 418 | 10.82 |
| Forfeitures | (139) | 11.41 |
| Vested | (260) | 8.19 |
| Balance at July 30, 2022 | 948 | $ 12.18 |

| | Shares | Weighted average grant-date fair value |
|---|---|---|
| Balance at January 30, 2021 | 779 | $ 5.19 |
| Grants | 249 | 17.33 |
| Forfeitures | (38) | 8.02 |
| Vested | (325) | 5.45 |
| Balance at July 31, 2021 | 665 | $ 9.45 |

**(11) Fair Value Measurements**

Fair value measurements are reported based upon three categories, with the lowest level of measurement available applied. The levels of fair value measurement are as follows: Level 1 - quoted prices on active markets; Level 2 - observable market inputs other than quoted prices on active markets; Level 3 - unobservable data requiring the Company to develop its own approach that cannot be corroborated by market data.

The following table shows the fair value measurements of the Company on a recurring basis:

| Asset | Type | Measurement Level | Fair Value as of July 30, 2022 | Fair Value as of January 29, 2022 |
|---|---|---|---|---|
| Short-term Investments (1) | Cash and Cash Equivalents (2) | Level 1 | $ - | $ 55,000 |

(1) Fair value approximates carrying value because maturities are less than three months.
(2) Cash equivalents are money market funds held by the Company.

**(12) Commitments and Contingencies**

**Legal Matters**

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

*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 in the Superior Court of CA, County of Santa Clara 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.

**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 2021 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 127 stores in 29 states, totaling approximately 4.8 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.

**COVID-19 Pandemic**

Since the beginning of the COVID-19 pandemic in mid-March 2020 and continuing into the second quarter of 2022, we experienced a significant increase in sales from pre-pandemic sales. A larger than normal portion of those sales came from certain product categories, particularly firearms and ammunition. While our same store sales decreased by 9.4% during the second quarter of 2022 compared to the second quarter of 2021, when compared to the second quarter of 2019, same store sales increased by 31.7%.

In addition, we continue to see some interruption with various vendors as a result of restrictions or limitations on their operations, including labor shortages, due to the pandemic. We have been working closely with our vendors to limit such disruption and we have been successful in building up our inventory in recent months. The pandemic and current economic conditions have also resulted in a short supply of qualified employees.

We cannot predict the future impact on us of the COVID-19 outbreak. The future impact of the COVID-19 pandemic will depend on a number of future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread and severity of the COVID-19 outbreak, any resurgence of COVID-19, the effects of the outbreak on our customers and vendors and the remedial actions and stimulus measures adopted by local and federal governments. Further, we may experience a decrease in sales if the increased demand we experienced during the pandemic subsides.

**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 earnings before interest, taxes, depreciation and amortization ("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. For fiscal years consisting of 53 weeks, we exclude net sales during the 53rd week from 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;
- new product introductions and 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 5%-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 and through strategic acquisitions;
- continuing to increase and improve 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;
- growing our loyalty and credit card programs; and
- expanding our omni channel capabilities through larger assortment and inventory, expanded content and expertise and better user experience.

**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. In addition, we have experienced increased payroll expenses due to increased minimum wages and generally increasing salaries and wages due to a competitive labor market and inflation.

**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 | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | July 30, 2022 | July 31, 2021 | July 30, 2022 | July 31, 2021 |
| **Percentage of net sales:** | | | | |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of goods sold | 66.5 | 66.8 | 67.2 | 67.5 |
| Gross profit | 33.5 | 33.2 | 32.8 | 32.5 |
| Selling, general, and administrative expenses | 27.6 | 26.5 | 29.2 | 27.0 |
| Income from operations | 5.9 | 6.7 | 3.6 | 5.5 |
| Interest expense | 0.2 | 0.1 | 0.2 | 0.1 |
| Income before income taxes | 5.7 | 6.6 | 3.4 | 5.4 |
| Income tax expense | 1.5 | 1.7 | 0.8 | 1.3 |
| Net income | 4.2% | 4.9% | 2.6% | 4.1% |
| Adjusted EBITDA | 8.7% | 9.7% | 6.6% | 8.5% |

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

| | | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|---|
| Department | Product Offerings | July 30, 2022 | July 31, 2021 | July 30, 2022 | July 31, 2021 |
| Camping | Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools | 16.9% | 17.8% | 14.0% | 14.7% |
| Apparel | Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear | 7.1% | 6.6% | 7.0% | 6.5% |
| Fishing | Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats | 13.4% | 15.1% | 12.0% | 13.4% |
| Footwear | Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots | 6.7% | 6.6% | 6.5% | 6.4% |
| Hunting and Shooting | Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear | 50.5% | 48.1% | 55.1% | 53.1% |
| Optics, Electronics, Accessories, and Other | Gift items, GPS devices, knives, lighting, optics, two-way radios, and other license revenue, net of revenue discounts | 5.4% | 5.8% | 5.4% | 5.9% |
| Total | | 100.0% | 100.0% | 100.0% | 100.0% |

**Thirteen Weeks Ended July 30, 2022 Compared to Thirteen Weeks Ended July 31, 2021**

***Net Sales.*** Net sales decreased by $10.8 million, or 3.0%, to $351.0 million during the 13 weeks ended July 30, 2022 compared to $361.8 million in the corresponding period of fiscal year 2021. Our net sales decreased primarily due to lower demand across most product categories as we began to see the impact of consumer inflationary pressures and recessionary concerns, partially offset by our opening of 12 new stores since July 31, 2021. Stores that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed $25.1 million to net sales. Same store sales decreased by 9.4% for the 13 weeks ended July 30, 2022 compared to the comparable 13-week period of fiscal year 2021, primarily driven by a decrease in demand across most product categories due to consumer inflationary pressures and recessionary concerns.

Our hunting and shooting and apparel categories saw increases of $3.3 million and $1.2 million, respectively, in the second quarter of fiscal year 2022 compared to the comparable 13-week period of fiscal year 2021 due to the opening of

12 new stores since July 31, 2021. Our fishing, camping, optics, electronics and accessories and footwear categories saw decreases of $7.7 million, $5.1 million, $4.2 million and $0.6 million, respectively, in the second quarter of fiscal year 2022 compared to the comparable 13-week period of fiscal year 2021. Within the hunting and shooting department, our firearm category saw a decrease of $3.0 million or 4.2%, while our ammunition category saw an increase of $2.9 million or 5.6% in the second quarter of fiscal year 2022 compared to the comparable 13-week period of fiscal year 2021. The decrease seen in the firearm category is primarily due to the impact of consumer inflationary pressures and recessionary concerns, partially offset by the opening of 12 new stores since July 31, 2021. The increase in the ammunition category is due to a decrease in supply chain disruptions in this category as well as the opening of 12 new stores since July 31, 2021.

With respect to same store sales, during the 13 weeks ended July 30, 2022, our fishing, optics, electronics and accessories, camping, footwear, hunting and shooting and apparel departments saw decreases of 18.5%, 18.1%, 13.5%, 7.1%, 6.1% and 1.4%, respectively, as we began to see the impact of consumer inflationary pressures and recessionary concerns. As of July 30, 2022, we had 114 stores included in our same store sales calculation.

***Gross Profit.*** Gross profit decreased to $117.5 million during the 13 weeks ended July 30, 2022 compared to $120.1 million for the corresponding period of fiscal year 2021. As a percentage of net sales, gross profit increased to 33.5% for the 13 weeks ended July 30, 2022, compared to 33.2% for the corresponding period of fiscal year 2021 primarily driven by increased product margins and favorable shipping, freight and logistical expenses during the period compared to the prior year as we slowed inventory receipts in response to consumer demand. These increases were partially offset by unfavorable product mix.

***Selling, General, and Administrative Expenses.*** Selling, general, and administrative expenses increased by $1.2 million, or 1.2%, to $97.0 million during the 13 weeks ended July 30, 2022 from $95.9 million for the comparable 13-week period of fiscal year 2021. This increase was primarily due to an increase in other selling, general and administrative expenses of $2.5 million, which was largely the result of a return to pre-pandemic levels of marketing activities compared to the comparable 13-week period of fiscal 2021. We also saw increases in depreciation, rent and management recruiting expenses of $1.4 million, $1.3 million, and $0.7 million, respectively, during the 13 weeks ended July 30, 2022 primarily related to the opening of 12 new stores since July 31, 2021 and the recruiting and hiring of key senior managers. These increases were offset by a decrease in acquisition costs of $2.5 million due to the terminated merger with Great Outdoors Group, a decrease in payroll expense of $1.7 million primarily due to store operational efficiencies and by pre-opening expenses of $0.6 million due to the timing of opening new stores. As a percentage of net sales, selling, general, and administrative expenses increased to 27.6% of net sales in the second quarter of fiscal year 2022, compared to 26.5% of net sales in the second quarter of fiscal year 2021, due to the same reasons disclosed for the increase in selling, general, and administrative expenses.

***Interest Expense.*** Interest expense increased by $0.5 million, or 166.7%, to $0.8 million during the 13 weeks ended July 30, 2022 from $0.3 million for the comparable 13-week period of fiscal year 2021. Interest expense increased primarily as a result of increased borrowings and higher interest rates on our revolving credit facility during the second quarter of fiscal year 2022 compared to the second quarter of fiscal year 2021.

***Income Taxes.*** We recognized income tax expense of $5.1 million during the 13 weeks ended July 30, 2022 compared to an income tax expense of $6.2 million during the comparable 13-week period of fiscal year 2021. Our effective tax rates for the 13 weeks ended July 30, 2022 and July 31, 2021 were 26.0% and 25.9%, 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.

**Twenty-Six Weeks Ended July 30, 2022 Compared to Twenty-Six Weeks Ended July 31, 2021**

***Net Sales.*** Net sales decreased by $28.3 million, or 4.1%, to $660.5 million during the 26 weeks ended July 30, 2022 compared to $688.8 million in the corresponding period of fiscal year 2021. Our net sales decreased primarily due to lower demand across most product categories as we anniversaried the increased demand during the first half of fiscal 2021 driven by the COVID-19 economic stimulus package (the American Rescue Plan) and social unrest and the impact of current year consumer inflationary pressures and recessionary concerns. These headwinds were partially offset by our opening of 12 new stores since July 31, 2021. Stores that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed $45.1 million to net sales. Same store sales decreased by 10.4% for the

26 weeks ended July 30, 2022 compared to the comparable 26-week period of fiscal year 2021, primarily driven by decreases in most of our categories.

Our apparel category saw an increase of $1.5 million during the 26 weeks ended July 30, 2022 compared to the comparable 26-week period of fiscal year 2021 primarily due to the opening of 12 new stores since July 31, 2021.  Our fishing, camping, optics, electronics and accessories, hunting and shooting and footwear categories saw decreases of $13.1 million, $8.5 million, $7.0 million, $1.9 million and $0.9 million, respectively, during the 26 weeks ended July 30, 2022 compared to the comparable 26-week period of fiscal year 2021. Within the hunting and shooting department, our firearm category saw a decrease of $11.9 million or 7.3%, while our ammunition category saw an increase of $8.5 million or 8.0% during the 26 weeks ended July 30, 2022 compared to the comparable 26-week period of fiscal year 2021. The decrease seen in the firearm category is primarily due to lower demand across most product categories as we anniversaried the increased demand during the first half of fiscal 2021 driven by the COVID-19 economic stimulus package (the American Rescue Plan) and social unrest and the impact of current year consumer inflationary pressures and recessionary concerns.  These headwinds were partially offset by the opening of 12 new stores since July 31, 2021.  The increase in the ammunition category is due to a decrease in supply chain disruptions in this category as well as the opening of 12 new stores since July 31, 2021.

With respect to same store sales, during the 26 weeks ended July 30, 2022, our fishing, optics, electronics and accessories, camping, hunting and shooting, footwear and apparel departments saw decreases of 18.9%, 17.1%, 14.0%, 8.1%, 7.0% and 2.8%, respectively, primarily due to lower demand across most product categories as we anniversaried the increased demand during the first half of fiscal 2021 driven by the COVID-19 economic stimulus package (the American Rescue Plan) and social unrest and the impact of current year consumer inflationary pressures and recessionary concerns. As of July 30, 2022, we had 114 stores included in our same store sales calculation.

***Gross Profit.*** Gross profit decreased to $216.6 million during the 26 weeks ended July 30, 2022 compared to $224.1 million for the corresponding period of fiscal year 2021 primarily due to lower net sales. As a percentage of net sales, gross profit increased to 32.8% for the 26 weeks ended July 30, 2022, compared to 32.5% for the corresponding period of fiscal year 2021 primarily driven by increased product margins across most departments and decreased shipping, freight and logistical expenses during the period compared to the prior year as we slowed inventory receipts in response to consumer demand.

***Selling, General, and Administrative Expenses.*** Selling, general, and administrative expenses increased by $6.8 million, or 3.7%, to $193.1 million during the 26 weeks ended July 30, 2022 from $186.3 million for the comparable 13-week period of fiscal year 2021.  This increase was primarily due to an increase in other selling, general and administrative expenses of $7.1 million, which was largely the result of a return to pre-pandemic levels of marketing and travel activities compared to the comparable 26-week period of fiscal 2021. We also had increased pre-opening expenses of $0.1 million due to the timing of opening new stores, as well as increases in depreciation, rent and management recruiting expenses of $3.0 million, $1.9 million, and $0.9 million, respectively, during the 26 weeks ended July 30, 2022 primarily related to the opening of 12 new stores since July 31, 2021 and the recruiting and hiring of key senior managers. These increases were offset by a decrease in acquisition costs of $5.3 million due to the terminated merger with Great Outdoors Group and a decrease in payroll expense of $0.9 million primarily due to store operational efficiencies.  As a percentage of net sales, selling, general, and administrative expenses increased to 29.2% of net sales in the first 26 weeks of fiscal year 2022, compared to 27.0% of net sales in the first 26 weeks of fiscal year 2021, due to the same reasons disclosed for the increase in selling, general, and administrative expenses.

***Interest Expense.*** Interest expense increased by $0.8 million, or 160.0%, to $1.3 million during the 26 weeks ended July 30, 2022 from $0.5 million for the comparable 26-week period of fiscal year 2021.  Interest expense increased primarily as a result of increased borrowings and higher interest rates on our revolving credit facility during the first 26 weeks of fiscal year 2022 compared to the first 26 weeks of fiscal year 2021.

***Income Taxes.*** We recognized income tax expense of $5.6 million compared to an income tax expense of $9.1 million during the 26 weeks ended July 30, 2022 and July 31, 2021, respectively. Our effective tax rate for the 26 weeks ended July 30, 2022 and July 31, 2021 was 25.1% and 24.5%, 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. We anticipate that our net sales will continue to reflect this seasonal pattern.

The timing of our new retail store openings also may have an impact on our quarterly results. First, we incur certain 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

***Overview; Sources and Uses of Cash***

Our primary cash requirements are for seasonal working capital needs and capital expenditures related to opening and acquiring new store locations. For both the short-term and the long-term, our sources of liquidity to meet these needs have primarily been borrowings under our revolving credit facility, operating cash flows and short and long-term debt financings from banks and financial institutions. We believe that our cash on hand, cash generated by operating activities and funds available under our revolving credit facility will be sufficient to finance our operating activities for at least the next twelve months and beyond. In addition, on December 2, 2021, we received a $55.0 million cash payment from Great Outdoors Group, LLC ("Great Outdoors Group") in connection with the termination of our previously pending merger with a subsidiary of Great Outdoors Group.

***Material Cash Requirements***

Our material cash requirements are primarily for opening and acquiring new store locations, along with our general operating expenses and other expenses discussed below.

*Capital Expenditures.* For the 26 weeks ended July 30, 2022, we incurred approximately $22.6 million in capital expenditures primarily related to the construction of new stores and the refurbishment of existing stores during the period. We expect capital expenditures between $48 million and $55 million for fiscal year 2022 primarily to refurbish some of our existing stores and to open up to 10 new stores in fiscal year 2022. We intend to fund these capital expenditures with our operating cash flows, cash on hand 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.

*Principal and Interest Payments.* We maintain a $350.0 million revolving credit facility. As of July 30, 2022, $105.7 million was outstanding under the revolving credit facility. Assuming no additional repayments or borrowings on our revolving credit facility after July 30, 2022 our interest payments would be approximately $3.5 million for fiscal year 2022 based on the interest rate at July 30, 2022. See below under "Indebtedness" for additional information regarding our revolving credit facility, including the interest rate applicable to any borrowing under such facility.

*Operating Lease Obligations.* Lease commitments consist principally of leases for our retail stores, corporate office and distribution center. Our leases often include options which allow us to extend the terms beyond the initial lease term. For the remainder of 2022, our expected operating lease payments will be $32.4 million and our total committed lease payments are $391.4 million as of July 30, 2022. Other operating lease obligations consist of distribution center equipment. Additional information regarding our operating leases is available in our Fiscal 2021 Form 10-K.

*Purchase Obligations.* In the ordinary course of business, we enter into arrangements with vendors to purchase merchandise in advance of expected delivery. We or the vendor can generally terminate the purchase orders at any time. These purchase orders do not contain any termination payments or other penalties if cancelled.

*Share Repurchase Authorization*. Our board authorized a share repurchase program to allow for the repurchase of up to $75.0 million of outstanding shares of our common stock for the period from March 31, 2022 to March 31, 2023. We may repurchase shares of our common stock at any time or from time to time, without prior notice, subject to market conditions and other considerations. Our repurchases may be made through Rule 10b5-1 plans, accelerated share repurchase transactions, open market purchases, privately negotiated transactions, tender offers, block purchases or other transactions. We intend to fund repurchases under the repurchase program using cash on hand or available borrowings under our revolving credit facility. We have no obligation to repurchase any shares of our common stock under the share repurchase program and we may modify, suspend or discontinue it at any time. As of July 30, 2022, we had repurchased 5,348,000 shares of our common stock for $52.1 million, utilizing cash on hand.

***Cash Flows***

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

| | Twenty-Six Weeks Ended | |
|---|---|---|
| | July 30, 2022 | July 31, 2021 |
| | (in thousands) | |
| Cash flows provided by (used in) operating activities | $ 7,967 | $ (67,782) |
| Cash flows used in investing activities | (22,588) | (17,936) |
| Cash (used in) provided by financing activities | (36,379) | 22,813 |
| Cash at end of period | 6,018 | 2,620 |

Net cash provided by operating activities was $8.0 million for the 26 weeks ended July 30, 2022, compared to cash used in operating activities of $67.8 million for the corresponding period of fiscal year 2021, a change of approximately $75.8 million. The increase in our cash flows from operating activities was primarily the result of a normalization of our inventory levels in fiscal year 2022 compared to a focus on building up inventory during the first 26 weeks of fiscal 2021.

Net cash used in investing activities was $22.6 million for the 26 weeks ended July 30, 2022 compared to $17.9 million for the corresponding period of fiscal year 2021. For the 26 weeks ended July 30, 2022, we incurred capital expenditures related to the construction of new stores and the refurbishment of existing stores.

Net cash used in financing activities was $36.4 million for the 26 weeks ended July 30, 2022, compared to net cash provided in financing activities of $22.8 million for the corresponding period of fiscal year 2021, a change of approximately $59.2 million. The increase in cash used in financing activities was primarily the result of our use of $52.1 million to repurchase our common stock.

***Indebtedness***

As of July 30, 2022, we maintained a $350.0 million revolving credit facility, with $105.7 million outstanding. 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. As of July 30, 2022, we had $203.2 million available for borrowing, subject to certain borrowing base restrictions, and $2.0 million in stand-by commercial letters of credit.

Borrowings under the revolving credit facility bear interest based on either the base rate or Term SOFR, at our option, in each case plus an applicable margin. The base rate is the greatest of (1) the floor rate (as defined in the credit agreement as a rate of interest equal to 0.0%) (2) Wells Fargo's prime rate, (3) the federal funds rate (as defined in the credit agreement) plus 0.50% or (4) the one-month Term SOFR (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 0.50% per year for base rate loans and from 1.35% to 1.60% per year for Term SOFR loans. We are required to pay a commitment fee for the unused portion of the revolving credit facility, which will range from 0.20% to 0.225% per annum, depending on the average daily availability under the revolving credit facility.

Each of the subsidiaries of Holdings is a borrower under the revolving credit facility, and all obligations under the revolving credit facility are guaranteed by Holdings. All of the obligations under the revolving credit facility are secured by a lien on substantially all of Holdings' tangible and intangible working capital assets and the tangible and intangible working capital assets of all of Holdings' subsidiaries, including a pledge of all capital stock of each of 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.

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. The credit agreement also contains customary events of default. As of July 30, 2022, 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 2021 Form 10-K.

## Off Balance Sheet Arrangements

We are not party to any off balance sheet arrangements.

## 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. 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 26 weeks ended July 30, 2022 and July 31, 2021.

| | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | July 30, 2022 | July 31, 2021 | July 30, 2022 | July 31, 2021 |
| | (dollars in thousands) | | | |
| Net income (loss) | $ 14,614 | $ 17,723 | $ 16,612 | $ 28,173 |
| Interest expense | 767 | 266 | 1,334 | 492 |
| Income tax expense (benefit) | 5,135 | 6,195 | 5,576 | 9,147 |
| Depreciation and amortization | 7,762 | 6,360 | 15,173 | 12,136 |
| Stock-based compensation expense (1) | 1,091 | 1,027 | 2,449 | 2,043 |
| Pre-opening expenses (2) | 553 | 1,183 | 1,504 | 1,378 |
| Acquisition costs (3) | — | 2,461 | — | 5,306 |
| Executive transition costs (4) | 704 | — | 925 | — |
| Adjusted EBITDA | $ 30,626 | $ 35,215 | $ 43,573 | $ 58,675 |
| | | | | |
| Net sales | $ 351,021 | $ 361,778 | $ 660,526 | $ 688,770 |
| Net income margin | 4.2% | 4.9% | 2.5% | 4.1% |
| Adjusted EBITDA margin (5) | 8.7% | 9.7% | 6.6% | 8.5% |

(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) The 13 and 26 weeks ended July 31, 2021, included $2.5 and $5.3 million of expenses incurred relating to the terminated merger with Great Outdoors Group.
(4) Expenses incurred relating to the recruitment and hiring of various key members of our senior management team. These events are not expected to be recurring.
(5) We calculate net income margin as net income divided by net sales and 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 July 30, 2022, 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 have increased our interest expense by $1.1 million. We do not expect that the change in interest rates as a result of the amendment to our credit agreement entered into after July 30, 2022 will materially increase our interest rates. 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 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 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 Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of July 30, 2022.

**Inherent Limitations in Effectiveness of Controls**

Our management, including our Chief Executive Officer and 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 July 30, 2022 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 12, “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 2021 Form 10-K.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table sets forth certain information relating to the purchases of our common stock by us and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) under the Exchange Act during the 26 weeks ended July 30, 2022 (dollars in thousands, except share and per share data):

| Period | Total # of Shares Purchased | Average Price Paid per Share | Total # of Shares Purchased as Part of a Publicly Announced Program | Maximum Dollar Value of Shares that May yet Be Purchased Under the Program |
|---|---|---|---|---|
| May 1, 2022 to May 30, 2022 | - | N/A | - | $ 75,000 |
| May 31, 2022 to June 29, 2022 | 4,131,100 | $ 9.69 | 4,131,100 | $ 34,964 |
| June 30, 2022 to July 30, 2022 | 1,216,900 | $ 9.88 | 1,216,900 | $ 22,943 |
| Total | 5,348,000 | $ 9.73 | 5,348,000 | $ 22,943 |

On March 24, 2022 the Company announced that its Board of Directors authorized a share repurchase program (the "Repurchase Program") to allow for the repurchase of up to $75.0 million outstanding shares of the Company's common stock, $.01 par value per share commencing on March 31, 2022 (the "Commencement Date"). The Repurchase Program will terminate on the first anniversary of the Commencement Date. During the fiscal quarter ended July 30, 2022 the Company repurchased a total of 5,348,000 shares of its common stock for $52.1 million, utilizing cash on hand.

**ITEM 6. EXHIBITS**

| Exhibit Number | Description |
|---|---|
| 31.1* | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | 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
\+ Management contract or compensatory plan or arrangement

## 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: September 2, 2022 | By: /s/ Jon Barker<br>**Jon Barker**<br>*President and Chief Executive Officer*<br>*(Principal Executive Officer)* |
| Date: September 2, 2022 | By: /s/ Jeff White<br>**Jeff White**<br>*Chief Financial Officer*<br>*(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: September 2, 2022

/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: September 2, 2022

/s/ Jeff White

**Jeff White**
*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 July 30, 2022, 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 Chief Financial Officer, 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: September 2, 2022

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

Date: September 2, 2022

/s/ Jeff White
**Jeff White**
*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.