



November 19, 2015

## **Sportsman's Warehouse Holdings, Inc. Announces Third Quarter 2015 Financial Results**

MIDVALE, Utah, Nov. 19, 2015 (GLOBE NEWSWIRE) -- Sportsman's Warehouse Holdings, Inc. ("Sportsman's" or the "Company") today announced financial results for the thirteen weeks and thirty-nine weeks ended October 31, 2015.

### **For the thirteen weeks ended October 31, 2015:**

- Net sales increased by 9.4% to \$199.7 million from \$182.5 million in the third quarter of fiscal 2014. Same store sales were flat.
- Income from operations increased to \$19.2 million from \$18.6 million in the third quarter of fiscal 2014. Adjusted income from operations, which excludes expenses related to our secondary offering in the third quarter of fiscal 2015 (see "GAAP and Non-GAAP Measures"), was \$19.9 million as compared to \$18.6 million in the corresponding period of fiscal 2014.
- The Company opened three new stores in the third quarter of fiscal 2015 and ended the quarter with 64 stores in 19 states, a unit increase of 16.4% from the end of the third quarter of fiscal 2014.
- Interest expense decreased to \$3.7 million from \$4.1 million in the third quarter of fiscal 2014.
- Net income was \$9.5 million compared to \$8.9 million in the third quarter of fiscal 2014. Adjusted net income, which excludes expenses related to our secondary offering in the third quarter of fiscal 2015 (see "GAAP and Non-GAAP Measures"), was \$10.0 million during the third quarter of fiscal 2015 compared to adjusted net income of \$8.9 million in the corresponding period of fiscal 2014.
- Diluted earnings per share were \$0.23 compared to diluted earnings per share of \$0.21 in the third quarter of fiscal 2014. Adjusted diluted earnings per share (see "GAAP and Non-GAAP Measures"), were \$0.24 compared to adjusted diluted earnings per share of \$0.21 in the third quarter of fiscal 2014.
- Adjusted EBITDA was \$24.1 million compared to \$21.8 million in the third quarter of fiscal 2014 (see "GAAP and Non-GAAP Measures").

John Schaefer, President and Chief Executive Officer, stated: "We are pleased with our third quarter results which came in within our guidance on both the top and bottom line. Our solid results were driven by store growth and continued sequential improvement in our non-hunting and shooting product categories which were offset by the negative impact that the unseasonably warm weather had on our footwear and apparel business."

Mr. Schaefer added: "Despite the positive trends that we see in the hunting, fishing and camping categories, we are taking a more conservative view for the fourth quarter due to the weather impact on clothing and footwear. We remain focused on our strategic initiatives of store expansion, growth of our loyalty program, enhancement of operating margins and maintaining best in class customer service. We believe our everyday value, high service levels and local shopping convenience continue to be important differentiating attributes that are resonating with our customer and driving our value proposition."

### **For the thirty-nine weeks ended October 31, 2015:**

- Net sales increased by 9.0% to \$517.2 million from \$474.4 million in the first three quarters of fiscal 2014. Same store sales were flat.
- Income from operations increased to \$37.2 million from \$30.7 million in the first three quarters of fiscal 2014. Adjusted income from operations, which excludes expenses related to our secondary offering in the third quarter of fiscal 2015, the reversal of an accrual related to a litigation in the second quarter of 2015, and expenses related to bonuses paid as a result of the successful completion of our initial public offering ("IPO") in the first quarter of fiscal 2014 (see "GAAP and Non-GAAP Measures"), was \$33.9 million as compared to \$32.9 million in the first three quarters of fiscal 2014.

- The Company opened nine new stores in the first three quarters of fiscal 2015.
- Interest expense decreased to \$10.6 million from \$13.5 million in the three quarters of fiscal 2014.
- Net income was \$16.4 million compared to \$10.6 million in the first three quarters of fiscal 2014. Adjusted net income, which excludes expenses related to our secondary offering in the third quarter of fiscal 2015, the reversal of an accrual related to a litigation matter in the second quarter of 2015, and expenses related to the IPO bonuses in the first quarter of 2014, net of taxes (see "GAAP and Non-GAAP Measures"), was \$14.4 million during the first three quarters of fiscal 2015 compared to adjusted net income of \$12.0 million in the corresponding period of fiscal 2014.
- Diluted earnings per share were \$0.39 compared to diluted earnings per share of \$0.27 in the first three quarters of fiscal 2014. Adjusted diluted earnings per share (see "GAAP and Non-GAAP Measures"), were \$0.34 compared to adjusted diluted earnings per share of \$0.28 in the first three quarters of fiscal 2014.
- Adjusted EBITDA was \$46.9 million compared to \$44.6 million in the first three quarters of fiscal 2014 (see "GAAP and Non-GAAP Measures").

#### **Balance sheet highlights as of October 31, 2015:**

- Total debt: \$206.7 million, consisting of \$49.7 million outstanding under the revolving credit facility and \$157.0 million outstanding under the term loans, net of unamortized discount.
- Total liquidity (cash plus \$63.7 million of availability on a \$135.0 million revolving credit facility): \$65.6 million

#### **Fourth Quarter and Fiscal 2015 Outlook:**

For the fourth quarter of fiscal 2015, net sales are expected to be in the range of \$203.0 million to \$208.0 million based on approximately flat same store sales. Net income is expected to be in the range of \$10.3 million to \$11.1 million, with diluted earnings per share of \$0.24 to \$0.26 on a weighted average of approximately 42.3 million estimated common shares outstanding.

For fiscal 2015, net sales are expected to be in the range of \$720.0 million to \$725.0 million based on opening nine new stores for the full year and approximately flat same store sales. Net income is expected to be in the range of \$26.7 million to \$27.5 million, with diluted earnings per share of \$0.58 to \$0.60 on a weighted average of approximately 42.3 million estimated common shares outstanding.

#### **Conference Call Information:**

A conference call to discuss third quarter 2015 financial results is scheduled for today, November 19, 2015, at 4:30 PM Eastern Time. The conference call will be webcast and may be accessed via the Investor Relations section of the Company's website at [www.sportsmanswarehouse.com](http://www.sportsmanswarehouse.com).

#### **Non-GAAP Information**

This press release includes the following financial measures defined as non-GAAP financial measures by the Securities and Exchange Commission (the "SEC"): adjusted income from operations, adjusted net income, adjusted diluted weighted average shares outstanding, adjusted diluted earnings per share and adjusted EBITDA. The Company has reconciled these non-GAAP financial measures with the most directly comparable GAAP financial measures under "GAAP and Non-GAAP Measures" in this release. The Company believes that these non-GAAP financial measures not only provide its management with comparable financial data for internal financial analysis but also provide meaningful supplemental information to investors. Specifically, these non-GAAP financial measures allow investors to better understand the performance of the Company's business and facilitate a more meaningful comparison of its diluted earnings per share and actual results on a period-over-period basis. The Company has provided this information as a means to evaluate the results of its ongoing operations. Other companies in the Company's industry may calculate these items differently than it does. Each of these measures is not a measure of performance under GAAP and should not be considered as a substitute for the most directly comparable financial measures prepared in accordance with GAAP. Non-GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company's results as reported under GAAP.

#### **Forward-Looking Statements**

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this release include our outlook for the fourth quarter of fiscal year 2015 and for the full fiscal year 2015. Investors can identify these statements by the fact that they use words such as "continue," "expect," "may,"



outstanding				
Basic	<u>42,004</u>	<u>41,818</u>	<u>41,953</u>	<u>39,342</u>
Diluted	<u>42,362</u>	<u>41,931</u>	<u>42,286</u>	<u>39,553</u>

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

**Assets**

	<u>October 31, 2015</u>	<u>January 31, 2015</u>
Current assets:		
Cash and cash equivalents	\$ 1,941	\$ 1,751
Accounts receivable, net	393	425
Merchandise inventories	253,882	185,909
Prepaid expenses and other	5,557	7,468
Income taxes receivable	--	5,190
Deferred income taxes	<u>2,743</u>	<u>2,928</u>
Total current assets	264,516	203,671
Property and equipment, net	69,163	54,317
Deferred income taxes	3,858	5,398
Definite lived intangible assets, net	4,375	5,729
Other long-term assets, net	<u>1,511</u>	<u>1,608</u>
	<u>\$ 343,423</u>	<u>\$ 270,723</u>

**Liabilities and Stockholders' Deficit**

Current liabilities:		
Accounts payable	\$ 61,908	\$ 28,500
Accrued expenses	54,157	42,620
Income taxes payable	2,266	--
Revolving line of credit	49,676	41,899
Current portion of long-term debt, net of discount	1,333	1,333
Current portion of deferred rent	<u>3,337</u>	<u>2,873</u>
Total current liabilities	<u>172,677</u>	<u>117,225</u>
Long-term liabilities:		
Long-term debt, net of discount and current portion	155,713	156,713
Deferred rent credit, net of current portion	<u>29,066</u>	<u>28,117</u>
Total long-term liabilities	<u>184,779</u>	<u>184,830</u>
Total liabilities	<u>357,456</u>	<u>302,055</u>
Stockholders' deficit:		
Common stock	420	418
Additional paid-in capital	77,173	76,257
Accumulated deficit	<u>(91,626)</u>	<u>(108,007)</u>
Total stockholders' deficit	<u>(14,033)</u>	<u>(31,332)</u>
	<u>\$ 343,423</u>	<u>\$ 270,723</u>

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

(in thousands)

	<u>October 31, 2015</u>	<u>November 1, 2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 16,381	\$ 10,611
<b>Adjustments to reconcile net income to net cash provide by (used in) operating activities:</b>		
Depreciation and amortization	7,210	5,183
Amortization of discount on debt and deferred financing fees	552	977
Amortization of Intangible assets	1,354	1,354
Change in deferred rent	1,413	5,252
Deferred taxes	1,725	(403)
Stock based compensation	1,671	2,780
<b>Change in assets and liabilities:</b>		
Accounts receivable, net	32	(57)
Merchandise inventory	(67,973)	(69,268)
Prepaid expenses and other	1,656	(1,338)
Accounts payable	33,408	34,448
Accrued expenses	(1,029)	303
Income taxes	7,456	(3,595)
<b>Net cash provided by (used in) operating activities</b>	<u>3,856</u>	<u>(13,753)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(29,820)	(23,538)
Proceeds from sale-leaseback transactions	7,764	--
<b>Net cash used in investing activities</b>	<u>(22,056)</u>	<u>(23,538)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings on line of credit	7,777	33,842
Issuance of common stock	--	73,393
Increase in book overdraft	12,566	6,209
Excess tax benefits from stock-based compensation	283	287
Payment of withholdings on restricted stock units	(1,036)	(993)
Principal payments on long-term debt	(1,200)	(75,063)
<b>Net cash provided by financing activities</b>	<u>18,390</u>	<u>37,675</u>
Net change in cash and cash equivalents	<u>190</u>	<u>384</u>
Cash and cash equivalents at beginning of year	1,751	1,354
Cash and cash equivalents at end of period	<u>\$ 1,941</u>	<u>\$ 1,738</u>

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

Reconciliation of GAAP income from operations to adjusted income from operations:

For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
<u>October 31, 2015</u>	<u>November 1, 2014</u>	<u>October 31, 2015</u>	<u>November 1, 2014</u>

Income from operations	\$ 19,169	\$ 18,625	\$ 37,203	\$ 30,747
IPO bonus (1)	--	--	--	2,200
Litigation accrual reversal (2)	--	--	(4,000)	--
Secondary offering expenses (3)	727	--	727	--
Adjusted income from operations	<u>\$ 19,896</u>	<u>\$ 18,625</u>	<u>\$ 33,930</u>	<u>\$ 32,947</u>

**Reconciliation of GAAP net income and GAAP diluted weighted average shares outstanding to adjusted net income and adjusted weighted average shares outstanding:**

Numerator:

Net income	\$ 9,541	\$ 8,916	\$ 16,381	\$ 10,611
IPO bonus (1)	--	--	--	2,200
Litigation accrual reversal (2)	--	--	(4,000)	--
Secondary offering expenses (3)	727	--	727	--
Less tax impact	(280)	--	1,260	(847)
Adjusted net income	<u>\$ 9,988</u>	<u>\$ 8,916</u>	<u>\$ 14,368</u>	<u>\$ 11,964</u>

Denominator:

Diluted weighted average shares outstanding	42,362	41,931	42,286	39,553
Initial public offering shares issuance (4)	--	--	--	2,476
Adjusted diluted weighted average shares outstanding	<u>42,362</u>	<u>41,931</u>	<u>42,286</u>	<u>42,029</u>

Reconciliation of earnings per share:

Diluted earnings per share	\$ 0.23	\$ 0.21	\$ 0.39	\$ 0.27
Impact of adjustments to numerator and denominator	0.01	--	(0.05)	0.01
Adjusted diluted earnings per share	<u>\$ 0.24</u>	<u>\$ 0.21</u>	<u>\$ 0.34</u>	<u>\$ 0.28</u>

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

Net income	\$ 9,541	\$ 8,916	\$ 16,381	\$ 10,611
Interest expense	3,659	4,122	10,567	13,487
Income tax expense	5,969	5,587	10,255	6,649
Depreciation and amortization	3,033	2,468	8,564	6,538
Stock-based compensation expense (5)	594	522	1,671	2,780
Pre-opening expenses (6)	606	230	2,697	2,359
IPO bonus (1)	--	--	--	2,200
Litigation accrual reversal (2)	--	--	(4,000)	--
Secondary offering expenses (3)	727	--	727	--
Adjusted EBITDA	<u>\$ 24,129</u>	<u>\$ 21,845</u>	<u>\$ 46,862</u>	<u>\$ 44,624</u>

(1) As a result of the completion of our IPO and pursuant to the terms of the employment agreements with our executive officers, we paid \$2.2 million in bonuses to our executive officers.

(2) On March 9, 2015, a jury awarded \$11.9 million against the defendants in a litigation matter. We reviewed the decision and accrued \$4.0 million in our results for the fiscal year and fourth quarter ended January 31, 2015 related to this matter. We strongly disagreed with the jury's verdict and filed post-trial motions seeking to have the verdict set aside. On July 30, 2015, the court granted our motion for judgment as a matter of law. The plaintiff and a co-defendant have appealed the July 30, 2015 ruling to the appellate court and the appeal is currently in process. Based on the court's most recent judgment in our favor, we determined that the likelihood of loss in this case is not probable, and, as such, we reversed the previous accrual of \$4.0 million in our results for the 13 weeks and 26 weeks ended August 1, 2015. The reversal of the \$4.0 million accrual is recorded in selling, general, and administrative expenses in the accompanying statements of income.

(3) On September 30, 2015, 6,250,000 shares of common stock were sold in a secondary offering by certain existing shareholders, including affiliates of Seidler Equity Partners III, L.P. We received no proceeds from the secondary offering but incurred \$0.7 million in offering

expenses. On October 26, 2015, the underwriters of the secondary offering of common stock partially exercised the option granted at the time of the secondary offering to purchase an additional 649,022 shares of common stock at the secondary offering price of \$12.25 per share, less underwriting discounts and commissions, which consists solely of shares sold by affiliates of Seidler Equity Partners III, L.P. We received no proceeds from the partial exercise of the option but incurred minimal offering expenses. Total expenses incurred related to the secondary offering and the exercise of the option was \$0.7 million and is recorded in selling, general and administrative expenses in the accompanying statements of income.

(4) Assumes our initial public offering was effective as of February 3, 2013, the first day of our fiscal year 2013.

(5) Stock-based compensation expense represents non-cash expenses related to equity instruments granted to employees under our 2013 Performance Incentive Plan.

(6) 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.

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