**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 August 3, 2019**
**OR**
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**Commission File Number: 001-36401**

SPORTSMAN’S WAREHOUSE HOLDINGS, INC.
**(Exact Name of Registrant as Specified in its Charter)**

| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **39-1975614**<br>**(I.R.S. Employer Identification No.)** |
|---|---|
| **7035 South High Tech Drive, Midvale, Utah**<br>**(Address of principal executive offices)** | **84047**<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 August 30, 2019, the registrant had 43,230,023 shares of common stock, $0.01 par value per share, outstanding.

**SPORTSMAN'S WAREHOUSE HOLDINGS, INC.**

**TABLE OF CONTENTS**


| | | Page |
|---|---|---|
| **PART I. FINANCIAL INFORMATION** | | |
| Item 1. | Financial Statements (unaudited): | 3 |
| | Condensed Consolidated Balance Sheets | 3 |
| | Condensed Consolidated Statements of Operations | 4 |
| | Condensed Consolidated Statement of Stockholders' Equity (Deficit) | 5 |
| | Condensed Consolidated Statements of Cash Flows | 6 |
| | Notes to Condensed Consolidated Financial Statements | 7 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 20 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 29 |
| Item 4. | Controls and Procedures | 29 |
| **PART II. OTHER INFORMATION** | | |
| Item 1. | Legal Proceedings | 31 |
| Item 1A. | Risk Factors | 31 |
| Item 5. | Other Information | 31 |
| Item 6. | Exhibits | 32 |
| | Signatures | 33 |


We operate on a fiscal calendar that, in a given fiscal year, consists of the 52- or 53-week period ending on the Saturday closest to January 31st. Our fiscal second quarters ended August 3, 2019 and August 4, 2018 both consisted of 13 weeks and are referred to herein as the second quarter of fiscal year 2019 and the second quarter of fiscal year 2018, respectively. Fiscal year 2019 contains 52 weeks of operations and will end on February 1, 2020. Fiscal year 2018 contained 52 weeks of operations ended on February 2, 2019.

**References throughout this document to "Sportsman's Warehouse," "we," "us," and "our" refer to Sportsman's Warehouse Holdings, Inc. and its subsidiaries, and references to "Holdings" refer to Sportsman's Warehouse Holdings, Inc. excluding its subsidiaries.**

***STATEMENT REGARDING FORWARD-LOOKING STATEMENTS***

*This Quarterly Report on Form 10-Q (this "10-Q") contains statements that constitute forward-looking statements as that term is defined by the Private Securities Litigation Reform Act of 1995. These statements concern our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition, which are subject to risks and uncertainties. All statements other than statements of historical fact included in this 10-Q are forward-looking statements. These statements may include words such as "aim," "anticipate," "assume," "believe," "can have," "could," "due," "estimate," "expect," "goal," "intend," "likely," "may," "objective," "plan," "potential," "positioned," "predict," "should," "target," "will," "would" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events or trends. For example, all statements we make relating to our plans and objectives for future operations, growth or initiatives and strategies are forward-looking statements.*

*These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management's beliefs and assumptions. We derive many of our forward-looking statements from our own operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that predicting the impact of known factors is very difficult, and we cannot anticipate all factors that could affect our actual results.*

*All of our forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from our expectations. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:*

- *our retail-based business model is impacted by general economic conditions and economic and financial uncertainties may cause a decline in consumer spending;*
- *current and future government regulations, in particular regulations relating to the sale of firearms and ammunition, may impact the supply and demand for our products and our ability to conduct our business;*
- *our concentration of stores in the Western United States makes us susceptible to adverse conditions in this region, which could affect our sales and cause our operating results to suffer;*
- *we operate in a highly fragmented and competitive industry and may face increased competition;*
- *we may not be able to anticipate, identify and respond to changes in consumer demands, including regional preferences, in a timely manner; and*
- *we may not be successful in operating our stores in any existing or new markets into which we expand.*

*The above is not a complete list of factors or events that could cause actual results to differ from our expectations, and we cannot predict all of them. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements disclosed under "Part I. Item 1A. Risk Factors," appearing in our Annual Report on Form 10-K for the fiscal year ended February 1, 2019 and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this 10-Q, as such disclosures may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission, including subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, and public communications. You should evaluate all forward-looking statements made in this 10-Q and otherwise in the context of these risks and uncertainties.*

*Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on any forward-looking statements we make. These forward-looking statements speak only as of the date of this 10-Q and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties and other factors that are in many cases beyond our control. Except as required by law, we undertake no obligation to update or revise any forward-looking statements publicly, whether as a result of new information, future developments or otherwise.*

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**Amounts in Thousands, Except Per Share Data**
**(unaudited)**

| | August 3, 2019 | February 2, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 1,475 | $ 1,547 |
| Accounts receivable, net | 239 | 249 |
| Merchandise inventories | 289,311 | 276,600 |
| Income tax receivable | 1,080 | — |
| Prepaid expenses and other | 10,653 | 15,174 |
| Total current assets | 302,758 | 293,570 |
| Operating lease right of use asset | 183,486 | — |
| Property and equipment, net | 97,984 | 92,084 |
| Deferred income taxes | — | 2,997 |
| Definite lived intangibles, net | 233 | 246 |
| Total assets | $ 584,461 | $ 388,897 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 64,891 | $ 24,953 |
| Accrued expenses | 58,050 | 56,384 |
| Income taxes payable | — | 1,838 |
| Operating lease liability, current | 32,483 | — |
| Revolving line of credit | 127,126 | 144,306 |
| Current portion of long-term debt, net of discount and debt issuance costs | 7,915 | 7,915 |
| Current portion of deferred rent | — | 5,270 |
| Total current liabilities | 290,465 | 240,666 |
| Long-term liabilities: | | |
| Long-term debt, net of discount, debt issuance costs, and current portion | 23,760 | 27,717 |
| Deferred income taxes | 412 | — |
| Deferred rent, noncurrent | — | 41,854 |
| Operating lease liability, noncurrent | 181,117 | — |
| Total long-term liabilities | 205,289 | 69,571 |
| Total liabilities | 495,754 | 310,237 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value; 20,000 shares authorized; 0 shares issued and outstanding | — | — |
| Common stock, $.01 par value; 100,000 shares authorized; 43,230 and 42,978 shares issued and outstanding, respectively | 432 | 430 |
| Additional paid-in capital | 85,422 | 84,671 |
| Accumulated earnings (deficit) | 2,853 | (6,441) |
| Total stockholders' equity | 88,707 | 78,660 |
| Total liabilities and stockholders' equity | $ 584,461 | $ 388,897 |

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

**SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**Amounts in Thousands Except Per Share Data**
**(unaudited)**

| | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | August 3, 2019 | August 4, 2018 | August 3, 2019 | August 4, 2018 |
| Net sales | $ 211,766 | $ 203,288 | $ 385,783 | $ 383,347 |
| Cost of goods sold | 138,544 | 131,011 | 258,388 | 255,504 |
| Gross profit | 73,222 | 72,277 | 127,395 | 127,843 |
| | | | — | |
| Selling, general, and administrative expenses | 63,460 | 59,088 | 122,990 | 118,305 |
| Income from operations | 9,762 | 13,189 | 4,405 | 9,538 |
| Interest expense | 2,353 | 4,334 | 4,458 | 7,891 |
| Income (loss) before income taxes | 7,409 | 8,855 | (53) | 1,647 |
| Income tax (benefit) expense | 1,911 | 2,304 | (92) | 925 |
| Net income | $ 5,498 | $ 6,551 | $ 39 | $ 722 |
| Earnings per share: | | | | |
| Basic | $ 0.13 | $ 0.15 | $ 0.00 | $ 0.02 |
| Diluted | $ 0.13 | $ 0.15 | $ 0.00 | $ 0.02 |
| Weighted average shares outstanding: | | | | |
| Basic | 43,130 | 42,896 | 43,065 | 42,812 |
| Diluted | 43,155 | 42,921 | 43,090 | 42,837 |

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 (DEFICIT)**
**Amounts in Thousands**
**(unaudited)**

**For the Thirteen Weeks Ended August 3, 2019 and August 4, 2018**

| | Common Stock | | Restricted nonvoting common stock | | Additional paid-in-capital | Accumulated (deficit) earnings | Total stockholders' equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Amount | Amount | Amount |
| Balance at May 5, 2018 | 42,833 | $ 428 | — | $ — | $ 83,068 | $ (36,019) | $ 47,477 |
| Vesting of restricted stock units | 59 | 1 | — | — | (1) | — | — |
| Issuance of common stock for cash per employee stock purchase plan | 45 | — | — | — | 202 | — | 202 |
| Stock based compensation | — | — | — | — | 482 | — | 482 |
| Net income | — | — | — | — | — | 6,551 | 6,551 |
| Balance at August 4, 2018 | 42,937 | $ 429 | — | $ — | $ 83,751 | $ (29,468) | $ 54,712 |
| | | | | | | | |
| Balance at May 4, 2019 | 43,174 | $ 432 | — | $ — | 84,753 | $ (2,645) | $ 82,540 |
| Vesting of restricted stock units | 2 | — | — | — | — | — | — |
| Issuance of common stock for cash per employee stock purchase plan | 54 | — | — | — | 175 | — | 175 |
| Stock based compensation | — | — | — | — | 494 | — | 494 |
| Net income | — | — | — | — | — | 5,498 | 5,498 |
| Balance at August 3, 2019 | 43,230 | $ 432 | — | $ — | $ 85,422 | $ 2,853 | $ 88,707 |

**For the Twenty-six Weeks Ended August 3, 2019 and August 4, 2018**

| | Common Stock | | Restricted nonvoting common stock | | Additional paid-in-capital | Accumulated (deficit) earnings | Total stockholders' equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Amount | Amount | Amount |
| Balance at February 3, 2018 | 42,617 | $ 426 | — | $ — | $ 82,197 | $ (32,825) | $ 49,798 |
| Impact of change for ASC 606 adoption | — | — | — | — | — | 2,635 | 2,635 |
| Vesting of restricted stock units | 320 | 3 | — | — | (3) | — | — |
| Payment of withholdings on restricted stock units | — | — | — | — | (699) | — | (699) |
| Issuance of common stock for cash per employee stock purchase plan | — | — | — | — | 202 | — | 202 |
| Stock based compensation | — | — | — | — | 2,054 | — | 2,054 |
| Net income | — | — | — | — | — | 722 | 722 |
| Balance at August 4, 2018 | 42,937 | $ 429 | — | $ — | $ 83,751 | $ (29,468) | $ 54,712 |
| | | | | | | | |
| Balance at February 2, 2019 | 42,978 | $ 430 | — | $ — | $ 84,671 | $ (6,441) | $ 78,660 |
| Impact of change for ASC 842 adoption | — | — | — | — | — | 9,255 | 9,255 |
| Vesting of restricted stock units | 198 | 2 | — | — | (2) | — | — |
| Payment of withholdings on restricted stock units | — | — | — | — | (369) | — | (369) |
| Issuance of common stock for cash per employee stock purchase plan | 54 | — | — | — | 174 | — | 174 |
| Stock based compensation | — | — | — | — | 948 | — | 948 |
| Net income | — | — | — | — | — | 39 | 39 |
| Balance at August 3, 2019 | 43,230 | $ 432 | — | $ — | $ 85,422 | $ 2,853 | $ 88,707 |

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 | |
|---|---|---|
| | August 3, 2019 | August 4, 2018 |
| Cash flows from operating activities: | | |
| Net income | $ 39 | $ 722 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation of property and equipment | 9,245 | 8,887 |
| Amortization and write-off of discount on debt and deferred financing fees | 170 | 1,893 |
| Amortization of definite lived intangible | 13 | 276 |
| Change in deferred rent | — | (865) |
| Gain on asset dispositions | (311) | — |
| Noncash lease expense | 14,002 | — |
| Deferred income taxes | 307 | 120 |
| Stock-based compensation | 948 | 2,054 |
| Change in operating assets and liabilities: | | |
| Accounts receivable, net | 10 | (69) |
| Operating lease liabilities | (14,895) | — |
| Merchandise inventories | (12,710) | (58,474) |
| Prepaid expenses and other | 634 | (1,804) |
| Accounts payable | 39,040 | 36,332 |
| Accrued expenses | 1,860 | 3,420 |
| Income taxes payable and receivable | (2,918) | (3,676) |
| Net cash provided by (used in) operating activities | 35,434 | (11,184) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (14,761) | (10,585) |
| Proceeds from sale of property and equipment | 311 | — |
| Net cash used in investing activities | (14,450) | (10,585) |
| Cash flows from financing activities: | | |
| Net (payments) borrowings on line of credit | (17,180) | 113,829 |
| Increase in book overdraft | 319 | 5,860 |
| Proceeds from issuance of common stock per employee stock purchase plan | 174 | 202 |
| Payment of withholdings on restricted stock units | (369) | (699) |
| Borrowings on term loan | — | 40,000 |
| Payment of deferred financing costs | — | (1,331) |
| Principal payments on long-term debt | (4,000) | (135,127) |
| Net cash (used in) provided by financing activities | (21,056) | 22,734 |
| Net change in cash | (72) | 965 |
| Cash at beginning of period | 1,547 | 1,769 |
| Cash at end of period | $ 1,475 | $ 2,734 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest, net of amounts capitalized | $ 4,356 | $ 7,867 |
| Income taxes, net of refunds | 2,519 | 4,672 |
| | | |
| 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 | $ 14,523 | $ — |
| Purchases of property and equipment included in accounts payable and accrued expenses | $ 1,571 | $ 2,975 |
| Landlord receivable relating to deemed sale leaseback transaction | — | 1,717 |

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

**SPORTSMAN'S WAREHOUSE HOLDINGS, INC.
AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

*Amounts reported in thousands, except per share data and store count data*

**(1) Description of Business and Basis of Presentation**

**Description of Business**

Sportsman's Warehouse Holdings, Inc. ("Holdings") and its subsidiaries (collectively, the "Company") operate retail sporting goods stores. As of August 3, 2019, the Company operated 94 stores in 24 states. The Company also operates an e-commerce platform at www.sportsmans.com. The Company's stores and website are aggregated into one single operating and reportable segment.

**Basis of Presentation**

The condensed consolidated financial statements included herein are unaudited and have been prepared by management of the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The Company's condensed consolidated balance sheet as of February 2, 2019 was derived from the Company's audited consolidated balance sheet as of that date. All other condensed consolidated financial statements contained herein are unaudited and reflect all adjustments that are, in the opinion of management, necessary to summarize fairly our condensed consolidated financial statements for the periods presented. All of these adjustments are of a normal recurring nature. The results of the fiscal quarter ended August 3, 2019 are not necessarily indicative of the results to be obtained for the year ending February 1, 2020. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2019 filed with the SEC on March 29, 2019 (the "Fiscal 2018 Form 10-K").

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

The Company's significant accounting policies are described in Note 1 to the Company's Fiscal 2018 Form 10-K. Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these condensed consolidated financial statements.

*Leases*

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), which requires lessees to recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. Consistent with prior GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or operating lease. However, unlike prior GAAP—which required only finance (formerly capital) leases to be recognized on the balance sheet—the new ASU requires both types of leases to be recognized on the balance sheet. The ASU took effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This standard can be applied at the beginning of the earliest period presented using the modified retrospective approach, which includes certain practical expedients that an entity may elect to apply, including an election to use certain transition relief. In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842,
Leases and ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, which make improvements to Accounting Standards Codification ("ASC") 842 and allow entities to not restate comparative periods in transition to ASC 842 and instead report the comparative periods under ASC 840.

The Company adopted ASC 842 using the modified retrospective approach at the beginning of the first quarter of fiscal 2019, coinciding with the standard's effective date. In accordance with ASC 842, the Company did not restate comparative periods in transition to ASC 842 and instead reported comparative periods under ASC 840. Adoption of the

standard resulted in the initial recognition of operating lease right-of-use ("ROU") assets of $183,000 and operating lease liabilities of $214,000 as of February 3, 2019. These amounts were based on the present value of such commitments as of February 3, 2019 using the Company's incremental borrowing rate ("IBR"), which was determined through use of the Company's credit rating to develop a rate curve that approximates the Company's market risk profile. The adoption of this standard had a material impact on the Company's consolidated statement of income, balance sheet, stockholders' equity (deficit) and cash flows, with a $9,300 net adjustment recorded to beginning retained earnings on February 3, 2019 due to the acceleration of recognition of a deferred gain and derecognition of the related deferred tax asset the Company was amortizing relating to the historical sale of owned properties. In addition, the Company completed its evaluation of the practical expedients offered and enhanced disclosures required in ASC 842, as well as reviewed arrangements to identify embedded leases, among other activities, to account for the adoption of this standard.

The Company elected the following practical expedients:

- A package of practical expedients allowing the Company to:
  1. Carry forward its historical lease classification (i.e. it was not necessary to reclassify any existing leases at the adoption date of ASC 842),
  2. Avoid reassessing whether any expired or existing contracts are or contain leases, and
  3. Avoid reassessing initial indirect costs for any existing lease.
- A practical expedient allowing the Company to not separate lease components (e.g. fixed payments including, rent, real estate taxes, and insurance costs) from nonlease components (e.g. common area maintenance costs), primarily impacting the Company's real estate leases. The election of this practical expedient eliminates the burden of separately estimating the real estate lease and nonlease costs on a relative stand-alone basis.
- A practical expedient related to land easements, allowing the Company to carry forward the accounting treatment for land easements on existing agreements and eliminated the need to reassess existing lease contracts to determine if land easements are separate leases under ASC 842.

The Company did not elect a practical expedient which would allow the Company to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and to assess impairment of the entity's ROU assets, since election of this expedient could make adoption of ASC 842 more complex given that re-evaluation of the lease term and impairment consideration affect other aspects of lease accounting.

In accordance with ASC 842, the Company determines if an arrangement is a lease at inception. The Company has operating leases for the Company's retail stores, distribution center, and corporate office. Operating leases are included in operating lease ROU assets and operating lease liabilities, current and noncurrent, on the interim unaudited condensed consolidated balance sheet. Lease liabilities are initially recorded at the present value of the lease payments by discounting the lease payments by the IBR and then recording accretion over the lease term using the effective interest method. Operating lease classification results in a straight-line expense recognition pattern over the lease term and recognized lease expense as a single expense component, which results in amortization of the ROU asset that equals the difference between lease expense and interest expense. Operating lease expense is included in selling, general and administrative expense, based on the use of the leased asset, on the interim unaudited condensed consolidated statement of operations. Leases with an initial term of 12 months of less are not recorded on the balance sheet and are not material; the Company recognizes lease expense for these leases on a straight-line basis over the remaining lease term.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As the Company's leases generally do not provide an implicit rental rate, the Company uses an IBR to determine the present value of future rental payments. The IBR is determined by using the Company's credit rating to develop a yield curve that approximates the Company's market risk profile. The operating lease ROU asset also includes any prepaid lease payments made by the tenant and is reduced by lease incentives such as tenant improvement allowances. The operating lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

For fiscal 2018, the Company evaluated and classified its leases as operating leases for financial reporting purposes, in accordance with ASC 840.

In accordance with ASC 840, deferred rent represents the difference between rent paid and amounts expensed for operating leases. Certain leases have scheduled rent increases, and certain leases include an initial period of free or reduced rent as an inducement to enter into the lease agreement (“rent holidays”). The Company recognized rent expense for rent increases and rent holidays on a straight-line basis over the term of the underlying leases, without regard to when rent payments are made. The calculation of straight-line rent begins on the possession date and extends through the “reasonably assured” lease term as defined in ASC 840.

Additionally, in accordance with ASC 840, landlord allowances for tenant improvements, or lease incentives, were recorded as deferred rent and amortized on a straight-line basis over the “reasonably assured” lease term as a component of rent expense.

See Note 6 for a further discussion on leases.

**Recently Issued Accounting Pronouncements**

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company’s accounting for the service element of a hosting arrangement that is a service contract is not affected by the proposed amendments and will continue to be expensed as incurred in accordance with existing guidance. This standard does not expand on existing disclosure requirements except to require a description of the nature of hosting arrangements that are service contracts. This standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. Entities can choose to adopt the new guidance prospectively or retrospectively. The
Company plans to adopt the updated disclosure requirements of ASU No. 2018-15 prospectively in the first quarter of fiscal 2020, coinciding with the standard’s effective date, and expects the impact from this standard to be immaterial.

**(3) Revenue Recognition**

*Revenue recognition accounting policy*

The Company operates solely as an outdoor retailer, which includes both retail stores and an e-commerce platform, that offers a broad range of products in the United States and online. Generally, all revenues are recognized when control of the promised goods is transferred to customers, in an amount that reflects the consideration in exchange for those goods. Accordingly, the Company implicitly enters into a contract with customers to deliver merchandise inventory at the point of sale. Collectability is reasonably assured since the Company only extends immaterial credit purchases to certain municipalities.

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

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

For performance obligations related to retail store 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 our loyalty reward program. Cash received from the sale of gift cards is recorded as a contract liability in accrued expenses, and the Company recognizes revenue upon the customer's redemption of the gift card. Gift card breakage is recognized as revenue in proportion to the pattern of customer redemptions by applying a historical breakage rate of 3.0% when no escheat liability to relevant jurisdictions exists. Based upon historical experience, gift cards are predominantly redeemed in the first two years following their issuance date. The Company does not sell or provide gift cards that carry expiration dates. ASC 606 requires the Company to allocate the transaction price between the goods and the loyalty reward points based on the relative stand alone selling price. The Company recognized revenue for the breakage of loyalty reward points as revenue in proportion to the pattern of customer redemption of the points by applying a historical breakage rate of 35% when no escheat liability to relevant jurisdictions exists.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

*Sales returns*

The Company estimates a reserve for sales returns and records the respective reserve amounts, including a right of return asset when a product is expected to be returned and resold. Historical experience of actual returns and customer return rights are the key factors used in determining the estimated sales returns.

*Contract balances*

The following table provides information about right of return assets, contract liabilities, and sales return liabilities with customers as of August 3, 2019:

| | August 3, 2019 | February 2, 2019 |
|---|---|---|
| Right of return assets, which are included in prepaid expenses and other | $ 1,366 | $ 1,496 |
| Estimated contract liabilities, net of breakage | (18,784) | (20,298) |
| Sales return liabilities, which are included in accrued expenses | (2,039) | (2,233) |

For the 13 and 26 weeks ended August 3, 2019 the Company recognized approximately $215 and $505 in gift card breakage and approximately $350 and $660 in loyalty reward breakage, respectively. For the 13 and 26 weeks ended August 4, 2018, the Company recognized approximately $186 and $505 in gift card breakage and approximately $288 and $553 in loyalty reward breakage, respectively.

The current balance of the right of return assets is the expected amount of inventory to be returned that is expected to be resold. The current balance of the contract liabilities primarily relates to the gift card and loyalty reward program liabilities. The Company expects the revenue associated with these liabilities to be recognized in proportion to the pattern of customer redemptions over the next two years. The current balance of sales return liabilities is the expected amount of sales returns from sales that have occurred.

*Disaggregation of revenue from contracts with customers*

In the following table, revenue from contracts with customers is disaggregated by department. The percentage of net sales related to the Company's departments for the 13 and 26 weeks ended August 3, 2019 and August 4, 2018, was approximately:

| | | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|---|---|---|---|---|
| Department | Product Offerings | August 3, 2019 | August 4, 2018 | August 3, 2019 | August 4, 2018 |
| Camping | Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools | 19.3% | 20.4% | 15.9% | 16.2% |
| Clothing | Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear | 7.4% | 7.3% | 7.7% | 7.3% |
| Fishing | Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats | 17.5% | 17.0% | 15.0% | 14.5% |
| Footwear | Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots | 7.3% | 7.6% | 7.3% | 7.0% |
| Hunting and Shooting | Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear | 41.1% | 39.7% | 46.6% | 47.4% |
| Optics, Electronics, Accessories, and Other | Gift items, GPS devices, knives, lighting, optics (e.g. binoculars), two-way radios, and other license revenue, net of revenue discounts | 7.4% | 8.0% | 7.5% | 7.6% |
| Total | | 100.0% | 100.0% | 100.0% | 100.0% |

**(4) Property and Equipment**

Property and equipment as of August 3, 2019 and February 2, 2019 were as follows:

| | August 3, 2019 | February 2, 2019 |
|---|---|---|
| Furniture, fixtures, and equipment | $ 74,273 | $ 71,820 |
| Leasehold improvements | 95,692 | 94,573 |
| Construction in progress | 13,281 | 1,743 |
| Total property and equipment, gross | 183,245 | 168,136 |
| Less accumulated depreciation and amortization | (85,261) | (76,052) |
| Total property and equipment, net | $ 97,984 | $ 92,084 |

**(5) Accrued Expenses**

Accrued expenses consisted of the following as of August 3, 2019 and February 2, 2019:

| | August 3, 2019 | February 2, 2019 |
|---|---|---|
| Book overdraft | $ 10,616 | $ 10,297 |
| Unearned revenue | 20,399 | 21,836 |
| Accrued payroll and related expenses | 10,548 | 11,590 |
| Sales and use tax payable | 4,671 | 4,250 |
| Accrued construction costs | 245 | 760 |
| Other | 11,571 | 7,651 |
| Total Accrued Expenses | $ 58,050 | $ 56,384 |

**(6) Leases**

At the inception of the lease, the Company's operating leases have remaining certain lease terms of up to 10 years, which typically includes multiple options for the Company to extend the lease which are not reasonably certain.

The adoption of ASC 842 resulted in recording a non-cash transitional adjustment to ROU assets and operating lease liabilities of $183,000 and $214,000, respectively, as of February 3, 2019. The difference between the ROU assets and operating lease liabilities at transition primarily represented existing deferred rent, tenant improvement allowances and prepaid rent of $14,200, $20,600 and $3,800, respectively, which were recorded as a component of the ROU asset in connection with the non-cash transitional adjustment. As a result of the adoption of ASC 842, the Company also recorded an increase to retained earnings of $9,300, net of tax, as of February 3, 2019, in relation to the accelerated recognition of a deferred gain, and derecognition of the related deferred tax asset, which the Company was amortizing relating to the historical sales of owned properties it currently leases.

As of August 3, 2019, ROU assets recorded for operating leases were $183,486 and accumulated amortization associated with operating leases was $14,002. In the 13 and 26 weeks of fiscal 2019, the Company recorded a non-cash increase of $1,374 and $14,523, respectively, to ROU assets and operating lease liabilities resulting from lease remeasurements from the exercise of lease extension options and new leases added.

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

In accordance with ASC 842, total lease expense, including CAM, recorded during the 13 and 26 weeks ended August 3, 2019 was $14,429 and $28,814, respectively.

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

| | 26 Weeks Ended August 3, 2019 |
|---|---|
| Operating cash flows from operating leases | $ (23,859) |
| Cash paid for amounts included in the measurement of lease liabilities - operating leases | (23,859) |

| | As of August 3, 2019 |
|---|---|
| Right-of-use assets obtained in exchange for new or remeasured operating lease liabilities | $ 14,523 |
| Weighted-average remaining lease term - operating leases | 5.93 |
| Weighted-average discount rate - operating leases | 7.84% |

In accordance with ASC 842, maturities of operating lease liabilities as of August 3, 2019 were as follows:

| Year Endings: | | Operating Leases |
|---|---|---|
| 2019 | $ | 24,179 |
| 2020 | | 47,909 |
| 2021 | | 44,155 |
| 2022 | | 39,972 |
| 2023 | | 34,766 |
| Thereafter | | 83,100 |
| Undiscounted cash flows | $ | 274,081 |
| Reconciliation of lease liabilities: | | |
| Present values | $ | 213,600 |
| Lease liabilities - current | | 32,483 |
| Lease liabilities - noncurrent | | 181,117 |
| Lease liabilities - total | $ | 213,600 |
| Difference between undiscounted and discounted cash flows | $ | 60,481 |

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

| | | 13 Weeks Ended August 4, 2018 |
|---|---|---|
| Operating lease expense | $ | 13,336 |
| Total lease expense | | 13,336 |

| | | 26 Weeks Ended August 4, 2018 |
|---|---|---|
| Operating lease expense | $ | 26,474 |
| Total lease expense | | 26,474 |

In accordance with ASC 840, future minimum lease payments under non-cancelable leases as of February 2, 2019 were as follows:

| Year Endings: | | Operating Leases |
|---|---|---|
| 2019 | $ | 47,551 |
| 2020 | | 46,824 |
| 2021 | | 43,070 |
| 2022 | | 38,160 |
| 2023 | | 33,246 |
| Thereafter | | 74,821 |
| Total minimum lease payments | $ | 283,672 |

**(7) Revolving Line of Credit**

On May 23, 2018, Sportsman’s Warehouse, Inc. (“SWI”), a wholly owned subsidiary of the Company, as borrower, and Wells Fargo Bank, National Association (“Wells Fargo”), with a consortium of banks led by Wells Fargo, entered into an Amended and Restated Credit Agreement (as amended, restated, supplemented or otherwise modified, the “Amended Credit Agreement”). The Amended Credit Agreement amended and restated in its entirety that certain Credit Agreement, dated as of May 28, 2010, by and among SWI, as borrower, and Wells Fargo, as lender, and the other parties listed on the signature pages thereto.

The Amended Credit Agreement increased the amount available to borrow under the Company's senior secured revolving credit facility ("Revolving Line of Credit") from $150,000 to $250,000, subject to a borrowing base calculation, and provided for a new $40,000 term loan (the "Term Loan").

In conjunction with the Amended Credit Agreement, the Company incurred $1,331 of fees paid to various parties which were capitalized. Fees associated with the Revolving Line of Credit were recorded in prepaid and other assets. Fees associated with the Term Loan offset the loan balance on the condensed consolidated balance sheet of the Company.

As of August 3, 2019, and February 2, 2019, the Company had $137,344 and $151,341 in outstanding revolving loans under the Revolving Line of Credit, respectively. Amounts outstanding are offset on the condensed consolidated balance sheets by amounts in depository accounts under lock-box or similar arrangements, which were $10,218 and $7,035 as of August 3, 2019 and February 2, 2019, respectively. As of August 3, 2019, the Company had stand-by commercial letters of credit of $1,705 under the terms of the Revolving Line of Credit.

The Amended Credit Agreement contains customary affirmative and negative covenants, including covenants that limit the Company's ability to incur, create or assume certain indebtedness, to create, incur or assume certain liens, to make certain investments, to make sales, transfers and dispositions of certain property and to undergo certain fundamental changes, including certain mergers, liquidations and consolidations. The Amended Credit Agreement also requires the Company to maintain a minimum availability at all times of not less than 10% of the gross borrowing base. The Amended Credit Agreement contains customary events of default. The Revolving Line of Credit matures on May 23, 2023.

As of August 3, 2019, the Revolving Line of Credit had $960 in deferred financing fees and as of February 2, 2019, the Revolving Line of Credit had $1,085 in deferred financing fees. During the 13 and 26 weeks ended August 3, 2019, the Company recognized $62 and $125, respectively, of non-cash interest expense with respect to the amortization of these deferred financing fees. During the 13 and 26 weeks ended August 4, 2018 the Company recognized $62 and $84, respectively, of non-cash interest expense with respect to the amortization of deferred financing fees.

For the 13 and 26 weeks ended August 3, 2019 gross borrowings under the Revolving Line of Credit were $219,714 and $405,330 respectively. For the 13 and 26 weeks ended August 4, 2018 gross borrowing under the Revolving Line of Credit were $329,553 and $536,086, respectively. For the 13 and 26 weeks ended August 3, 2019 gross paydowns under the Revolving Line of Credit were $234,737 and $424,017 respectively. For the 13 and 26 weeks ended August 4, 2018 gross paydowns under the Revolving Line of Credit were $225,069 and $422,536, respectively.

**(8) Long-Term Debt**

Long-term debt consisted of the following as of August 3, 2019 and February 2, 2019:

| | August 3, 2019 | February 2, 2019 |
|---|---|---|
| Term loan | 32,000 | 36,000 |
| Less debt issuance costs | (325) | (368) |
| | 31,675 | 35,632 |
| Less current portion, net of discount and debt issuance costs | (7,915) | (7,915) |
| Long-term portion | $ 23,760 | $ 27,717 |

**Term Loan**

On May 23, 2018, the Company entered into the Term Loan, which was issued at a price of 100% of the aggregate principal amount of $40,000 and has a maturity date of May 23, 2023.

Also on May 23, 2018, the Company borrowed $135,400 under the Revolving Line of Credit and used the proceeds from the Term Loan and the Revolving Line of Credit to repay the Company's prior term loan with a financial institution that had an outstanding principal balance of $134,700 and was scheduled to mature on December 3, 2020 (the "Prior Term Loan").

The Term Loan bears interest at a rate of LIBOR plus 5.75%.

As of August 3, 2019, and February 2, 2019, the Term Loan had an outstanding balance of $32,000 and $36,000, respectively. The outstanding amounts under the Term Loan as of August 3, 2019 and February 2, 2019 are offset on the condensed consolidated balance sheets by an unamortized debt issuance costs of $325 and $368, respectively.

During the 13 and 26 weeks ended August 3, 2019 the Company recognized $21 and $43, respectively, of non-cash interest expense with respect to the amortization of the debt issuance costs. During the 13 and 26 weeks ended August 4, 2018 the Company recognized $1,018 and $1,131, respectively, of non-cash interest expense with respect to the amortization of the debt issuance costs.

During the 13 and 26 weeks ended August 4, 2018, the Company recognized $620 and $678, respectively, of non-cash interest expense with respect to the amortization of the discount related to the Prior Term Loan.

During the 13 weeks ended August 3, 2019, the Company made the required quarterly payment on the Term Loan of $2,000.

**Restricted Net Assets**

The provisions of the Term Loan and the Revolving Line of Credit restrict all of the net assets of the Company's consolidated subsidiaries, which constitute all of the net assets on the Company's condensed consolidated balance sheet as of August 3, 2019, from being used to pay any dividends without prior written consent from the financial institutions party to the Company's Term Loan and Revolving Line of Credit.

**(9) Income Taxes**

The Company recognized income tax expense of $1,911 and $2,304 in the 13 weeks ended August 3, 2019 and August 4, 2018, respectively. The Company recognized an income tax benefit of $92 in the 26 weeks ended August 3, 2019 and income tax expense of $925 in the 26 weeks ended August 4, 2018. The Company's effective tax rate for the 13 weeks ended August 3, 2019 and August 4, 2018 was 25.8% and 26.0%, respectively. The Company's effective tax rate for the 26 weeks ended August 3, 2019 and August 4, 2018 was 172.4% and 56.2%, respectively. The change in the effective tax rate for the 26 weeks ended August 3, 2019 was primarily due to near breakeven profit before tax for the period and various State tax credits and discrete items. The Company's effective tax rate will generally differ from the U.S. Federal statutory rate of 21.0%, due to state taxes, permanent items, and discrete items relating to stock award deductions.

**(10) Earnings Per Share**

Basic earnings per share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding, reduced by the number of shares repurchased and held in treasury, during the period. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of outstanding share option awards, nonvested share awards and nonvested share unit awards.

The following table sets forth the computation of basic and diluted income per common share:

| | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | August 3, 2019 | August 4, 2018 | August 3, 2019 | August 4, 2018 |
| Net income | $ 5,498 | $ 6,551 | $ 39 | $ 722 |
| Weighted-average shares of common stock outstanding: | | | | |
| Basic | 43,130 | 42,896 | 43,065 | 42,812 |
| Dilutive effect of common stock equivalents | 25 | 25 | 25 | 25 |
| Diluted | 43,155 | 42,921 | 43,090 | 42,837 |
| Basic earnings per share | $ 0.13 | $ 0.15 | $ 0.00 | $ 0.02 |
| Diluted earnings per share | $ 0.13 | $ 0.15 | $ 0.00 | $ 0.02 |
| Restricted stock units considered anti-dilutive and excluded in the calculation | 135 | 216 | 36 | 270 |

**(11) Stock-Based Compensation**

**Stock-Based Compensation**

During the 13 weeks ended August 3, 2019 and August 4, 2018, the Company recognized total stock-based compensation expense of $494 and $482, respectively. During the 26 weeks ended August 3, 2019 and August 4, 2018, the Company recognized stock-based compensation expense of $948 and $2,054, respectively. Compensation expense related to the Company's stock-based payment awards is recognized in selling, general, and administrative expenses in the condensed consolidated statements of operations.

**Employee Stock Plans**

As of August 3, 2019, the number of shares available for awards under the 2019 Performance Incentive Plan (the “2019 Plan”) was 3,067. As of August 3, 2019, there were 1,113 unvested stock awards outstanding under the 2019 Plan.

**Employee Stock Purchase Plan**

The Company also has an Employee Stock Purchase Plan (“ESPP”) that was approved by shareholders in fiscal year 2015, under which 800 shares of common stock have been authorized. Shares are issued under the ESPP twice yearly at the end of each offering period. For the 13 weeks ended August 3, 2019, 54 shares were issued under the ESPP and the number of shares available for issuance was 512.

**Nonvested Restricted Stock Awards**

During the 13 and 26 weeks ended August 3, 2019 and August 4, 2018, the Company did not issue any nonvested restricted stock awards to employees.

The following table sets forth the rollforward of outstanding nonvested stock awards (per share amounts are not in thousands):

| | Shares | Weighted average grant-date fair value |
|---|---|---|
| Balance at February 2, 2019 | 26 | $ 11.25 |
| Grants | — | — |
| Forfeitures | — | — |
| Vested | (26) | 11.25 |
| Balance at August 3, 2019 | — | $ — |

| | Shares | Weighted average grant-date fair value |
|---|---|---|
| Balance at February 3, 2018 | 108 | $ 11.25 |
| Grants | — | — |
| Forfeitures | (2) | — |
| Vested | (80) | 11.25 |
| Balance at August 4, 2018 | 26 | $ 11.25 |

**Nonvested Performance-Based Stock Awards**

During the 13 and 26 weeks ended August 3, 2019, the Company issued 289 nonvested performance-based stock awards to employees at a weighted average grant date fair value of $3.53 per share. The nonvested performance-based stock awards issued to employees vest in full on the third anniversary of the grant date. The number of shares issued is contingent on management achieving fiscal year 2019 performance targets for omni-channel revenue growth and adjusted EPS. If minimum threshold performance targets are not achieved, no shares will vest. The maximum number of shares subject to the award is 578, and the “target” number of shares subject to the award is 289 as reported below. Following the end of the performance period (fiscal year 2019), the number of shares eligible to vest, based on actual performance, will be fixed and vesting will then be subject to each employee’s continued employment over the remaining service period.

During the 13 and 26 weeks ended August 4, 2018, the Company issued 163 nonvested performance-based stock awards to employees at a weighted average grant date fair value of $4.91 per share. The nonvested performance-based stock awards issued to employees vest over three years with one third vesting on each grant date anniversary. The number of shares issued was contingent on management achieving fiscal year 2018 performance targets for same store sales and gross margin. If minimum threshold performance targets are not achieved, no shares will vest. The maximum number of shares subject to the award was 326, and the “target” number of shares subject to the award was 163. Following the end of the performance period (fiscal year 2018), the number of shares eligible to vest, based on actual performance was 34.

The following table sets forth the rollforward of outstanding nonvested performance-based stock awards (per share amounts are not in thousands):

| | Shares | Weighted average grant-date fair value |
|---|---|---|
| Balance at February 2, 2019 | 34 | $ 6.07 |
| Grants | 289 | 3.56 |
| Forfeitures | (7) | 4.91 |
| Vested | (6) | 11.25 |
| Balance at August 3, 2019 | 310 | $ 3.64 |

| | Shares | Weighted average grant-date fair value |
|---|---|---|
| Balance at February 3, 2018 | 49 | $ 11.25 |
| Grants | 163 | 4.91 |
| Forfeitures | (5) | 5.36 |
| Vested | (46) | 11.25 |
| Balance at August 4, 2018 | 161 | $ 5.15 |

**Nonvested Stock Unit Awards**

During the 13 and 26 weeks ended August 3, 2019, the Company issued 459 and 616 nonvested stock units to employees and members of the Board of Directors of the Company at an average value of $4.06 per share. The shares issued to employees of the Company vest over a three year period with one third of the shares vesting on each grant date anniversary. The shares issued to the members of the Board of Directors of the Company vest over a twelve month period.

During the 13 weeks ended August 4, 2018, the Company issued 69 nonvested stock units to employees and independent members of the Board of Directors of the Company at an average value of $5.22 per share. During the 26 weeks ended August 4, 2018, the Company issued 319 nonvested stock units to employees of the Company at an average value of $4.87 per share.

The following table sets forth the rollforward of outstanding nonvested stock units (per share amounts are not in thousands):

| | Shares | Weighted average grant-date fair value |
|---|---|---|
| Balance at February 2, 2019 | 441 | $ 4.92 |
| Grants | 616 | 4.06 |
| Forfeitures | (43) | 5.18 |
| Vested | (211) | 4.84 |
| Balance at August 3, 2019 | 803 | $ 4.27 |

| | Shares | Weighted average grant-date fair value |
|---|---|---|
| Balance at February 3, 2018 | 419 | $ 5.15 |
| Grants | 319 | 4.87 |
| Forfeitures | (6) | 4.91 |
| Vested | (264) | 5.26 |
| Balance at August 4, 2018 | 468 | $ 4.89 |

**(12) Commitments and Contingencies**

**Legal Matters**

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

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

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*The discussion below contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those which are discussed in "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019. Also see "Statement Regarding Forward-Looking Statements" preceding Part I in this 10-Q.*

*The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in this 10-Q.*

**Overview**

We are an outdoor sporting goods retailer focused on meeting the everyday needs of the seasoned outdoor veteran, the first-time participant and every enthusiast in between. Our mission is to provide a one-stop shopping experience that equips our customers with the right quality, brand name hunting, shooting, fishing and camping gear to maximize their enjoyment of the outdoors.

Our business was founded in 1986 as a single retail store in Midvale, Utah. Today, we operate 94 stores in 24 states, totaling approximately 3.7 million gross square feet. During fiscal year 2019 to date, we have opened two new stores. We currently plan to open one additional new store during fiscal year 2019.

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

**How We Assess the Performance of Our Business**

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures for determining how our business is performing are net sales, same store sales, gross margin, selling, general, and administrative expenses, income from operations and Adjusted EBITDA.

**Net Sales and Same Store Sales**

Our net sales are primarily received from revenue generated in our stores and also include sales generated through our e-commerce platform. When measuring revenue generated from our stores, we review our same store sales as well as the performance of our stores that have not operated for a sufficient amount of time to be included in same store sales. We include net sales from a store in same store sales on the first day of the 13th full fiscal month following the store's opening or acquisition by us. We include net sales from e-commerce in our calculation of same store sales.

Measuring the change in year-over-year same store sales allows us to evaluate how our retail store base is performing. Various factors affect same store sales, including:

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

Opening new stores is also an important part of our growth strategy. For fiscal year 2019, we plan to open a total of three stores. While our target is to grow square footage at a rate of greater than 5% annually, we expect we will grow our

square footage approximately 3% for fiscal year 2019 as we continue to shift some of our cash use to reducing our debt balance.

For our new locations, we measure our investment by reviewing the new store's four-wall Adjusted EBITDA margin and pre-tax return on invested capital ("ROIC"). We target a minimum 10% four-wall Adjusted EBITDA margin and a minimum ROIC of 50% excluding initial inventory costs (or 20% including initial inventory cost) for the first full twelve months of operations for a new store. The 55 new stores that we have opened since 2010 and that have been open for a full twelve months (excluding the 10 acquired stores) have achieved an average four-wall Adjusted EBITDA margin of 11.5% and an average ROIC of 60.5% excluding initial inventory cost (and 23.5% including initial inventory cost) during their first full twelve months of operations. Four-wall Adjusted EBITDA means, for any period, a particular store's Adjusted EBITDA, excluding any allocations of corporate selling, general, and administrative expenses allocated to that store. Four-wall Adjusted EBITDA margin means, for any period, a store's four-wall Adjusted EBITDA divided by that store's net sales. For a definition of Adjusted EBITDA and Adjusted EBITDA margin and a reconciliation of net income to Adjusted EBITDA, see "—Non-GAAP Measures." ROIC means a store's four-wall Adjusted EBITDA for a given period divided by our initial cash investment in the store. We calculate ROIC both including and excluding the initial inventory cost.

We also have been scaling our e-commerce platform and increasing sales through our website, *www.sportsmans.com*.

We believe the key drivers to increasing our total net sales will be:

- increasing our total gross square footage by opening new stores;
- continuing to increase same store sales in our existing markets;
- increasing customer visits to our stores and improving our conversion rate through focused marketing efforts and continually high standards of customer service;
- increasing the average ticket sale per customer; and
- expanding our omni-channel capabilities.

**Gross Margin**

Gross profit is our net sales less cost of goods sold. Gross margin measures our gross profit as a percentage of net sales. Our cost of goods sold primarily consists of merchandise acquisition costs, including freight-in costs, shipping costs, payment term discounts received from the vendor and vendor allowances and rebates associated directly with merchandise and shipping costs related to e-commerce sales.

We believe the key drivers to improving our gross margin are increasing the product mix to higher margin products, particularly clothing and footwear, increasing foot traffic within our stores, improving buying opportunities with our vendor partners and coordinating pricing strategies among our stores and our merchandising department. Our ability to properly manage our inventory can also impact our gross margin. Successful inventory management ensures we have sufficient high margin products in stock at all times to meet customer demand, while overstocking of items could lead to markdowns in order to help a product sell. We believe that the overall growth of our business will allow us to generally maintain or increase our gross margins, because increased merchandise volumes will enable us to maintain our strong relationships with our vendors.

**Selling, General, and Administrative Expenses**

We closely manage our selling, general, and administrative expenses. Our selling, general, and administrative expenses are comprised of payroll, rent and occupancy, depreciation and amortization, acquisition expenses, pre-opening expenses and other operating expenses, including stock-based compensation expense. Pre-opening expenses include expenses incurred in the preparation and opening of a new store location, such as payroll, travel and supplies, but do not include the cost of the initial inventory or capital expenditures required to open a location.

Our selling, general, and administrative expenses are primarily influenced by the volume of net sales of our locations, except for our corporate payroll, rent and occupancy and depreciation and amortization, which are generally fixed in nature. We control our selling, general, and administrative expenses through a budgeting and reporting process that allows our personnel to adjust our expenses as trends in net sales activity are identified.

We expect that our selling, general, and administrative expenses will increase in future periods due to our continuing growth. Furthermore, 51 of our current stores are being impacted by minimum wage increases in fiscal year 2019 that have and will continue to drive up our selling, general, and administrative costs during fiscal year 2019.

**Income from Operations**

Income from operations is gross profit less selling, general, and administrative expenses. We use income from operations as an indicator of the productivity of our business and our ability to manage selling, general, and administrative expenses.

**Adjusted EBITDA**

We define Adjusted EBITDA as net income plus interest expense, income tax expense, depreciation and amortization, stock-based compensation expense, pre-opening expenses, and other gains, losses and expenses that we do not believe are indicative of our ongoing expenses. In evaluating our business, we use Adjusted EBITDA and Adjusted EBITDA margin as an additional measurement tool for purposes of business decision-making, including evaluating store performance, developing budgets and managing expenditures. See "—Non-GAAP Measures."

**Results of Operations**

The following table summarizes key components of our results of operations as a percentage of net sales for the periods indicated:

| | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | August 3, 2019 | August 4, 2018 | August 3, 2019 | August 4, 2018 |
| **Percentage of net sales:** | | | | |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of goods sold | 65.4 | 64.4 | 67.0 | 66.7 |
| Gross profit | 34.6 | 35.6 | 33.0 | 33.3 |
| Selling, general, and administrative expenses | 30.0 | 29.1 | 31.9 | 30.9 |
| Income from operations | 4.6 | 6.5 | 1.1 | 2.4 |
| Interest expense | 1.1 | 2.1 | 1.1 | 2.1 |
| Income (loss) before income taxes | 3.5 | 4.4 | - | 0.3 |
| Income tax expense (benefit) | 0.9 | 1.1 | - | 0.2 |
| Net income | 2.6% | 3.3% | 0.0% | 0.1% |
| Adjusted EBITDA | 7.5% | 9.3% | 4.2% | 6.2% |

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

| | | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|---|---|---|---|---|
| Department | Product Offerings | August 3, 2019 | August 4, 2018 | August 3, 2019 | August 4, 2018 |
| Camping | Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools | 19.3% | 20.4% | 15.9% | 16.2% |
| Clothing | Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear | 7.4% | 7.3% | 7.7% | 7.3% |
| Fishing | Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats | 17.5% | 17.0% | 15.0% | 14.5% |
| Footwear | Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots | 7.3% | 7.6% | 7.3% | 7.0% |
| Hunting and Shooting | Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear | 41.1% | 39.7% | 46.6% | 47.4% |
| Optics, Electronics, Accessories, and Other | Gift items, GPS devices, knives, lighting, optics (e.g. binoculars), two-way radios, and other license revenue, net of revenue discounts | 7.4% | 8.0% | 7.5% | 7.6% |
| Total | | 100.0% | 100.0% | 100.0% | 100.0% |

**13 Weeks Ended August 3, 2019 Compared to 13 Weeks Ended August 4, 2018**

***Net Sales.*** Net sales increased by $8.5 million, or 4.2%, to $211.8 million during the 13 weeks ended August 3, 2019 compared to $203.3 million in the corresponding period of fiscal year 2018. Net sales increased primarily due to the opening of new stores since August 4, 2018 and increased demand for firearm and ammunition, due to legislative changes in some states in which the Company operates. Stores that were opened in fiscal year 2019 and that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed $5.9 million to net sales. Same store sales also increased by 1.7% for the 13 weeks ended August 3, 2019 compared to the comparable 13 week period of fiscal year 2018.

Our hunting, fishing, and clothing departments saw increases of $6.3 million, $2.5 million, and $0.8 million, respectively, in the second quarter of fiscal year 2019 compared to the comparable 13-week period of fiscal 2018. Our

camping, footwear, and optics, electronics, and accessories departments saw decreases of $0.6 million, $0.1 million and $0.1 million, respectively, in the second quarter of fiscal year 2019 compared to the comparable 13-week period of fiscal year 2018. Within hunting, our firearm and ammunition categories saw increases of $1.5 million and $3.3 million, respectively, in the second quarter of fiscal year 2019 compared to the comparable 13-week period of fiscal year 2018.

With respect to same store sales, during the 13 weeks ended August 3, 2019, our hunting, fishing and clothing departments had increases of 4.9%, 4.3% and 3.3%, respectively, while the camping, footwear, and optics, electronics, and accessories departments had decreases of 3.2%, 1.8% and 1.6%, respectively, compared to the comparable 13-week period of fiscal year 2018. The increase in demand in our hunting category can be attributed to legislative changes in some of the states that we operate in regarding the sale of firearms and ammunition, and the increase in the fishing category can be attributed to the hotter weather in the western United States which increased customer participation in fishing. As of August 3, 2019, we had 89 stores included in our same store sales calculation.

***Gross Profit.*** Gross profit increased to $73.2 million during the 13 weeks ended August 3, 2019 compared to $72.3 million for the corresponding period of fiscal year 2018. As a percentage of net sales, gross profit decreased to 34.6% for the 13 weeks ended August 3, 2019, compared to 35.6% for the corresponding period of fiscal year 2018. Gross profit as a percentage of sales was negatively impacted by a sales mix change to our lower margin products (firearms and ammunition) from our higher margin products (fishing, camping, clothing, and footwear) compared to the prior year period and promotional activity during the period.

***Selling, General, and Administrative Expenses.*** Selling, general, and administrative expenses increased by $4.4 million, or 7.4%, to $63.5 million during the 13 weeks ended August 3, 2019 from $59.1 million for the comparable 13-week period of fiscal year 2018. As a percentage of net sales, selling, general, and administrative expenses increased to 30.0% of net sales in the second quarter of fiscal year 2019, compared to 29.1% of net sales in the second quarter of fiscal year 2018. We incurred additional payroll, other, rent, and depreciation expenses of $1.8 million, $1.5 million, $1.1 million and $0.1 million, respectively, primarily related to the opening of new stores since August 4, 2018 and, with respect to the increase in payroll, minimum wage increases in 51 of our current stores. These increases were partially offset by lower preopening expenses of $0.2 million.

***Interest Expense.*** Interest expense decreased by $2.0 million, or 45.7%, to $2.3 million during the 13 weeks ended August 3, 2019 from $4.3 million for the comparable 13-week period of fiscal year 2018. Interest expense decreased primarily as a result of the entry into our amended credit facility in May 2018 that lowered the interest rate on our new term loan compared to our prior term loan, and also shifted a significant portion of the balance on the prior term loan to our revolving credit facility which bears interest at a lower rate.

***Income Taxes.*** We recognized income tax expense of $1.9 million and $2.3 million during the 13 weeks ended August 3, 2019 and August 4, 2018, respectively. Our effective tax rate for the 13 weeks ended August 3, 2019 and May 5, 2018 was 25.8% and 26.0%, 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.

**26 Weeks Ended August 3, 2019 Compared to 26 Weeks Ended August 4, 2018**

***Net Sales.*** Net sales increased by $2.4 million, or 0.6%, to $385.8 million during the 26 weeks ended August 3, 2019 compared to $383.4 million in the corresponding period of fiscal year 2018. Net sales increased primarily due to the opening of new stores since February 4, 2018. Stores that were opened in fiscal year 2019, and that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed $10.8 million to net sales. This increase was offset by a decrease in same stores sales for the period of 1.8% compared to the comparable 26 week period of fiscal year 2018.

Our fishing, clothing, footwear, and optics, electronics, and accessories departments saw increases of $2.5 million, $1.6 million, $1.3 million and $0.2 million, respectively, in the 26-week period of fiscal year 2019 compared to the comparable 26-week period of fiscal 2018. Our hunting and camping departments saw decreases of $2.1 million and $0.8 million, respectively, in the 26-week period of fiscal year 2019 compared to the comparable 26-week period of fiscal year 2018. Within hunting, our firearm and ammunition categories saw decreases of $3.5 million and $0.4 million, respectively, in the 26-week period of fiscal year 2019 compared to the comparable 26-week period of fiscal year 2018.

With respect to same store sales, during the 26 weeks ended August 3, 2019, our clothing, footwear and fishing departments had increases of 3.4%, 3.3%, and 1.7%, respectively while the hunting, camping, and optics, electronics and accessories departments had decreases of 3.8%, 3.0%, and 0.9%, respectively, compared to the comparable 26-week period of fiscal year 2018. As of August 3, 2019, we had 89 stores included in our same store sales calculation.

***Gross Profit.*** Gross profit decreased to $127.4 million during the 26 weeks ended August 3, 2019 compared to $127.8 million for the corresponding period of fiscal year 2018. As a percentage of net sales, gross profit decreased to 33.0% for the 26 weeks ended August 3, 2019, compared to 33.3% for the corresponding period of fiscal year 2018. Gross profit as a percentage of sales was negatively impacted by a sales mix change compared to the prior year period and promotional activity during the period.

***Selling, General, and Administrative Expenses.*** Selling, general, and administrative expenses increased by $4.7 million, or 4.0%, to $123.0 million during the 26 weeks ended August 3, 2019 from $118.3 million for the comparable 26-week period of fiscal year 2018. As a percentage of net sales, selling, general, and administrative expenses increased to 31.9% of net sales in the 26-weeks of fiscal year 2019, compared to 30.9% of net sales in the 26-weeks of fiscal year 2018. We incurred additional rent, other, payroll, and depreciation expenses of $2.3 million, $1.8 million, $1.1 million and $0.1 million, respectively, primarily related to the opening of new stores since February 4, 2018 and, with respect to the increase in payroll, minimum wage increases in 51 of our current stores. These increases were partially offset by lower preopening expenses of $0.6 million.

***Interest Expense.*** Interest expense decreased by $3.4 million, or 43.5%, to $4.5 million during the 26 weeks ended August 3, 2019 from $7.9 million for the comparable 26-week period of fiscal year 2018. Interest expense decreased primarily as a result of the entry into our amended credit facility in May 2018 that lowered the interest rate on our new term loan compared to our prior term loan, and also shifted a significant portion of the balance on the prior term loan to our revolving credit facility which bears interest at a lower rate.

***Income Taxes.*** We recognized an income tax benefit of $0.1 million and income tax expense of $0.9 million during the 26 weeks ended August 3, 2019 and August 4, 2018, respectively. Our effective tax rate for the 26 weeks ended August 3, 2019 and August 4, 2018 was 172.4% and 59.8%, respectively. The change in the effective tax rate for the 26 weeks ended August 3, 2019 was primarily due to near breakeven proft before tax and various State tax credits and discrete items. Our effective tax rate will generally differ from the U.S. Federal statutory rate of 21.0%, due to state taxes, permanent items, and discrete items relating to stock award deductions.

**Seasonality**

Due to holiday buying patterns and the openings of hunting season across the country, net sales are typically higher in the third and fourth fiscal quarters than in the first and second fiscal quarters. We also incur additional expenses in the third and fourth fiscal quarters due to higher volume and increased staffing in our stores. We anticipate our net sales will continue to reflect this seasonal pattern.

The timing of our new retail store openings also may have an impact on our quarterly results. First, we incur certain one-time expenses related to opening each new retail store, all of which are expensed as they are incurred. Second, most store expenses generally vary proportionately with net sales, but there is also a fixed cost component, which includes occupancy costs. These fixed costs typically result in lower store profitability during the initial period after a new retail store opens. Due to both of these factors, new retail store openings may result in a temporary decline in operating profit, in dollars and/or as a percentage of net sales.

Weather conditions affect outdoor activities and the demand for related clothing and equipment. Customers’ demand for our products, and, therefore, our net sales, can be significantly impacted by weather patterns on a local, regional and national basis.

**Liquidity and Capital Resources**

Our primary capital requirements are for seasonal working capital needs and capital expenditures related to opening new stores. Our sources of liquidity to meet these needs have primarily been borrowings under our revolving credit facility, operating cash flows and short and long-term debt financings from banks and financial institutions. We believe that our

cash on hand, cash generated by operating activities and funds available under our revolving credit facility will be sufficient to finance our operating activities for at least the next twelve months.

For the 26 weeks ended August 3, 2019, we incurred approximately $14.5 million in capital expenditures primarily related to the opening of two new stores during the period and our new corporate headquarters. We expect total net capital expenditures between $16.0 million and $20.0 million for fiscal year 2019. We intend to fund our capital expenditures with operating cash flows and funds available under our revolving credit facility. Other investment opportunities, such as potential strategic acquisitions or store expansion rates in excess of those presently planned, may require additional funding.

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

| | Twenty-Six Weeks Ended | |
|---|---|---|
| | August 3, 2019 | August 4, 2018 |
| | (in thousands) | |
| Cash flows provided by (used in) operating activities | $ 35,434 | $ (11,184) |
| Cash flows used in investing activities | (14,450) | (10,585) |
| Cash flows (used in) provided by financing activities | (21,056) | 22,734 |
| Cash at end of period | 1,475 | 2,734 |

Net cash provided by operating activities was $35.4 million for the 26 weeks ended August 3, 2019, compared to cash used in operating activities of $11.2 million for the corresponding period of fiscal year 2018, a change of approximately $46.6 million. The change in our cash flows from operating activities is primarily a result of decreased purchases of inventory as we continue to manage our in-store inventory more efficiently, and an increase in accounts payable.

Net cash used in investing activities was $14.5 million for the 26 weeks ended August 3, 2019 compared to $10.6 million for the corresponding period of fiscal year 2018. The change in our cash flows from investing activities is primarily a result of the timing of new store openings in 2019 compared to 2018 and capital expenditures relating to our new corporate headquarters.

Net cash used in financing activities was $21.0 million for the 26 weeks ended August 3, 2019, compared to net cash provided by financing activities of $22.7 million for the corresponding period of fiscal year 2018. The decrease in net cash provided by financing activities when compared to 2018 was primarily due to reduced inventory purchases during the quarter, an increase in accounts payable and the timing of new store openings for 2019, which are all funded through our revolving credit facility.

Our outstanding debt consists of our revolving credit facility and our term loan.

***Amended Credit Agreement.*** We entered into an amended and restated credit agreement with a consortium of banks led by Wells Fargo Bank, National Association in May 2018 that provides for a revolving credit facility with borrowing capacity up to $250.0 million, subject to a borrowing base calculation, and a $40.0 million aggregate principal amount term loan. Both the revolving credit facility and term loan mature on May 23, 2023. At the time of entering into our amended credit agreement in May 2018, we used the proceeds from our $40.0 million term loan and borrowings of $135.4 million under our revolving credit facility to repay our prior term loan that had an outstanding principal balance of $134.7 million and was scheduled to mature on December 3, 2020. As of August 3, 2019, we had $137.3 million outstanding under the revolving credit facility, with $51.6 million available for borrowing and $1.7 million in stand-by commercial letters of credit, and our term loan had an aggregate principal amount of $32.0 million.

Borrowings under the revolving credit facility bear interest based on either, at our option, the base rate or LIBOR, in each case plus an applicable margin. The base rate is the higher of (1) Wells Fargo's prime rate, (2) the federal funds rate (as defined in the credit agreement) plus 0.50% and (3) the one-month LIBOR (as defined in the credit agreement) plus 1.00%. The applicable margin for loans under the revolving credit facility, which varies based on the average daily availability, ranges from 0.25% to 0.75% per year for base rate loans and from 1.25% to 1.75% per year for LIBOR loans.

Interest on base rate loans is payable monthly in arrears and interest on LIBOR loans is payable based on the LIBOR interest period selected by us, which can be 7, 30, 60 or 90 days. All amounts that are not paid when due under our

revolving credit facility will accrue interest at the rate otherwise applicable plus 2.00% until such amounts are paid in full.

Our term loan was issued at a price of 100% of the $40.0 million aggregate principal amount and has a maturity date of May 23, 2023. The term loan accrues interest at a rate of LIBOR plus 5.75%. The term loan requires principal payments of $2.0 million payable quarterly, which began November 1, 2018 and continues to and including May 23, 2023 at which time the remaining balance is due in full.

Each of the subsidiaries of Sportsman's Warehouse Holdings, Inc. ("Holdings") is a borrower under the revolving credit facility and the term loan, and Holdings guarantees all obligations under the revolving credit facility and term loan. All obligations under the revolving credit facility and term loan are secured by a lien on substantially all of Holdings' tangible and intangible assets and the tangible and intangible assets of all of Holdings' subsidiaries, including a pledge of all capital stock of each of the Holdings' subsidiaries. The lien securing the obligations under the revolving credit facility and term loan is a first priority lien as to certain liquid assets, including cash, accounts receivable, deposit accounts and inventory.

We may be required to make mandatory prepayments under the revolving credit facility and term loan in the event of a disposition of certain property or assets, in the event of receipt of certain insurance or condemnation proceeds, upon the issuance of certain debt or equity securities, upon the incurrence of certain indebtedness for borrowed money or upon the receipt of certain payments not received in the ordinary course of business.

Our credit agreement contains customary affirmative and negative covenants, including covenants that limit our ability to incur, create or assume certain indebtedness, to create, incur or assume certain liens, to make certain investments, to make sales, transfers and dispositions of certain property and to undergo certain fundamental changes, including certain mergers, liquidations and consolidations. our revolving credit facility also requires us to maintain a minimum availability at all times of not less than 10% of the gross borrowing base. Our credit agreement contains customary events of default. As of August 3, 2019, we were in compliance with all covenants under our credit agreement.

**Critical Accounting Policies and Estimates**

Our financial statements are prepared in accordance with 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 2018 Form 10-K except for the implementation of certain estimates for lease accounting under Accounting Standard Codification Topic 842, *Leases* ("Topic 842") as disclosed below.

We adopted Accounting Standards Codification ("ASC) 842, *Leases,* as of February 3, 2019, coinciding with the standard's effective date.

We have operating leases for the Company's retail stores facilities, distribution center, and corporate office. In accordance with ASC 842, we determine if an arrangement is a lease at inception. Operating lease liabilities are calculated using the present value of future payments and recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As our leases generally do not provide an implicit rate, we used an incremental borrowing rate ("IBR") to determine the present value of lease payments. The IBR is determined by using our credit rating to develop a yield curve that approximates our market risk profile.

Our adoption of ASC 842 resulted in the initial recognition of operating lease liabilities of $214.0 million as of February 3, 2019.

**Off Balance Sheet Arrangements**

We are not party to any off balance sheet arrangements.

**Contractual Obligations**

Both our revolving credit facility and term loan will mature on May 23, 2023. All changes to our contractual obligations during the 13 weeks ended August 3, 2019 were completed in the normal course of business and are not considered material.

**Non-GAAP Measures**

In evaluating our business, we use Adjusted EBITDA and Adjusted EBITDA margin as supplemental measures of our operating performance. We define Adjusted EBITDA as net income plus interest expense, income tax expense, depreciation and amortization, stock-based compensation expense, pre-opening expenses, and other gains, losses and expenses that we do not believe are indicative of our ongoing expenses. In addition, Adjusted EBITDA excludes pre-opening expenses because we do not believe these expenses are indicative of the underlying operating performance of our stores. The amount and timing of pre-opening expenses are dependent on, among other things, the size of new stores opened and the number of new stores opened during any given period. Adjusted EBITDA margin means, for any period, the Adjusted EBITDA for that period divided by the net sales for that period. We consider Adjusted EBITDA and Adjusted EBITDA margin important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Other companies in our industry, however, may calculate Adjusted EBITDA and Adjusted EBITDA margin differently than we do. Management also uses Adjusted EBITDA and Adjusted EBITDA margin as additional measurement tools for purposes of business decision-making, including evaluating store performance, developing budgets and managing expenditures. Management believes Adjusted EBITDA and Adjusted EBITDA margin allow investors to evaluate the company's operating performance and compare our results of operations from period to period on a consistent basis by excluding items that management does not believe are indicative of our core operating performance.

Adjusted EBITDA is not defined under GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with GAAP. Adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, you should not consider Adjusted EBITDA in isolation or as a substitute for net income or other condensed consolidated statement of operations data prepared in accordance with GAAP. Some of these limitations include, but are not limited to:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA may be defined differently by other companies, and, therefore, it may not be directly comparable to the results of other companies in our industry;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; and
- Adjusted EBITDA does not reflect income taxes or the cash requirements for any tax payments.

The following table presents a reconciliation of net income, the most directly comparable financial measure presented in accordance with GAAP, to Adjusted EBITDA for the 13 and 26 weeks ended August 3, 2019 and August 4, 2018.

| | Thirteen Weeks Ended | | Twenty-Six Weeks Ended | |
|---|---|---|---|---|
| | August 3, 2019 | August 4, 2018 | August 3, 2019 | August 4, 2018 |
| | (dollars in thousands) | | | |
| Net income | $ 5,498 | $ 6,551 | $ 39 | $ 722 |
| Interest expense | 2,353 | 4,334 | 4,458 | 7,891 |
| Income tax expense | 1,911 | 2,304 | (92) | 925 |
| Depreciation and amortization | 4,645 | 4,500 | 9,258 | 9,163 |
| Stock-based compensation expense (1) | 494 | 482 | 948 | 967 |
| Pre-opening expenses (2) | 672 | 795 | 1,001 | 1,511 |
| Executive transition costs (3) | 266 | — | 623 | — |
| CEO retirement (4) | — | — | — | 2,647 |
| Adjusted EBITDA | $ 15,840 | $ 18,966 | $ 16,235 | $ 23,826 |
| Adjusted EBITDA margin | 7.5% | 9.3% | 4.2% | 6.2% |

(1) Stock-based compensation expense represents non-cash expenses related to equity instruments granted to employees under our 2019 Performance Incentive Plan and Employee Stock Purchase Plan.
(2) Pre-opening expenses include expenses incurred in the preparation and opening of a new store location, such as payroll, travel and supplies, but do not include the cost of the initial inventory or capital expenditures required to open a location.
(3) Expenses incurred relating to the recruitment and hiring of various key members of our senior management team. These events are not expected to be recurring.
(4) Payroll and stock compensation expenses incurred in conjunction with the retirement of our former CEO.

### Recent Accounting Pronouncements

For a description of recent accounting pronouncements, see Note 2 to our condensed consolidated financial statements in this 10-Q. Under the Jumpstart Our Business Startup Act, "emerging growth companies" ("EGCs"), we can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards, and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not EGCs. We will cease to be an EGC at the end of the fifth fiscal year after our initial public offering, which is February 1, 2020

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal exposure to market risk relates to changes in interest rates. Our revolving credit facility and term loan carry floating interest rates that are tied to LIBOR, the federal funds rate and the prime rate, and, therefore, our income and cash flows will be exposed to changes in interest rates to the extent that we do not have effective hedging arrangements in place. We historically have not used interest rate swap agreements to hedge the variable cash flows associated with the interest on our credit facilities. At August 3, 2019, the weighted average interest rate on our borrowings under our revolving credit facility was 4.04%. Based on a sensitivity analysis at August 3, 2019, assuming the amount outstanding under our revolving credit facility would be outstanding for a full year, a 100 basis point increase in interest rates would increase our annual interest expense by approximately $1.3 million. We do not use derivative financial instruments for speculative or trading purposes. However, this does not preclude our adoption of specific hedging strategies in the future.

## ITEM 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

As of the end of the period covered by this report, management, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon

and as of the date of the evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of August 3, 2019 to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the 13 weeks ended August 3, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims, including employment claims, wage and hour claims, intellectual property claims, contractual and commercial disputes and other matters that arise in the ordinary course of our business. While the outcome of these and other claims cannot be predicted with certainty, we do not believe that the likelihood of a loss for any of these matters individually or in the aggregate is probable or reasonably estimable such that they will have a material adverse effect on our business, results of operations or financial condition. See Note 11, "Commitments and Contingencies" to our condensed consolidated financial statements for additional information.

### ITEM 1A. RISK FACTORS

Our business faces significant risks and uncertainties. Certain important factors may have a material adverse effect on our business prospects, financial condition and results of operations, and you should carefully consider them. There have been no material changes in our assessment of our risk factors from those set forth in our Fiscal 2018 Form 10-K.

### ITEM 5. OTHER INFORMATION

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

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

**ITEM 6. EXHIBITS**

| Exhibit Number | Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Sportsman's Warehouse Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on June 11, 2014). |
| 3.2 | Amended and Restated Bylaws of Sportsman's Warehouse Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on June 11, 2014). |
| 10.1 | Severance Agreement, General Release and Waiver, dated June 3, 2019, between Sportsman's Warehouse Holdings, Inc. and Kevan Talbot (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 7, 2019). |
| 10.2* | 2019 Performance Incentive Plan |
| 31.1* | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document. |
| 101.SCH* | XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document. |

* Filed herewith.
** Furnished herewith

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| | |
|---|---|
| | **SPORTSMAN'S WAREHOUSE HOLDINGS, INC.** |
| Date: August 30, 2019 | By: /s/ Jon Barker<br>**Jon Barker**<br>*President and Chief Executive Officer*<br>*(Principal Executive Officer)* |
| Date: August 30, 2019 | By: /s/ Robert K. Julian<br>**Robert K. Julian**<br>*Chief Financial Officer*<br>*(Principal Financial and Accounting Officer)* |

**2019 PERFORMANCE INCENTIVE PLAN**

**General**

At the Annual Meeting, stockholders will be asked to approve the Sportsman's Warehouse Holdings, Inc. 2019 Performance Incentive Plan (the "2019 Plan"), which was adopted, subject to stockholder approval, by the Board on April 5, 2019.

-  We believe that incentives and stock-based awards focus employees on the objective of creating stockholder value and promoting the success of the Company, and that incentive compensation plans like the proposed 2019 Plan are an important attraction, retention and motivation tool for participants in the plan.

-  The equity awards we have granted generally include long-term vesting requirements, and thereby help to further link the interests of award recipients with the interests of our stockholders.

-  Half of the restricted stock units we granted to our executive officers in fiscal year 2018 were subject to both performance-based and time-based vesting requirements. As evidence of the rigor of our performance-based compensation program, only 20% of the target number of restricted stock units subject to these awards became eligible to vest, and those units remain subject to time-based vesting over a three-year vesting period.

-  We carefully monitor the potential dilution that our equity awards could create. More information on our overhand and burn rate is included below in this proposal.

The Company currently maintains the Sportsman's Warehouse Holdings, Inc. 2013 Performance Incentive Plan (the "2013 Plan"). As of April 12, 2019, a total of 505,196 shares of our Common Stock were then subject to outstanding awards granted under the 2013 Plan, and an additional 422,296 shares of our Common Stock were then available for new award grants under the 2013 Plan.

The Board believes that the number of shares currently available under the 2013 Plan does not give the Company sufficient authority and flexibility to adequately provide for future incentives. If stockholders approve the 2019 Plan, no new awards will be granted under the 2013 Plan after the Annual Meeting. In that case, the number of shares of our Common Stock that remain available for award grants under the 2013 Plan immediately prior to the Annual Meeting will become available for award grants under the 2019 Plan. An additional 3.5 million shares of our Common Stock will also be made available for award grants under the 2019 Plan. In addition, if stockholders approve the 2019 Plan, any shares of Common Stock subject to outstanding awards under the 2013 Plan that expire, are cancelled, or otherwise terminate after the Annual Meeting will also be available for award grant purposes under the 2019 Plan.

If stockholders do not approve the 2019 Plan, the Company will continue to have the authority to grant awards under the 2013 Plan. If stockholders approve the 2019 Plan, the termination of our grant authority under the 2013 Plan will not affect awards then outstanding under that plan.

**Summary Description of the 2019 Performance Incentive Plan**

The principal terms of the 2019 Plan are summarized below. The following summary is qualified in its entirety by the full text of the 2019 Plan, which appears as Exhibit A to this Proxy Statement.

***Purpose***. The purpose of the 2019 Plan is to promote the success of the Company by providing an additional means for us to attract, motivate, retain and reward selected employees and other eligible persons through the grant of awards. Equity-based awards are also intended to further align the interests of award recipients and our stockholders.

***Administration*.** Our Board or one or more committees appointed by our Board will administer the 2019 Plan. Our Board has delegated general administrative authority for the 2019 Plan to the Compensation Committee. The Board

or a committee thereof (within its delegated authority) may delegate different levels of authority to different committees or persons with administrative and grant authority under the 2019 Plan. (The appropriate acting body, be it the Board or a committee or other person within its delegated authority is referred to in this proposal as the "Administrator").

The Administrator has broad authority under the 2019 Plan, including, without limitation, the authority:

- to select eligible participants and determine the type(s) of award(s) that they are to receive;
- to grant awards and determine the terms and conditions of awards, including the price (if any) to be paid for the shares or the award and, in the case of share-based awards, the number of shares to be offered or awarded;
- to determine any applicable vesting and exercise conditions for awards (including any applicable performance and/or time-based vesting or exercisability conditions) and the extent to which such conditions have been satisfied, or determine that no delayed vesting or exercise is required, to determine the circumstances in which any performance-based goals (or the applicable measure of performance) will be adjusted and the nature and impact of any such adjustment, to establish the events (if any) on which exercisability or vesting may accelerate (including specified terminations of employment or service or other circumstances), and to accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards (subject in the case of options and stock appreciation rights to the maximum term of the award);
- to cancel, modify, or waive the Company's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consents;
- subject to the other provisions of the 2019 Plan, to make certain adjustments to an outstanding award and to authorize the conversion, succession or substitution of an award;
- to determine the method of payment of any purchase price for an award or shares of our Common Stock delivered under the 2019 Plan, as well as any tax-related items with respect to an award, which may be in the form of cash, check, or electronic funds transfer, by the delivery of already-owned shares of our Common Stock or by a reduction of the number of shares deliverable pursuant to the award, by services rendered by the recipient of the award, by notice and third party payment or cashless exercise on such terms as the Administrator may authorize, or any other form permitted by law;
- to modify the terms and conditions of any award, establish sub-plans and agreements and determine different terms and conditions that the Administrator deems necessary or advisable to comply with laws in the countries where the Company or one of its subsidiaries operates or where one or more eligible participants reside or provide services;
- to approve the form of any award agreements used under the 2019 Plan; and
- to construe and interpret the 2019 Plan, make rules for the administration of the 2019 Plan, and make all other determinations for the administration of the 2019 Plan.

***No Repricing.*** In no case (except due to an adjustment to reflect a stock split or other event referred to under "Adjustments" below, or any repricing that may be approved by stockholders) will the Administrator (1) amend an outstanding stock option or stock appreciation right to reduce the exercise price or base price of the award, (2) cancel, exchange, or surrender an outstanding stock option or stock appreciation right in exchange for cash or other awards for the purpose of repricing the award, or (3) cancel, exchange, or surrender an outstanding stock option or stock appreciation right in exchange for an option or stock appreciation right with an exercise or base price that is less than the exercise or base price of the original award.

---

***Eligibility.*** Persons eligible to receive awards under the 2019 Plan include officers or employees of the Company or any of its subsidiaries, directors of the Company, and certain consultants and advisors to the Company or any of its subsidiaries. Currently, all officers and employees of the Company and its subsidiaries (including all of the Company's named executive officers), and each of the seven non-employee directors of the Company, are considered eligible under the 2019 Plan.

***Aggregate Share Limit.*** The maximum number of shares of our Common Stock that may be issued or transferred pursuant to awards under the 2019 Plan equals the sum of the following (such total number of shares, the "Share Limit"):

- 3.5 million shares, plus
- the number of shares available for additional award grant purposes under the 2013 Plan as of the date of the Annual Meeting and determined immediately prior to the termination of the authority to grant new awards under that plan as of the date of the Annual Meeting, plus
- the number of any shares subject to restricted stock unit awards granted under the 2013 Plan that are outstanding and unvested as of the date of the Annual Meeting which are forfeited, terminated, cancelled, or otherwise reacquired after the date of the Annual Meeting without having become vested, plus any shares that are withheld or reacquired by the Company to satisfy the tax withholding obligations related to any award granted under the 2013 Plan that is outstanding as of the date of the Annual Meeting.

As of April 12, 2019, 422,296 shares were available for additional award grant purposes under the 2013 Plan, and 505,196 shares were subject to restricted stock and restricted stock unit awards then outstanding under the 2013 Plan. As noted above, no additional awards will be granted under the 2013 Plan if stockholders approve the 2019 Plan.

***Additional Share Limits***. The following other limits are also contained in the 2019 Plan. These limits are in addition to, and not in lieu of, the Share Limit for the plan described above.

- The maximum number of shares that may be delivered pursuant to options qualified as incentive stock options granted under the plan is 3.5 million shares. (For clarity, any shares issued in respect of incentive stock options granted under the plan will also count against the overall Share Limit above.)
- The maximum grant date fair value for awards granted to a non-employee director under the 2019 Plan during any one calendar year is $125,000, except that this limit will be $200,000 as to (1) a non-employee director who is serving as the independent Chair of the Board or as a lead independent director at the time the applicable grant is made or (2) any new non-employee director for the calendar year in which the non-employee director is first elected or appointed to the Board. For purposes of this limit, the "grant date fair value" of an award means the value of the award on the date of grant of the award determined using the equity award valuation principles applied in the Company's financial reporting. This limit does not apply to, and will be determined without taking into account, any award granted to an individual who, on the grant date of the award, is an officer or employee of the Company or one of its subsidiaries. This limit applies on an individual basis and not on an aggregate basis to all non-employee directors as a group.

***Share-Limit Counting Rules***. The Share Limit of the 2019 Plan is subject to the following rules:

- Shares that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2019 Plan will not be counted against the Share Limit and will again be available for subsequent awards under the 2019 Plan.

- To the extent that shares are delivered pursuant to the exercise of a stock appreciation right granted under the 2019 Plan, the number of underlying shares which are actually issued in payment of the award shall be counted against the Share Limit. (For purposes of clarity, if a stock appreciation right relates to 100,000 shares and is exercised at a time when the payment due to the participant is 15,000 shares, 15,000 shares shall be charged against the Share Limit with respect to such exercise.)

- Shares that are exchanged by a participant or withheld by the Company as full or partial payment in connection with any award granted under the 2019 Plan, as well as any shares exchanged or withheld to satisfy the tax withholding obligations related to any award granted under the 2019 Plan, will not be counted against the Share Limit and will again be available for subsequent awards under the 2019 Plan.

- To the extent that an award is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will not be counted against the Share Limit and will again be available for subsequent awards under the 2019 Plan.

- In the event that shares are delivered in respect of a dividend equivalent right, the actual number of shares delivered with respect to the award shall be counted against the Share Limit. (For purposes of clarity, if 1,000 dividend equivalent rights are granted and outstanding when the Company pays a dividend, and 50 shares are delivered in payment of those rights with respect to that dividend, 50 shares shall be counted against the Share Limit.) Except as otherwise provided by the Administrator, shares delivered in respect of dividend equivalent rights shall not count against any individual award limit under the 2019 Plan other than the aggregate Share Limit.

In addition, the 2019 Plan generally provides that shares issued in connection with awards that are granted by or become obligations of the Company through the assumption of awards (or in substitution for awards) in connection with an acquisition of another company will not count against the shares available for issuance under the 2019 Plan. The Company may not increase the applicable share limits of the 2019 Plan by repurchasing shares of Common Stock on the market (by using cash received through the exercise of stock options or otherwise).

***Types of Awards.*** The 2019 Plan authorizes stock options, stock appreciation rights, and other forms of awards granted or denominated in our Common Stock or units of our Common Stock, as well as cash bonus awards. The 2019 Plan retains flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be structured to be paid or settled in cash.

A stock option is the right to purchase shares of our Common Stock at a future date at a specified price per share (the “exercise price”). The per share exercise price of an option generally may not be less than the fair market value of a share of our Common Stock on the date of grant. The maximum term of an option is ten years from the date of grant. An option may either be an incentive stock option or a nonqualified stock option. Incentive stock option benefits are taxed differently from nonqualified stock options, as described under “Federal Income Tax Consequences of Awards Under the 2019 Plan” below. Incentive stock options are also subject to more restrictive terms and are limited in amount by the U.S. Internal Revenue Code and the 2019 Plan. Incentive stock options may only be granted to employees of the Company or a subsidiary.

A stock appreciation right is the right to receive payment of an amount equal to the excess of the fair market value of share of our Common Stock on the date of exercise of the stock appreciation right over the base price of the stock appreciation right. The base price will be established by the Administrator at the time of grant of the stock appreciation right and generally may not be less than the fair market value of a share of our Common Stock on the date of grant. Stock appreciation rights may be granted in connection with other awards or independently. The maximum term of a stock appreciation right is ten years from the date of grant.

The other types of awards that may be granted under the 2019 Plan include, without limitation, stock bonuses, restricted stock, performance stock, stock units or phantom stock (which are contractual rights to receive shares of stock, or cash based on the fair market value of a share of stock), dividend equivalents which represent the right to receive a payment based on the dividends paid on a share of stock over a stated period of time, or similar rights to purchase or acquire shares, and cash awards.

Any awards under the 2019 Plan (including awards of stock options and stock appreciation rights) may be fully-vested at grant or may be subject to time- and/or performance-based vesting requirements.

***Dividend Equivalents; Deferrals.*** The Administrator may provide for the deferred payment of awards, and may determine the other terms applicable to deferrals. The Administrator may provide that awards under the 2019 Plan (other than options or stock appreciation rights), and/or deferrals, earn dividends or dividend equivalents based on the amount of dividends paid on outstanding shares of Common Stock, provided that any dividends and/or dividend equivalents as to the portion of an award that is subject to unsatisfied vesting requirements will be subject to termination and forfeiture to the same extent as the corresponding portion of the award to which they relate in the event the applicable vesting requirements are not satisfied (or, in the case of a restricted stock or similar award where the dividend must be paid as a matter of law, the dividend payment will be subject to forfeiture or repayment, as the case may be, if the related vesting conditions are not satisfied).

***Assumption and Termination of Awards.*** If an event occurs in which the Company does not survive (or does not survive as a public company in respect of its Common Stock), including, without limitation, a dissolution, merger, combination, consolidation, conversion, exchange of securities, or other reorganization, or a sale of all or substantially all of the business, stock or assets of the Company, awards then-outstanding under the 2019 Plan will not automatically become fully vested pursuant to the provisions of the 2019 Plan so long as such awards are assumed, substituted for or otherwise continued. However, if awards then-outstanding under the 2019 Plan are to be terminated in such circumstances (without being assumed or substituted for), such awards would generally become fully vested (with any performance goals applicable to the award being deemed met at the "target" performance level), subject to any exceptions that the Administrator may provide for in an applicable award agreement. The Administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2019 Plan. For example, the Administrator could provide for the acceleration of vesting or payment of an award in connection with a corporate event or in connection with a termination of the award holder's employment. For the treatment of outstanding equity awards held by the named executive officers in connection with a termination of employment and/or a change in control of the Company, please see the "Potential Payments Upon Termination or Change in Control" above in this Proxy Statement.

***Transfer Restrictions.*** Subject to certain exceptions contained in Section 5.6 of the 2019 Plan, awards under the 2019 Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by the recipient. Any amounts payable or shares issuable pursuant to an award generally will be paid only to the recipient or the recipient's beneficiary or representative. The Administrator has discretion, however, to establish written conditions and procedures for the transfer of awards to other persons or entities, provided that such transfers comply with applicable federal and state securities laws and are not made for value (other than nominal consideration, settlement of marital property rights, or for interests in an entity in which more than 50% of the voting securities are held by the award recipient or by the recipient's family members).

***Adjustments.*** As is customary in incentive plans of this nature, each share limit and the number and kind of shares available under the 2019 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, and performance targets under certain types of performance-based awards, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the stockholders.

***No Limit on Other Authority.*** Except as expressly provided with respect to the termination of the authority to grant new awards under the 2013 Plan if stockholders approve the 2019 Plan, the 2019 Plan does not limit the authority of the Board or any committee to grant awards or authorize any other compensation, with or without reference to our Common Stock, under any other plan or authority.

***Termination of or Changes to the 2019 Plan.*** The Board may amend or terminate the 2019 Plan at any time and in any manner. Stockholder approval for an amendment will be required only to the extent then required by applicable law or deemed necessary or advisable by the Board. Unless terminated earlier by the Board and subject to any extension that may be approved by stockholders, the authority to grant new awards under the 2019 Plan will terminate on April 5, 2029. Outstanding awards, as well as the Administrator's authority with respect thereto,

generally will continue following the expiration or termination of the plan. Generally speaking, outstanding awards may be amended by the Administrator (except for a repricing), but the consent of the award holder is required if the amendment (or any plan amendment) materially and adversely affects the holder.

**U.S. Federal Income Tax Consequences of Awards under the 2019 Plan**

The U.S. federal income tax consequences of the 2019 Plan under current federal law, which is subject to change, are summarized in the following discussion of the general tax principles applicable to the 2019 Plan. This summary is not intended to be exhaustive and, among other considerations, does not describe the deferred compensation provisions of Section 409A of the U.S. Internal Revenue Code to the extent an award is subject to and does not satisfy those rules, nor does it describe state, local, or international tax consequences.

With respect to nonqualified stock options, the company is generally entitled to deduct and the participant recognizes taxable income in an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. With respect to incentive stock options, the company is generally not entitled to a deduction nor does the participant recognize income at the time of exercise, although the participant may be subject to the U.S. federal alternative minimum tax.

The current federal income tax consequences of other awards authorized under the 2019 Plan generally follow certain basic patterns: nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses, stock appreciation rights, cash and stock-based performance awards, dividend equivalents, stock units, and other types of awards are generally subject to tax at the time of payment; and compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, the company will generally have a corresponding deduction at the time the participant recognizes income.

If an award is accelerated under the 2019 Plan in connection with a "change in control" (as this term is used under the U.S. Internal Revenue Code), the company may not be permitted to deduct the portion of the compensation attributable to the acceleration ("parachute payments") if it exceeds certain threshold limits under the U.S. Internal Revenue Code (and certain related excise taxes may be triggered). Furthermore, under Section 162(m) of the Code, the aggregate compensation in excess of $1,000,000 attributable to awards held by current or former named executive officers may not be deductible by the Company in certain circumstances.

**Specific Benefits under the 2019 Performance Incentive Plan**

The Company has not approved any awards that are conditioned upon stockholder approval of the 2019 Plan. The Company is not currently considering any other specific award grants under the 2019 Plan, other than the annual grants of restricted stock units to our non-employee directors described in the following paragraph. If the 2019 Plan had been in existence in fiscal year 2018, the Company expects that its award grants for fiscal year 2018 would not have been substantially different from those actually made in that year under the 2013 Plan. For information regarding stock-based awards granted to the Company's named executive officers during fiscal year 2018, see the material under the heading "Executive Compensation" above.

As described under "Director Compensation" above, our current compensation policy for non-employee directors provides for each non-employee director to receive an annual award of restricted stock units, with the number of shares subject to each award to be determined by dividing $75,000 by the per-share closing price (in regular trading) of our Common Stock on the date of our annual meeting, rounded down to the nearest whole unit, as described above. Assuming, for illustrative purposes only, that the price of the Common Stock used for the conversion of the dollar amount set forth above into shares is $5.21, the number of shares that would be allocated to the Company's six non-employee directors (excluding Mr. Eastland as he is not entitled to receive compensation as a director) as a group for the term of the 2019 Plan pursuant to the annual grant formula is approximately 863,700 shares. This figure represents the aggregate number of shares that would be subject to the annual grants under the director equity grant program for calendar years 2020 through 2029 (the ten remaining years in the term of the 2019 Plan, assuming the plan is approved) based on that assumed stock price. This calculation also assumes that there are no new eligible

directors, there continue to be six eligible directors seated and there are no changes to the awards granted under the director equity grant program.

The following paragraphs include additional information to help you assess the potential dilutive impact of the Company's equity awards and the 2019 Plan. The 2013 Plan is currently the Company's only equity compensation plan (other than the Company's Employee Stock Purchase Plan (the "ESPP")). The ESPP generally provides for broad-based participation by employees of the Company and affords employees who elect to participate an opportunity to purchase shares of our Common Stock at a discount. Certain information regarding the number of shares of our Common Stock available for issuance under the ESPP is included under the heading "Equity Compensation Plan Information" above. The discussion that follows in this "Specific Benefits" section does not include any shares that have been purchased under, may be purchased in the current purchase period under, or that remain available for issuance or delivery under the ESPP.

"Overhang" refers to the number of shares of our Common Stock that are subject to outstanding awards or remain available for new award grants. The following table shows the total number of shares of our Common Stock that were subject to outstanding restricted stock and restricted stock unit awards granted under the 2013 Plan and that were then available for new award grants under the 2013 Plan as of February 2, 2019 and as of April 12, 2019. (In this 2019 Plan proposal, the number of shares of our Common Stock subject to restricted stock and restricted stock unit awards granted during any particular period or outstanding on any particular date is presented based on the actual number of shares of our Common Stock covered by those awards (with performance-based awards included based on target level of performance).) No stock options have been granted under the 2013 Plan and there are no outstanding Company stock options.

| | As of February 2, 2019 | As of April 12, 2019 |
|---|---|---|
| Shares subject to outstanding restricted stock and restricted stock unit awards | 505,196 | 505,196 |
| Shares available for new award grants | 422,296 | 422,296 |

The weighted-average number of shares of our Common Stock issued and outstanding in each of the last three fiscal years was 42,269,940 shares issued and outstanding in fiscal 2016; 42,617,757 shares issued and outstanding in fiscal 2017; and 42,978,780 shares issued and outstanding in fiscal 2018. The number of shares of our Common Stock issued and outstanding as of February 2, 2019 and April 12, 2019 was 42,978,780 and 42,978,780 shares, respectively.

"Burn rate" refers to the number of shares that are subject to awards that we grant over a particular period of time. The total number of shares of our Common Stock subject to awards that the Company granted under the 2013 Plan in each of the last three fiscal years, are as follows:

- 350,000 shares in fiscal 2016 (which was 0.6% of the weighted-average number of shares of our Common Stock issued and outstanding in fiscal 2016), of which 162,000 shares were subject to restricted stock awards (excluding performance-based vesting awards), 188,000 shares were subject to performance-based vesting restricted stock awards (based on a target level of performance);
- 456,000 shares in fiscal 2017 (which was 1.0% of the weighted-average number of shares of our Common Stock issued and outstanding in fiscal 2017), of which all were subject to time-based restricted stock unit awards; and

- 493,000 shares in fiscal 2018 (which was 0.9% of the weighted-average number of shares of our Common Stock issued and outstanding in fiscal 2018), of which 330,000 shares were subject restricted stock unit awards (excluding performance-based vesting awards) and 163,000 shares were subject to performance-based vesting restricted stock unit awards (based on a target level of performance);

Thus, the total number of shares of our Common Stock subject to awards granted under the 2013 Plan per year over the last three fiscal years (2016, 2017 and 2018) has been, on average, 0.8% of the weighted-average number of shares of our Common Stock issued and outstanding for the corresponding year. Performance-based vesting awards have been included above in the year in which the award was granted. The actual number of shares subject to performance-based vesting restricted stock and restricted stock unit awards that became eligible to vest in fiscal 2016 and fiscal 2018 because the applicable performance-based condition was satisfied in that year (subject to the satisfaction of any applicable time-based vesting requirements) was 73,000 shares and 32,000 shares, respectively.

The total number of shares of our Common Stock that were subject to awards granted under the 2013 Plan that terminated or expired, and thus became available for new award grants under the 2013 Plan, in each of the last three fiscal years, and to date (as of April 12, 2019) in fiscal 2019, are as follows: 6,000 in fiscal 2016, 1,000 in fiscal 2017, 7,000 in fiscal 2018, and 0 in fiscal 2019. Shares subject to 2013 Plan awards that terminated or expired and became available for new award grants under the 2013 Plan have been included when information is presented in this 2019 Plan proposal on the number of shares available for new award grants under the 2013 Plan.

The Compensation Committee anticipates that the 3.5 million additional shares requested for the 2019 Plan (together with the shares available for new award grants under the 2013 Plan on the Annual Meeting date and assuming usual levels of shares becoming available for new awards as a result of forfeitures of outstanding awards) will provide the Company with flexibility to continue to grant equity awards under the 2019 Plan through approximately the end of fiscal 2024. However, this is only an estimate, in the Company's judgment, based on current circumstances. The total number of shares that are subject to the Company's award grants in any one year or from year-to-year may change based on a number of variables, including, without limitation, the value of our Common Stock (since higher stock prices generally require that fewer shares be issued to produce awards of the same grant date fair value), changes in competitors' compensation practices or changes in compensation practices in the market generally, changes in the number of employees, changes in the number of directors and officers, whether and the extent to which vesting conditions applicable to equity-based awards are satisfied, acquisition activity and the need to grant awards to new employees in connection with acquisitions, the need to attract, retain and incentivize key talent, the type of awards the Company grants, and how the Company chooses to balance total compensation between cash and equity-based awards.

The closing market price for a share of our Common Stock as of April 5, 2019 was $5.21 per share.

---

**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: August 30, 2019

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

**Exhibit 31.2**

**Certification of Chief Financial Officer pursuant to**
**Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert K. Julian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sportsman's Warehouse Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 30, 2019

/s/ Robert K. Julian

**Robert K. Julian**
*Chief Financial Officer and Secretary*

**Exhibit 32.1**

**Certification pursuant to 18 U.S.C. Section 1350,
as Adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Sportsman's Warehouse Holdings, Inc. (the "Registrant") for the fiscal quarter ended August 3, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jon Barker, as President and Chief Executive Officer of the Registrant, and Robert K. Julian, the Chief Financial Officer and Secretary of the Registrant, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 30, 2019

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

Date: August 30, 2019

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

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.