



# Q4 AND FISCAL YEAR 2019 EARNINGS CONFERENCE CALL

March 26, 2020

# FORWARD LOOKING STATEMENTS AND NON-GAAP MEASURES



This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this presentation include, but are not limited to, statements regarding store traffic trends, our market share opportunities and competitive positioning, our outlook for first quarter and fiscal year 2020 and future plans and prospects, including statements about our financial position, financial targets, business strategy and store opening pipeline. Investors can identify these statements by the fact that they use words such as "continue", "expect", "may", "opportunity", "plan", "future", "ahead" and similar terms and phrases. The Company cannot assure investors that future developments affecting the Company will be those that it has anticipated.

Actual results may differ materially from those indicated by these forward looking statements due to risks relating to, among other things, the potential effects of coronavirus (COVID-19), including a decrease in store traffic, interruptions or delays in our supply chain and the potential closure of all or substantially all of our stores, our retail-based business model, general economic conditions and consumer spending, our concentration of stores in the Western United States, competition in the outdoor activities and sporting goods market, our ability to integrate recently acquired stores, changes in consumer demands, our expansion into new markets and planned growth, current and future government regulations, risks related to our continued retention of our key management, our distribution center, quality or safety concerns about our merchandise, events that may affect our vendors, trade restrictions, public health crises, and other factors that are set forth in our filings with the Securities and Exchange Commission (the "SEC"), including under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended February 2, 2019, which was filed with the SEC on March 29, 2019 and our other public filings made with the SEC and available at [www.sec.gov](http://www.sec.gov).

If one or more of these risks or uncertainties materialize, or if any of the Company's assumptions prove incorrect, the Company's actual results may vary in material respects from those projected in these forward-looking statements. Any forward-looking statement made by the Company in this release speaks only as of the date on which the Company makes it. Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for the Company to predict them all. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

In this presentation, we refer to "Adjusted EPS" and "Adjusted EBITDA," which are not financial measures prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). For a reconciliation of these measures to the most directly comparable GAAP financial measure, see the Appendix to this presentation.

As used herein, unless the context otherwise requires, references to "Sportsman's," "Sportsman's Warehouse," "we," "us," and "our" refer to Sportsman's Warehouse Holdings, Inc.



## COMPANY & STRATEGIC OVERVIEW

**Jon Barker**

*Chief Executive Officer*

- Efforts focused on protecting health and safety of associates and customers
  - Reduced store hours to ensure sufficient time for cleaning and restocking
  - Limiting number of customers in stores to ensure social distancing
- Supply chain impacts
  - Some interruption out of China primarily related to Camping and Fishing products
  - Not yet seen a significant financial impact
  - Working closely with vendors to mitigate impact
- Demand impacts
  - Sales acceleration
  - Uncertainty around whether/which stores can remain open
- No forward guidance will be provided at this time due to unprecedented pandemic
- Sportsman's is positioned to capture significant market share in the long-term



**Unprecedented Uncertainty due to Pandemic but Sportsman's Favorably Positioned Long-Term**

# EXCEEDED EXPECTATIONS ON NET SALES AND ADJUSTED EPS<sup>2</sup>



Q4 and FY 2019	Q4 Actual	Q4 Guidance <sup>1</sup>	FY Actual	FY Guidance <sup>1</sup>
Net Sales <i>(in millions)</i>	\$258.2	\$252	\$886.4	\$880
Net Sales Growth vs PY	6.4%	3.8%	4.4%	3.7%
Same Store Sales Growth	(4.8)%	(6.5)%	(0.9)%	(1.5)%
Adjusted EPS <sup>2</sup>	\$0.21	\$0.19	\$0.47	\$0.45

- Q4 net sales growth driven primarily by three factors:
  - Strong firearm and ammunition sales in January
  - 11 new stores added in 2019, including 8 Field & Stream
  - E-commerce sales growth on our new platform
- Store traffic normalized in January
- FFL program expanded during quarter; extends our sales reach, covering ~90% of the U.S. population within a 45-minute drive



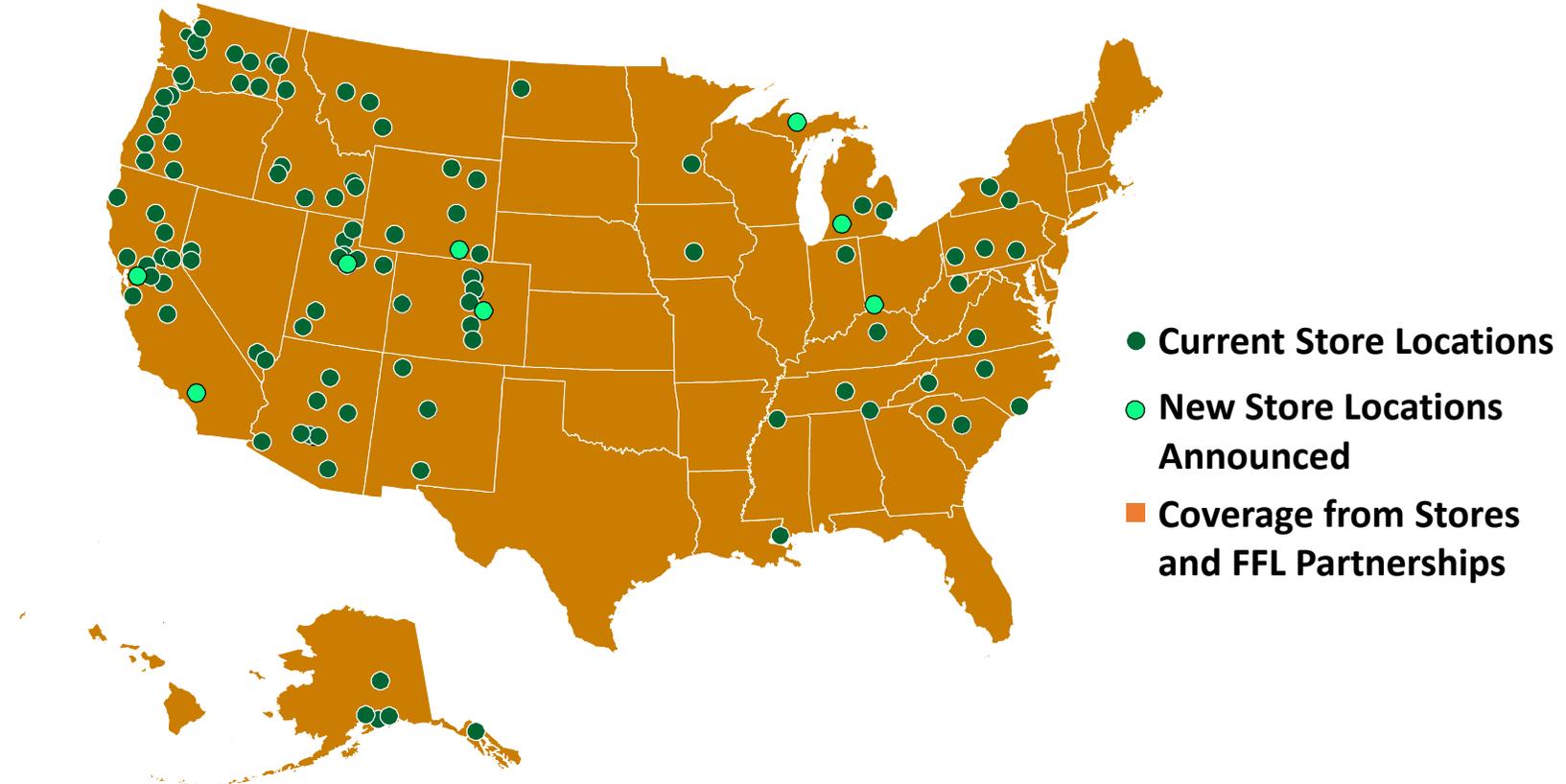
# OPPORTUNISTICALLY EXPANDING STORE FOOTPRINT



## HIGHLIGHTS

- Fiscal Year 2019
  - Total at YE: 103 stores in 27 states
- Fiscal Year 2020
  - To date, announced 5 new Sportsman's stores in 4 states
    - Crescent Springs, KY and Kalamazoo, MI (former F&S)
    - Parker, CO (former Gander)
    - Brentwood and Corona, CA
  - Announcing 2 stores in 2 states
    - Marquette, MI (former Gander)
    - Laramie, WY (small-format concept store)
  - Sportsman's stores estimated at YE: 110 to 112
  - Opened first Legacy Shooting Center

## U.S. FOOTPRINT



**Significant Opportunity for Store Expansion**

01	02	03	04	05
<p>Closely monitoring COVID-19 situation, but we cannot fully predict the impact on our business</p>	<p>Significant momentum in our core business as we begin fiscal 2020</p>	<p>Continuing to make progress on our strategic growth initiatives</p>	<p>Uniquely positioned to capitalize on market share opportunities, given our brand, store base and e-commerce reach</p>	<p>Plan to report Q1 2020 financial results in June</p>
				

**We Provide Outstanding Gear and Exceptional Service to Inspire Outdoor Memories**



# FOURTH QUARTER AND FISCAL YEAR 2019 FINANCIAL RESULTS

**Robert Julian**  
*Chief Financial Officer*

# FOURTH QUARTER 2019 FINANCIAL RESULTS



## For the Thirteen Weeks Ended

	<u>February 1, 2020</u>	<u>% of net sales</u>	<u>February 2, 2019</u>	<u>% of net sales</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Net sales	\$ 258,152	100.0%	\$ 242,683	100.0%	\$ 15,469	6.4%
Cost of goods sold	173,125	67.1%	163,177	67.2%	9,948	6.1%
Gross profit	<u>85,027</u>	<u>32.9%</u>	<u>79,506</u>	<u>32.8%</u>	<u>5,521</u>	<u>6.9%</u>
Operating expenses:						
Selling, general and administrative expenses	71,842	27.8%	62,538	25.8%	9,304	14.9%
Income from operations	13,185	5.1%	16,968	7.0%	(3,783)	(22.3%)
Interest expense	1,443	0.6%	2,682	1.1%	(1,239)	(46.2%)
Income before income tax expense	11,742	4.5%	14,286	5.9%	(2,544)	(17.8%)
Income tax expense	2,059	0.8%	3,657	1.5%	(1,598)	(43.7%)
Net income	<u>\$ 9,683</u>	<u>3.7%</u>	<u>\$ 10,629</u>	<u>4.4%</u>	<u>\$ (946)</u>	<u>(8.9%)</u>
Earnings per share						
Basic	\$ 0.22		\$ 0.25		\$ (0.02)	(9.5%)
Diluted	\$ 0.22		\$ 0.25		\$ (0.03)	(10.4%)
Adjusted Diluted	\$ 0.21		\$ 0.25		\$ (0.04)	(16.0%)
Weighted average shares outstanding						
Basic	<u>43,253</u>		<u>42,953</u>		<u>300</u>	<u>0.7%</u>
Diluted	<u>43,796</u>		<u>43,079</u>		<u>717</u>	<u>1.7%</u>

**Net Sales Growth of 6.4% in Q4 Despite Challenging Holiday Season**

# FISCAL YEAR 2019 FINANCIAL RESULTS



## For the Fifty-two Weeks Ended

	<u>February 1, 2020</u>	<u>% of net sales</u>	<u>February 2, 2019</u>	<u>% of net sales</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Net sales	\$ 886,401	100.0%	\$ 849,129	100.0%	\$ 37,272	4.4%
Cost of goods sold	589,768	66.5%	564,199	66.4%	25,569	4.5%
Gross profit	<u>296,633</u>	<u>33.5%</u>	<u>284,930</u>	<u>33.6%</u>	<u>11,703</u>	<u>4.1%</u>
Operating expenses:						
Selling, general and administrative expenses	263,169	29.7%	240,911	28.4%	22,258	9.2%
Income from operations	33,464	3.8%	44,019	5.2%	(10,555)	(24.0%)
Interest expense	7,995	0.9%	13,206	1.6%	(5,211)	(39.5%)
Income before income tax expense	25,469	2.9%	30,813	3.6%	(5,344)	(17.3%)
Income tax expense	5,254	0.6%	7,063	0.8%	(1,809)	(25.6%)
Net Income	<u>\$ 20,215</u>	<u>2.3%</u>	<u>\$ 23,750</u>	<u>2.8%</u>	<u>\$ (3,535)</u>	<u>(14.9%)</u>
Earnings per share						
Basic	\$ 0.47		\$ 0.55		\$ (0.09)	(15.5%)
Diluted	\$ 0.46		\$ 0.55		\$ (0.09)	(16.1%)
Adjusted Diluted	\$ 0.47		\$ 0.60		\$ (0.13)	(21.9%)
Weighted average shares outstanding						
Basic	43,166		42,878		288	0.7%
Diluted	<u>43,588</u>		<u>42,979</u>		<u>609</u>	<u>1.4%</u>

**Net Sales Grew 4.4% for the Full Fiscal Year 2019, While Same Store Sales Declined by 0.9%**

## BALANCE SHEET HIGHLIGHTS (Q4 2019)

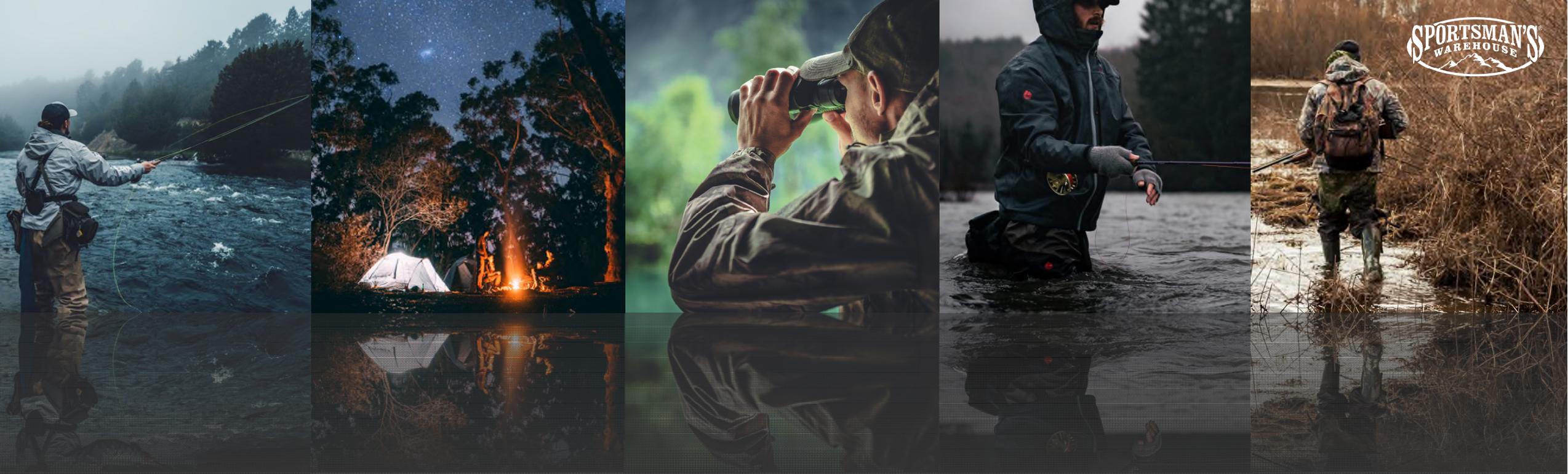
(\$M)	2/1/20	YoY Δ
<b>Total Liquidity</b> <i>Cash Plus \$44M of Availability on Revolving Credit Facility</i>	\$46.0	+121%
<b>Merchandise Inventories</b>	\$275.5	<(1%)
<b>Total Assets</b>	\$616.6	+59%
<b>ABL Working Capital Facility</b>	\$116.1	(20%)
<b>Term Loan</b>	\$29.7	(17%)
<b>Total Debt</b>	\$145.8	(19%)
<b>Shareholders' Equity</b>	\$110.3	+40%
<b>Total Liabilities and Stockholder's Equity</b>	\$616.6	+59%

**Inventory Per Store**  
Down 11% YoY

**Net Debt**  
Down 19% YoY

**Net Cash from Operating Activities**  
Increased 142% (+\$46M)

**Managing Cash Flow and Balance Sheet with Great Financial Discipline**



# APPENDIX

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# NON-GAAP TO GAAP RECONCILIATION TABLE (1 OF 2)



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

	For the Thirteen Weeks Ended		For the Fifty-two Weeks Ended	
	February 1, 2020	February 2, 2019	February 1, 2020	February 2, 2019
Income from operations	\$ 13,185	\$ 16,968	\$ 33,464	\$ 44,019
Acquisition costs (1)	\$ 275	\$ -	\$ 662	\$ -
Executive transition costs (2)	147	-	770	-
CEO retirement (3)	-	-	-	2,647
Adjusted income from operations	<u>\$ 13,607</u>	<u>\$ 16,968</u>	<u>\$ 34,896</u>	<u>\$ 46,666</u>

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

### Numerator:

Net income	\$ 9,683	\$ 10,629	\$ 20,215	\$ 23,750
Acquisition costs (1)	275	-	662	-
Executive transition costs (2)	147	-	770	-
CEO retirement (3)	-	-	-	2,647
Deferred financing fee write-off (4)	-	-	-	1,617
Non-recurring tax benefit (5)	(686)	-	(686)	(1,322)
Less tax benefit	(109)	-	(370)	(813)
Adjusted net income	<u>\$ 9,310</u>	<u>\$ 10,629</u>	<u>\$ 20,591</u>	<u>\$ 25,879</u>

### Denominator:

Diluted weighted average shares outstanding	43,796	43,079	43,588	42,979
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(1) Expenses incurred relating to the acquisition of Field & Stream stores.

(2) Expenses incurred relating to the transition of our CFO (incurred only in Q1 2019) and the recruitment and hiring of various key members of our senior management team. These events are not expected to be recurring.

(3) Expenses incurred in conjunction with the retirement of our former CEO during Q1 2018.

(4) Write-off of deferred financing fees and debt discount relating to our prior term loan.

(5) Non-recurring tax benefit recognized due to our return to provision adjustments recorded in conjunction with the filing of our 2017 tax return and estimates used in the preparation of our 2019 provision

(6) 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.

(7) 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.

# NON-GAAP TO GAAP RECONCILIATION TABLE (2 OF 2)



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

	For the Thirteen Weeks Ended		For the Fifty-two Weeks Ended	
	February 1, 2020	February 2, 2019	February 1, 2020	February 2, 2019
<b>Reconciliation of earnings per share:</b>				
Dilutive earnings per share	\$ 0.22	\$ 0.25	\$ 0.46	\$ 0.55
Impact of adjustments to numerator and denominator	(0.01)	-	0.01	0.05
Adjusted diluted earnings per share	<u>\$ 0.21</u>	<u>\$ 0.25</u>	<u>\$ 0.47</u>	<u>\$ 0.60</u>
<b>Reconciliation of net income to adjusted EBITDA:</b>				
Net income	\$ 9,683	\$ 10,629	\$ 20,215	\$ 23,750
Interest expense	1,443	2,682	7,995	13,206
Income tax expense	2,059	3,657	5,254	7,063
Depreciation and amortization	5,230	4,650	19,321	18,250
Stock-based compensation expense (6)	538	391	2,104	1,742
Pre-opening expenses (7)	211	7	2,694	1,838
Acquisition costs (1)	275	-	662	-
Executive transition costs (2)	147	-	770	-
CEO retirement (3)	-	-	-	2,647
Adjusted EBITDA	<u>\$ 19,586</u>	<u>\$ 22,016</u>	<u>\$ 59,015</u>	<u>\$ 68,496</u>

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

(2) Expenses incurred relating to the transition of our CFO (incurred only in Q1 2019) and the recruitment and hiring of various key members of our senior management team. These events are not expected to be recurring.

(3) Expenses incurred in conjunction with the retirement of our former CEO during Q1 2018.

(4) Write-off of deferred financing fees and debt discount relating to our prior term loan.

(5) Non-recurring tax benefit recognized due to our return to provision adjustments recorded in conjunction with the filing of our 2017 tax return and estimates used in the preparation of our 2019 provision

(6) 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.

(7) 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.

# NON-GAAP TO GAAP RECONCILIATION OF 2019 GUIDANCE



## Reconciliation of fourth quarter and fiscal year 2019 guidance:

	Estimated Q4 '19		Estimated FY '19	
	Low	High	Low	High
<b>Numerator:</b>				
Net income	\$ 7,250	\$ 9,050	\$ 17,858	\$ 19,582
Executive transition costs (1)	\$ -	\$ -	\$ 462	\$ 462
Acquisition costs (2)	\$ 223	\$ 223	\$ 510	\$ 510
Adjusted net income	<u>\$ 7,473</u>	<u>\$ 9,273</u>	<u>\$ 18,830</u>	<u>\$ 20,554</u>
<b>Denominator:</b>				
Diluted weighted average shares outstanding	43,500	43,500	43,500	43,500
<b>Reconciliation of earnings per share:</b>				
Diluted earnings per share	\$ 0.17	\$ 0.21	\$ 0.41	\$ 0.45
Impact of adjustments to numerator and denominator	-	-	0.02	0.02
Adjusted diluted earnings per share	<u>\$ 0.17</u>	<u>\$ 0.21</u>	<u>\$ 0.43</u>	<u>\$ 0.47</u>

(1) Expenses incurred relating to the transition of our CFO and the recruitment and hiring of various key members of our senior management team, net of tax.

These events are not expected to be recurring.

(2) Expenses incurred relating to the acquisition of eight stores.