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SPWH - Q1 2018 Sportsmans Warehouse Holdings Inc Earnings Call

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CORPORATE PARTICIPANTS

Jon Barker *Sportsman's Warehouse Holdings, Inc. - CEO, President & Director*

Kevan P. Talbot *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

Rachel Schacter *ICR, LLC - SVP*

CONFERENCE CALL PARTICIPANTS

Chandni Luthra *Goldman Sachs Group Inc., Research Division - Associate*

Michael Kawamoto *D.A. Davidson & Co., Research Division - Research Associate*

Patrick McKeever *MKM Partners LLC, Research Division - MD, Sector Head & Senior Analyst*

Peter Benedict *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Robert Friedner *Piper Jaffray Companies, Research Division - Research Analyst*

Ronald Bookbinder *IFS Securities, Inc., Research Division - Analyst*

Seth Sigman *Crédit Suisse AG, Research Division - United States Hardline Retail Equity Research Analyst*

PRESENTATION

Operator

Greetings, and welcome to Sportsman's Warehouse First Quarter 2018 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to Rachel Schacter of ICR.

Rachel Schacter *- ICR, LLC - SVP*

Thank you. Good morning, everyone. With me on the call is Jon Barker, Chief Executive Officer; and Kevan Talbot, Chief Financial Officer.

Before we get started, I would like to remind you the company's safe harbor language. The statements we make today will contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which includes statements regarding our expectations about our future results of operations, demand for our products and growth of our industry. Actual future results may differ materially from those suggested in such statements due to a number of risks and uncertainties, including those described under the caption Risk Factors in the company's 10-K for the year ended February 3, 2018, and the company's other filings made with the SEC.

We will also disclose non-GAAP financial measures during today's call. Definitions of such non-GAAP measures as well as reconciliation to the most directly comparable GAAP financial measures are provided as supplemental financial information in our press release, included as Exhibit 99.1 to the Form 8-K we furnished to the SEC today, which is also available on the Investor Relations section of our website at investors.sporstmanswarehouse.com.

Now I'd like to turn the call over to Jon Barker, Chief Executive Officer of Sportsman's Warehouse.

Jon Barker - *Sportsman's Warehouse Holdings, Inc. - CEO, President & Director*

Thank you, Rachel. Good morning, everyone, and thank you for joining us today. I'll begin by reviewing the highlights of our first quarter and then discuss the progress on our key strategic initiatives. Kevan will then go over our financial results in more detail and review our outlook, after which, we will open up the call to your questions.

We are very excited with the start to the fiscal year as our top and bottom-line results for the first quarter came in at the high end of our expectations. Our top line was driven by strong new store performance and comp growth of 3.4%, which when combined with consistent gross margins and disciplined cost control, resulted in bottom-line performance at the high end of our outlook.

We're also very pleased to announce today an amendment and restatement of our credit agreement, which we expect to reduce our interest expense by approximately $4.5 million on an annualized basis.

Turning to our results. For the quarter, total sales grew 14.8% to $180.1 million versus the first quarter of fiscal 2017 and same-store sales increased 3.4%. As a reminder, we now include e-commerce in our same-store sales.

Drilling down further on the composition of comparable sales for the first quarter. Firearm units on a same-store sales basis were up 14.9% as we continue to gain market share in the states we serve. Firearm revenue increased 17.5% on a same-store sales basis for the first quarter, a significant improvement from the fourth quarter, largely driven by an increase in traffic as a result of recent policy changes by our competitors.

We have a diverse mix of product and the recent changes in the competitive landscape are driving more customers into Sportsman's Warehouse. This is creating market share opportunities by allowing us to engage with a broad range of customers from first-time users to seasoned hunters and shooters.

Ammunition increased 9.3% in Q1, also an improvement from Q4's 4.7% decline. We are very encouraged by our performance in the firearm and ammunition categories in the first quarter that are reflective of solid market share gains. Our nonhunting categories decreased 0.5%, a sequential increase from Q4's 3.2% decline with the primary improvement driven by our fishing and clothing categories. For the quarter, clothing increased 7.1% given strong performance from workwear and camouflage items. Fishing increased 3.7% as we anniversaried a weaker fishing season in Q1 of last year.

Our gross margins were relatively consistent, down 10 basis points year-over-year in Q1. Given the mix shift headwind resulting from strengthening firearm and ammunition sales, we were particularly pleased with the solid gross margin performance. During the quarter, we began our planned investments in our e-commerce platform, while taking a measured approach with these expenses. Our strong top line growth, combined with relatively steady gross margins and disciplined cost control drove our flat year-on-year earnings performance. Kevan will go into the Q1 financial performance in greater detail in a moment.

Now I'd like to spend a few moments highlighting the progress we've made against key strategic priorities for 2018. As a reminder, our priorities are omni-channel growth strategy, both in-store and online; customer acquisition and engagement; and merchandising assortment.

Starting with our comprehensive omni-channel strategy, which includes the growth of brick-and-mortar as well as e-commerce. Looking at brick-and-mortar. We opened 2 new stores in the first quarter as planned in Sheridan, Wyoming and Walla Walla, Washington, for a total of 89 stores at the end of the quarter. We are pleased with the early performance we've seen from these new stores. We plan to open 2 more stores in the second quarter as we make progress towards our 5 targeted store openings for the year or 3% square footage growth over fiscal year 2017. As a reminder, this prudent moderation from 2017's 12 store openings will allow us to allocate more free cash flow to pay down debt this year, which remains a priority for us.

On the e-commerce side, we remain focused on improving our front-end experience to interact with customers online in a more engaging way that better reflects our category expertise. 2018 is an investment year for e-comm as we outlined on our year-end call. In the first quarter, we formally kicked off our re-platforming process by utilizing both internal and external resources, and we're on track both from an investment and time line perspective for rollout of initial improvements to be visible to the consumer in early fiscal 2019. We also continue to increase our online product assortment by growing our drop-ship program vendors.

In the first quarter, we filled several key roles on the e-commerce team and are very excited to announce that Jared Tanner joined Sportsman's Warehouse in April as our new VP of Marketing and E-commerce. Jared was most recently at Academy Sports, leading their omni-channel efforts and has significant industry and omni-channel experience. Jared has hit the ground running with a focus on organizational structure and leading the new platform installation from a customer-centric perspective. I'm excited to have Jared as a partner and he will be instrumental in the execution of our omni-channel strategy.

In terms of customer acquisition engagement. We are pleased with the continued growth of the membership in our loyalty program, which grew 27.3% versus Q1 of 2017. We now have more than 1.6 million members and we continue to deploy targeted and personalized test-and-learn marketing strategies to engage our loyalty members.

Customer response to these test-and-learn efforts have been strong, and we will continue to utilize these marketing strategies around specific items and promotions for our loyalty customer base going forward. We believe segmented marketing will allow us to further strengthen our engagement and grow the percentage of sales generated by our loyalty members from its current level of over 45%. In addition, as we capitalize on the increased market share opportunities available to us given the changes in competitive dynamics, we look forward to acquiring new customers and bringing them into our loyalty fold.

Turning to merchandising. We continue to strengthen and leverage our relationship with vendors through cooperative merchandising efforts, increased participation from vendors related to in-store visual merchandising improvements, opportunities at first-to-market goods, allocation of -- allocation increases on high-demand products and increased partnerships on vendor-managed inventory. As an example, we completed the reset of 20 store-within-a-store concept shops with a key tactical clothing brand during Q1, which better showcases the product offering from this brand and provides a more engaging shopping experience for our customers.

In addition, we have successfully expanded our online assortment in multiple categories through drop-ship programs with current vendors, with additional vendors coming on in the next quarter.

We are pleased with our private label performance in the first quarter. We're excited about our high-quality, high-value private label expansion in one of our core camping categories that will be in stores this coming quarter. We're also expanding the Killik brand into outdoor-focused casual clothing. In 2018, we will continue to focus on filling the gaps within our good, better, best branded product offering and building on a strong value proposition that we provide to our customers.

So in summary, we are pleased with our strong start to the year and the progress made against each of our strategic initiatives. We look forward to building on this progress throughout fiscal 2018 and strengthening our competitive positioning.

Before turning the call over to Kevan, I want to thank all of our team members for their hard work and dedication that contributed to the successful first quarter. With that, I'll turn the call over to Kevan to discuss our financials.

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

Thanks, Jon. Good morning, everyone. I'll begin my remarks with a review of our first quarter results and then discuss our outlook for the remainder of fiscal year 2018. My comments today will focus on adjusted results. We have provided these results as well as an explanation of each line item and reconciliation to GAAP net income and earnings per share in our earnings press release, which was issued earlier today.

Before I review our results, I would like to point out one housekeeping item. Due to the 53rd week in fiscal year 2017, our same-store sales for the first quarter of fiscal year 2018 are compared to the shifted 13-week period ended May 6, 2017, which is the comparable period.

Turning to our results. Net sales for the first quarter of fiscal year 2018 increased 14.8% to $180.1 million from $156.9 million in the first quarter of last year. Sales were at the high end of our expectations, driven by strength in firearms and ammunition. Same-store sales, which includes e-commerce, increased 3.4% for the quarter.

We opened 2 stores during the first quarter and ended the period with 89 stores in 22 states for a square footage growth of 8.9% from the end of the first quarter of fiscal year 2017. The competitive headwinds were 50 basis points in the first quarter with only 2 stores of our 77 comparable store base impacted by new competition. We were pleased with broad-based comp performance against -- across geographies, including our stores in oil and gas markets, which provided a 67 basis point comp tailwind in the first quarter.

Gross profit increased 14.3% to $55.6 million compared to $48.6 million in the first quarter of fiscal year 2017. During the first quarter of fiscal year 2018, gross profit as a percentage of net sales decreased 10 basis points to 30.9% from 31% in the prior year period. The decrease was primarily due to a sales mix shift toward lower-margin firearms and ammunition, which were our strongest categories in the quarter.

SG&A increased 13% to $59.2 million for the first quarter of fiscal year 2018 from $52.4 million in the first quarter of fiscal year 2017. As a percentage of net sales, SG&A expenses in the quarter decreased approximately 50 basis points to 32.9% from 33.4% in the prior year period. Excluding a $2.6 million severance charge in the first quarter of 2018 related to our former CEO's retirement and $1.7 million in professional fees paid during the first quarter of 2017, adjusted SG&A increased 11.7% to $56.6 million or 31.4% of net sales from $50.6 million or 32.3% of net sales in the prior year period.

Loss from operations for the quarter was $3.7 million as compared to $3.8 million in the first quarter of fiscal year 2017. Excluding the items I just discussed, adjusted operating loss improved to $1 million from a loss of $2 million last year. Our net interest expense in the first quarter of fiscal year 2018 was $3.6 million compared to $3.2 million in the prior year period. We recorded an income tax benefit of $1.4 million for the 13 weeks ended May 5, 2018, compared to $2.4 million in the corresponding period of fiscal year 2017.

Net loss for the quarter was $5.8 million or $0.14 per diluted share based on a diluted weighted average share count of 42.8 million shares as compared to a net loss of $4.5 million or $0.11 per share based on a diluted weighted average share count of 42.3 million shares last year. Adjusted net loss, which excludes the impact of charges related to our former CEO's retirement in the first quarter of fiscal year 2018 and also professional fees last year, was $3.6 million in the first quarter of 2018 compared to an adjusted net loss of $3.4 million in the first quarter of last year or a loss of $0.08 per diluted share in both periods.

Adjusted EBITDA for the first quarter increased to $4.8 million compared to $4.2 million in the prior year period.

Turning to our balance sheet. As of May 5, 2018, ending inventory was $306.2 million as compared to $288.3 million as of the end of the first quarter of last year. On a per-store basis, inventory was down 5.7% at the end of the first quarter compared to the end of the first quarter of the prior year. We incurred approximately $4.5 million in capital expenditures during the first quarter.

Before turning to our outlook, we are very excited to have announced today the amendment and restatement of our credit facility. As you saw in the press release we issued this morning, we increased our borrowing capacity on our line of credit by $100 million to $250 million and added a $40 million term loan. We also extended the maturity of our credit facility to May of 2023, an extension of almost 3 years, and we used the increase in borrowing capacity and proceeds from our new term loan to pay off our prior term loan in full. This refinancing is expected to decrease our interest expense by approximately $4.5 million on an annualized basis or approximately $0.08 per share. Over the remainder of our current fiscal year, we expect to realize more than $3 million of interest savings. Also as a result of this amendment, we have eliminated the financial ratio covenants that were required by our prior term loan.

Turning now to our outlook. We are raising the low end of our fiscal year 2018 outlook to reflect our first quarter performance and expected interest savings, which are partially offset by lower margin mix shift headwinds. Our full year tax rate is now expected to be 25.6% versus 25.1% previously. All other items related to our full year guidance as discussed on our year-end call remain unchanged.

For the second quarter, in terms of firearm demand, while we expect to continue to capture additional market share given recent competitive dynamic changes, we do not expect the same level of firearm demand going forward as we saw in Q1 given some pull forward that also occurred at the same time. Our outlook for the second quarter is as follows: revenue in the range of $199 million to $206 million; a same-store sales change in the range of down 2% to positive 2% compared to the second quarter of fiscal year 2017 as adjusted for the 1-week shift; adjusted diluted earnings per share of $0.14 to $0.17 on a weighted average of approximately 43 million estimated common shares outstanding. Embedded in our second quarter guidance is an expectation of declining operating margins, driven primarily by sales-driven gross margin headwinds as we expect to reverse the 90 basis point sales mix-driven benefit from Q2 last year and SG&A deleverage given our planned e-commerce investment and the minimum wage headwinds discussed previously on our year-end call.

For fiscal year 2018, we expect revenue of $837 million to $860 million. We expect the same-store sales change in the range of down 1% to positive 2% compared to fiscal year 2017 as adjusted for the 1-week shift. We are now assuming approximately $11.5 million in interest expense for 2018, which reflects the amendment and restatement of our credit agreement and repayment of our prior term loan. Our fiscal year 2018 expectations for adjusted earnings per diluted share are now $0.55 to $0.64 on a weighted average of approximately 43 million estimated common shares outstanding.

We remain on track to open 5 stores total for approximately 3% square footage growth in fiscal year 2018, allowing us to continue to pay down debt as reducing our leverage remains a priority this year. As it relates to capital expenditures, we continue to expect to incur approximately $20 million to $26 million in total capital expenditures in fiscal year 2018 or net capital expenditures of $15 million to $20 million, inclusive of approximately $5 million to $6 million in deemed sale leaseback transactions and landlord incentives that we expect to receive for the year. Approximately $600,000 of our CapEx for fiscal year 2018 will be attributed to the e-commerce investment.

With that, I will now turn the call over to the operator to open the call up to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Peter Benedict with Robert W. Baird.

Peter Benedict - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

So the first question, just on the gross margin comment. Kevan, it sounds like you're thinking that the second quarter you kind of reversed the mix impact, so maybe thinking down 90. A, is that correct? And as you think over the balance of the year, I think you had positive mix as well in the third quarter. So I'm just trying to get your sense of where you think the gross margin comes in for the year as part of your current guidance. That's my first question.

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

Our current guidance for the year, when you take into account the reversal of last year's mix benefit that we saw in the second quarter, has us down in gross margin for the year because we do reverse some of those things. We certainly have picked up market share. We expect that to continue through the year and that's having a negative impact. So the tailwinds that we saw last year, we do expect to reverse, maybe not all of them -- all of the tailwinds that we saw, but we do expect some downward pressure to the gross margin for the year.

Peter Benedict - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. All right. So that helps. I think the prior view was maybe more flattish, and I guess that maybe explains the interest expense is going to be accretive by $0.05 this year or the new credit agreement. I know you guys raised your guidance at the low end, but the midpoint goes up a couple of pennies, a penny or 2. So is that really -- is gross margin really the only change in your view over the balance of the year relative to where you were in the fourth quarter? Or were there other adjustments that you've made?

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

The only other adjustment, as I mentioned, was the slight change in our effective income tax rate as our estimates for nondeductible items. We've revised those based upon current information. So that's the only other change other than gross margin and interest expense.

Peter Benedict - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Excellent. Last question, just around the omni-channel spend. I think it was articulated around $3.5 million for this year. I'm just trying to get a sense of what -- how we should think about that in 2019? Is that kind of a good run rate? Does it step up or come back? And as we think about 2019, Jon, I think you mentioned some deliverables will start to show up there on omni-channel, just maybe give us a taste for what we can expect to see in early 2019. And then that'll be it for me.

Jon Barker - *Sportsman's Warehouse Holdings, Inc. - CEO, President & Director*

Peter, on the expense for -- or investment in e-comm, '19 will be a continued -- or similar investment to '18 assume low- to mid-single digit millions of investment next year in the platform. So again, in that $3.5 million to $5 million range, I think, is a good way to think about the investment next year. As far as what the customer will be able to leverage next year, in early fiscal '19, we expect to see the entire creative and user experience launch on the new platform. And then after that, we will start to launch the omni-channel capabilities of leveraging the inventory within the stores near real time for the customer to shop. Those are the 2 largest components.

Operator

Our next question is from Matt Fassler with Goldman Sachs. Okay, it seems we lost him. Our next question will be from Seth Sigman with Crédit Suisse.

Seth Sigman - *Crédit Suisse AG, Research Division - United States Hardline Retail Equity Research Analyst*

A couple of follow-up questions here. Just in terms of the category trends. So you talked about positive trends in fishing, clothing, firearms. I guess, ex hunting, you said comps were down 50 bps. Obviously, that is an improvement from the trend as you noted. But just curious, what are some of the categories that maybe didn't perform as well in the quarter? And how much of that is weather-related? And any sense on whether those categories are starting to improve?

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

Seth, the 2 biggest decliners during the quarter, from a category perspective, were camping and footwear, both of which were negatively impacted by weather. Nobody needed to buy pack boots this year given the warmer weather in the west from a footwear perspective, and that's a big ticket item in a slow quarter. So it has a magnification with respect to the percentage decline there. Likewise, a year ago, because of the significant weather events at the first quarter, we saw a lot of generator sales, which were, again, our high-ticket item that had a negative impact on the camping sales during the quarter. So those were the 2 biggest decliners during the quarter from an overall category perspective.

Seth Sigman - *Crédit Suisse AG, Research Division - United States Hardline Retail Equity Research Analyst*

Any sense on whether that's improving? And I guess, as we look at the guidance, it sounds like there's an assumption here for some normalization in firearm trends, but would you expect an improvement in the nonhunting categories?

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

Yes, Seth. What we've seen early in Q2 thus far, is that those categories are improving and that's factored into our guidance.

Seth Sigman - *Crédit Suisse AG, Research Division - United States Hardline Retail Equity Research Analyst*

Great. And then just one final follow-up on the gross margin. If you step back, the gross margin has been really stable over time on a multi-quarter, multiyear basis. This quarter, the performance look pretty good in light of the firearms mix. It sounds like mix will still be a headwind. But I'm more curious, what are some of the positive offsets here? Some of the initiatives that you're focused on to help manage that?

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

Absolutely. So what we saw is we broke down our gross margin, particularly in the hunting category, is we actually saw an increase in category margins within. It's all basically mix that is pushing that down. So that was a very positive sign that we saw there with respect to within the category itself. So the rate is actually -- we saw good results during the first quarter. Another positive that we saw that really helped offset is some terms discounts and vendor incentives. Again, the vendor partnerships that Jon referenced in his script, we really started to see some benefits flow through the gross margin during the quarter. So we were very pleased from that aspect as well. So a couple of positives there despite the fact that we did have a decline in our gross margin.

Operator

Our next question is from Matthew Fassler with Goldman Sachs.

Chandni Luthra - *Goldman Sachs Group Inc., Research Division - Associate*

This is Chandni Luthra in behalf of Matt Fassler. Sorry about earlier. I just want to check about the impact of weather in the quarter. One of your competitors talked about a pretty big swing in terms of how it was warm earlier and then it benefited later. So I guess, if you could talk about how it impacted your quarter and how is weather shaping up for the second quarter for you quarter-to-date.

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

Weather during the first quarter did have an impact on us as well. As I referenced earlier, it really had an impact -- negative impact on our camping and our footwear sales. We did well from a clothing perspective in the first quarter, but overall, it did have a negative impact. As it's shaping up into Q2, the weather pattern has normalized and fishing has had a strong start to the year in the first quarter. We expect that to continue, particularly given the weakness that we saw in the first half of last year. So there's some other positives there that the weather is -- now that we're getting to springtime and it's normalized, we are seeing some good results thus far, with respect to weather.

Operator

Our next question is from Michael Kawamoto with D. A. Davidson.

Michael Kawamoto - *D.A. Davidson & Co., Research Division - Research Associate*

On ammunition, I think you said it was up 9% in the quarter. Are you seeing better demand overall there? Or some of that, the pricing increases that were set by the manufacturers?

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

We are seeing better demand. We're seeing the market share shift that we talked about. I think we believe there's also a little bit of pull forward there. Our ASPs in ammunition actually saw a decline during the first quarter. So really, it was driven by unit growth, which speaks to the demand.

Michael Kawamoto - *D.A. Davidson & Co., Research Division - Research Associate*

Got it. And then on the private label, you're expanding Killik into outdoor casual. Where do you stand in that category in terms of percent of sales? And where do you think that goes longer term?

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

Currently, for the quarter, we were at 3% of revenue in our private label sales. As we've talked historically, we expect that number to increase somewhere between 7% to 10% over a longer period of time. Private label has been a priority of ours, but it is a very disciplined priority. So we're not taking that 3% to 10% this year. That will be over time, as we analyze and be very disciplined in our endeavors and ventures into private label.

Operator

Our next question is from Patrick McKeever with MKM Partners.

Patrick McKeever - *MKM Partners LLC, Research Division - MD, Sector Head & Senior Analyst*

Okay. I'm wondering if you could just talk about the month-to-month trend during the quarter. Did it resemble the NICS data for the different months of the quarter? Also, I'm wondering if you could talk about the -- just the industry backdrop with some of the consolidation that we've seen over the past year or so in the space. I'm wondering what you are seeing in terms of competitive store openings and store closings and the promotional pricing environment. And then just my last one is on product innovation, which some of the mainline sporting goods retailers have been talking about a better product innovation cycle this year with some of the big brands. I'm wondering if you're seeing the same thing in the outdoors space or not.

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

So Patrick, with respect to your first question on the month-to-month cadence, we don't speak specifically to our month-to-month cadence. When I'm asked that question, I always respond and refer people to the NICS data. That is a good indicator, although it's not entirely reflective of ours, but that is the best available index. But if you want to look at that, it does approximate our business. So with respect to month-to-month, we don't speak specifically to our cadence, but look at the NICS data.

Jon Barker - *Sportsman's Warehouse Holdings, Inc. - CEO, President & Director*

Patrick, on the industry side, from a competitive standpoint, we are not aware of any new stores that will open directly competing with us this year. We did have in the east, Gander Outdoors opened, I believe in Roanoke, reopened that store recently. So only time will tell what kind of influence that has. Certainly, the mix within their store and their approach is much different than ours. But as far as the 2 big players that we -- you're probably referencing, we're not aware of any openings coming soon. I think there's a continued effort on their part to rationalize their existing store base. As far as innovation goes, there are a few things coming on the hard goods side that will probably help offset some of the lacking innovation in electronics, in GPS, et cetera, that we've seen over the last couple of years. Only time will tell if those are material and it's probably a little too soon for me to reference any particular one and its impact to our business.

Patrick McKeever - *MKM Partners LLC, Research Division - MD, Sector Head & Senior Analyst*

Okay. And then just a last one here. I mean, I understand the pull forward or the demand pull forward of firearm sales in probably the month of March following the Parkland, Florida school shooting, but how -- you mentioned the competitor restrictions that have gone into play, so I think that's the bigger factor behind the strength in firearm sales and ammunition in the first quarter. So I guess, I'm wondering why the benefit from those competitor restrictions doesn't continue on a bit into the year, just given the fact that those were put in place early this year and why wouldn't there be more of an annual benefit. And maybe there is. Maybe you're expecting that in the guidance or anticipating that in the guidance.

Jon Barker - *Sportsman's Warehouse Holdings, Inc. - CEO, President & Director*

So it's clearly a combination of pull forward that happened in Q1 and market share gains. We can see it in specific regions where we compete against some of the competitors who have made changes. We're hearing it from our customers on a daily basis. The question that's unclear for any of us at this point is how much of that market share long term versus pull forward. We're optimistic that a good -- that a portion of it is market share gains for the long term, but only time will tell how much. So we've reflected that in a way -- we've reflected that understanding in our forecast for the rest of the year.

Operator

Our next question is from Peter Keith with Piper Jaffray.

Robert Friedner - *Piper Jaffray Companies, Research Division - Research Analyst*

It's actually Bobby on for Peter this morning. Just a follow-up on the oil and gas markets, it seems like it continues to improve. I'm just wondering, if you could discuss what you're seeing there from your stores and customers?

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

We've seen very good results in those markets. We have 9 stores that we consider in oil and gas markets, energy-dependent markets. We are seeing a lot of hiring in those markets. We do believe that they have some great potential, but it will take a little bit of time for that consumer to replenish their wallet after the downturn that they've experienced over the last little while. So we are seeing good results and optimistic that those will continue as oil prices rebound and employment returns in those markets. But early results are good and very pleased with the 67 basis point tailwind that we saw from those 9 stores.

Robert Friedner - *Piper Jaffray Companies, Research Division - Research Analyst*

Great. And just a quick follow-up around the pull forward demand you've talked about in firearms. Any estimate? I guess, can you say like whether you expect growth going forward to be closer to Q1 or closer to growth in the prior quarters?

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

With respect to the pull forward, as Jon indicated, we're still getting our hands around that and revising our estimates. We've done some internal estimates. We're not comfortable in sharing those publicly yet. Clearly, there was some pull forward. We also believe that there was some increased market share that's there. We don't believe that the firearm and ammunition demand will continue in the second quarter that we saw in the first quarter. So there's a lot of factors involved there yet. And again, we're still revising, looking at our estimates and analyzing the differences between the pull forward and the market share gain.

Operator

(Operator Instructions) Our next question is from Ronald Bookbinder with IFS Securities.

Ronald Bookbinder - *IFS Securities, Inc., Research Division - Analyst*

It seems that the ASPs on the extreme coolers are coming down. Is that pressuring comps or are you selling more units?

Kevan P. Talbot - *Sportsman's Warehouse Holdings, Inc. - CFO & Secretary*

No, you are correct that there is downward pressure in ASPs. The cooler category flows through our camping department and that is part of that pressure.

Ronald Bookbinder - *IFS Securities, Inc., Research Division - Analyst*

You've talked about your private label program. Why don't you have a private label on extreme coolers, like using the Killik brand?

Jon Barker - *Sportsman's Warehouse Holdings, Inc. - CEO, President & Director*

Ron, this is Jon. As we mentioned in the script, we're excited to announce we'll have a really nice entry into our hard goods category within camping coming soon and hard -- those coolers do fit into that category.

Ronald Bookbinder - *IFS Securities, Inc., Research Division - Analyst*

Okay. And lastly, private label in the fishing apparel in the store and noticed that you have, on the fishing shirts, the vented ones with all the pockets. You got the Rustic Ridge, but you also have Sportsman's Warehouse private label. Why the 2 different labels? Are you going to develop a good, better, best strategy, or what am I seeing there?

Jon Barker - *Sportsman's Warehouse Holdings, Inc. - CEO, President & Director*

Got it. Ron, this is Jon again. Actually, there's 3 brands on that particular shirt, and you'll see that transition over time to 2. You'll see the Rustic Ridge on the good, the Killik on the better and Sportsman's Warehouse, you'll probably see fewer of those over time as a brand in that particular shirt. We've had really good response on that good, better, best strategy using Rustic Ridge and Killik, and you'll see an expansion in the Killik line in those type of apparel items coming soon.

Ronald Bookbinder - *IFS Securities, Inc., Research Division - Analyst*

Okay. And is there any margin difference between the private labels or are they all pretty nice margins?

Jon Barker - *Sportsman's Warehouse Holdings, Inc. - CEO, President & Director*

Between our particular brand, the Rustic Ridge and Killik within apparel, they're very similar, of course, compared to the brands. The other brands that we sell, there's a nice material improvement on the private label in total.

Operator

We have reached the end of our question-and-answer session. I would like to turn the conference back over to management for closing remarks.

Jon Barker - *Sportsman's Warehouse Holdings, Inc. - CEO, President & Director*

Thank you. I want to thank everyone again for taking their time today to speak with us and the great follow-up questions we have. We're certainly excited about the start of the year and looking forward to continued success in building upon the initiatives that we have in place. With that, I'll close the call. Thank you again.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time, and thank you for your participation.