



# FIRST QUARTER 2020 EARNINGS CONFERENCE CALL

June 4, 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, 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 1, 2020, which was filed with the SEC on April 9, 2020 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," "Adjusted Net Income," "Adjusted Income (Loss) from Operations" 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.

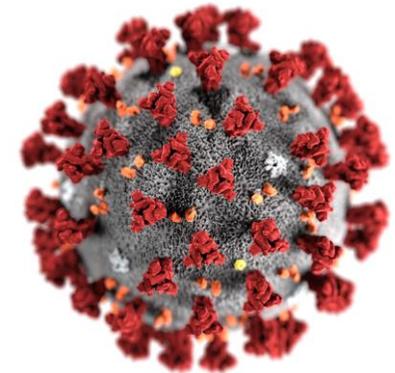


## COMPANY & STRATEGIC OVERVIEW

**Jon Barker**

*Chief Executive Officer*

- Majority of stores remained open during Q1 to serve our customers
- Protected health and safety of associates and customers
  - Enhanced cleaning and sanitizing
  - Limited number of customers in stores to ensure social distancing
  - Supplied face masks to all stores and distribution center associates
  - Installed clear plastic barriers at registers and in customer service
- Continuity of supply
  - Slight disruption in Camping and Fishing products from China (largely behind us)
  - Intermittent disruption from domestic suppliers
  - Working closely with vendors to mitigate impact
- Demand trends
  - Sales accelerated in Q1
  - Surging demand in certain products caused shortages, especially in Firearms and Ammunition
- Not providing guidance due to uncertainty surrounding COVID-19 situation



**Sportsman's Able to Safely Remain Open and Continue to Serve Customers During Crisis**

# STRONG NET SALES IN Q1 WITH SURGE IN FIREARMS AND AMMO



Financial Results	Q1 2020	Q1 2019	YOY Var (\$)	YOY Var (%)
Net Sales (\$ in millions)	\$247	\$174	\$73	42%
Same Store Sales Growth	29%	(6)%	NA	NA

- Net Sales growth of 42% in Q1 driven primarily by three factors:
  - COVID-19 situation
  - Gaining market share in a consolidating industry
  - Upcoming election cycle

Category Net Sales – Q1	YOY SSS Growth	Commentary
Firearms	65%	Led by home defense: handguns and shotguns
Ammunition	90%	Led by loaded ammunition; reloading resurged
Camping	16%	Driven by essential items incl. food prep, generators
Fishing	9%	Led by rods, reels and rod/reel combinations
Footwear	(22)%	Soft sales started to turn toward the end of Q1
Clothing	(30)%	Soft sales as customers were “questing”

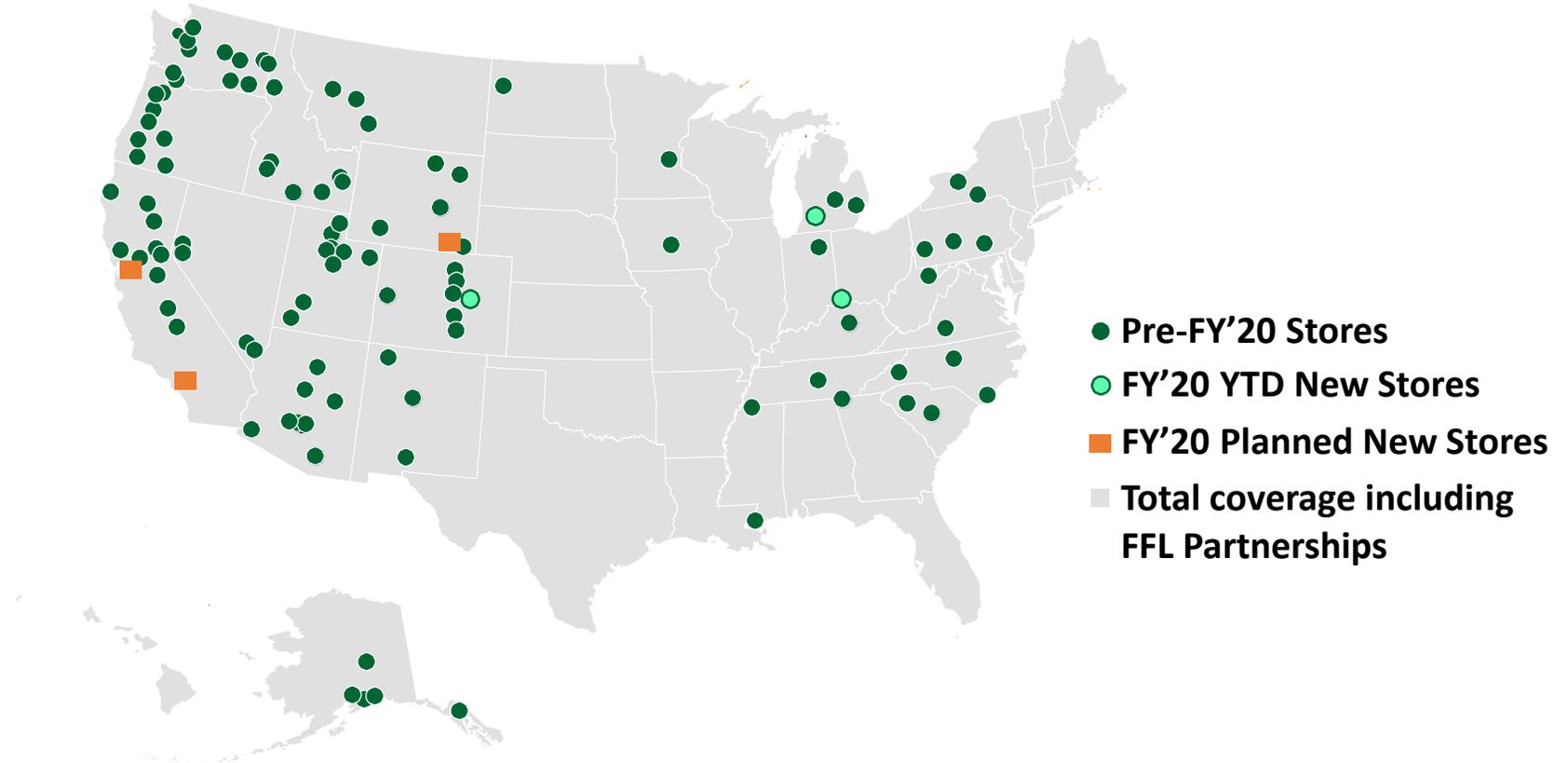
- Gross Profit dollars up YOY while Gross Margin rate negatively impacted by mix



## HIGHLIGHTS

- Massive growth in online sales
  - Social distancing and stay-at-home orders drove traffic online
  - Prior investments in our eCommerce platform enabled us to capitalize on surge in demand
- Plan to open 5 to 7 new stores in 2020
  - Opened 3 new Sportsman's stores
    - Parker, CO (former Gander)
    - Crescent Springs, KY (former F&S)
    - Kalamazoo, MI (former F&S)
  - Additional new stores planned
    - Laramie, WY (small-format)
    - Brentwood, CA
    - Corona, CA
  - Closed store in Milpitas, CA

## U.S. FOOTPRINT



**Expanding Online Presence and Pursuing Additional Stores**

01

Significant momentum in our core business in Q1



02

Near-term: The upcoming election cycle is a potential catalyst for sales momentum in Q2 and Q3



03

Medium-term: Significant uncertainty in the macro-economic environment



04

Long-term: Uniquely positioned to capitalize on market share opportunities, given competitive dynamics, and trend toward more outdoor activities



05

Continuing to make progress on our strategic growth initiatives, including eCommerce platform



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



# FINANCIAL RESULTS & COMMENTARY ON 2020

**Robert Julian**

*Chief Financial Officer*

# FIRST QUARTER 2020 FINANCIAL RESULTS



## For the Thirteen Weeks Ended

	<u>May 2, 2020</u>	<i>% of net sales</i>	<u>May 4, 2019</u>	<i>% of net sales</i>	<u>Variance</u>
Net sales	\$ 246,835	100.0%	\$ 174,017	100.0%	\$ 72,818
Cost of goods sold	172,061	69.7%	119,844	68.9%	52,217
Gross profit	<u>74,774</u>	<u>30.3%</u>	<u>54,173</u>	<u>31.1%</u>	<u>20,601</u>
Operating expenses:					
Selling, general and administrative expenses	75,219	30.5%	59,530	34.2%	15,689
Loss from operations	(445)	(0.2%)	(5,357)	(3.1%)	4,912
Interest expense	1,534	0.6%	2,105	1.2%	(571)
Loss before income tax expense	(1,979)	(0.8%)	(7,462)	(4.3%)	5,483
Income tax benefit	(849)	(0.3%)	(2,003)	(1.2%)	1,154
Net loss	<u>\$ (1,130)</u>	<u>(0.5%)</u>	<u>\$ (5,459)</u>	<u>(3.1%)</u>	<u>\$ 4,329</u>
Loss per share					
Basic	<u>\$ (0.03)</u>		<u>\$ (0.13)</u>		<u>\$ 0.10</u>
Diluted	<u>\$ (0.03)</u>		<u>\$ (0.13)</u>		<u>\$ 0.10</u>
Weighted average shares outstanding					
Basic	<u>43,327</u>		<u>43,003</u>		<u>324</u>
Diluted	<u>43,327</u>		<u>43,003</u>		<u>324</u>

**Massive Net Sales and Adjusted EPS Growth in First Quarter of 2020 Compared to PY**

# BALANCE SHEET INCREASINGLY AN AREA OF STRENGTH



## BALANCE SHEET HIGHLIGHTS (as of end of quarter)

(\$M)	Q1 20	Q1 19	YoY Δ
<b>Total Liquidity</b> <i>Cash Plus Availability on Revolving Credit Facility</i>	<b>\$82.4</b>	\$41.0	+101%
<b>Merchandise Inventories</b>	<b>\$300.9</b>	\$291.5	+3%
<b>Total Assets</b>	<b>\$662.3</b>	\$584.3	+13%
<b>ABL Working Capital Facility</b>	<b>\$118.4</b>	\$141.6	(16%)
<b>Term Loan</b>	<b>\$25.7</b>	\$33.7	(24%)
<b>Total Debt</b>	<b>\$144.1</b>	\$175.3	(18%)
<b>Stockholders' Equity</b>	<b>\$109.2</b>	\$82.5	+32%
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$662.3</b>	\$584.3	+13%

**Inventory Per Store**  
Down 10% YoY

**Net Debt**  
Down 18% YoY

**Net Cash from Operating Activities**  
Increased 370% (+\$29M)

**Significant Cash Flow Generation in Q1 Allowed for Further Debt Pay Down**



- **Stores:** 5-7 new Sportsman's Warehouse stores
- **Gross margin**
  - Pressure due to the following factors:
    - Unfavorable product mix (firearms and ammunition); and
    - Unfavorable channel mix (increased sales via eCommerce platform)
  - Partially offset by more full-price sales and increased vendor incentives
- **Tax rate:** approximately 27%
- **Interest expense:** approximately \$6.5 - \$7.0 million
- **Capital expenses:** approximately \$23.0 - \$28.0 million

**2020 On Track to be Another Strong Year for Sportsman's Warehouse**



# APPENDIX

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



## Reconciliation of GAAP loss from operations to adjusted income (loss) from operations:

	For the Thirteen Weeks Ended	
	May 2, 2020	May 4, 2019
Loss from operations	\$ (445)	\$ (5,357)
Acquisition costs (1)	29	-
Hazard pay (2)	1,100	-
Store Closing Write-off (3)	1,039	-
Executive Transition Costs (4)	-	350
Adjusted income (loss) from operations	<u>\$ 1,723</u>	<u>\$ (5,007)</u>

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

### Numerator:

Net loss	\$ (1,130)	\$ (5,459)
Acquisition costs (1)	29	-
Hazard pay (2)	1,100	-
Store Closing Write-off (3)	1,039	-
Executive Transition Costs (4)	-	350
Less tax benefit	(588)	(90)
Adjusted net income (loss)	<u>\$ 450</u>	<u>\$ (5,199)</u>

### Denominator:

Diluted weighted average shares outstanding	43,686	43,003
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(1) Expenses incurred relating to the acquisition of Field & Stream stores.

(2) Expense incurred relating to bonuses and increased wages paid to front-line associates due to COVID-19.

(3) Costs and impairments recorded relating to the closure of one store during the first quarter of 2020.

(4) Costs incurred for the recruitment and hiring of key members of management.

(5) 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.

(6) Pre-opening expenses include expenses incurred in the preparation and opening of a new store location, such as payroll, travel and supplies, but do not include the cost of the initial inventory or capital expenditures required to open a location.

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



	For the Thirteen Weeks Ended	
	May 2, 2020	May 4, 2019
<b>Reconciliation of earnings per share:</b>		
Dilutive loss per share	\$ (0.03)	\$ (0.13)
Impact of adjustments to numerator and denominator	0.04	0.01
Adjusted diluted earnings (loss) per share	\$ 0.01	\$ (0.12)
<b>Reconciliation of net income to adjusted EBITDA:</b>		
Net loss	\$ (1,130)	\$ (5,459)
Interest expense	1,534	2,105
Income tax benefit	(849)	(2,003)
Depreciation and amortization	5,365	4,613
Stock-based compensation expense (5)	736	453
Pre-opening expenses (6)	387	328
Acquisition costs (1)	29	-
Hazard pay (2)	1,100	-
Store Closing Write-off (3)	1,039	-
Executive Transition Costs (4)	-	350
Adjusted EBITDA	\$ 8,211	\$ 387

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