

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 May 1, 2021  
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  
(State or other jurisdiction  
of incorporation or organization)

1475 West 9000 South, Suite A, West Jordan, Utah  
(Address of principal executive offices)

39-1975614  
(I.R.S. Employer  
Identification No.)

84088  
(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, \$0.01 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 June 4, 2021, the registrant had 43,831,224 shares of common stock, \$0.01 par value per share, outstanding.

## SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

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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 first quarters ended May 1, 2021 and May 2, 2020 both consisted of 13 weeks and are referred to herein as the first quarter of fiscal year 2021 and the first quarter of fiscal year 2020, respectively. Fiscal year 2021 contains 52 weeks of operations and will end on January 29, 2022. Fiscal year 2020 contained 52 weeks of operations and ended on January 30, 2021.

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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,” “positioned,” “potential,” “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. The forward-looking statements also include assumptions about our proposed merger with Great Outdoors Group, LLC (“Great Outdoors Group”), a subsidiary of Great American Outdoors Group.

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:

- the potential impact of, and any potential developments related to, the pending merger with Great Outdoors Group, including the risk that the conditions to the consummation of the merger are not satisfied or waived, litigation challenging the merger, the impact on our stock price, business, financial condition and results of operations if the merger is not consummated, and the potential negative impact to our business and employee relationships due to the merger;
- current and future government regulations, in particular regulations relating to the sale of firearms and ammunition, which may impact the supply and demand for our products and our ability to conduct our business;
- the impact of COVID-19 pandemic and measures intended to reduce its spread on our operations;
- our retail-based business model which is impacted by general economic and market conditions and economic, market and financial uncertainties that may cause a decline in consumer spending;
- our concentration of stores in the Western United States which makes us susceptible to adverse conditions in this region, and could affect our sales and cause our operating results to suffer;
- the highly fragmented and competitive industry in which we operate and the potential for increased competition;
- changes in consumer demands, including regional preferences, which we may not be able to identify and respond to in a timely manner; and
- our entrance into new markets or operations in existing markets, which may not be successful.

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 January 30, 2021 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)**

	May 1, 2021	January 30, 2021
<b>Assets</b>		
Current assets:		
Cash	\$ 59,719	\$ 65,525
Accounts receivable, net	574	581
Merchandise inventories	287,077	243,434
Prepaid expenses and other	15,957	15,113
Total current assets	363,327	324,653
Operating lease right of use asset	239,407	235,262
Property and equipment, net	101,364	99,118
Goodwill	1,496	1,496
Definite lived intangibles, net	280	289
Total assets	\$ 705,874	\$ 660,818
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 113,045	\$ 77,441
Accrued expenses	108,116	109,056
Income taxes payable	7,872	4,917
Operating lease liability, current	36,386	36,014
Revolving line of credit	—	—
Current portion of long-term debt, net of discount and debt issuance costs	—	—
Total current liabilities	265,419	227,428
Long-term liabilities:		
Long-term debt, net of discount, debt issuance costs, and current portion	—	—
Deferred income taxes	378	434
Operating lease liability, noncurrent	226,220	228,296
Total long-term liabilities	226,598	228,730
Total liabilities	492,017	456,158
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; 43,831 and 43,623 shares issued and outstanding, respectively	438	436
Additional paid-in capital	88,560	89,815
Accumulated earnings	124,859	114,409
Total stockholders' equity	213,857	204,660
Total liabilities and stockholders' equity	\$ 705,874	\$ 660,818

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	
	May 1, 2021	May 2, 2020
Net sales	\$ 326,992	\$ 246,835
Cost of goods sold	222,945	172,061
Gross profit	<u>104,047</u>	<u>74,774</u>
Selling, general, and administrative expenses	90,419	75,219
Income (loss) from operations	13,628	(445)
Interest expense	226	1,534
Income (loss) before income taxes	13,402	(1,979)
Income tax expense (benefit)	2,952	(849)
Net income (loss)	<u>\$ 10,450</u>	<u>\$ (1,130)</u>
Earnings (loss) per share:		
Basic	\$ 0.24	\$ (0.03)
Diluted	<u>\$ 0.23</u>	<u>\$ (0.03)</u>
Weighted average shares outstanding:		
Basic	43,690	43,327
Diluted	<u>44,514</u>	<u>43,327</u>

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**  
 Amounts in Thousands  
 (unaudited)

For the Thirteen Weeks Ended May 1, 2021 and May 2, 2020

	Common Stock		Restricted nonvoting Common Stock		Additional paid-in- capital Amount	Accumulated (deficit) earnings Amount	Total stockholders' equity Amount
	Shares	Amount	Shares	Amount			
Balance at February 1, 2020	43,296	\$ 433	—	\$ —	\$ 86,806	\$ 23,029	\$ 110,268
Vesting of restricted stock units	255	3	—	—	(3)	—	—
Payment of withholdings on restricted stock units	—	—	—	—	(689)	—	(689)
Stock based compensation	—	—	—	—	736	—	736
Net loss	—	—	—	—	—	(1,130)	(1,130)
Balance at May 2, 2020	43,551	\$ 436	—	\$ —	\$ 86,850	\$ 21,899	\$ 109,185
Balance at January 30, 2021	43,623	\$ 436	—	\$ —	\$ 89,815	\$ 114,409	\$ 204,660
Vesting of restricted stock units	208	2	—	—	(2)	—	—
Payment of withholdings on restricted stock units	—	—	—	—	(2,269)	—	(2,269)
Stock based compensation	—	—	—	—	1,016	—	1,016
Net income	—	—	—	—	—	10,450	10,450
Balance at May 1, 2021	43,831	\$ 438	—	\$ —	\$ 88,560	\$ 124,859	\$ 213,857

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)

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 10,450	\$ (1,130)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation of property and equipment	5,767	5,326
Amortization of deferred financing fees	66	84
Amortization of definite lived intangible	10	7
Loss on asset dispositions	—	803
Noncash lease expense	1,386	6,076
Deferred income taxes	(56)	2,962
Stock-based compensation	1,016	736
Change in operating assets and liabilities, net of amounts acquired:		
Accounts receivable, net	7	323
Operating lease liabilities	(7,235)	(7,321)
Merchandise inventories	(43,643)	(23,298)
Prepaid expenses and other	(910)	(2,270)
Accounts payable	34,128	46,645
Accrued expenses	(7,951)	6,090
Income taxes payable and receivable	2,955	(3,752)
Net cash (used in) provided by operating activities	<u>(4,010)</u>	<u>31,281</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment, net of amounts acquired	(5,615)	(4,833)
Acquisition of Field and Stream stores, net of cash acquired	—	(1,024)
Net cash used in investing activities	<u>(5,615)</u>	<u>(5,857)</u>
<b>Cash flows from financing activities:</b>		
Net payments on line of credit	—	2,345
Increase in book overdraft, net	6,088	(2,675)
Payment of withholdings on restricted stock units	(2,269)	(689)
Principal payments on long-term debt	—	(4,000)
Net cash provided by (used in) financing activities	<u>3,819</u>	<u>(5,019)</u>
Net change in cash	<u>(5,806)</u>	<u>20,405</u>
Cash at beginning of period	65,525	1,685
Cash at end of period	<u>\$ 59,719</u>	<u>\$ 22,090</u>
<b>Supplemental disclosures of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest, net of amounts capitalized	\$ 226	\$ 1,308
Income taxes, net of refunds	53	(59)
<b>Supplemental schedule of noncash activities:</b>		
Noncash change in operating lease right of use asset and operating lease liabilities from remeasurement of existing leases and addition of new leases	\$ 5,559	\$ 2,150
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 4,285	\$ 661
Payable to seller relating to acquisition of Field and Stream stores	\$ —	\$ 1,024

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 May 1, 2021, the Company operated 112 stores in 27 states. The Company also operates an e-commerce platform at [www.sportsmans.com](http://www.sportsmans.com). The Company’s stores and website are aggregated into one 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 January 30, 2021 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 May 1, 2021 are not necessarily indicative of the results to be obtained for the year ending January 29, 2022. 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 January 30, 2021 filed with the SEC on April 2, 2021 (the “Fiscal 2020 Form 10-K”).

**Impact of COVID-19 Pandemic**

During March 2020, the World Health Organization declared the rapidly growing coronavirus outbreak to be a global pandemic. The COVID-19 pandemic has significantly impacted health and economic conditions throughout the United States. Beginning in March 2020, the Company reduced store hours to allow sufficient time to restock its shelves and perform additional cleaning, and the Company also limited the number of customers in its stores at any one time. During the second quarter of fiscal 2020, the Company returned to normal operating hours in each of its stores. The Company may again restrict the operations of its stores and its distribution facility if it deems this appropriate or if recommended or mandated by authorities.

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

The Company’s significant accounting policies are described in Note 2 to the Company’s Fiscal 2020 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.

**Recently Issued Accounting Pronouncements**

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to existing guidance on contract modifications and hedge accounting to facilitate the market transition from existing reference rates, such as the London Inter-Bank Offered Rate (“LIBOR”) which is being phased out in 2021, to alternate reference rates, such as the Secured Overnight Financing Rate (“SOFR”). The standard is currently effective and upon adoption may be applied prospectively to contract modifications made on or before December 31, 2022. The provisions have impact as contract

modifications and other changes occur while LIBOR is phased out. The Company is in the process of evaluating the optional relief guidance provided within this ASU. Management will continue its assessment and monitor regulatory developments during the LIBOR transition period.

### **(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 credit for immaterial 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 3.5% 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.

Accounting Standards Codification ("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 50% when no escheat liability to relevant jurisdictions exists.

We offer promotional financing and credit cards issued by a third-party bank that manages and directly extends credit to our customers. We provide a license to our brand and marketing services, and we facilitate credit applications in our stores and online. The banks are the sole owners of the accounts receivable generated under the program and, accordingly, we do not hold any customer receivables related to these programs and act as an agent in the financing transactions with customers. We are eligible to receive a profit share from certain of our banking partners based on the annual performance of their corresponding portfolio, and we receive monthly payments based on forecasts of full-year performance. This is a form of variable consideration. We record such profit share as revenue over time using the most likely amount method, which reflects the amount earned each month when it is determined that the likelihood of a significant revenue reversal is not probable, which is typically monthly. Profit-share payments occur monthly, shortly after the end of each program month.

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 allows customers to return items purchased within 30 days provided the merchandise is in resaleable condition with original packaging and the original sales/gift receipt is presented. The Company estimates a reserve for sales returns and records the respective reserve amounts, including a right to 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 May 1, 2021 and January 30, 2021:

	<u>May 1, 2021</u>	<u>January 30, 2021</u>
Right of return assets, which are included in prepaid expenses and other	\$ 2,004	\$ 2,940
Estimated gift card contract liability, net of breakage	(21,884)	(22,069)
Estimated loyalty contract liability, net of breakage	(12,630)	(12,131)
Sales return liabilities, which are included in accrued expenses	(2,991)	(4,388)

For the 13 weeks ended May 1, 2021, the Company recognized approximately \$381 in gift card breakage and approximately \$1,175 in loyalty reward breakage. For the 13 weeks ended May 2, 2020, the Company recognized approximately \$276 in gift card breakage and approximately \$555 in loyalty reward breakage. For the 13 weeks ended May 1, 2021, the Company recognized revenue of \$7,721 relating to contract liabilities that existed at January 30, 2021.

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 weeks ended May 1, 2021 and May 2, 2020, was approximately:

Department	Product Offerings	Thirteen Weeks Ended	
		May 1, 2021	May 2, 2020
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools	11.3%	10.2%
Apparel	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear	6.4%	4.4%
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats	11.5%	10.1%
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots	6.1%	4.4%
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear	58.6%	65.6%
Optics, Electronics, Accessories, and Other	Gift items, GPS devices, knives, lighting, optics, two-way radios, and other license revenue, net of revenue discounts	6.1%	5.3%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

**(4) Property and Equipment**

Property and equipment as of May 1, 2021 and January 30, 2021 were as follows:

	May 1, 2021	January 30, 2021
Furniture, fixtures, and equipment	\$ 99,318	\$ 96,085
Leasehold improvements	113,468	112,338
Construction in progress	6,283	2,614
Total property and equipment, gross	219,069	211,037
Less accumulated depreciation and amortization	(117,705)	(111,919)
Total property and equipment, net	\$ 101,364	\$ 99,118

**(5) Accrued Expenses**

Accrued expenses consisted of the following as of May 1, 2021 and January 30, 2021:

	May 1, 2021	January 30, 2021
Book overdraft	\$ 19,534	\$ 13,445
Unearned revenue	39,202	38,454
Accrued payroll and related expenses	18,181	28,453
Sales and use tax payable	7,718	7,317
Accrued construction costs	1,261	339
Other	22,220	21,048
Total accrued expenses	\$ 108,116	\$ 109,056

**(6) Leases**

At the inception of the lease, the Company's operating leases have 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 and as such are excluded from the measurement of the right of use asset and liability.

The Company determines whether a contract is or contains a lease at contract inception. As the rate implicit in the lease is not readily determinable in most of the Company's leases, it uses its incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The operating lease asset also includes any fixed lease payments made and includes lease incentives and incurred initial direct costs. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease. Additionally, the Company's leases do not contain any material residual guarantees or material restrictive covenants.

In the 13 weeks ended May 1, 2021, the Company recorded a non-cash increase of \$5,559 to the right of use assets and operating lease liabilities resulting from lease remeasurements from the exercise of lease extension options, acquired leases, and new leases added.

In accordance with ASC 842, total lease expense, including common area maintenance ("CAM"), recorded during the 13 weeks ended May 1, 2021 was \$18,398. In accordance with ASC 842, total lease expense, including CAM, recorded during the 13 weeks ended May 2, 2020 was \$16,547.

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

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Operating cash flows from operating leases	\$ (14,561)	\$ (13,464)
Cash paid for amounts included in the measurement of lease liabilities - operating leases	(14,561)	(13,464)
	As of May 1, 2021	As of May 2, 2020
Right-of-use assets obtained in exchange for new or remeasured operating lease liabilities	\$ 5,559	\$ 5,352
Terminated right-of-use assets and liabilities	—	(3,202)
Weighted-average remaining lease term - operating leases	5.96	6.12
Weighted-average discount rate - operating leases	8.39%	8.03%

In accordance with ASC 842, maturities of operating lease liabilities as of May 1, 2021 were as follows:

Year Endings:	Operating Leases
2021 (remainder)	\$ 44,324
2022	58,207
2023	53,256
2024	44,839
2025	38,279
Thereafter	145,146
Undiscounted cash flows	\$ 384,051
Reconciliation of lease liabilities:	
Present values	\$ 262,606
Lease liabilities - current	36,386
Lease liabilities - noncurrent	226,220
Lease liabilities - total	\$ 262,606
Difference between undiscounted and discounted cash flows	\$ 121,445

**(7) Revolving Line of Credit**

On May 23, 2018, Sportsman's Warehouse, Inc. ("SWI"), a wholly owned subsidiary of the Company, as lead 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 governs the Company's senior secured revolving credit facility ("Revolving Line of Credit") and a \$40,000 term loan (the "Term Loan"). The Revolving Line of Credit provides a borrowing capacity of up to \$250,000, subject to a borrowing base calculation. The Term Loan was repaid in full during fiscal year 2020.

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 expenses and other.

As of both May 1, 2021, and January 30, 2021, the Company had \$0 in outstanding revolving loans under the Revolving Line of Credit. Amounts outstanding are offset on the condensed consolidated balance sheets by amounts in depository accounts under lock-box or similar arrangements, which were \$15,678 and \$13,553 as of May 1, 2021 and January 30, 2021, respectively. As both of these periods had no remaining balance on the line of credit, these amounts were included in Cash as of May 1, 2021 and January 30, 2021. As of May 1, 2021, the Company had stand-by commercial letters of credit of \$1,955 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 May 1, 2021, the Revolving Line of Credit had \$520 in deferred financing fees and as of January 30, 2021, the Revolving Line of Credit had \$583 in deferred financing fees. During the 13 weeks ended May 1, 2021, the Company recognized \$63 of non-cash interest expense with respect to the amortization of deferred financing fees. During the 13 weeks ended May 2, 2020, the Company recognized \$66 of non-cash interest expense with respect to the amortization of deferred financing fees.

For the 13 weeks ended May 1, 2021, gross borrowings under the Revolving Line of Credit were \$357,478. For the 13 weeks ended May 2, 2020 gross borrowing under the Revolving Line of Credit were \$274,959. For the 13 weeks ended May 1, 2021, gross paydowns under the Revolving Line of Credit were \$357,640. For the 13 weeks ended May 2, 2020, gross paydowns under the Revolving Line of Credit were \$266,798.

**Restricted Net Assets**

The provisions of 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 May 1, 2021, from being used to pay any dividends without prior written consent from the financial institutions party to the Company's Revolving Line of Credit.

**(8) Income Taxes**

The Company recognized an income tax expense of \$2,952 in the 13 weeks ended May 1, 2021 and an income tax benefit of \$849 in the 13 weeks ended May 2, 2020. The Company's effective tax rate for the 13 weeks ended May 1, 2021 and May 2, 2020 was 22.0% and 42.9%, respectively. 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.

**(9) 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	
	May 1, 2021	May 2, 2020
Net income (loss)	\$ 10,450	\$ (1,130)
Weighted-average shares of common stock outstanding:		
Basic	43,690	43,327
Dilutive effect of common stock equivalents	824	—
Diluted	44,514	43,327
Basic earnings (loss) per share	\$ 0.24	\$ (0.03)
Diluted earnings (loss) per share	\$ 0.23	\$ (0.03)
Restricted stock units considered anti-dilutive and excluded in the calculation	1	6

**(10) Stock-Based Compensation****Stock-Based Compensation**

During the 13 weeks ended May 1, 2021 the Company recognized total stock-based compensation expense of \$1,016. During the 13 weeks ended May 2, 2020 the Company recognized total stock-based compensation expense of \$736. 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 May 1, 2021, the number of shares available for awards under the 2019 Performance Incentive Plan (the "2019 Plan") was 2,202. As of May 1, 2021, there were 1,267 unvested stock awards outstanding under the 2019 Plan. As of January 30, 2021, due to the pending merger with the Great Outdoors Group, the Company has discontinued the ESPP program in accordance with the plan document.

**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. For the 13 weeks ended May 1, 2021, no shares were issued under the ESPP and, as of May 1, 2021, the number of shares available for issuance was 374.

**Nonvested Performance-Based Stock Awards**

During the 13 weeks ended May 1, 2021, the Company did not issue any nonvested performance-based stock awards.

During the 13 weeks ended May 2, 2020, the Company issued 198 nonvested performance-based stock awards to employees at a weighted average grant date fair value of \$5.63 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 2020, 2021, and 2022 performance targets for total revenue growth and adjusted EPS. If minimum threshold performance targets are not achieved, no shares will vest. Based on the performance conditions met for fiscal year 2020, 396 shares were issued, which was the maximum number of shares subject to the award. Vesting of the shares earned are subject to the employees’ continued employment with the Company.

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 January 30, 2021	624	\$ 5.13
Grants	—	—
Forfeitures	(13)	5.63
Vested	(22)	4.91
Balance at May 1, 2021	<u>589</u>	<u>\$ 5.13</u>
	Shares	Weighted average grant-date fair value
Balance at February 1, 2020	250	\$ 3.66
Grants	198	5.63
Forfeitures	—	—
Vested	—	—
Balance at May 2, 2020	<u>448</u>	<u>\$ 4.53</u>

**Nonvested Stock Unit Awards**

During the 13 weeks ended May 1, 2021, the Company issued 221 nonvested stock units to employees of the Company at an average value of \$17.27 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.

During the 13 weeks ended May 2, 2020, the Company issued 382 nonvested stock units to employees of the Company at an average value of \$5.63 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 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 January 30, 2021	779	\$ 5.19
Grants	221	17.27
Forfeitures	(18)	7.33
Vested	(303)	5.05
Balance at May 1, 2021	<u>679</u>	<u>\$ 9.15</u>

  

	Shares	Weighted average grant-date fair value
Balance at February 1, 2020	744	\$ 4.32
Grants	382	5.63
Forfeitures	(5)	4.89
Vested	(258)	4.36
Balance at May 2, 2020	<u>863</u>	<u>\$ 4.90</u>

**(11) 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.

*TMS McCarthy, LP, Etc., Pltf. v. Sportsman's Warehouse Southwest, Inc. Etc. Et Al., Dfts.* – On June 23, 2020 TMS McCarthy, LP filed a complaint against Sportsman's Warehouse Southwest, Inc., a wholly owned subsidiary of Sportsman's Warehouse Holdings Inc., claiming the Company wrongfully terminated the lease relating to one of its stores. The Company believes the plaintiffs' complaint is without merit based on the plain language of the lease at issue and on August 14, 2020 filed a counterclaim for declaratory relief. 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.

**(12) Acquisition of Field and Stream Stores**

On February 14, 2020, SWI, a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "2020-I Purchase Agreement") with DICK'S Sporting Goods ("DICK'S"). Pursuant to the 2020-I Purchase Agreement, SWI agreed, subject to certain conditions, to acquire from DICK'S all cash, inventory, furniture, fixtures, and equipment, and certain other assets related to one Field & Stream store located in Kentucky and operated by DICK'S (the "2020-I Acquisition"). The acquisition of the 2020-I Acquisition closed on March 12, 2020 (the "2020-I Closing Date"). On the 2020-I Closing Date, SWI entered into a sublease with DICK'S with respect to the 2020-I Acquisition location. Pursuant to the 2020-I Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement pursuant to which DICK'S provided transition services to the Company for a period of up to 120 days after the 2020-I Closing Date.

The aggregate consideration paid to DICK'S under the 2020-I Purchase Agreement was \$2,139 (the "2020-I Purchase Price"), subject to certain post-closing adjustments set forth in the 2020-I Purchase Agreement. On the 2020-I Closing Date, SWI drew \$1,100 under the Revolving Line of Credit to fund a portion of the 2020-I Purchase Price. The remaining approximately \$1,000 of consideration owed to DICK'S in connection with the acquisition was paid in June 2020.

On March 6, 2020, SWI, a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "2020-II Purchase Agreement") with DICK'S. Pursuant to the 2020-II Purchase Agreement, SWI agreed, subject to certain conditions, to acquire from DICK'S all cash, inventory, furniture, fixtures, and equipment, and certain other assets related to one Field & Stream store located in Michigan and operated by DICK'S (the "2020-II Acquisition"). The 2020-II Acquisition closed on May 14, 2020 (the "2020-II Closing Date"). On the 2020-II Closing Date, SWI entered into a sublease with DICK'S with respect to the 2020-II Acquisition. Pursuant to the 2020-II Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement related to the 2020-II Acquisition pursuant to which DICK'S provided transition services to the Company for a period of up to 120 days after the 2020-II Closing Date.

The aggregate consideration paid to DICK'S under the 2020-II Purchase Agreement was \$2,411 (the "2020-II Purchase Price"), subject to certain post-closing adjustments set forth in the 2020-II Purchase Agreement. On the 2020-II Closing Date, SWI drew \$1,317 under the Revolving Line of Credit to fund a portion of the 2020-II Purchase Price. The remaining approximately \$1,100 of consideration owed to DICK'S in connection with the acquisition was paid in August 2020.

On September 16, 2020, SWI, a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "2020-III Purchase Agreement") with DICK'S. Pursuant to the 2020-III Purchase Agreement, SWI agreed, subject to certain conditions, to acquire from DICK'S all cash, inventory, furniture, fixtures, and equipment, and certain other assets related to two Field & Stream stores located in South Carolina and Pennsylvania and operated by DICK'S (the "2020-III Acquisition"). The 2020-III Acquisition closed on October 8, 2020 (the "2020-III Closing Date"). On the 2020-III Closing Date, SWI entered into a sublease with DICK'S with respect to the locations. Pursuant to the 2020-III Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement pursuant to which DICK'S will provide transition services to the Company for a period of up to 120 days after the 2020-III Closing Date.

The aggregate consideration paid to DICK'S under the 2020-III Purchase Agreement is \$2,001, net of rent concessions and deferrals of \$2,597 (the "2020-III Purchase Price"), and subject to certain post-closing adjustments set forth in the 2020-III Purchase Agreement. On the 2020-III Closing Date, SWI drew \$226 under the Revolving Line of Credit to fund a portion of the 2020-III Purchase Price. The remaining approximately \$1,774 of consideration owed to DICK'S in connection with the acquisition was paid in January 2021.

As part of the acquisitions that closed in 2020, the Company incurred legal, accounting, and other due diligence fees that were expensed as incurred. Total fees incurred for the three month ended May 2, 2020 were \$29, which were included as a component of selling, general, and administrative expenses.

The acquired locations were in line with the seller's intention to reduce its footprint in the hunting and firearms business, which resulted in a below fair value purchase price consideration shown in the tables below.

The following table summarizes the 2020-I Purchase Price consideration and related cash outflow at the 2020-I Closing Date:

	<b>March 12, 2020</b>
Cash paid to seller	\$ 1,075
Payable to seller	1,064
<b>Total purchase price</b>	<b>\$ 2,139</b>

The net 2020-I Purchase Price of \$2,139 has been allocated to identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the 2020-I Acquired Stores other than the lease obligation. The excess of the fair value over the 2020-I Purchase price of the tangible and intangible assets

acquired is recorded as a bargain purchase. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the 2020-I Closing Date:

	<b>March 12, 2020</b>
Cash	\$ 10
Inventory	2,133
Property, plant, and equipment	892
Operating lease right of use asset	2,070
Operating lease right of use liability	(1,794)
Deferred tax liability	(314)
Bargain purchase	(858)
<b>Total</b>	<b>\$ 2,139</b>

The following table summarizes the 2020-II Purchase Price consideration and related cash outflow at the 2020-II Closing Date:

	<b>May 14, 2020</b>
Cash paid to seller	\$ 1,317
Payable to seller	1,094
<b>Total purchase price</b>	<b>\$ 2,411</b>

The net 2020-II Purchase Price of \$2,411 has been allocated to identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the 2020-II Acquired Stores other than the lease obligation. The excess of the fair value over the 2020-II Purchase Price of the tangible and intangible assets acquired is recorded as a bargain purchase. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the 2020-II Closing Date:

	<b>May 14, 2020</b>
Cash	\$ 18
Inventory	2,218
Property, plant, and equipment	375
Operating lease right of use asset	5,605
Operating lease right of use liability	(5,605)
Deferred tax liability	(53)
Bargain purchase	(147)
<b>Total</b>	<b>\$ 2,411</b>

The following table summarizes the 2020-III Purchase Price consideration and related cash outflow at the 2020-III Closing Date:

	<b>October 8, 2020</b>
Cash paid to seller	\$ 227
Payable to seller	1,774
<b>Total purchase price</b>	<b>\$ 2,001</b>

The net 2020-III Purchase Price of \$2,001 has been allocated to identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the 2020-III Acquired Stores other than the lease obligation. The excess of the fair value over the 2020-III Purchase Price of the tangible and intangible assets acquired is recorded as a bargain purchase. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the 2020-III Closing Date:

	<b>October 8, 2020</b>
Cash	\$ 50
Inventory	3,515
Property, plant, and equipment	1,046
Operating lease right of use asset	9,534
Operating lease right of use liability	(10,508)
Deferred tax liability	(423)
Bargain purchase	(1,213)
<b>Total</b>	<b>\$ 2,001</b>

**(13) Merger with Great Outdoors Group**

On December 21, 2020, Sportsman’s Warehouse entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Great Outdoors Group, LLC, (“Great Outdoors Group”) and Phoenix Merger Sub I. Inc., (“Merger Subsidiary”). Pursuant to the terms and conditions set forth in the Merger Agreement, Merger Subsidiary will be merged with and into Sportsman’s Warehouse (the “Merger”), with Sportsman’s Warehouse continuing as the surviving corporation in the Merger and a wholly-owned subsidiary of Great Outdoors Group. Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the “Effective Time”), each share of Sportsman’s Warehouse common stock, par value \$0.01 per share (the “Shares”) outstanding immediately prior to the Effective Time (other than such Shares held by (i) Great Outdoors Group, Merger Subsidiary, or any other subsidiary of Great Outdoors Group, (ii) Sportsman’s Warehouse or its subsidiaries, as treasury stock or (iii) stockholders of Sportsman’s Warehouse who properly exercised their appraisal rights for such Shares under the Delaware General Corporation Law) will automatically be cancelled and converted into the right to receive \$18.00 per Share in cash, without interest and less any applicable withholding taxes.

The Merger Agreement has been unanimously adopted by the board of directors of Sportsman’s Warehouse, and the stockholders of Sportsman’s Warehouse approved the Merger at the special stockholders meeting held on March 23, 2021. Completion of the Merger is subject to the satisfaction of several conditions, including: (i) the expiration or termination of any applicable waiting period (and any extensions thereof) relating to the Merger under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”); (ii) the absence of any order, injunction, or other judgment by any governmental authority of competent jurisdiction that enjoins or otherwise prohibits the consummation of the Merger; (iii) the accuracy of each party’s representations and warranties (subject to certain qualifications); (iv) each party’s performance in all material respects of its obligations contained in the Merger Agreement; and (v) the absence of a material adverse effect on Sportsman’s Warehouse.

Assuming receipt of required clearance pursuant to the HSR Act and timely satisfaction of other conditions to closing, we currently expect the closing of the Merger to occur in the second half of calendar year 2021.

## 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 Fiscal 2020 Form 10-K. 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 everyone in between. Our mission is to provide outstanding gear and exceptional service to inspire outdoor memories.

Our business was founded in 1986 as a single retail store in Midvale, Utah. Today, we operate 112 stores in 27 states, totaling approximately 4.5 million gross square feet. We list the locations of our stores on our website, [www.sportsmans.com](http://www.sportsmans.com). We also operate an e-commerce platform at [www.sportsmans.com](http://www.sportsmans.com).

Our stores and our e-commerce platform are aggregated into one operating and reportable segment.

### Recent Developments

#### ***Proposed Merger with Great Outdoors Group, Inc.***

On December 21, 2020, Sportsman's Warehouse entered into an Agreement and Plan of Merger (the "Merger Agreement") with Great Outdoors Group and Phoenix Merger Sub I, Inc., a Delaware corporation and a wholly owned subsidiary of Great Outdoors Group ("Merger Subsidiary"). Pursuant to the terms and conditions set forth in the Merger Agreement, Merger Subsidiary will be merged with and into Sportsman's Warehouse, with Sportsman's Warehouse continuing as the surviving corporation in the Merger and a wholly-owned subsidiary of Great Outdoors Group. Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of Sportsman's Warehouse common stock, par value \$0.01 per share (the "Shares") outstanding immediately prior to the Effective Time (other than such Shares held by (i) Great Outdoors Group, Merger Subsidiary, or any other subsidiary of Great Outdoors Group, (ii) Sportsman's Warehouse or its subsidiaries, as treasury stock or (iii) stockholders of Sportsman's Warehouse who properly exercised their appraisal rights for such Shares under the Delaware General Corporation Law) will automatically be cancelled and converted into the right to receive \$18.00 per Share in cash, without interest and less any applicable withholding taxes.

The Merger Agreement has been unanimously adopted by the board of directors of Sportsman's Warehouse, and the stockholders of Sportsman's Warehouse approved the Merger at the special stockholders meeting held on March 23, 2021. Completion of the Merger is subject to the satisfaction of several conditions, including: (i) the expiration or termination of any applicable waiting period (and any extensions thereof) relating to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); (ii) the absence of any order, injunction, or other judgment by any governmental authority of competent jurisdiction that enjoins or otherwise prohibits the consummation of the Merger; (iii) the accuracy of each party's representations and warranties (subject to certain qualifications); (iv) each party's performance in all material respects of its obligations contained in the Merger Agreement; and (v) the absence of a material adverse effect on Sportsman's Warehouse.

Assuming receipt of required clearance pursuant to the HSR Act and timely satisfaction of other conditions to closing, we currently expect the closing of the Merger to occur in the second half of calendar year 2021. For more information on the Merger, see "Part I. Item 1. Business—Proposed Merger with Great Outdoor Groups, Inc." and "Part I. Item 1A. Risk Factors—Risks Related to the Proposed Merger" in the Fiscal 2020 Form 10-K

#### **Update on Impact of COVID-19 Pandemic**

Since mid-March of 2020 through the end of the first quarter 2021, the Company has experienced a significant increase in sales. A larger than normal portion of those sales has come from certain product categories, particularly firearms and ammunition.

The increased demand we have experienced since mid-March 2020 resulted in our net sales increasing by 32.5% to \$327.0 million during the first quarter of 2021 compared to the first quarter of 2020. Further, our same store sales increased 24.1% during the first quarter of 2021 compared to the corresponding period of fiscal 2020. Gross profit increased to \$104.0 million during the first quarter of 2021 compared to \$74.8 million for the corresponding period of fiscal year 2020. As a percentage of net sales, gross profit increased to 31.8% for the first quarter of fiscal 2021 compared to 30.3% for the corresponding period of fiscal year 2020. As of the filing of this 10-Q, all of our 112 stores are open with no significant restrictions or limitations on their operations. In early fiscal year 2020, we were required to temporarily close four of our stores and significantly limit operations at eight other locations as a result of local and state regulations related to the COVID-19 pandemic. We have taken many actions and made numerous policy changes to adjust our operations in an effort to limit the spread of COVID-19, including requiring masks to be worn at our facilities, installing plastic barriers in stores, additional store and distribution center cleanings and implementing social distancing requirements, among others. Despite our efforts, we may be required to further restrict the operations of our stores and our distribution center if we deem this necessary or if recommended or mandated by authorities.

In addition, with respect to our supply chain, we continue to see some interruption with various vendors as a result of restrictions or limitations on their operations due to the pandemic. While our increase in sales shows a significant demand for firearms and ammunition during the pandemic that we believe is outpacing supply, we do not believe supply chain disruptions resulting from restrictions and limitations on supplier operations caused by the pandemic are resulting in significantly less supply and we are working closely with our vendors to limit such disruption.

While we have experienced increased sales, especially in our hunting and shooting category, since the beginning of the COVID-19 pandemic, we cannot predict the future impact on us of the COVID-19 outbreak. For instance, the impact of the pandemic on the general economy could impact consumer behavior and dampen discretionary spending. The future impact of the COVID-19 pandemic will depend on a number of future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread and severity of the COVID-19 outbreak, the resurgence of COVID-19, the effects of the outbreak on our customers and vendors and the remedial actions and stimulus measures adopted by local and federal governments.

For more detailed information on the potential impact of COVID-19 to our business, we refer you to Item 1A, Risk Factors, *“The novel coronavirus (COVID-19) pandemic, efforts to mitigate or disrupt the pandemic and the related weak, or weakening of, economic or other negative conditions, have impacted our business, and could result in a material adverse effect on our operations, liquidity, financial condition and financial results.”* in our Fiscal 2020 Form 10-K.

#### **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 exclude sales from stores that were closed during the period from our same store sales calculation. We include net sales from e-commerce in our calculation of same store sales. Some of our competitors and

other retailers may calculate same store sales differently than we do. As a result, data regarding our same store sales may not be comparable to similar data made available by other retailers.

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:

- the impact of the COVID-19 pandemic;
- 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 and acquiring store locations is also an important part of our growth strategy. While our target is to grow square footage at a rate of greater than 8%-10% annually, we may deviate from this target if attractive opportunities are presented to open stores or acquire new store locations outside of our target growth rate.

We also have been scaling our e-commerce platform and increasing sales through our website, [www.sportsmans.com](http://www.sportsmans.com).

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

- increasing our total gross square footage by opening new stores or acquiring new store locations;
- 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 apparel and footwear, increasing foot traffic within our stores and traffic to our website, improving buying opportunities with our vendor partners and coordinating pricing strategies among our stores and our merchandise group. 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, 12 of our current stores are being impacted by minimum wage increases in fiscal year 2021 that have and will continue to drive up our selling, general, and administrative costs during fiscal year 2021.

**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	
	May 1, 2021	May 2, 2020
<b>Percentage of net sales:</b>		
Net sales	100.0%	100.0%
Cost of goods sold	68.2	69.7
Gross profit	31.8	30.3
Selling, general, and administrative expenses	27.7	30.5
Income (loss) from operations	4.1	(0.2)
Interest expense	0.1	0.6
Income (loss) before income taxes	4.0	(0.8)
Income tax expense (benefit)	0.9	(0.3)
Net income (loss)	3.1%	(0.5)%
Adjusted EBITDA	7.2%	3.3%

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

Department	Product Offerings	Thirteen Weeks Ended	
		May 1, 2021	May 2, 2020
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools	11.3%	10.2%
Apparel	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear	6.4%	4.4%
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats	11.5%	10.1%
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots	6.1%	4.4%
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear	58.6%	65.6%
Optics, Electronics, Accessories, and Other	Gift items, GPS devices, knives, lighting, optics, two-way radios, and other license revenue, net of revenue discounts	6.1%	5.3%
Total		100.0%	100.0%

#### Thirteen Weeks Ended May 1, 2021 Compared to Thirteen Weeks Ended May 2, 2020

**Net Sales.** Net sales increased by \$80.2 million, or 32.5%, to \$327.0 million during the 13 weeks ended May 1, 2021 compared to \$246.8 million in the corresponding period of fiscal year 2020. Our net sales increased due to a variety of reasons including: increased participation in outdoor activities, increased demand through our e-commerce platform, and demand driven by the change in consumer behavior associated with the COVID-19 pandemic. Stores that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed \$23.0 million to net sales. Same store sales increased by 24.1% for the 13 weeks ended May 1, 2021 compared to the comparable 13 week period of fiscal year 2020, primarily driven by increases in all of our departments.

All of our departments had increases in net sales for the 13 weeks ended May 1, 2021 compared to the corresponding period in fiscal year 2020, led by our hunting and shooting department with an increase in net sales of \$29.5 million, or 18.2%. Our fishing, camping, apparel, footwear and optics, electronics, and accessories departments saw increases of \$12.4 million, \$11.7 million, \$10.3 million, \$9.0 million and \$6.7 million, respectively, in the first quarter of fiscal year 2021 compared to the comparable 13-week period of fiscal year 2020 due to increased traffic within our stores and

online. Within hunting, our firearm category saw an increase of \$19.6 million or 28.4% and our ammunition category saw a decrease of \$3.8 million or 6.5%, in the first quarter of fiscal year 2021 compared to the comparable 13-week period of fiscal year 2020. The decrease seen in the ammunition category is due to the lack of supply in the market as a result of supply chain disruptions caused by the COVID-19 pandemic and demand that is outpacing manufacturing capacity.

Each of our departments also had increases in same store sales, for the 13 weeks ended May 1, 2021. Our clothing, footwear, optics, electronics, and accessories, fishing, camping, and hunting departments had increases of 85.4%, 73.0%, 46.7%, 40.3%, 39.1% and 9.6%, respectively, for the first quarter of fiscal year 2021 compared to the comparable 13-week period of fiscal year 2020. We saw a substantial increase in same store sales for our clothing and footwear departments because of a significant change in consumer behavior as it relates to the purchasing of clothing and footwear in during the first quarter of 2021 compared to the first quarter of 2020. As of May 1, 2021, we had 105 stores included in our same store sales calculation.

**Gross Profit.** Gross profit increased to \$104.0 million during the 13 weeks ended May 1, 2021 compared to \$74.8 million for the corresponding period of fiscal year 2020 primarily as a result of increased sales. As a percentage of net sales, gross profit increased to 31.8% for the 13 weeks ended May 1, 2021, compared to 30.3% for the corresponding period of fiscal year 2020 due to a higher portion of our sales coming from our clothing and footwear categories, which tend to have better margins. Gross margin also increased due to volume incentives, and other adjustments. We expect a continued higher than normal proportion of revenue to come from firearms and ammunition, and a higher volume of sales to be conducted through our e-commerce platform. Both of these factors will continue to put downward pressure on gross margin which may be partially offset by improved product margins and increased sales in higher margin categories such as clothing and footwear.

**Selling, General, and Administrative Expenses.** Selling, general, and administrative expenses increased by \$15.2 million, or 20.2%, to \$90.4 million during the 13 weeks ended May 1, 2021 from \$75.2 million for the comparable 13-week period of fiscal year 2020. This increase was primarily due to an increase in our payroll expense of \$10.2 million, which was the result of opening 7 new stores since the end of the first quarter of fiscal year 2020, and minimum wage increases impacting 12 of our stores in fiscal year 2021. We also had increases in acquisition costs of \$2.8 million due to costs relating to the pending merger with Great Outdoors Group, as well as increases in rent and other selling, general and administrative costs of \$1.8 million, and \$0.9 million, respectively, during the 13 weeks ended May 1, 2021 primarily related to the opening of 7 new stores since May 2, 2020. These increases were partially offset by a reduction in depreciation and pre-opening expenses of \$0.4 million and \$0.2 million, respectively, during the 13 weeks ended May 1, 2021. As a percentage of net sales, selling, general, and administrative expenses decreased to 27.8% of net sales in the first quarter of fiscal year 2021, compared to 30.5% of net sales in the first quarter of fiscal year 2020, primarily as a result of the significant increase in net sales we experienced in the first quarter of fiscal year 2021 compared to the first quarter of fiscal year 2020.

**Interest Expense.** Interest expense decreased by \$1.3 million, or 85.3%, to \$0.2 million during the 13 weeks ended May 1, 2021 from \$1.5 million for the comparable 13-week period of fiscal year 2020. Interest expense decreased primarily as a result of no debt balance during the first quarter of fiscal year 2021 compared to the first quarter of fiscal year 2020. The interest expense recorded during the 13 weeks ended May 1, 2021 consists of fees charged on the unused portion of our line of credit.

**Income Taxes.** We recognized income tax expense of \$3.0 million compared to an income tax benefit of \$0.8 million during the 13 weeks ended May 1, 2021 and May 2, 2020, respectively. Our effective tax rate for the 13 weeks ended May 1, 2021 and May 2, 2020 was 22.0% and 42.9%, 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.

#### Seasonality

Due to the openings of hunting season across the country and consumers' holiday buying patterns, 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 sales volume and increased staffing in our stores. While we typically would expect our net sales to continue to reflect this seasonal pattern, we may not recognize higher sales

volume in the third and fourth fiscal quarters of fiscal year 2021 because of the significant spike in sales as a result of the increased demand during the COVID-19 pandemic and other factors noted above.

The timing of our new retail store openings also may have an impact on our quarterly results. First, we incur certain non-recurring expenses related to opening each new retail store, 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 apparel 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 and acquiring new store locations. 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 13 weeks ended May 1, 2021, we incurred approximately \$5.6 million in capital expenditures primarily related to the construction of new stores during the period. We expect total net capital expenditures between \$42.0 million and \$52.0 million for fiscal year 2021 primarily to refurbish many of our existing stores and to open eight to twelve new stores in fiscal year 2021. 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:

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
	(in thousands)	
Cash flows (used in) provided by operating activities	\$ (4,010)	\$ 31,281
Cash flows used in investing activities	(5,615)	(5,857)
Cash provided by (used in) financing activities	3,819	(5,019)
Cash at end of period	59,719	22,090

Net cash used in operating activities was \$4.0 million for the 13 weeks ended May 1, 2021, compared to cash provided by operating activities of \$31.3 million for the corresponding period of fiscal year 2020, a change of approximately \$35.3 million. The decrease in our cash flows from operating activities is primarily the result of an increase in inventories and the payment of accrued expenses. These decreases were partially offset by higher net income in the 13 weeks ended May 1, 2021 compared to the corresponding period of fiscal year 2020.

Net cash used in investing activities was \$5.6 million for the 13 weeks ended May 1, 2021 compared to \$5.9 million for the corresponding period of fiscal year 2020. For the 13 weeks ended May 1, 2021, we incurred capital expenditures with respect to construction of new stores and refurbishment of existing stores.

Net cash provided by financing activities was \$3.8 million for the 13 weeks ended May 1, 2021, compared to net cash used in financing activities of \$5.0 million for the corresponding period of fiscal year 2020. During the 13 weeks ended May 1, 2021, we had an increase in bank overdrafts of \$6.1 million. For the 13 weeks ended May 2, 2020, we repaid \$4.0 million principal outstanding on our term loan.

We had no outstanding debt as of May 1, 2021. We maintain a \$250.0 million revolving credit facility. Borrowings under our revolving credit facility are subject to a borrowing base calculation. Our revolving credit facility is governed by an amended and restated credit agreement with a consortium of banks led by Wells Fargo Bank, National

Association. The revolving credit facility matures on May 23, 2023. As of May 1, 2021, we had \$190.1 million available for borrowing, subject to certain borrowing base restrictions, and \$1.9 million in stand-by commercial letters of credit.

Borrowings under our 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.

Each of the subsidiaries of Sportsman's Warehouse Holdings, Inc. ("Holdings") is a borrower under the revolving credit facility, and Holdings guarantees all obligations under the revolving credit facility. All obligations under the revolving credit facility 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 is a first priority lien as to certain liquid assets, including cash, accounts receivable, deposit accounts and inventory. In addition, our credit agreement contains provisions that enable Wells Fargo to require us to maintain a lock-box, or similar arrangement, for the collection of all receipts.

We may be required to make mandatory prepayments under the revolving credit facility 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 revolving credit facility requires us to maintain a minimum availability at all times of not less than 10% of the gross borrowing base. In addition, the credit agreement governing our revolving credit facility 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 credit agreement also contains customary events of default. As of May 1, 2021, we were in compliance with all covenants under the credit agreement governing our revolving credit facility.

#### **Critical Accounting Policies and Estimates**

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("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 2020 Form 10-K.

#### **Off Balance Sheet Arrangements**

We are not party to any off balance sheet arrangements.

**Contractual Obligations**

The following table summarizes our contractual obligations as of May 1, 2021 and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period					
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Long-term debt obligations (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating lease obligations (2)	384,051	44,324	111,463	83,118		145,146
Standby letters of credit	1,955	1,955	-	-	-	-
Purchase/construction obligations (3)	-	-	-	-	-	-

- (1) Long-term debt obligations do not reflect outstanding under our revolving credit facility, because those amounts are considered current liabilities. We have no amounts outstanding under our revolving credit facility as of May 1, 2021.
- (2) Operating lease obligations in the table above do not include additional payments associated with common area maintenance, real estate, taxes and insurance. Such payments were \$13.2 million, \$11.2 million, and \$10.1 million in fiscal years 2020, 2019, and 2018, respectively.
- (3) In the ordinary course of business, we enter into arrangements with vendors to purchase merchandise in advance of expected delivery. Because these purchase orders do not contain any termination payments or other penalties if cancelled, they are not included in this table of contractual obligations. In accordance with GAAP, these obligations are not recorded in our financial statements.

**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 our 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 weeks ended May 1, 2021 and May 2, 2020.

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
	(dollars in thousands)	
Net income (loss)	\$ 10,450	\$ (1,130)
Interest expense	226	1,534
Income tax expense (benefit)	2,952	(849)
Depreciation and amortization	5,777	5,365
Stock-based compensation expense (1)	1,016	736
Pre-opening expenses (2)	195	387
Hazard pay (3)	—	1,100
Acquisition costs (4)	2,845	29
Store closure (5)	—	1,039
Adjusted EBITDA	<u>\$ 23,461</u>	<u>\$ 8,211</u>
Net sales	\$ 326,992	\$ 246,835
Net income margin	3.2%	(0.5)%
Adjusted EBITDA margin (6)	7.2%	3.3%

- (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) Expense relating to bonuses and increased wages paid to front-line and back office associates due to the COVID-19 pandemic.
- (4) For the 13 weeks ended May 1, 2021, includes \$2.8 million of expenses incurred relating to the announced merger with Great Outdoors Group on December 21, 2020. For the 13 weeks ended May 2, 2020 includes expenses incurred relating to the acquisition of cash, inventory, furniture, fixtures, and equipment, and certain other assets related to Field & Stream stores operated by DICK'S in fiscal year 2020.
- (5) Costs and impairments recorded relating to the closure of one store during the first quarter of 2020. These costs were recorded as a component of selling, general, and administration expenses on the condensed consolidated statement of operations.
- (6) We define adjusted EBITDA margin as adjusted EBITDA divided by net sales.

### 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. Based on a sensitivity analysis at May 1, 2021, 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 not have increased our interest expense. 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**

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures. Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of May 1, 2021.

##### **Inherent Limitations in Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures, or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake or fraud. Additionally, controls can be circumvented by individuals or groups of persons or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements in our public reports due to error or fraud may occur and not be detected.

##### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the 13 weeks ended May 1, 2021 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 2020 Form 10-K.

**ITEM 5. OTHER INFORMATION**

None

**ITEM 6. EXHIBITS**

<u>Exhibit Number</u>	<u>Description</u>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">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.</a>
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

\* Filed herewith.

\*\* Furnished herewith



**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: June 4, 2021

/s/ Jon Barker

Jon Barker

*President and Chief Executive Officer*

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**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: June 4, 2021

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

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**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 May 1, 2021, 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: June 4, 2021

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

Date: June 4, 2021

/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.

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