



American Outdoor Brands Corporation Reports Second Quarter Fiscal 2019 Financial Results

December 6, 2018

SPRINGFIELD, Mass., Dec. 6, 2018 /PRNewswire/ -- **American Outdoor Brands Corporation** (NASDAQ Global Select: AOBC), one of the world's leading providers of firearms and quality products for the shooting, hunting, and rugged outdoor enthusiast, today announced financial results for the second quarter fiscal 2019, ended October 31, 2018.



Second Quarter Fiscal 2019 Financial Highlights

- Quarterly net sales were \$161.7 million compared with \$148.4 million for the second quarter last year, an increase of 8.9%.
- Gross margin for the quarter was 34.9% compared with 34.2% for the second quarter last year.
- Quarterly GAAP net income was \$6.7 million, or \$0.12 per diluted share, compared with net income of \$3.2 million, or \$0.06 per diluted share, for the comparable quarter last year.
- Quarterly Non-GAAP net income was \$11.0 million, or \$0.20 per diluted share, compared with \$6.3 million, or \$0.11 per diluted share, for the comparable quarter last year. GAAP to non-GAAP adjustments to net income exclude a number of acquisition-related costs, including amortization, one-time transaction costs, and fair value inventory step-up expense. For a detailed reconciliation, see the schedules that follow in this release.
- Quarterly non-GAAP Adjusted EBITDAS was \$26.7 million, or 16.5% of net sales, compared with \$23.1 million, or 15.5% of net sales, for the comparable quarter last year.

James Debney, American Outdoor Brands Corporation President and Chief Executive Officer, said, "We are pleased with our second quarter operational and financial results, which reflect year-over-year increases in revenue and profitability in both our Outdoor Products & Accessories segment and our Firearms segment. Our Outdoor Products & Accessories segment, a strategically important market that we first entered just four years ago, generated approximately one-third of our revenue in the quarter. Sales growth occurred in both our Hunting & Shooting product categories, as well as our Cutlery & Tool product categories, and came from a variety of retailers, particularly our online retailers. We continued to expand our addressable market in electro-optic products with the launch of several new Crimson Trace products including rifle scopes designed for short, medium, and long-range applications, as well as five new, innovative red dot sights. In our Firearms segment, revenue growth reflected the success of our 'bundle' promotions booked earlier in the year and shipped in the second quarter. New firearm products, which we define as products launched within the past twelve months, represented 26.6% of our firearm revenue in the quarter and included strong sales of our M&P Shield 380 EZ pistol, which we launched in February of this year."

"We made significant progress in the quarter on the completion of our new Logistics & Customer Services facility in Missouri – an important strategic initiative supporting our objective to be the leading provider of quality products for the shooting, hunting, and rugged outdoor enthusiast. This 632,000 square foot, state-of-the-art facility will serve as our centralized logistics, warehousing, and distribution operation, for all of our products, facilitating our growth, enhancing our efficiencies, and allowing us to better serve customers across our entire organization. We remain on track to begin ramping initial operations in the near future."

Jeff Buchanan, Executive Vice President, Chief Financial Officer, and Chief Administrative Officer, commented, "For the six months ended October 2018, we had positive operating cash flow of \$9.1 million as compared with a cash outflow of \$30.7 million for the six months ended October 2017. During the current quarter, we accessed \$25.0 million of our \$350 million line of credit, which is expandable to \$500 million. Our balance sheet remains strong with approximately \$36.4 million of cash and \$148.1 million of total net borrowings, as compared with over \$220.0 million of net borrowings at the end of the comparable quarter last year."

Financial Outlook

AMERICAN OUTDOOR BRANDS CORPORATION NET SALES AND EARNINGS PER SHARE GUIDANCE, INCLUDING GAAP TO NON-GAAP RECONCILIATION (Unaudited)

| | Range for the Three Months Ending January 31, 2019 | | Range for the Year Ending April 30, 2019 | |
|--|--|------------|--|------------|
| | \$ 155,000 | \$ 165,000 | \$ 625,000 | \$ 635,000 |
| Net sales (in thousands) | | | | |
| GAAP income per share - diluted | \$ 0.01 | \$ 0.05 | \$ 0.38 | \$ 0.42 |
| Amortization of acquired intangible assets | 0.11 | 0.11 | 0.41 | 0.41 |
| Inventory step-up expense | — | — | 0.01 | 0.01 |
| Transition costs | — | — | 0.01 | 0.01 |

| | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| Tax effect of non-GAAP adjustments | (0.03) | (0.03) | (0.12) | (0.12) |
| Non-GAAP income per share - diluted | <u>\$ 0.09</u> | <u>\$ 0.13</u> | <u>\$ 0.69</u> | <u>\$ 0.73</u> |

Conference Call and Webcast

The company will host a conference call and webcast today, December 6, 2018, to discuss its second quarter fiscal 2019 financial and operational results. Speakers on the conference call will include James Debney, President and Chief Executive Officer, and Jeffrey D. Buchanan, Executive Vice President, Chief Financial Officer, and Chief Administrative Officer. The conference call may include forward-looking statements. The conference call and webcast will begin at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time). Those interested in listening to the conference call via telephone may call directly at (844) 309-6568 and reference conference identification number 5876228. No RSVP is necessary. The conference call audio webcast can also be accessed live and for replay on the company's website at www.aob.com, under the Investor Relations section. The company will maintain an audio replay of this conference call on its website for a period after the call. No other audio replay will be available.

Reconciliation of U.S. GAAP to Non-GAAP Financial Measures

In this press release, certain non-GAAP financial measures, including "non-GAAP net income," "Adjusted EBITDAS," and "free cash flow" are presented. From time-to-time, the company considers and uses these supplemental measures of operating performance in order to provide the reader with an improved understanding of underlying performance trends. The company believes it is useful for itself and the reader to review, as applicable, both (1) GAAP measures that include (i) amortization of acquired intangible assets, (ii) transition costs, (iii) acquisition-related costs, (iv) fair value inventory step-up, (v) the tax effect of non-GAAP adjustments, (vi) net cash (used in)/provided by operating activities, (vii) net cash used in investing activities, (viii) acquisition of businesses, net of cash acquired, (ix) interest expense (x) income tax (benefit)/expense, (xi) depreciation and amortization, (xii) stock-based compensation expenses, and (xiii) changes in contingent consideration; and (2) the non-GAAP measures that exclude such information. The company presents these non-GAAP measures because it considers them an important supplemental measure of its performance. The company's definition of these adjusted financial measures may differ from similarly named measures used by others. The company believes these measures facilitate operating performance comparisons from period to period by eliminating potential differences caused by the existence and timing of certain expense items that would not otherwise be apparent on a GAAP basis. These non-GAAP measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for the company's GAAP measures. The principal limitations of these measures are that they do not reflect the company's actual expenses and may thus have the effect of inflating its financial measures on a GAAP basis.

About American Outdoor Brands Corporation

American Outdoor Brands Corporation (NASDAQ Global Select: AOBG) is a provider of quality products for shooting, hunting, and rugged outdoor enthusiasts in the global consumer and professional markets. The Company reports two segments: Firearms and Outdoor Products & Accessories. Firearms manufactures handguns, long guns, and suppressor products sold under the Smith & Wesson®, M&P®, Thompson/Center Arms™, and Gemtech® brands as well as provides forging, machining, and precision plastic injection molding services. Outdoor Products & Accessories provides shooting, hunting, and outdoor accessories, including reloading, gunsmithing, and gun cleaning supplies, tree saws, vault accessories, knives, laser sighting systems, tactical lighting products, and survival and camping equipment. Brands in Outdoor Products & Accessories include Smith & Wesson®, M&P®, Thompson/Center Arms™, Crimson Trace®, Caldwell® Shooting Supplies, Wheeler® Engineering, Tipton® Gun Cleaning Supplies, Frankford Arsenal® Reloading Tools, Lockdown® Vault Accessories, Hooyman® Premium Tree Saws, BOG POD®, Schrade®, Old Timer®, Uncle Henry®, Imperial®, Bubba Blade®, and UST®. For more information on American Outdoor Brands Corporation, call (844) 363-5386 or log on to www.aob.com.

Safe Harbor Statement

Certain statements contained in this press release may be deemed to be forward-looking statements under federal securities laws, and we intend that such forward-looking statements be subject to the safe-harbor created thereby. Such forward-looking statements include, among others, our long-term strategy of being the leading provider of quality products for the shooting, hunting, and rugged outdoor enthusiast market; our belief that our new logistics and customer service facility will serve as our centralized logistics, warehousing, and distribution operation, enabling us to facilitate growth, enhance efficiencies, and better serve customers across our entire organization; our belief that we will begin ramping initial operations in our new logistics facility in December 2018; and our expectations for net sales, GAAP income per diluted share, acquisition-related costs, amortization of acquired intangible assets, fair value inventory step-up and backlog expense, tax effect of non-GAAP adjustments, and non-GAAP income per diluted share for the third quarter of fiscal 2019 and for fiscal 2019. We caution that these statements are qualified by important risks, uncertainties and other factors that could cause actual results to differ materially from those reflected by such forward-looking statements. Such factors include, among others, economic, social, political, legislative, and regulatory factors; the potential for increased regulation of firearms and firearm-related products; actions of social activists that could have an adverse effect on our business; the impact of lawsuits; the demand for our products; the state of the U.S. economy in general and the firearm industry in particular; general economic conditions and consumer spending patterns; our competitive environment; the supply, availability and costs of raw materials and components; speculation surrounding fears of terrorism and crime; our anticipated growth and growth opportunities; our ability to increase demand for our products in various markets, including consumer, law enforcement, and military channels, domestically and internationally; our penetration rates in new and existing markets; our strategies; our ability to maintain and enhance brand recognition and reputation; risks associated with the establishment of our new 630,000 square foot national logistics and customer service facility; our ability to introduce new products; the success of new products; our ability to expand our markets; our ability to integrate acquired businesses in a successful manner; the general growth of our outdoor products and accessories business; the potential for cancellation of orders from our backlog; and other risks detailed from time to time in our reports filed with the SEC, including our Annual Report on Form 10-K for the fiscal year ended April 30, 2018.

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AMERICAN OUTDOOR BRANDS CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

| | As of: | |
|---------------------------|---|----------------|
| | October 31, 2018 | April 30, 2018 |
| | (In thousands, except par value and share data) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 36,407 | \$ 48,860 |

| | | |
|--|-------------------|-------------------|
| Accounts receivable, net of allowance for doubtful accounts of \$1,276 on October 31, 2018 and \$1,824 on April 30, 2018 | 63,899 | 56,676 |
| Inventories | 175,217 | 153,353 |
| Prepaid expenses and other current assets | 8,239 | 6,893 |
| Income tax receivable | 1,120 | 4,582 |
| Total current assets | <u>284,882</u> | <u>270,364</u> |
| Property, plant, and equipment, net | 179,636 | 159,125 |
| Intangibles, net | 101,964 | 112,760 |
| Goodwill | 191,821 | 191,287 |
| Other assets | 11,327 | 11,524 |
| | <u>\$ 769,630</u> | <u>\$ 745,060</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|-------------------|-------------------|
| Current liabilities: | | |
| Accounts payable | \$ 38,425 | \$ 33,617 |
| Accrued expenses and deferred revenue | 33,889 | 41,632 |
| Accrued payroll and incentives | 12,836 | 10,514 |
| Accrued income taxes | 837 | 513 |
| Accrued profit sharing | 914 | 1,283 |
| Accrued warranty | 5,831 | 6,823 |
| Current portion of notes and loans payable | 6,300 | 6,300 |
| Total current liabilities | <u>99,032</u> | <u>100,682</u> |
| Deferred income taxes | 11,335 | 12,895 |
| Notes and loans payable, net of current portion | 177,369 | 180,304 |
| Capital lease payable, net of current portion | 38,667 | 22,143 |
| Other non-current liabilities | 6,985 | 6,888 |
| Total liabilities | <u>333,388</u> | <u>322,912</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$.001 par value, 20,000,000 shares authorized, no shares issued or outstanding | — | — |
| Common stock, \$.001 par value, 100,000,000 shares authorized, 72,705,772 shares issued and 54,538,910 shares outstanding on October 31, 2018 and 72,433,705 shares issued and 54,266,843 shares outstanding on April 30, 2018 | 73 | 72 |
| Additional paid-in capital | 258,126 | 253,616 |
| Retained earnings | 398,846 | 389,146 |
| Accumulated other comprehensive income | 1,572 | 1,689 |
| Treasury stock, at cost (18,166,862 shares on October 31, 2018 and April 30, 2018) | (222,375) | (222,375) |
| Total stockholders' equity | <u>436,242</u> | <u>422,148</u> |
| | <u>\$ 769,630</u> | <u>\$ 745,060</u> |

AMERICAN OUTDOOR BRANDS CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

| | For the Three Months Ended | | For the Six Months Ended | |
|---|---------------------------------------|------------------|--------------------------|------------------|
| | October 31, 2018 | October 31, 2017 | October 31, 2018 | October 31, 2017 |
| | (In thousands, except per share data) | | | |
| Net sales | \$ 161,703 | \$ 148,427 | \$ 300,536 | \$ 277,448 |
| Cost of sales | 105,317 | 97,628 | 191,728 | 186,017 |
| Gross profit | <u>56,386</u> | <u>50,799</u> | <u>108,808</u> | <u>91,431</u> |
| Operating expenses: | | | | |
| Research and development | 3,251 | 2,746 | 6,062 | 5,532 |
| Selling and marketing | 15,291 | 15,351 | 26,906 | 27,069 |
| General and administrative | 26,518 | 24,713 | 51,039 | 54,041 |
| Total operating expenses | <u>45,060</u> | <u>42,810</u> | <u>84,007</u> | <u>86,642</u> |
| Operating income | <u>11,326</u> | <u>7,989</u> | <u>24,801</u> | <u>4,789</u> |
| Other (expense)/income, net: | | | | |
| Other income/(expense), net | 8 | (3) | (9) | 1,295 |
| Interest expense, net | (2,274) | (2,963) | (4,274) | (5,354) |
| Total other (expense)/income, net | <u>(2,266)</u> | <u>(2,966)</u> | <u>(4,283)</u> | <u>(4,059)</u> |
| Income from operations before income taxes | 9,060 | 5,023 | 20,518 | 730 |
| Income tax expense/(benefit) | 2,395 | 1,789 | 6,208 | (337) |
| Net income | <u>6,665</u> | <u>3,234</u> | <u>14,310</u> | <u>1,067</u> |
| Net income per share: | | | | |
| Basic | <u>\$ 0.12</u> | <u>\$ 0.06</u> | <u>\$ 0.26</u> | <u>\$ 0.02</u> |
| Diluted | <u>\$ 0.12</u> | <u>\$ 0.06</u> | <u>\$ 0.26</u> | <u>\$ 0.02</u> |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 54,444 | 54,044 | 54,395 | 53,975 |
| Diluted | 55,107 | 54,656 | 55,047 | 54,800 |

AMERICAN OUTDOOR BRANDS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

For the Six Months Ended
October 31, 2018 October 31, 2017
(In thousands)

| | | | | |
|---|----|-----------------|----|-----------------|
| Cash flows from operating activities: | | | | |
| Net income | \$ | 14,310 | \$ | 1,067 |
| Adjustments to reconcile net income to net cash provided by/(used in) operating activities: | | | | |
| Depreciation and amortization | | 25,994 | | 26,317 |
| (Loss)/gain on sale/disposition of assets | | (1,038) | | 34 |
| Provision for losses on accounts receivable | | 146 | | 354 |
| Deferred income taxes | | (1,519) | | — |
| Change in fair value of contingent consideration | | — | | (1,300) |
| Stock-based compensation expense | | 3,952 | | 4,179 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | | (7,278) | | 27,112 |
| Inventories | | (22,482) | | (42,581) |
| Prepaid expenses and other current assets | | (1,352) | | (1,362) |
| Income taxes | | 3,786 | | (1,133) |
| Accounts payable | | 5,488 | | (8,725) |
| Accrued payroll and incentives | | 2,322 | | (11,640) |
| Accrued profit sharing | | (369) | | (10,399) |
| Accrued expenses and deferred revenue | | (12,052) | | (13,084) |
| Accrued warranty | | (992) | | 262 |
| Other assets | | 40 | | (362) |
| Other non-current liabilities | | 95 | | 609 |
| Net cash provided by/(used in) operating activities | | <u>9,051</u> | | <u>(30,652)</u> |
| Cash flows from investing activities: | | | | |
| Acquisition of businesses, net of cash acquired | | — | | (23,016) |
| Payments to acquire patents and software | | (207) | | (254) |
| Proceeds from sale of property and equipment | | 1,223 | | 6 |
| Payments to acquire property and equipment | | <u>(19,605)</u> | | <u>(9,863)</u> |
| Net cash used in investing activities | | <u>(18,589)</u> | | <u>(33,127)</u> |
| Cash flows from financing activities: | | | | |
| Proceeds from loans and notes payable | | 50,000 | | 75,000 |
| Payments on capital lease obligation | | (323) | | (323) |
| Payments on notes and loans payable | | (53,150) | | (3,150) |
| Proceeds from exercise of options to acquire common stock, including employee stock purchase plan | | 1,158 | | 1,058 |
| Payment of employee withholding tax related to restricted stock units | | <u>(600)</u> | | <u>(2,184)</u> |
| Net cash (used in)/provided by financing activities | | <u>(2,915)</u> | | <u>70,401</u> |
| Net (decrease)/increase in cash and cash equivalents | | (12,453) | | 6,622 |
| Cash and cash equivalents, beginning of period | | 48,860 | | 61,549 |
| Cash and cash equivalents, end of period | \$ | <u>36,407</u> | \$ | <u>68,171</u> |
| Supplemental disclosure of cash flow information | | | | |
| Cash paid for: | | | | |
| Interest | \$ | 4,339 | \$ | 4,844 |
| Income taxes | | 3,065 | | 1,257 |

RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES
(Dollars in thousands, except per share data)
(Unaudited)

| | For the Three Months Ended | | | | For the Six Months Ended | | | |
|------------------------------|-----------------------------------|--------------|-------------------------|--------------|---------------------------------|--------------|-------------------------|--------------|
| | October 31, 2018 | | October 31, 2017 | | October 31, 2018 | | October 31, 2017 | |
| | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales |
| GAAP gross profit | \$ 56,386 | 34.9% | \$ 50,799 | 34.2% | \$ 108,808 | 36.2% | \$ 91,431 | 33.0% |
| Fair value inventory step-up | 120 | 0.1% | 91 | 0.1% | 270 | 0.1% | 91 | 0.0% |
| Non-GAAP gross profit | <u>\$ 56,506</u> | <u>34.9%</u> | <u>\$ 50,890</u> | <u>34.3%</u> | <u>\$ 109,078</u> | <u>36.3%</u> | <u>\$ 91,522</u> | <u>33.0%</u> |
| GAAP operating expenses | \$ 45,060 | 27.9% | \$ 42,810 | 28.8% | \$ 84,007 | 28.0% | \$ 86,642 | 31.2% |

| | | | | | | | | |
|--|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| Amortization of acquired intangible assets | (5,444) | -3.4% | (4,268) | -2.9% | (10,890) | -3.6% | (9,953) | -3.6% |
| Transition costs | (382) | -0.2% | (79) | -0.1% | (382) | -0.1% | (391) | -0.1% |
| Acquisition-related costs | — | — | (259) | -0.2% | — | — | (676) | -0.2% |
| Non-GAAP operating expenses | <u>\$ 39,234</u> | <u>24.3%</u> | <u>\$ 38,204</u> | <u>25.7%</u> | <u>\$ 72,735</u> | <u>24.2%</u> | <u>\$ 75,622</u> | <u>27.3%</u> |
| GAAP operating income | \$ 11,326 | 7.0% | \$ 7,989 | 5.4% | \$ 24,801 | 8.3% | \$ 4,789 | 1.7% |
| Fair value inventory step-up | 120 | 0.1% | 91 | 0.1% | 270 | 0.1% | 91 | 0.0% |
| Amortization of acquired intangible assets | 5,444 | 3.4% | 4,268 | 2.9% | 10,890 | 3.6% | 9,953 | 3.6% |
| Transition costs | 382 | 0.2% | 79 | 0.1% | 382 | 0.1% | 391 | 0.1% |
| Acquisition-related costs | — | — | 259 | 0.2% | — | — | 676 | 0.2% |
| Non-GAAP operating income | <u>\$ 17,272</u> | <u>10.7%</u> | <u>\$ 12,686</u> | <u>8.5%</u> | <u>\$ 36,343</u> | <u>12.1%</u> | <u>\$ 15,900</u> | <u>5.7%</u> |
| GAAP net income | \$ 6,665 | 4.1% | \$ 3,234 | 2.2% | \$ 14,310 | 4.8% | \$ 1,067 | 0.4% |
| Fair value inventory step-up | 120 | 0.1% | 91 | 0.1% | 270 | 0.1% | 91 | 0.0% |
| Amortization of acquired intangible assets | 5,444 | 3.4% | 4,268 | 2.9% | 10,890 | 3.6% | 9,953 | 3.6% |
| Transition costs | 382 | 0.2% | 79 | 0.1% | 382 | 0.1% | 391 | 0.1% |
| Acquisition-related costs | — | — | 259 | 0.2% | — | 0.0% | 676 | 0.2% |
| Change in contingent consideration | — | — | — | — | — | — | (1,300) | -0.5% |
| Tax effect of non-GAAP adjustments | (1,570) | -1.0% | (1,672) | -1.1% | (3,120) | -1.0% | (3,532) | -1.3% |
| Non-GAAP net income | <u>\$ 11,041</u> | <u>6.8%</u> | <u>\$ 6,259</u> | <u>4.2%</u> | <u>\$ 22,732</u> | <u>7.6%</u> | <u>\$ 7,346</u> | <u>2.6%</u> |
| GAAP net income per share - diluted | \$ 0.12 | | \$ 0.06 | | \$ 0.26 | | \$ 0.02 | |
| Fair value inventory step-up | — | | — | | — | | — | |
| Amortization of acquired intangible assets | 0.10 | | 0.08 | | 0.20 | | 0.18 | |
| Transition costs | 0.01 | | — | | 0.01 | | 0.01 | |
| Acquisition-related costs | — | | — | | — | | 0.01 | |
| Change in contingent consideration | — | | — | | — | | (0.02) | |
| Tax effect of non-GAAP adjustments | (0.03) | | (0.03) | | (0.06) | | (0.06) | |
| Non-GAAP net income per share - diluted | <u>\$ 0.20</u> | | <u>\$ 0.11</u> | | <u>\$ 0.41</u> | | <u>\$ 0.13</u> | (a) |

AMERICAN OUTDOOR BRANDS CORPORATION AND SUBSIDIARIES
RECONCILIATION OF NET OPERATING CASH FLOW TO FREE CASH FLOW
(In thousands)
(Unaudited)

| | For the Three Months Ended | | For the Six Months Ended | |
|---|----------------------------|-------------------|--------------------------|--------------------|
| | October 31, 2018 | October 31, 2017 | October 31, 2018 | October 31, 2017 |
| Net cash (used in)/provided by operating activities | \$ (1,589) | \$ 3,840 | \$ 9,051 | \$ (30,652) |
| Net cash used in investing activities | (11,481) | (28,339) | (18,589) | (33,127) |
| Acquisition of businesses, net of cash acquired | — | 23,016 | — | 23,016 |
| Free cash flow | <u>(13,070)</u> | <u>\$ (1,483)</u> | <u>\$ (9,538)</u> | <u>\$ (40,763)</u> |

AMERICAN OUTDOOR BRANDS CORPORATION AND SUBSIDIARIES
RECONCILIATION OF GAAP NET INCOME TO NON-GAAP ADJUSTED EBITDAS
(in thousands)
(Unaudited)

| | For the Three Months Ended | | For the Six Months Ended | |
|------------------------------------|----------------------------|------------------|--------------------------|------------------|
| | October 31, 2018 | October 31, 2017 | October 31, 2018 | October 31, 2017 |
| GAAP net income | \$ 6,665 | \$ 3,234 | \$ 14,310 | \$ 1,067 |
| Interest expense | 2,352 | 3,033 | 4,382 | 5,423 |
| Income tax (benefit)/expense | 2,395 | 1,789 | 6,208 | (337) |
| Depreciation and amortization | 12,816 | 12,304 | 25,560 | 25,831 |
| Stock-based compensation expense | 1,963 | 2,289 | 3,952 | 4,179 |
| Fair value inventory step-up | 120 | 91 | 270 | 91 |
| Acquisition-related costs | — | 259 | — | 676 |
| Transition costs | 382 | 79 | 382 | 391 |
| Change in contingent consideration | — | — | — | (1,300) |
| Non-GAAP Adjusted EBITDAS | <u>\$ 26,693</u> | <u>\$ 23,078</u> | <u>\$ 55,064</u> | <u>\$ 36,021</u> |

 View original content to download multimedia: <http://www.prnewswire.com/news-releases/american-outdoor-brands-corporation-reports-second-quarter-fiscal-2019-financial-results-300761611.html>

SOURCE American Outdoor Brands Corporation