



## Smith & Wesson Holding Corporation Reports Third Quarter Fiscal 2016 Financial Results

March 3, 2016

- Net Sales of \$210.8 Million for Third Quarter, up 61.5% Year-Over-Year
- Third Quarter GAAP Net Income Per Diluted Share of \$0.56
- Third Quarter Non-GAAP Net Income Per Diluted Share of \$0.59
- Company Raises Full Year Fiscal 2016 Revenue and Net Income Outlook

SPRINGFIELD, Mass., March 3, 2016 /PRNewswire/ -- **Smith & Wesson Holding Corporation** (NASDAQ Global Select: SWHC), a leader in firearm manufacturing and design, today announced financial results for the fiscal third quarter ended January 31, 2016.



# Smith & Wesson®

### Third Quarter Fiscal 2016 Financial Highlights

- Quarterly net sales were \$210.8 million, an increase of 61.5% over the third quarter last year. Firearms division net sales of \$194.7 million increased by 56.4% over the comparable quarter last year. Accessories division net sales were \$16.1 million, compared with \$6.1 million for the comparable quarter last year, a period in which the company acquired Battenfeld Technologies, Inc. (BTI) and therefore reported only six weeks of accessories division sales.
- Gross margin for the quarter was 41.1% compared with 33.6% for the comparable quarter last year.
- Quarterly GAAP net income was \$31.4 million, or \$0.56 per diluted share, compared with \$8.1 million, or \$0.15 per diluted share, for the comparable quarter last year. Third quarter 2016 GAAP net income per diluted share included an expense of \$1.7 million for amortization, net of tax, related to the BTI acquisition. The increase in net income over the comparable quarter last year was a result of increased revenue, favorable fixed-cost absorption, and lower acquisition related expenses, partially offset by increased profit related compensation accruals and additional intangible amortization expense as a result of the BTI acquisition.
- Quarterly non-GAAP net income was \$33.2 million, or \$0.59 per diluted share, compared with \$11.2 million, or \$0.20 per diluted share, for the comparable quarter last year.
- Quarterly non-GAAP Adjusted EBITDAS was \$61.5 million, or 29.2% of net sales.

James Debney, Smith & Wesson Holding Corporation President and Chief Executive Officer, said, "The combined strength of our firearms and accessories businesses delivered an exceptional performance, driven by healthy consumer demand across our growing portfolio of firearm and outdoor lifestyle offerings. During the third quarter, the Adjusted National Instant Criminal Background Check System (NICS) data, which serves as an indicator of consumer purchases, reported a significant increase in growth versus the prior year, especially in handguns. In addition, our product sell-through at distribution was much stronger than we had anticipated. Our flexible manufacturing model, combined with our ability to successfully utilize the internal inventories we had built in anticipation of potential sell-through strength, allowed us to capture incremental sales in the third quarter. Despite the fact that we entered our fourth quarter with lower inventories, we are focused on increasing the production rates of our key products during the fourth quarter and we are therefore increasing our guidance for the full fiscal year."

Jeff Buchanan, Executive Vice President, Chief Financial Officer, and Chief Administrative Officer, said, "Our gross margin performance was strong in the third quarter, driven by the favorable impact of increased production volumes in our firearms division and by strong gross margins in our accessories division. We generated \$51.0 million in operating cash flow and \$46.3 million in free cash flow in the third quarter, and our balance sheet remains healthy as we ended the quarter with cash of \$105.2 million and no borrowings on our \$175.0 million revolving line of credit."

### Financial Outlook

**NET SALES AND EARNINGS PER SHARE GUIDANCE, INCLUDING GAAP TO NON-GAAP RECONCILIATION**  
(Unaudited)

|  | <b>Range for the Three Months Ending April 30, 2016</b> |         | <b>Range for the Year Ending April 30, 2016</b> |         |
|--|---|---------|---|---------|
|  | \$  | 210,000 | \$  | 215,000 |
| Net sales (in thousands)                   |   |         | \$  | 712,000 |
|  |   |         | \$  | 717,000 |
| GAAP income per share - diluted            | \$  | 0.48    | \$  | 0.50    |
| Amortization of acquired intangible assets |   | 0.05    |   | 0.05    |
| Debt extinguishment costs                  |   | —       |   | —       |
| Bond premium paid                          |   | —       |   | —       |
| Insurance recovery costs                   |   | —       |   | —       |
| Tax effect of non-GAAP adjustments         |   | (0.02)  |   | (0.02)  |
| Non-GAAP income per share - diluted        | \$  | 0.51    | \$  | 0.53    |
|  |   |         | \$  | 1.68    |
|  |   |         | \$  | 1.70    |

**Conference Call and Webcast**

The company will host a conference call and webcast today, March 3, 2016, to discuss its third quarter fiscal 2016 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 will be webcast live and is scheduled to begin at 5:00 p.m. Eastern Time. The live audio broadcast and replay of the conference call can be accessed on Smith & Wesson's website at [www.smith-wesson.com](http://www.smith-wesson.com) (Windows Media is required). Those interested in listening to the conference call via telephone may call directly at 877-356-0534 and reference conference code 47260807. No RSVP is necessary. The company will maintain an audio replay of this conference call on its website for a period of time 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," "non-GAAP net income per diluted share," and "Adjusted EBITDAS" 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) TCA accessories transition costs, (iii) discontinued operations, (iv) DOJ and SEC costs including insurance recovery costs, (v) acquisition-related costs, (vi) fair value inventory step-up and backlog expense, (vii) bond premium paid, (viii) debt extinguishment costs, (ix) the tax effect of non-GAAP adjustments, (x) interest expense, (xi) income tax expense, (xii) depreciation and amortization, (xiii) stock-based compensation expense, (xiv) payments for acquisitions, and (xv) receipts from note receivable; 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 Smith & Wesson**

Smith & Wesson Holding Corporation (NASDAQ Global Select: SWHC) is a U.S.-based leader in firearm manufacturing and design, delivering a broad portfolio of quality firearms, related products, and training to the global military, law enforcement, and consumer markets. The company's firearms division brands include Smith & Wesson®, M&P®, and Thompson/Center Arms™. As a leading provider of shooting, reloading, gunsmithing, and gun cleaning supplies, the company's accessories division produces innovative, high-quality products under several brands, including Caldwell® Shooting Supplies, Wheeler® Engineering, Tipton® Gun Cleaning Supplies, Frankford Arsenal® Reloading Tools, Lockdown® Vault Accessories, and Hooyman® Premium Tree Saws. Smith & Wesson facilities are located in Massachusetts, Maine, Connecticut, and Missouri. For more information on Smith & Wesson, call (800) 331-0852 or log on to [www.smith-wesson.com](http://www.smith-wesson.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 our belief that the combined strength of our firearms and accessories businesses delivered an exceptional performance, driven by healthy consumer demand across our growing portfolio of firearm and outdoor lifestyle offerings; our focus on increasing the production rates of our key products during the fourth quarter; our belief that our balance sheet remains healthy; and our expectations for net sales, GAAP net income per diluted share, amortization of acquired intangible assets, debt extinguishment costs, bond premium paid, insurance recovery costs, tax effect of non-GAAP adjustments, and non-GAAP net income per diluted share for the fourth quarter of fiscal 2016 as well as for full year fiscal 2016. We caution that these statements are qualified by important factors that could cause actual results to differ materially from those reflected by such forward-looking statements. Such factors include the demand for our products; the costs and ultimate conclusion of certain legal matters; the state of the U.S. economy in general and the firearm industry in particular; general economic conditions and consumer spending patterns; the potential for increased regulation of firearms and firearm-related products; speculation surrounding fears of terrorism and crime; our growth opportunities; our anticipated growth; our ability to increase demand for our products in various markets, including consumer, law enforcement, and military channels, domestically and internationally; the position of our hunting products in the consumer discretionary marketplace and distribution channel; our penetration rates in new and existing markets; our strategies; 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 firearm 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, 2015.

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**SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
 (Unaudited)

|   | For the Three Months Ended            |                     | For the Nine Months Ended |                     |
|---|---------------------------------------|---------------------|---------------------------|---------------------|
|   | January 31,<br>2016                   | January 31,<br>2015 | January 31,<br>2016       | January 31,<br>2015 |
|   | (In thousands, except per share data) |                     |                           |                     |
| Net sales   | \$ 210,786                            | \$ 130,550          | \$ 501,791                | \$ 370,865          |
| Cost of sales   | 124,128                               | 86,726              | 300,048                   | 243,083             |
| Gross profit  | 86,658                                | 43,824              | 201,743                   | 127,782             |
| Operating expenses:                                   |                                       |                     |                           |                     |
| Research and development                              | 2,521                                 | 1,901               | 7,612                     | 4,830               |
| Selling and marketing                                 | 11,505                                | 10,088              | 33,260                    | 26,884              |
| General and administrative                            | 22,484                                | 16,224              | 59,124                    | 44,010              |
| Total operating expenses                              | 36,510                                | 28,213              | 99,996                    | 75,724              |
| Operating income                                      | 50,148                                | 15,611              | 101,747                   | 52,058              |
| Other (expense)/income:                               |                                       |                     |                           |                     |
| Other (expense)/income, net                           | (5)                                   | 16                  | (17)                      | (1)                 |
| Interest income                                       | 61                                    | 240                 | 139                       | 284                 |
| Interest expense                                      | (2,140)                               | (3,192)             | (11,714)                  | (8,090)             |
| Total other (expense)/income, net                     | (2,084)                               | (2,936)             | (11,592)                  | (7,807)             |
| Income before income taxes                            | 48,064                                | 12,675              | 90,155                    | 44,251              |
| Income tax expense                                    | 16,630                                | 4,554               | 31,844                    | 16,526              |
| Net income  | 31,434                                | 8,121               | 58,311                    | 27,725              |
| Net income per share:                                 |                                       |                     |                           |                     |
| Basic   | \$ 0.57                               | \$ 0.15             | \$ 1.07                   | \$ 0.51             |
| Diluted   | \$ 0.56                               | \$ 0.15             | \$ 1.05                   | \$ 0.50             |
| Weighted average number of common shares outstanding: |                                       |                     |                           |                     |
| Basic   | 54,857                                | 53,724              | 54,508                    | 54,033              |
| Diluted   | 55,981                                | 54,859              | 55,784                    | 55,258              |

**SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
 (Unaudited)

|  | As of   |                |
|--|---|----------------|
|  | January 31, 2016                                | April 30, 2015 |
|  | (In thousands, except par value and share data) |                |
| <b>ASSETS</b>  |   |                |
| Current assets:  |   |                |
| Cash and cash equivalents  | \$ 105,220                                      | \$ 42,222      |
| Accounts receivable, net of allowance for doubtful accounts of \$709 on January 31, 2016 and \$722 on April 30, 2015 | 89,814  | 55,280         |
| Inventories  | 75,542  | 76,895         |
| Prepaid expenses and other current assets  | 5,981   | 6,306          |
| Deferred income taxes  | 16,441  | 16,373         |
| Total current assets   | 292,998   | 197,076        |
| Property, plant, and equipment, net  | 136,202   | 133,844        |
| Intangibles, net   | 65,014  | 73,768         |
| Goodwill   | 76,164  | 75,426         |
| Other assets   | 6,652   | 10,811         |
|  | \$ 577,030                                      | \$ 490,925     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |   |                |
| Current liabilities:   |   |                |
| Accounts payable   | \$ 35,288                                       | \$ 32,360      |
| Accrued expenses   | 20,723  | 19,021         |
| Accrued payroll  | 15,430  | 7,556          |
| Accrued income taxes   | 1,413   | 4,224          |
| Accrued taxes other than income  | 7,704   | 5,281          |
| Accrued profit sharing   | 7,875   | 6,165          |

|  |                   |                   |
|--|-------------------|-------------------|
| Accrued warranty   | 6,156             | 6,404             |
| Current portion of notes payable   | 6,300             | —                 |
| Total current liabilities  | 100,889           | 81,011            |
| Deferred income taxes  | 33,311            | 33,905            |
| Notes payable, net of current portion  | 167,923           | 170,933           |
| Other non-current liabilities  | 10,396            | 10,706            |
| Total liabilities  | 312,519           | 296,555           |
| 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, 70,671,290 shares issued and 55,108,668 shares outstanding on January 31, 2016 and 69,625,081 shares issued and 54,062,459 shares outstanding on April 30, 2015 | 71                | 70                |
| Additional paid-in capital   | 231,800           | 219,198           |
| Retained earnings  | 205,663           | 147,352           |
| Accumulated other comprehensive (loss)/income  | (700)             | 73                |
| Treasury stock, at cost (15,562,622 shares on January 31, 2016 and April 30, 2015)   | (172,323)         | (172,323)         |
| Total stockholders' equity   | 264,511           | 194,370           |
|  | <u>\$ 577,030</u> | <u>\$ 490,925</u> |

**SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

|   | For the Nine Months Ended |                  |
|---|---------------------------|------------------|
|   | January 31, 2016          | January 31, 2015 |
|   | (In thousands)            |                  |
| Cash flows from operating activities:   |                           |                  |
| Net income  | \$ 58,311                 | \$ 27,725        |
| Adjustments to reconcile net income to net cash provided by operating activities:                 |                           |                  |
| Depreciation and amortization   | 30,836                    | 21,196           |
| Loss/(gain) on sale/disposition of assets   | 138                       | (54)             |
| Provisions for losses on accounts receivable  | 2                         | 213              |
| Deferred income taxes   | 244                       | 1,363            |
| Stock-based compensation expense  | 4,885                     | 4,249            |
| Changes in operating assets and liabilities (net effect of acquisitions):                         |                           |                  |
| Accounts receivable   | (34,536)                  | 5,139            |
| Inventories   | 1,244                     | 5,430            |
| Prepaid expenses and other current assets   | 325                       | (1,787)          |
| Income tax payable  | (2,811)                   | 3,186            |
| Accounts payable  | 2,931                     | (18,839)         |
| Accrued payroll   | 7,874                     | (10,078)         |
| Accrued taxes other than income   | 2,423                     | (496)            |
| Accrued profit sharing  | 1,710                     | (7,310)          |
| Accrued expenses  | 1,621                     | 43               |
| Accrued warranty  | (248)                     | (420)            |
| Other assets  | (119)                     | (84)             |
| Other non-current liabilities   | (1,087)                   | 471              |
| Net cash provided by operating activities   | <u>73,743</u>             | <u>29,947</u>    |
| Cash flows from investing activities:   |                           |                  |
| Payments for the net assets of Tri-Town Precision Plastics, Inc.                                  | —                         | (23,805)         |
| Payments to acquire Battenfeld Technologies, Inc., net of cash acquired                           | —                         | (136,152)        |
| Refunds of deposits on machinery and equipment  | 4,222                     | 1,398            |
| Receipts from note receivable   | 56                        | 60               |
| Payments to acquire patents and software  | (248)                     | (171)            |
| Proceeds from sale of property and equipment  | 61                        | 263              |
| Payments to acquire property and equipment  | (22,933)                  | (24,240)         |
| Net cash used in investing activities   | <u>(18,842)</u>           | <u>(182,647)</u> |
| Cash flows from financing activities:   |                           |                  |
| Proceeds from loans and notes payable   | 105,000                   | 175,000          |
| Cash paid for debt issue costs  | (1,024)                   | (2,483)          |
| Payments on capital lease obligation  | (447)                     | (447)            |
| Payments on notes payable   | (103,150)                 | —                |
| Payments to acquire treasury stock  | —                         | (30,040)         |
| Proceeds from exercise of options to acquire common stock, including employee stock purchase plan | 6,668                     | 1,664            |
| Payroll taxes paid as a result of restricted stock unit withholdings                              | (2,073)                   | (1,124)          |
| Excess tax benefit of stock-based compensation  | 3,123                     | 280              |
| Net cash provided by financing activities   | <u>8,097</u>              | <u>142,850</u>   |
| Net increase/(decrease) in cash and cash equivalents  | 62,998                    | (9,850)          |

|  |  |                   |  |                  |
|--|--|-------------------|--|------------------|
| Cash and cash equivalents, beginning of period   |  | 42,222            |  | 68,860           |
| Cash and cash equivalents, end of period         |  | <u>\$ 105,220</u> |  | <u>\$ 59,010</u> |
| Supplemental disclosure of cash flow information |  |                   |  |                  |
| Cash paid for:                                   |  |                   |  |                  |
| Interest   |  | \$ 12,118         |  | \$ 8,139         |
| Income taxes                                     |  | 31,484            |  | 12,000           |

**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 Nine Months Ended |              |                   |              |
|--|----------------------------|--------------|------------------|--------------|---------------------------|--------------|-------------------|--------------|
|  | January 31, 2016           |              | January 31, 2015 |              | January 31, 2016          |              | January 31, 2015  |              |
|  | \$                         | % of Sales   | \$               | % of Sales   | \$                        | % of Sales   | \$                | % of Sales   |
| GAAP gross profit                                | \$ 86,658                  | 41.1%        | \$ 43,824        | 33.6%        | \$ 201,743                | 40.2%        | \$ 127,782        | 34.5%        |
| Fair value inventory step-up and backlog expense | —                          | —            | 1,865            | 1.4%         | —                         | —            | 1,983             | 0.5%         |
| Discontinued operations                          | —                          | —            | —                | —            | 52                        | 0.0%         | —                 | —            |
| Non-GAAP gross profit                            | <u>\$ 86,658</u>           | <u>41.1%</u> | <u>\$ 45,689</u> | <u>35.0%</u> | <u>\$ 201,795</u>         | <u>40.2%</u> | <u>\$ 129,765</u> | <u>35.0%</u> |
| GAAP operating expenses                          | \$ 36,510                  | 17.3%        | \$ 28,213        | 21.6%        | \$ 99,996                 | 19.9%        | \$ 75,724         | 20.4%        |
| Amortization of acquired intangible assets       | (2,652)                    | -1.3%        | (1,327)          | -1.0%        | (7,381)                   | -1.5%        | (1,424)           | -0.4%        |
| TCA accessories transition costs                 | (10)                       | 0.0%         | —                | —            | (161)                     | 0.0%         | —                 | —            |
| Discontinued operations                          | (21)                       | 0.0%         | (88)             | -0.1%        | (65)                      | 0.0%         | (245)             | -0.1%        |
| DOJ/SEC costs including insurance recovery costs | (9)                        | 0.0%         | —                | —            | 1,781                     | 0.4%         | —                 | —            |
| Acquisition-related costs                        | (27)                       | 0.0%         | (1,584)          | -1.2%        | (27)                      | 0.0%         | (2,042)           | -0.6%        |
| Non-GAAP operating expenses                      | <u>\$ 33,791</u>           | <u>16.0%</u> | <u>\$ 25,214</u> | <u>19.3%</u> | <u>\$ 94,143</u>          | <u>18.8%</u> | <u>\$ 72,013</u>  | <u>19.4%</u> |
| GAAP operating income                            | \$ 50,148                  | 23.8%        | \$ 15,611        | 12.0%        | \$ 101,747                | 20.3%        | \$ 52,058         | 14.0%        |
| Fair value inventory step-up and backlog expense | —                          | —            | 1,865            | 1.4%         | —                         | —            | 1,983             | 0.5%         |
| Amortization of acquired intangible assets       | 2,652                      | 1.3%         | 1,327            | 1.0%         | 7,381                     | 1.5%         | 1,424             | 0.4%         |
| TCA accessories transition costs                 | 10                         | 0.0%         | —                | —            | 161                       | 0.0%         | —                 | —            |
| Discontinued operations                          | 21                         | 0.0%         | 88               | 0.1%         | 117                       | 0.0%         | 245               | 0.1%         |
| DOJ/SEC costs including insurance recovery costs | 9                          | 0.0%         | —                | —            | (1,781)                   | -0.4%        | —                 | —            |
| Acquisition-related costs                        | 27                         | 0.0%         | 1,584            | 1.2%         | 27                        | 0.0%         | 2,042             | 0.6%         |
| Non-GAAP operating income                        | <u>\$ 52,867</u>           | <u>25.1%</u> | <u>\$ 20,475</u> | <u>15.7%</u> | <u>\$ 107,652</u>         | <u>21.5%</u> | <u>\$ 57,752</u>  | <u>15.6%</u> |
| GAAP net income                                  | \$ 31,434                  | 14.9%        | \$ 8,121         | 6.2%         | \$ 58,311                 | 11.6%        | \$ 27,725         | 7.5%         |
| Bond premium paid                                | —                          | —            | —                | —            | 2,938                     | 0.6%         | —                 | —            |
| Fair value inventory step-up and backlog expense | —                          | —            | 1,865            | 1.4%         | —                         | —            | 1,983             | 0.5%         |
| Amortization of acquired intangible assets       | 2,652                      | 1.3%         | 1,327            | 1.0%         | 7,381                     | 1.5%         | 1,424             | 0.4%         |
| Debt extinguishment costs                        | —                          | —            | —                | —            | 1,723                     | 0.3%         | —                 | —            |
| TCA accessories transition costs                 | 10                         | 0.0%         | —                | —            | 161                       | 0.0%         | —                 | —            |
| Discontinued operations                          | 21                         | 0.0%         | 88               | 0.1%         | 117                       | 0.0%         | 245               | 0.1%         |
| DOJ/SEC costs including insurance recovery costs | 9                          | 0.0%         | —                | —            | (1,781)                   | -0.4%        | —                 | —            |
| Acquisition-related costs                        | 27                         | 0.0%         | 1,584            | 1.2%         | 27                        | 0.0%         | 2,042             | 0.6%         |
| Tax effect of non-GAAP adjustments               | (941)                      | -0.4%        | (1,798)          | -1.4%        | (3,889)                   | -0.8%        | (2,101)           | -0.6%        |
| Non-GAAP net income                              | <u>\$ 33,212</u>           | <u>15.8%</u> | <u>\$ 11,187</u> | <u>8.6%</u>  | <u>\$ 64,988</u>          | <u>13.0%</u> | <u>\$ 31,318</u>  | <u>8.4%</u>  |
| GAAP net income per share - diluted              | \$ 0.56                    |              | \$ 0.15          |              | \$ 1.05                   |              | \$ 0.50           |              |
| Bond premium paid                                | —                          |              | —                |              | 0.05                      |              | —                 |              |
| Fair value inventory step-up and backlog expense | —                          |              | 0.03             |              | —                         |              | 0.04              |              |

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Amortization of acquired intangible assets       | 0.05           | 0.02           | 0.13           | 0.03           |
| Debt extinguishment costs                        | —              | —              | 0.03           | —              |
| TCA accessories transition costs                 | 0.00           | —              | 0.00           | —              |
| Discontinued operations                          | 0.00           | 0.00           | 0.00           | 0.00           |
| DOJ/SEC costs including insurance recovery costs | 0.00           | —              | (0.03)         | —              |
| Acquisition-related costs                        | 0.00           | 0.03           | 0.00           | 0.04           |
| Tax effect of non-GAAP adjustments               | (0.02)         | (0.03)         | (0.07)         | (0.04)         |
| Non-GAAP net income per share - diluted          | <u>\$ 0.59</u> | <u>\$ 0.20</u> | <u>\$ 1.16</u> | <u>\$ 0.57</u> |

**SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES**  
**RECONCILIATION OF NET OPERATING CASH FLOW TO FREE CASH FLOW**  
(In thousands)  
(Unaudited)

|   | <u>For the Three Months Ended</u> |                         | <u>For the Nine Months Ended</u> |                         |
|---|-----------------------------------|-------------------------|----------------------------------|-------------------------|
|   | <u>January 31, 2016</u>           | <u>January 31, 2015</u> | <u>January 31, 2016</u>          | <u>January 31, 2015</u> |
| Net cash provided by operating activities                               | \$ 50,982                         | \$ 33,375               | \$ 73,743                        | \$ 29,947               |
| Net cash used in investing activities                                   | (4,678)                           | (138,737)               | (18,842)                         | (182,647)               |
| Payments for the net assets of Tri-Town Precision Plastics, Inc.        | —                                 | 290                     | —                                | 23,805                  |
| Payments to acquire Battenfeld Technologies, Inc., net of cash acquired | —                                 | 136,152                 | —                                | 136,152                 |
| Receipts from note receivable   | (15)                              | (20)                    | (56)                             | (60)                    |
| Free cash flow  | <u>\$ 46,289</u>                  | <u>\$ 31,060</u>        | <u>\$ 54,845</u>                 | <u>\$ 7,197</u>         |

**SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP NET INCOME TO NON-GAAP ADJUSTED EBITDAS**  
(In thousands)  
(Unaudited)

|  | <u>For the Three Months Ended</u> |                         |
|--|-----------------------------------|-------------------------|
|  | <u>January 31, 2016</u>           | <u>January 31, 2015</u> |
| GAAP net income                                  | \$ 31,434                         | \$ 8,121                |
| Interest expense                                 | 2,140                             | 3,192                   |
| Income tax expense                               | 16,630                            | 4,554                   |
| Depreciation and amortization                    | 9,555                             | 7,819                   |
| Stock-based compensation expense                 | 1,639                             | 1,448                   |
| Fair value inventory step-up and backlog expense | —                                 | 1,865                   |
| TCA accessories transition costs                 | 10                                | —                       |
| Discontinued operations                          | 21                                | 88                      |
| DOJ/SEC costs                                    | 9                                 | 13                      |
| Acquisition-related costs                        | 27                                | 1,584                   |
| Non-GAAP Adjusted EBITDAS                        | <u>\$ 61,465</u>                  | <u>\$ 28,684</u>        |

**SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP NET INCOME TO NON-GAAP ADJUSTED EBITDAS**  
(In thousands)  
(Unaudited)

|  | <u>For the Nine Months Ended</u> |                         |
|--|----------------------------------|-------------------------|
|  | <u>January 31, 2016</u>          | <u>January 31, 2015</u> |
| GAAP net income                                  | \$ 58,311                        | \$ 27,725               |
| Interest expense                                 | 11,714                           | 8,090                   |
| Income tax expense                               | 31,844                           | 16,526                  |
| Depreciation and amortization                    | 28,372                           | 20,139                  |
| Stock-based compensation expense                 | 4,885                            | 4,248                   |
| Fair value inventory step-up and backlog expense | —                                | 1,983                   |
| TCA Accessories transition costs                 | 161                              | —                       |

|   |                   |                  |
|---|-------------------|------------------|
| Discontinued operations                           | 117               | 245              |
| DOJ/SEC costs, including insurance recovery costs | (1,781)           | 708              |
| Acquisition-related costs                         | 27                | 2,042            |
| Non-GAAP Adjusted EBITDAS                         | <u>\$ 133,650</u> | <u>\$ 81,706</u> |

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