



## American Outdoor Brands Corporation Reports Fourth Quarter and Full Year Fiscal 2017 Financial Results

June 29, 2017

- Fourth Quarter Net Sales of \$229.2 Million, up 3.6% Year-Over-Year
- Fourth Quarter GAAP Net Income per Diluted Share of \$0.50
- Fourth Quarter Non-GAAP Net Income per Diluted Share of \$0.57
- Full Year Record Revenue of \$903.2 Million, up 24.9% Year-Over-Year

SPRINGFIELD, Mass., June 29, 2017 /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 fourth quarter and full year fiscal 2017, ended April 30, 2017.



### Fourth Quarter Fiscal 2017 Financial Highlights

- Quarterly net sales were \$229.2 million compared with \$221.1 million for the fourth quarter last year, an increase of 3.6%.
- Gross margin for the quarter was 39.6% compared with 41.6% for the fourth quarter last year.
- Quarterly GAAP net income was \$27.7 million, or \$0.50 per diluted share, compared with \$35.6 million, or \$0.63 per diluted share, for the comparable quarter last year. Fourth quarter 2017 and 2016 GAAP net income per diluted share included expenses of \$3.8 million and \$1.7 million, respectively, for amortization, net of tax, related to our acquisitions.
- Quarterly non-GAAP net income was \$31.8 million, or \$0.57 per diluted share, compared with \$37.4 million, or \$0.66 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 inventory valuation adjustments, as well as discontinued operations and a holding company rebranding expense. For a detailed reconciliation, see the schedules that follow in this release.
- Quarterly non-GAAP Adjusted EBITDAS was \$60.5 million, or 26.4% of net sales, compared with \$68.7 million, or 31.1% of net sales, for the comparable quarter last year.
- Completion of \$50.0 million stock repurchase program and Board of Directors authorization of an additional \$50.0 million in common stock repurchases through March 28, 2019.

### Full Year Fiscal 2017 Financial Highlights

- Full year net sales totaled a record \$903.2 million compared with \$722.9 million a year ago, an increase of 24.9%.
- Full year gross margin was 41.5% compared with 40.6% last year.
- Full year GAAP net income was a record \$127.9 million, or \$2.25 per diluted share, compared with \$94.0 million, or \$1.68 per diluted share, last year.
- Full year non-GAAP net income was \$146.5 million, or \$2.58 per diluted share, compared with \$102.5 million, or \$1.83 per diluted share last year.
- Full year non-GAAP Adjusted EBITDAS was \$266.3 million, or 29.5% of net sales, compared with \$202.4 million, or 28.0% of net sales, last year.

James Debney, American Outdoor Brands Corporation President and Chief Executive Officer, commented, "Record level revenue and profitability reflected successful execution across our strategic growth objectives, further validating our vision of being the leading provider of quality products for the shooting, hunting, and rugged outdoor enthusiast. During fiscal 2017, we rebranded our holding company name to better reflect our expansion into new and larger markets. Accordingly, we are organized into two segments – Firearms and Outdoor Products & Accessories – providing a broad foundation for long-term organic and inorganic growth.

Debney continued, "In our Firearms segment, we introduced several important new products, including the Smith & Wesson M&P M2.0, which is our next generation full size polymer pistol and an important platform for the addition of new M&P pistols that we plan to add in 2018 and beyond. Sales of our market-leading M&P Shield pistol designed for concealed carry remained strong. In the fourth quarter alone, we sold over 195,000 Shield units, reflecting tremendous consumer adoption rates and extraordinary market share gains. We also continued to leverage our flexible manufacturing model, allowing us to quickly respond to consumer market changes, capture revenue, and deliver healthy gross margins. In our Outdoor Products & Accessories segment, we completed three acquisitions that drove revenue growth and gross margin expansion, and marked important progress in

expanding our business into new markets that resonate with our core firearm and rugged outdoor enthusiast consumers."

Jeff Buchanan, Executive Vice President, Chief Financial Officer, and Chief Administrative Officer, commented, "The strength of our financial performance in fiscal 2017 supported a number of successful initiatives throughout the year, including several acquisitions designed to fuel our strategic growth, as well as the completion of \$50.0 million in stock repurchases on the open market. We ended the year with cash and cash equivalents totaling \$61.5 million and total bank debt and Senior Notes of \$219.0 million. In fiscal 2018, we expect to continue employing the strength of our balance sheet, including the unused portion of our revolving line of credit, which is expandable up to \$500 million, to fuel additional growth opportunities, both organic and inorganic."

## **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 July 31,<br>2017 |         | Range for the Year Ending April 30,<br>2018 |         |
|--------------------------------------------|----------------------------------------------------|---------|---------------------------------------------|---------|
|                                            | \$                                                 | \$      | \$                                          | \$      |
| Net sales (in thousands)                   | 140,000                                            | 150,000 | 750,000                                     | 790,000 |
| GAAP income per share - diluted            | \$ 0.01                                            | \$ 0.06 | \$ 1.16                                     | \$ 1.36 |
| Amortization of acquired intangible assets | 0.10                                               | 0.10    | 0.40                                        | 0.40    |
| Transition costs                           | —                                                  | —       | 0.01                                        | 0.01    |
| Tax effect of non-GAAP adjustments         | (0.04)                                             | (0.04)  | (0.15)                                      | (0.15)  |
| Non-GAAP income per share - diluted        | \$ 0.07                                            | \$ 0.12 | \$ 1.42                                     | \$ 1.62 |

## **Conference Call and Webcast**

The company will host a conference call and webcast today, June 29, 2017, to discuss its fourth quarter and full year fiscal 2017 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 code 36222119. 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](http://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 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," "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) 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) net cash provided by operating activities, (xi) net cash used in investing activities, (xii) acquisition of businesses, net of cash acquired, (xiii) receipts from note receivable, (xiv) interest expense (xv) income tax expense, (xvi) depreciation and amortization, (xvii) stock-based compensation expense, and (xviii) corporate rebranding expenses; 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: AOBC) 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 handgun and long gun products sold under the Smith & Wesson®, M&P®, and Thompson/Center Arms™ 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®, Golden Rod® Moisture Control, Schrade®, Old Timer®, Uncle Henry®, UST®, and Imperial™. For more information on American Outdoor Brands Corporation, call (844) 363-5386 or log on to [www.aob.com](http://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 strategy to continue growing and balancing our business across the shooting, hunting, and rugged outdoor enthusiast market; our belief that the launch of our next generation, full size M&P M2.0 pistol significantly strengthens our growing family of innovative polymer pistols; our belief that higher year-over-year revenue in the Outdoor Products & Accessories segment was driven largely by our acquisitions of Taylor Brands, LLC, Ultimate Survival Technologies Inc. and Crimson Trace Corporation, all of which occurred in fiscal 2017; our belief that we successfully rebranded our holding

company as American Outdoor Brands Corporation, a name that we believe better represents our strategic direction as we explore markets outside of our core firearms business; our commitment to creating long-term shareholder value by innovating, preserving, and selectively acquiring strong brands that best meet the needs and lifestyles of our valued customers; our belief that our strong balance sheet provides us with opportunities to further diversify our company by investing in our future – both organically and through highly selective, strategic acquisitions; 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 first quarter of fiscal 2018 and for fiscal 2018. 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, 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; the potential for increased regulation of firearms and firearm-related products; 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 500,000 square foot national distribution center; 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, 2017.

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### AMERICAN OUTDOOR BRANDS CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

|                                                       | For the Three Months Ended            |                               | For the Years Ended |                |
|-------------------------------------------------------|---------------------------------------|-------------------------------|---------------------|----------------|
|                                                       | April 30, 2017<br>(Unaudited)         | April 30, 2016<br>(Unaudited) | April 30, 2017      | April 30, 2016 |
|                                                       | (In thousands, except per share data) |                               |                     |                |
| Net sales                                             | \$ 229,186                            | \$ 221,117                    | \$ 903,188          | \$ 722,908     |
| Cost of sales                                         | 138,400                               | 129,049                       | 527,916             | 429,096        |
| Gross profit                                          | 90,786                                | 92,068                        | 375,272             | 293,812        |
| Operating expenses:                                   |                                       |                               |                     |                |
| Research and development                              | 2,623                                 | 2,393                         | 10,238              | 10,005         |
| Selling and marketing                                 | 12,565                                | 8,997                         | 49,338              | 42,257         |
| General and administrative                            | 30,545                                | 23,781                        | 115,757             | 82,907         |
| Total operating expenses                              | 45,733                                | 35,171                        | 175,333             | 135,169        |
| Operating income                                      | 45,053                                | 56,897                        | 199,939             | 158,643        |
| Other (expense)/income, net:                          |                                       |                               |                     |                |
| Other expense, net                                    | (14)                                  | (5)                           | (52)                | (22)           |
| Interest expense, net                                 | (2,455)                               | (1,954)                       | (8,581)             | (13,528)       |
| Total other (expense)/income, net                     | (2,469)                               | (1,959)                       | (8,633)             | (13,550)       |
| Income from operations before income taxes            | 42,584                                | 54,938                        | 191,306             | 145,093        |
| Income tax expense                                    | 14,890                                | 19,291                        | 63,452              | 51,135         |
| Net income                                            | 27,694                                | 35,647                        | 127,854             | 93,958         |
| Net income per share:                                 |                                       |                               |                     |                |
| Basic                                                 | \$ 0.50                               | \$ 0.64                       | \$ 2.29             | \$ 1.72        |
| Diluted                                               | \$ 0.50                               | \$ 0.63                       | \$ 2.25             | \$ 1.68        |
| Weighted average number of common shares outstanding: |                                       |                               |                     |                |
| Basic                                                 | 55,070                                | 55,554                        | 55,930              | 54,765         |
| Diluted                                               | 55,851                                | 56,396                        | 56,891              | 55,965         |

### AMERICAN OUTDOOR BRANDS CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

|                                                                                                                    | As of                                           |                |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|----------------|
|                                                                                                                    | April 30, 2017                                  | April 30, 2016 |
|                                                                                                                    | (In thousands, except par value and share data) |                |
| ASSETS                                                                                                             |                                                 |                |
| Current assets:                                                                                                    |                                                 |                |
| Cash and cash equivalents                                                                                          | \$ 61,549                                       | \$ 191,279     |
| Accounts receivable, net of allowance for doubtful accounts of \$598 on April 30, 2017 and \$680 on April 30, 2016 | 108,444                                         | 57,792         |
| Inventories                                                                                                        | 131,682                                         | 77,789         |
| Prepaid expenses and other current assets                                                                          | 6,123                                           | 4,307          |

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Income tax receivable               | 10,643            | 2,064             |
| Total current assets                | 318,441           | 333,231           |
| Property, plant, and equipment, net | 149,685           | 135,405           |
| Intangibles, net                    | 141,317           | 62,924            |
| Goodwill                            | 169,017           | 76,357            |
| Other assets                        | 9,576             | 11,586            |
|                                     | <u>\$ 788,036</u> | <u>\$ 619,503</u> |

#### LIABILITIES AND STOCKHOLDERS' EQUITY

|                                                                                                                                                                                                                              |                   |                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Current liabilities:                                                                                                                                                                                                         |                   |                   |
| Accounts payable                                                                                                                                                                                                             | \$ 53,447         | \$ 45,513         |
| Accrued expenses                                                                                                                                                                                                             | 51,686            | 28,447            |
| Accrued payroll and incentives                                                                                                                                                                                               | 21,174            | 18,784            |
| Accrued income taxes                                                                                                                                                                                                         | 726               | 5,960             |
| Accrued profit sharing                                                                                                                                                                                                       | 13,004            | 11,459            |
| Accrued warranty                                                                                                                                                                                                             | 4,908             | 6,129             |
| Current portion of notes payable                                                                                                                                                                                             | 6,300             | 6,300             |
| Total current liabilities                                                                                                                                                                                                    | 151,245           | 122,592           |
| Deferred income taxes                                                                                                                                                                                                        | 25,620            | 12,161            |
| Notes and loans payable, net of current portion                                                                                                                                                                              | 210,657           | 166,564           |
| Other non-current liabilities                                                                                                                                                                                                | 7,352             | 10,370            |
| Total liabilities                                                                                                                                                                                                            | 394,874           | 311,687           |
| 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, 72,017,288 shares issued and 53,850,426 shares outstanding on April 30, 2017 and 71,558,633 shares issued and 55,996,011 shares outstanding on April 30, 2016 | 72                | 72                |
| Additional paid-in capital                                                                                                                                                                                                   | 245,865           | 239,505           |
| Retained earnings                                                                                                                                                                                                            | 369,164           | 241,310           |
| Accumulated other comprehensive income/(loss)                                                                                                                                                                                | 436               | (748)             |
| Treasury stock, at cost (18,166,862 shares on April 30, 2017 and 15,562,622 April 30, 2016)                                                                                                                                  | (222,375)         | (172,323)         |
| Total stockholders' equity                                                                                                                                                                                                   | 393,162           | 307,816           |
|                                                                                                                                                                                                                              | <u>\$ 788,036</u> | <u>\$ 619,503</u> |

#### AMERICAN OUTDOOR BRANDS CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

|                                                                                   | For the Years Ended |                |
|-----------------------------------------------------------------------------------|---------------------|----------------|
|                                                                                   | April 30, 2017      | April 30, 2016 |
|                                                                                   | (In thousands)      |                |
| Cash flows from operating activities:                                             |                     |                |
| Net income                                                                        | \$ 127,854          | \$ 93,958      |
| Adjustments to reconcile net income to net cash provided by operating activities: |                     |                |
| Depreciation and amortization                                                     | 50,213              | 41,237         |
| Loss on sale/disposition of assets                                                | 99                  | 256            |
| Provision for losses on notes and accounts receivable                             | 1,546               | 511            |
| Deferred income taxes                                                             | (7,840)             | (4,448)        |
| Stock-based compensation expense                                                  | 8,590               | 6,472          |
| Changes in operating assets and liabilities (net effect of acquisitions):         |                     |                |
| Accounts receivable                                                               | (40,709)            | (2,254)        |
| Inventories                                                                       | (22,171)            | (804)          |
| Prepaid expenses and other current assets                                         | (1,619)             | 1,999          |
| Income taxes                                                                      | (13,745)            | (328)          |
| Accounts payable                                                                  | 1,233               | 13,048         |
| Accrued payroll and incentives                                                    | 988                 | 11,228         |
| Accrued profit sharing                                                            | 1,545               | 5,294          |
| Accrued expenses                                                                  | 21,238              | 3,929          |
| Accrued warranty                                                                  | (1,415)             | (275)          |
| Other assets                                                                      | 1,029               | (237)          |
| Other non-current liabilities                                                     | (3,260)             | (1,029)        |
| Net cash provided by operating activities                                         | 123,576             | 168,557        |
| Cash flows from investing activities:                                             |                     |                |
| Acquisition of businesses, net of cash acquired                                   | (211,069)           | (1,220)        |
| Refunds/(deposits) on machinery and equipment                                     | 2,776               | (1,128)        |
| Receipts from note receivable                                                     | 65                  | 84             |
| Payments to acquire patents and software                                          | (638)               | (315)          |



|                                                  |                  |              |                  |              |                   |              |                   |              |
|--------------------------------------------------|------------------|--------------|------------------|--------------|-------------------|--------------|-------------------|--------------|
| Fair value inventory step-up and backlog expense | 100              | 0.0%         | —                | —            | 4,701             | 0.5%         | —                 | —            |
| Amortization of acquired intangible assets       | 5,704            | 2.5%         | 2,686            | 1.2%         | 18,434            | 2.0%         | 10,067            | 1.4%         |
| Debt extinguishment costs                        | —                | —            | —                | —            | —                 | —            | 1,723             | 0.2%         |
| Transition costs                                 | 318              | 0.1%         | —                | —            | 381               | 0.0%         | 161               | 0.0%         |
| Discontinued operations                          | 18               | 0.0%         | 25               | 0.0%         | 86                | 0.0%         | 142               | 0.0%         |
| DOJ/SEC costs including insurance recovery costs | —                | —            | (6)              | 0.0%         | —                 | —            | (1,787)           | -0.2%        |
| Corporate rebranding expenses                    | 13               | 0.0%         | —                | —            | 538               | 0.1%         | —                 | —            |
| Acquisition-related costs                        | 59               | 0.0%         | 27               | 0.0%         | 3,844             | 0.4%         | 27                | 0.0%         |
| Tax effect of non-GAAP adjustments               | (2,062)          | -0.9%        | (945)            | -0.4%        | (9,291)           | -1.0%        | (4,685)           | -0.6%        |
| Non-GAAP net income                              | <u>\$ 31,844</u> | <u>13.9%</u> | <u>\$ 37,434</u> | <u>16.9%</u> | <u>\$ 146,547</u> | <u>16.2%</u> | <u>\$ 102,544</u> | <u>14.2%</u> |

|                                                  |                |  |                |  |                |  |                |  |
|--------------------------------------------------|----------------|--|----------------|--|----------------|--|----------------|--|
| GAAP net income per share - diluted              | \$ 0.50        |  | \$ 0.63        |  | \$ 2.25        |  | \$ 1.68        |  |
| Bond premium paid                                | —              |  | —              |  | —              |  | 0.05           |  |
| Fair value inventory step-up and backlog expense | —              |  | —              |  | 0.08           |  | —              |  |
| Amortization of acquired intangible assets       | 0.10           |  | 0.05           |  | 0.32           |  | 0.18           |  |
| Debt extinguishment costs                        | —              |  | —              |  | —              |  | 0.03           |  |
| Accessories transition costs                     | 0.01           |  | —              |  | 0.01           |  | —              |  |
| Discontinued operations                          | —              |  | —              |  | —              |  | —              |  |
| DOJ/SEC costs including insurance recovery costs | —              |  | —              |  | —              |  | (0.03)         |  |
| Corporate rebranding expenses                    | —              |  | —              |  | 0.01           |  | —              |  |
| Acquisition-related costs                        | —              |  | —              |  | 0.07           |  | —              |  |
| Tax effect of non-GAAP adjustments               | (0.04)         |  | (0.02)         |  | (0.16)         |  | (0.08)         |  |
| Non-GAAP net income per share - diluted          | <u>\$ 0.57</u> |  | <u>\$ 0.66</u> |  | <u>\$ 2.58</u> |  | <u>\$ 1.83</u> |  |

**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 Years Ended |                   |
|-------------------------------------------------|----------------------------|------------------|---------------------|-------------------|
|                                                 | April 30, 2017             | April 30, 2016   | April 30, 2017      | April 30, 2016    |
| Net cash provided by operating activities       | \$ 14,052                  | \$ 94,814        | \$ 123,576          | \$ 168,557        |
| Net cash used in investing activities           | (6,040)                    | (13,150)         | (243,742)           | (31,992)          |
| Acquisition of businesses, net of cash acquired | —                          | 1,220            | 211,069             | 1,220             |
| Receipts from note receivable                   | (7)                        | (28)             | (65)                | (84)              |
| Free cash flow                                  | <u>\$ 8,005</u>            | <u>\$ 82,856</u> | <u>\$ 90,838</u>    | <u>\$ 137,701</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 |                |
|--------------------------------------------------|----------------------------|----------------|
|                                                  | April 30, 2017             | April 30, 2016 |
| GAAP net income                                  | \$ 27,694                  | \$ 35,647      |
| Interest expense                                 | 2,502                      | 1,991          |
| Income tax expense                               | 14,890                     | 19,291         |
| Depreciation and amortization                    | 12,680                     | 10,186         |
| Stock-based compensation expense                 | 2,208                      | 1,587          |
| Fair value inventory step-up and backlog expense | 100                        | —              |
| Acquisition-related costs                        | 59                         | 27             |
| Corporate rebranding expenses                    | 13                         | —              |

|                           |                  |                  |
|---------------------------|------------------|------------------|
| Discontinued operations   | 18               | 25               |
| Transition costs          | 318              | —                |
| DOJ/SEC costs             | —                | (6)              |
| Non-GAAP Adjusted EBITDAS | <u>\$ 60,482</u> | <u>\$ 68,748</u> |

**AMERICAN OUTDOORS BRANDS CORPORATION AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP NET INCOME TO NON-GAAP ADJUSTED EBITDAS**  
(In thousands)  
(Unaudited)

|                                                   | <b>For Years Ended</b> |                       |
|---------------------------------------------------|------------------------|-----------------------|
|                                                   | <b>April 30, 2017</b>  | <b>April 30, 2016</b> |
| GAAP net income                                   | \$ 127,854             | \$ 93,958             |
| Interest expense                                  | 8,722                  | 13,704                |
| Income tax expense                                | 63,452                 | 51,135                |
| Depreciation and amortization                     | 48,142                 | 38,558                |
| Stock-based compensation expense                  | 8,590                  | 6,472                 |
| Fair value inventory step-up and backlog expense  | 4,701                  | —                     |
| Acquisition-related costs                         | 3,844                  | 27                    |
| Corporate rebranding expenses                     | 538                    | —                     |
| Discontinued operations                           | 86                     | 142                   |
| Transition costs                                  | 381                    | 161                   |
| DOJ/SEC costs, including insurance recovery costs | —                      | (1,787)               |
| Non-GAAP Adjusted EBITDAS                         | <u>\$ 266,310</u>      | <u>\$ 202,370</u>     |

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/american-outdoor-brands-corporation-reports-fourth-quarter-and-full-year-fiscal-2017-financial-results-300482157.html>

SOURCE American Outdoor Brands Corporation