

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Form 10-Q**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2022  
Commission File No. 001-31552



**Smith & Wesson Brands, Inc.**  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

2100 Roosevelt Avenue  
Springfield, Massachusetts  
(Address of principal executive offices)

87-0543688  
(I.R.S. Employer  
Identification No.)

01104  
(Zip Code)

(800) 331-0852  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Trading Symbol	Name of exchange on which registered
Common Stock, par value \$0.001 per share	SWBI	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The registrant had 45,774,553 shares of common stock, par value \$0.001, outstanding as of September 6, 2022.

**SMITH & WESSON BRANDS, INC.**  
**Quarterly Report on Form 10-Q**  
**For the Three Months Ended July 31, 2022 and 2021**

**TABLE OF CONTENTS**

**PART I - FINANCIAL INFORMATION**

<a href="#">Item 1. Financial Statements (Unaudited)</a>	4
<a href="#">Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	18
<a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risk</a>	23
<a href="#">Item 4. Controls and Procedures</a>	23

**PART II - OTHER INFORMATION**

<a href="#">Item 1. Legal Proceedings</a>	24
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	24
<a href="#">Item 6. Exhibits</a>	24

<a href="#">Signatures</a>	26
<a href="#">EX-31.1</a>	
<a href="#">EX-31.2</a>	
<a href="#">EX-32.1</a>	
<a href="#">EX-32.2</a>	

Smith & Wesson®, S&W®, M&P®, M&P Shield®, Performance Center®, Airlite®, Airweight®, American Guardians®, America's Master Gunmaker®, Armornite®, Arrow®, Aurora®, Aurora-II®, Blast Jacket®, Bodyguard®, Carry Comp®, Chiefs Special®, Club 1852®, Compass®, Competitor®, Contender®, CSX®, Dagger®, Dimension®, Encore®, E-Series®, EZ®, Flextech®, G-Core®, Gemtech®, Gemtech Suppressors®, Gemtech World-Class Silencers®, GM®, GMT-Halo®, Governor®, Integra®, Lady Smith®, Lever Lock®, LOC®, Lunar®, M2.0®, Mag Express®, Magnum®, Maxi-Hunter®, Mist-22®, Mountain Gun®, Number 13®, PC®, Power Rod®, Protected by Smith & Wesson®, Put A Legend On Your Line®, QLA®, Quick Load Accurizer®, Quickmount®, Shield®, Silencer Subsonic®, Smith & Wesson Collectors Association®, Smith & Wesson Performance Center®, Smith & Wesson Precision Components®, Speed Breech®, Speed Breach XT®, SW22 Victory®, Swing Hammer®, T/C®, T/CR22®, T17®, The Professional's Choice for Decades®, The S&W Bench®, The Sigma Series®, Thompson/Center®, Trek®, Triumph®, U-View®, Viper®, Weather Shield®, and World Class Silencers® are some of the registered U.S. trademarks of our company or one of our subsidiaries. C.O.R.E.™, SW Equalizer™, GM-S1™, Redux™, Oath™, Nerve™, Empowering Americans™, GunSmarts™, S&W500™, SD™, SDVE™, Sport™, SW1911™, Volunteer™, Cheap Shot™, Impact!™, Impact!SB™, Katahdin™, Maxi-Ball™, Natural Lube 1000 Plus™, Pro Hunter™, Pro Hunter FX™, Pro Hunter XT™, Quickshot™, Speed Shot™, Strike™, Super Glide™, Venture™, Alpine™, One™, Patrolman™, and Tracker™ are some of the unregistered trademarks of our company or one of our subsidiaries. This report also may contain trademarks and trade names of other companies.

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## Statement Regarding Forward-Looking Information

The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts contained or incorporated herein by reference in this Quarterly Report on Form 10-Q, including statements regarding our future operating results, future financial position, business strategy, objectives, goals, plans, prospects, markets, and plans and objectives for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “targets,” “contemplates,” “projects,” “predicts,” “may,” “might,” “plan,” “will,” “would,” “should,” “could,” “may,” “can,” “potential,” “continue,” “objective,” or the negative of those terms, or similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words. Specific forward-looking statements in this Quarterly Report on Form 10-Q include statements that we plan to move our headquarters and certain of our manufacturing operations to a new facility being constructed in Maryville, Tennessee; regarding the impact, if any, of recently issued accounting standards on our consolidated financial statements; lease payments for future periods; estimated amortization expense of intangible assets for future periods; the outcome of the lawsuits to which we are subject and their effect on us; our belief that the claims asserted by Gemini (as defined herein), the Mexican Government and plaintiffs in a putative class action in actions against us have no merit and that we intend to aggressively defend these actions; our belief with respect to the various matters described in the Litigation section, that the allegations are unfounded and that any incident and any results from them or any injuries were due to negligence or misuse of the firearm by the claimant or a third party; our belief that our accruals for product liability cases and claims are a reasonable quantitative measure of the cost to us of product liability cases and claims; our belief that we have provided adequate accruals for defense costs; our intention in connection with the Project Agreement (as defined herein) to incur, or cause to be incurred, no less than \$120.0 million in aggregate capital expenditures on or before December 31, 2025, create no less than 620 new jobs, and sustain an average hourly wage of at least \$25.97 at the facility; our intention, as part of the Relocation (as defined herein), to vacate and sublease our Missouri distribution facility; our belief that we will not incur an impairment associated with the lease associated with our Missouri distribution facility; our intention, with respect to assets associated with our assembly operations in Massachusetts and distribution operations in Missouri, to either move those assets to Tennessee at the appropriate time or sell or sublease those assets that will not be moved; that subsequent to the Relocation, our Massachusetts facility will continue to remain an important part of our manufacturing activities with significant portions of the operations being unaffected by the Relocation; our intention, at or near the conclusion of our Connecticut building lease in May 2024, to relocate a portion of the plastic injection molding operations to Tennessee and evaluate selling the remaining molding operations utilized in our Connecticut operations to a third party; our expectation to incur capital expenditures in connection with the construction and equipping of the new facility in Maryville, Tennessee in an aggregate amount of no less than \$120.0 million on or before December 31, 2025; our belief that a pull forward of our products will correct in the coming quarters as channel inventory continues to normalize and as we launch new products; our inventory levels, both internally and in the distribution channel, in excess of demand may negatively impact future operating results; our expectation that our inventory levels will slightly increase in the short term but will decline by the end of the fiscal year due to normal seasonality; our expectation on spending for capital expenditures in fiscal 2023, including spending related to the Relocation; factors affecting our future capital requirements; availability of equity or debt financing on acceptable terms, if at all; the record date and payment date for our dividend; and our belief that our existing capital resources and credit facilities will be adequate to fund our operations, including our finance leases and other commitments, for the next 12 months. All forward-looking statements included herein are based on information available to us as of the date hereof and speak only as of such date. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. The forward-looking statements contained in or incorporated by reference into this Quarterly Report on Form 10-Q reflect our views as of the date hereof about future events and are subject to risks, uncertainties, assumptions, and changes in circumstances that may cause our actual results, performance, or achievements to differ significantly from those expressed or implied in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, performance, or achievements. A number of factors could cause actual results to differ materially from those indicated by the forward-looking statements. Such factors include, among other, 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, including the impact of inflationary pressures; 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 effectively manage and execute the Relocation; 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; 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 potential for cancellation of orders from our backlog; and other factors detailed from time to time in our reports filed with the Securities and Exchange Commission, or the SEC, including our Annual Report on Form 10-K for the fiscal year ended April 30, 2022, or the Fiscal 2022 Form 10-K.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	As of:	
	July 31, 2022	April 30, 2022
(In thousands, except par value and share data)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 110,452	\$ 120,728
Accounts receivable, net of allowances for credit losses of \$15 on July 31, 2022 and \$36 on April 30, 2022	23,781	62,695
Inventories	182,501	136,660
Prepaid expenses and other current assets	8,893	5,569
Income tax receivable	748	1,945
Total current assets	<u>326,375</u>	<u>327,597</u>
Property, plant, and equipment, net	160,793	135,591
Intangibles, net	3,614	3,608
Goodwill	19,024	19,024
Deferred income taxes	1,221	1,221
Other assets	10,229	10,435
Total assets	<u>\$ 521,256</u>	<u>\$ 497,476</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 53,865	\$ 30,042
Accrued expenses and deferred revenue	24,628	23,482
Accrued payroll and incentives	15,936	17,371
Accrued income taxes	1,829	2,673
Accrued profit sharing	17,031	13,543
Accrued warranty	1,763	1,838
Total current liabilities	<u>115,052</u>	<u>88,949</u>
Finance lease payable, net of current portion	37,323	37,628
Other non-current liabilities	9,435	10,385
Total liabilities	<u>161,810</u>	<u>136,962</u>
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 20,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.001 par value, 100,000,000 shares authorized, 74,810,967 issued and 45,770,597 shares outstanding on July 31, 2022 and 74,641,439 shares issued and 45,601,069 shares outstanding on April 30, 2022	75	75
Additional paid-in capital	278,297	278,101
Retained earnings	503,376	504,640
Accumulated other comprehensive income	73	73
Treasury stock, at cost (29,040,370 shares on July 31, 2022 and April 30, 2022)	(422,375)	(422,375)
Total stockholders' equity	<u>359,446</u>	<u>360,514</u>
Total liabilities and stockholders' equity	<u>\$ 521,256</u>	<u>\$ 497,476</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	<b>For the Three Months Ended July 31,</b>	
	<b>2022</b>	<b>2021</b>
	(In thousands, except per share data)	
Net sales	\$ 84,394	\$ 274,609
Cost of sales	52,923	144,667
Gross profit	31,471	129,942
Operating expenses:		
Research and development	1,673	1,808
Selling, marketing, and distribution	8,027	10,634
General and administrative	17,854	17,614
Total operating expenses	27,554	30,056
Operating income	3,917	99,886
Other income/(expense), net:		
Other income/(expense), net	673	660
Interest expense, net	(433)	(544)
Total other income/(expense), net	240	116
Income from operations before income taxes	4,157	100,002
Income tax expense	845	23,120
Net income	\$ 3,312	\$ 76,882
Net income per share:		
Basic - net income	\$ 0.07	\$ 1.59
Diluted - net income	\$ 0.07	\$ 1.57
Weighted average number of common shares outstanding:		
Basic	45,739	48,394
Diluted	46,102	49,050

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(Unaudited)**

(In thousands)	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at April 30, 2021	74,222	\$ 74	\$ 273,431	\$ 325,181	\$ 73	24,285	\$ (332,375)	\$ 266,384
Stock-based compensation	—	—	1,452	—	—	—	—	1,452
Issuance of common stock under restricted stock unit awards, net of shares surrendered	76	—	(815)	—	—	—	—	(815)
Repurchase of treasury stock	—	—	—	—	—	1,967	(40,000)	(40,000)
Dividends issued	—	—	—	(3,844)	—	—	—	(3,844)
Net income	—	—	—	76,882	—	—	—	76,882
Balance at July 31, 2021	<u>74,298</u>	<u>74</u>	<u>274,068</u>	<u>398,219</u>	<u>73</u>	<u>26,252</u>	<u>(372,375)</u>	<u>300,059</u>
Balance at April 30, 2022	74,641	75	278,101	504,640	73	29,040	(422,375)	360,514
Stock-based compensation	—	—	1,177	—	—	—	—	1,177
Issuance of common stock under restricted stock unit awards, net of shares surrendered	170	—	(981)	—	—	—	—	(981)
Dividends issued	—	—	—	(4,576)	—	—	—	(4,576)
Net income	—	—	—	3,312	—	—	—	3,312
Balance at July 31, 2022	<u>74,811</u>	<u>75</u>	<u>278,297</u>	<u>503,376</u>	<u>73</u>	<u>29,040</u>	<u>(422,375)</u>	<u>359,446</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	For the Three Months Ended July 31,	
	2022	2021
	(In thousands)	
<b>Cash flows from operating activities:</b>		
Net income	\$ 3,312	\$ 76,882
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	7,549	7,466
(Gain)/loss on sale/disposition of assets	(46)	57
Provision for recoveries on notes and accounts receivable	(21)	(56)
Stock-based compensation expense	1,177	1,452
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	38,935	26,300
Inventories	(45,841)	(18,663)
Prepaid expenses and other current assets	(3,324)	(96)
Income taxes	353	21,988
Accounts payable	2,721	(2,443)
Accrued payroll and incentives	(1,435)	(9,114)
Accrued profit sharing	3,488	3,834
Accrued expenses and deferred revenue	1,119	405
Accrued warranty	(75)	(297)
Other assets	206	1,677
Other non-current liabilities	(973)	(305)
Net cash provided by operating activities	<u>7,145</u>	<u>109,087</u>
<b>Cash flows from investing activities:</b>		
Payments to acquire patents and software	(94)	(69)
Proceeds from sale of property and equipment	46	70
Payments to acquire property and equipment	(11,538)	(5,769)
Net cash used in investing activities	<u>(11,586)</u>	<u>(5,768)</u>
<b>Cash flows from financing activities:</b>		
Payments on finance lease obligation	(278)	(264)
Payments to acquire treasury stock	—	(40,000)
Dividend distribution	(4,576)	(3,844)
Payment of employee withholding tax related to restricted stock units	(981)	(815)
Net cash used in financing activities	<u>(5,835)</u>	<u>(44,923)</u>
Net (decrease)/increase in cash and cash equivalents	(10,276)	58,396
Cash and cash equivalents, beginning of period	120,728	113,017
Cash and cash equivalents, end of period	<u>\$ 110,452</u>	<u>\$ 171,413</u>
<b>Supplemental disclosure of cash flow information</b>		
<b>Cash paid for:</b>		
Interest	\$ 546	\$ 538
Income taxes	\$ 551	\$ 1,131

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)**  
**(Unaudited)**

Supplemental Disclosure of Non-cash Investing Activities:

	<u>For the Three Months Ended July 31,</u>	
	<u>2022</u>	<u>2021</u>
	(In thousands)	
Purchases of property and equipment included in accounts payable	\$ 21,510	\$ 435

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

**(1) Organization:**

We are one of the world's leading manufacturers and designers of firearms. We manufacture a wide array of handguns (including revolvers and pistols), long guns (including modern sporting rifles), handcuffs, suppressors, and other firearm-related products for sale to a wide variety of customers, including firearm enthusiasts, collectors, hunters, sportsmen, competitive shooters, individuals desiring home and personal protection, law enforcement and security agencies and officers, and military agencies in the United States and throughout the world. We sell our products under the Smith & Wesson, M&P, and Gemtech brands. We manufacture our products at our facilities in Springfield, Massachusetts; Houlton, Maine; and Deep River, Connecticut. We store finished good inventory and fulfill customer orders from our distribution center in Columbia, Missouri. We also sell our manufacturing services to other businesses to attempt to level-load our factories. We sell those services under our Smith & Wesson and Smith & Wesson Precision Components brands. We plan to move our headquarters and significant elements of our operations to a new facility being constructed in Maryville, Tennessee. See Note 9 — *Commitments and Contingencies*, for more information regarding this plan.

**(2) Basis of Presentation:**

*Interim Financial Information* – The condensed consolidated balance sheet as of July 31, 2022, the condensed consolidated statements of income for the three months ended July 31, 2022 and 2021, the condensed consolidated statements of changes in stockholders' equity for the three months ended July 31, 2022 and 2021, and the condensed consolidated statements of cash flows for the three months ended July 31, 2022 and 2021 have been prepared by us without audit. In our opinion, all adjustments, which include only normal recurring adjustments necessary to fairly present the financial position, results of operations, changes in stockholders' equity, and cash flows for the three months ended July 31, 2022 and for the periods presented, have been included. All intercompany transactions have been eliminated in consolidation. The consolidated balance sheet as of April 30, 2022 has been derived from our audited consolidated financial statements.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, or GAAP, have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Fiscal 2022 Form 10-K. The results of operations for the three months ended July 31, 2022 may not be indicative of the results that may be expected for the fiscal year ending April 30, 2023, or any other period.

**(3) Leases:**

We lease certain of our real estate, machinery, and equipment under non-cancelable operating lease agreements.

We recognize expenses under our operating lease assets and liabilities at the commencement date based on the present value of lease payments over the lease term. Our leases do not provide an implicit interest rate. We use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. Our lease agreements do not require material variable lease payments, residual value guarantees, or restrictive covenants. For operating leases, we recognize expense on a straight-line basis over the lease term. We record tenant improvement allowances as an offsetting adjustment included in our calculation of the respective right-of-use asset.

Many of our leases include renewal options that enable us to extend the lease term. The execution of those renewal options is at our sole discretion and are reflected in the lease term when they are reasonably certain to be exercised. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

The amounts of assets and liabilities related to our operating and financing leases as of July 31, 2022 were as follows (in thousands):

	Balance Sheet Caption	July 31, 2022
<b>Operating Leases</b>		
Right-of-use assets		\$ 7,297
Accumulated amortization		(4,010)
Right-of-use assets, net	Other assets	<u>\$ 3,287</u>
Current liabilities	Accrued expenses and deferred revenue	\$ 1,613
Non-current liabilities	Other non-current liabilities	1,925
Total operating lease liabilities		<u>\$ 3,538</u>
<b>Finance Leases</b>		
Right-of-use assets		\$ 40,986
Accumulated depreciation		(6,858)
Right-of-use assets, net	Property, plant, and equipment, net	<u>\$ 34,128</u>
Current liabilities	Accrued expenses and deferred revenue	\$ 1,186
Non-current liabilities	Finance lease payable, net of current portion	37,323
Total finance lease liabilities		<u>\$ 38,509</u>

For the three months ended July 31, 2022, we recorded \$446,000 of operating lease costs, of which \$30,000 related to short-term leases that were not recorded as right-of-use assets. We recorded \$523,000 of financing lease amortization and \$484,000 of financing lease interest expense for the three months ended July 31, 2022. As of July 31, 2022, our weighted average lease term and weighted average discount rate for our operating leases were 3.0 years and 4.4%, respectively. As of July 31, 2022, our weighted average lease term and weighted average discount rate for our financing leases were 16.3 years and 5.0%, respectively, and consisted primarily of our Missouri distribution facility. The depreciable lives of right-of-use assets are limited by the lease term and are amortized on a straight-line basis over the life of the lease.

With the completion of the spin-off of our outdoor products and accessories business on August 24, 2020, or the Separation, we entered into a sublease whereby American Outdoor Brands, Inc., our former wholly owned subsidiary, or AOUT, subleases from us 59.0% of our Missouri distribution facility under the same terms as the master lease. On July 16, 2022, we entered into an amendment to the sublease agreement, increasing the leased space to 64.7% of the facility under the same terms as the master lease. For the three months ended July 31, 2022, we recorded \$544,000 of income related to this sublease agreement, which was recorded in other income in our condensed consolidated statements of income.

The following table represents future expected undiscounted cashflows, based on the sublease agreement with AOUT, to be received on an annual basis for the next five years and thereafter, as of July 31, 2022 (in thousands):

Fiscal	Amount
2023	\$ 1,541
2024	2,086
2025	2,123
2026	2,160
2027	2,198
Thereafter	28,658
Total future sublease receipts	38,766
Less amounts representing interest	(10,302)
Present value of sublease receipts	<u>\$ 28,464</u>

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

Future lease payments for all our operating and finance leases for succeeding fiscal years is as follows (in thousands):

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
2023	\$ 1,332	\$ 2,310	\$ 3,642
2024	1,650	3,125	4,775
2025	324	3,180	3,504
2026	301	3,236	3,537
2027	272	3,292	3,564
Thereafter	125	42,256	42,381
<b>Total future lease payments</b>	<b>4,004</b>	<b>57,399</b>	<b>61,403</b>
Less amounts representing interest	(466)	(18,890)	(19,356)
<b>Present value of lease payments</b>	<b>3,538</b>	<b>38,509</b>	<b>42,047</b>
Less current maturities of lease liabilities	(1,613)	(1,186)	(2,799)
<b>Long-term maturities of lease liabilities</b>	<b>\$ 1,925</b>	<b>\$ 37,323</b>	<b>\$ 39,248</b>

For the three months ended July 31, 2022, the cash paid for amounts included in the measurement of the liabilities and the operating cash flows was \$1.1 million.

**(4) Notes, Loans Payable, and Financing Arrangements:**

*Credit Facilities* — On August 24, 2020, we and certain of our subsidiaries entered into an amended and restated credit agreement, or the Amended and Restated Credit Agreement, with certain lenders, including TD Bank, N.A., as administrative agent; TD Securities (USA) LLC and Regions Bank, as joint lead arrangers and joint bookrunners; and Regions Bank, as syndication agent. The Amended and Restated Credit Agreement amended and restated our former credit agreement dated as of June 15, 2015. The Amended and Restated Credit Agreement is currently unsecured; however, should any Springing Lien Trigger Event (as defined in the Amended and Restated Credit Agreement) occur, we and certain of our subsidiaries would be required to execute certain documents in favor of TD Bank, N.A. and the lenders party to such documents would have a legal, valid, and enforceable first priority lien on the collateral described therein.

The Amended and Restated Credit Agreement provides for a revolving line of credit of \$100.0 million at any one time, or the Revolving Line. The Revolving Line bears interest at either the Base Rate (as defined in the Amended and Restated Credit Agreement) or LIBOR rate, plus an applicable margin based on our consolidated leverage ratio. The Amended and Restated Credit Agreement also provides a swingline facility in the maximum amount of \$5.0 million at any one time (subject to availability under the Revolving Line). Each Swingline Loan (as defined in the Amended and Restated Credit Agreement) bears interest at the Base Rate, plus an applicable margin based on our Adjusted Consolidated Leverage Ratio (as defined in the Amended and Restated Credit Agreement). Subject to the satisfaction of certain terms and conditions described in the Amended and Restated Credit Agreement, we have an option to increase the Revolving Line by an aggregate amount not exceeding \$50.0 million. The Revolving Line matures on the earlier of August 24, 2025 or the date that is six months in advance of the earliest maturity of any Permitted Notes (as defined in the Amended and Restated Credit Agreement) under the Amended and Restated Credit Agreement.

As of July 31, 2022, we did not have any borrowings outstanding on the Revolving Line. Had there been borrowings, they would have borne an interest rate of 3.59%, which is equal to the LIBOR rate plus an applicable margin.

The Amended and Restated Credit Agreement contains customary limitations, including limitations on indebtedness, liens, fundamental changes to business or organizational structure, investments, loans, advances, guarantees, and acquisitions, asset sales, dividends, stock repurchases, stock redemptions, and the redemption or prepayment of other debt, and transactions with affiliates. We are also subject to financial covenants, including a minimum consolidated fixed charge coverage ratio and a maximum consolidated leverage ratio. As of July 31, 2022, we were compliant with all required financial covenants.

*Letters of Credit* — At July 31, 2022, we had outstanding letters of credit aggregating \$2.6 million, which included a \$1.5 million letter of credit to collateralize our captive insurance company.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

**(5) Fair Value Measurement:**

We follow the provisions of Accounting Standards Codification, or ASC, 820-10, *Fair Value Measurements and Disclosures Topic*, or ASC 820-10, for our financial assets and liabilities. ASC 820-10 provides a framework for measuring fair value under GAAP and requires expanded disclosures regarding fair value measurements. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value.

Financial assets and liabilities recorded on the accompanying condensed consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

*Level 1* — Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that we have the ability to access at the measurement date (e.g., active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Our cash and cash equivalents, which are measured at fair value on a recurring basis, totaled \$110.5 million and \$120.7 million as of July 31, 2022 and April 30, 2022, respectively. We utilized Level 1 of the value hierarchy to determine the fair values of these assets.

*Level 2* — Financial assets and liabilities whose values are based on quoted prices in markets in which trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets. Level 2 inputs include the following:

- quoted prices for identical or similar assets or liabilities in non-active markets (such as corporate and municipal bonds which trade infrequently);
- inputs other than quoted prices that are observable for substantially the full term of the asset or liability (such as interest rate and currency swaps); and
- inputs that are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability (such as certain securities and derivatives).

*Level 3* — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect our judgments about the assumptions a market participant would use in pricing the asset or liability.

We did not have any Level 2 or Level 3 financial assets or liabilities as of July 31, 2022.

**(6) Inventories:**

The following table sets forth a summary of inventories, net of reserves, stated at lower of cost or net realizable value, as of July 31, 2022 and April 30, 2022 (in thousands):

	July 31, 2022	April 30, 2022
Finished goods	\$ 106,613	\$ 58,460
Finished parts	57,563	62,187
Work in process	6,220	5,304
Raw material	12,105	10,709
<b>Total inventories</b>	<b>\$ 182,501</b>	<b>\$ 136,660</b>

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

**(7) Accrued Expenses and Deferred Revenue:**

The following table sets forth other accrued expenses as of July 31, 2022 and April 30, 2022 (in thousands):

	July 31, 2022	April 30, 2022
Accrued taxes other than income	\$ 6,725	\$ 7,008
Accrued employee benefits	3,917	3,705
Accrued other	3,256	3,956
Accrued distributor incentives	3,065	2,917
Accrued rebates and promotions	2,721	1,243
Accrued professional fees	2,142	1,997
Current portion of operating lease obligation	1,613	1,495
Current portion of finance lease obligation	1,186	1,158
Deferred revenue	3	3
Total accrued expenses and deferred revenue	<u>\$ 24,628</u>	<u>\$ 23,482</u>

**(8) Stockholders' Equity:**

*Treasury Stock*

On March 2, 2021, our Board of Directors authorized the repurchase of up to \$100.0 million of our common stock, subject to certain conditions, in the open market or in privately negotiated transactions. During fiscal 2021, we repurchased 3,380,447 shares of our common stock for \$60.0 million under this authorization. During the three months ended July 31, 2021, we completed this stock repurchase program by repurchasing 1,967,420 shares of our common stock for \$40.0 million, utilizing cash on hand. On June 15, 2021, our Board of Directors authorized the repurchase of an additional \$50.0 million of our common stock, subject to certain conditions, in the open market or in privately negotiated transactions. As of July 31, 2021, there were no purchases under this authorization; however, this authorization was completed during fiscal 2022. There were no common stock purchases through the three months ended July 31, 2022, nor were there any unfulfilled authorizations.

*Earnings per Share*

The following table provides a reconciliation of the net income amounts and weighted average number of common and common equivalent shares used to determine basic and diluted earnings per share for the three months ended July 31, 2022 and 2021 (in thousands, except per share data):

	For the Three Months Ended July 31,					
	2022			2021		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic earnings	\$ 3,312	45,739	\$ 0.07	\$ 76,882	48,394	\$ 1.59
Effect of dilutive stock awards	—	363	—	—	656	—
Diluted earnings	<u>\$ 3,312</u>	<u>46,102</u>	<u>\$ 0.07</u>	<u>\$ 76,882</u>	<u>49,050</u>	<u>\$ 1.57</u>

For the three months ended July 31, 2022, the amount of restricted stock units, or RSU's, excluded from the computation of diluted earnings per share was 18,641 because the effect would be antidilutive. All of our outstanding shares were included in the computation of diluted earnings per share for the three months ended July 31, 2021.

*Incentive Stock and Employee Stock Purchase Plans*

In September 2013, our Board of Directors approved the 2013 Incentive Stock Plan under which employees and non-employees may be granted stock options, restricted stock awards, restricted stock units, stock appreciation rights, and bonus stock awards.

In July 2022, our Board of Directors approved the Smith & Wesson Brands, Inc. 2022 Incentive Stock Plan under which employees and non-employees may be granted stock options, restricted stock awards, restricted stock units, stock appreciation rights, and bonus stock awards. Our stockholders will be asked to approve this plan at our annual meeting of stockholders on September 12, 2022.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

We have an Employee Stock Purchase Plan, or the ESPP, under which each participant is granted an option to purchase our common stock at a discount on each subsequent exercise date during the offering period (as such terms are defined in the ESPP) in accordance with the terms of the ESPP.

The total stock-based compensation expense, including stock options, purchases under our ESPP, RSUs, and performance-based RSUs, or PSUs, was \$1.2 million and \$1.5 million for the three months ended July 31, 2022 and 2021, respectively. We include stock-based compensation expense in cost of sales, sales and marketing, research and development, and general and administrative expenses.

We grant RSUs to employees and non-employee members of our Board of Directors. The awards are made at no cost to the recipient. An RSU represents the right to receive one share of our common stock and does not carry voting or dividend rights. Except in specific circumstances, RSU grants to employees vest over a period of four years with one-fourth of the units vesting on each anniversary of the grant date. We amortize the aggregate fair value of our RSU grants to compensation expense over the vesting period.

We grant PSUs to our executive officers and, from time to time, certain management employees who are not executive officers. The PSUs vest, and the fair value of such PSUs will be recognized, over the corresponding three-year performance period.

During the three months ended July 31, 2022, we granted an aggregate of 229,721 RSUs, including 157,227 RSUs to non-executive officer employees and 72,494 RSUs to our executive officers. During the three months ended July 31, 2022, we granted 108,736 PSUs to certain of our executive officers. During the three months ended July 31, 2022, we cancelled 2,472 RSUs as a result of the service conditions not being met. In connection with the vesting of RSUs, during the three months ended July 31, 2022, we delivered common stock to our employees and directors, including our executive officers, with a total market value of \$2.2 million. In connection with a 2018 grant, which vested in fiscal 2022, we delivered market-condition PSUs to certain of our executive officers and a former executive officer with a total market value of \$1.2 million. In addition, in connection with a 2019 grant, 57,600 PSUs vested to certain of our executive officers and a former executive officer, which resulted from achieving the maximum performance of 200.0% of target for the original 28,800 PSUs granted.

During the three months ended July 31, 2021, we granted an aggregate of 126,430 RSUs, including 66,441 RSUs to non-executive officer employees and 49,277 RSUs to our executive officers. During the three months ended July 31, 2021, we granted 73,913 PSUs to certain of our executive officers. During the three months ended July 31, 2021, we cancelled 1,502 RSUs as a result of the service conditions not being met. In connection with the vesting of RSUs, during the three months ended July 31, 2021, we delivered common stock to our employees and directors, including our executive officers, with a total market value of \$2.2 million. In addition, in connection with a 2018 grant, we vested 86,400 market-condition PSUs to certain of our executive officers and a former executive officer, which resulted from achieving the maximum performance of 200.0% of target for the original 43,200 PSUs granted.

A summary of activity for unvested RSUs and PSUs for the three months ended July 31, 2022 and 2021 is as follows:

	For the Three Months Ended July 31,			
	2022		2021	
	Total # of Restricted Stock Units	Weighted Average Grant Date Fair Value	Total # of Restricted Stock Units	Weighted Average Grant Date Fair Value
RSUs and PSUs outstanding, beginning of period	830,813	\$ 13.30	995,879	\$ 10.65
Awarded (a)	367,257	13.70	243,543	16.45
Vested	(238,444)	12.72	(115,763)	13.42
Forfeited	(2,472)	15.47	(1,502)	12.07
RSUs and PSUs outstanding, end of period	<u>957,154</u>	<u>\$ 13.60</u>	<u>1,122,157</u>	<u>\$ 11.62</u>

(a) Includes 28,800 and 43,200 PSUs vested during the three months ended July 31, 2022 and 2021, respectively, in connection with achieving maximum performance targets for the 2019 and 2018 grants, respectively.

As of July 31, 2022, there was \$5.4 million of unrecognized compensation expense related to unvested RSUs and PSUs. This expense is expected to be recognized over a weighted average remaining contractual term of 1.7 years.

**(9) Commitments and Contingencies:**

*Litigation*

In January 2018, Gemini Technologies, Incorporated, or Gemini, commenced an action against us in the U.S. District Court for the District of Idaho, or the District Court. The complaint alleges, among other things, that we breached the earn-out and other provisions of the asset purchase agreement and ancillary agreements between the parties in connection with our acquisition of the Gemtech business from Gemini. The complaint seeks a declaratory judgment interpreting various terms of the asset purchase agreement and damages in the sum of \$18.6 million. In May 2018, the District Court dismissed the complaint on the grounds of *forum non conveniens*. In June 2018, Gemini appealed the decision dismissing its complaint to the U.S. Court of Appeals for the Ninth Circuit, or the Ninth Circuit. In July 2019, the Ninth Circuit reversed the dismissal and remanded the case to the District Court to perform a traditional *forum non conveniens* analysis. In September 2019, the parties stipulated that they do not contest that the venue is proper in the District of Idaho. In November 2019, we filed an answer to Gemini's complaint and a counterclaim against Gemini and its stockholders at the time of the signing of the asset purchase agreement. Plaintiffs amended their complaint to add a claim of fraud in the inducement. In September 2021, Gemini filed a motion for summary judgment seeking to dismiss our counterclaim. In October 2021, we filed our opposition to Gemini's motion. On June 27, 2022, the court denied Gemtech's motion for summary judgment. We believe the claims asserted in the complaint have no merit, and we intend to aggressively defend this action.

We are a defendant in seven product liability cases and are aware of seven other product liability claims, primarily alleging defective product design, defective manufacturing, or failure to provide adequate warnings. In addition, we are a co-defendant in a case filed in August 1999 by the city of Gary, Indiana, or the City, against numerous firearm manufacturers, distributors, and dealers seeking to recover monetary damages, as well as injunctive relief, allegedly arising out of the misuse of firearms by third parties. In January 2018, the Lake Superior Court, County of Lake, Indiana granted defendants' Motion for Judgment on the Pleadings, dismissing the case in its entirety. In February 2018, plaintiffs appealed the dismissal to the Indiana Court of Appeals. In May 2019, the Indiana Court of Appeals issued a decision, which affirmed in part and reversed in part and remanded for further proceedings, the trial court's dismissal of the City's complaint. In July 2019, defendants filed a Petition to Transfer jurisdiction to the Indiana Supreme Court. In November 2019, the Indiana Supreme Court denied our petition to transfer and the case was returned to the trial court. Discovery remains ongoing.

In May 2018, we were named in an action related to the Parkland, Florida shooting that was filed in the Circuit Court, Broward County, Florida seeking a declaratory judgment that a Florida statute that provides firearm manufacturers and dealers immunity from liability when their legally manufactured and lawfully sold firearms are later used in criminal acts applies only to civil actions commenced by governmental agencies, not private litigants. In August 2018, we moved to dismiss the complaint on the grounds that it seeks an impermissible advisory opinion. In December 2018, the court granted defendants' motion to dismiss without prejudice and granted plaintiffs leave to amend their complaint. Later in December 2018, plaintiffs filed a Second Amended Complaint for Declaratory Relief and defendants filed a Motion to Dismiss Plaintiffs' Second Amended Complaint. In November 2019, the court granted defendants' motion to dismiss plaintiffs' second amended complaint, with prejudice. In June 2021, upon plaintiffs' motion, the Fourth District Court of Appeal of the State of Florida, or the Court of Appeal, ruled that the Circuit Court's order dismissing the case was not "final and appealable," and ordered the Circuit Court to enter a final order of dismissal. In July 2021, plaintiffs Frederic and Jennifer Guttenberg filed a notice of appeal to the Court of Appeal. Briefing in the Court of Appeal is complete. Oral argument was held on July 12, 2022. No decision has been issued to date.

We are a defendant in a putative class proceeding before the Ontario Superior Court of Justice in Toronto, Canada that was filed in December 2019. The action claims CAD\$50 million in aggregate general damages, CAD\$100 million in aggregate punitive damages, special damages in an unspecified amount, together with interest and legal costs. The named plaintiffs are two victims of a shooting that took place in Toronto in July 2018 and their family members. One victim was shot and injured during the shooting. The other victim suffered unspecified injuries while fleeing the shooting. The plaintiffs are seeking to certify a claim on behalf of classes that include all persons who were killed or injured in the shooting and their immediate family members. The plaintiffs allege negligent design and public nuisance. The case has not been certified as a class action. In July 2020, we filed a Notice of Motion for an order striking the claim and dismissing the action in its entirety. In February 2021, the court granted our motion in part, and dismissed the plaintiffs' claims in public nuisance and strict liability. The court declined to strike the negligent design claim, and ordered that the claim proceed to a certification motion. In March 2021, we filed a motion for leave to appeal the court's refusal to strike the negligent design claim with the Divisional Court, Ontario Superior Court of Justice. In July 2021, plaintiffs filed a motion to stay our motion for leave to appeal with the Divisional Court, on grounds that appeal is premature. In November 2021, the Divisional Court granted plaintiffs' motion, staying our motion for leave to appeal until 30 days after the decision on the balance of plaintiffs' certification motion. Plaintiffs' certification motion, which had been scheduled for December 2022, has been extended by the court to allow plaintiffs to file further evidence in support of certification.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

In May 2020, we were named in an action related to the Chabad of Poway synagogue shooting that took place in April 2019. The complaint was filed in the Superior Court of the State of California, for the County of San Diego – Central, and asserts claims against us for product liability, unfair competition, negligence, and public nuisance. The plaintiffs allege they were present at the synagogue on the day of the incident and suffered physical and/or emotional injury. The plaintiffs seek compensatory and punitive damages, attorneys’ fees, and injunctive relief. In September 2020, we filed a demurrer and motion to strike, seeking to dismiss plaintiffs’ complaint. In July 2021, the court granted our motion in part, and reversed it in part, ruling that: (1) the PLCAA barred plaintiffs’ product liability action; (2) plaintiffs did not have standing to maintain an action under the Unfair Competition Law for personal injury related damages, but giving plaintiffs leave to amend to plead an economic injury; and (3) the PLCAA did not bar plaintiffs’ ordinary negligence and public nuisance actions because plaintiffs had alleged that we violated 18 U.S.C. Section 922(b)(4), which generally prohibits the sale of fully automatic “machineguns.” In August 2021, we filed a Petition for Writ of Mandate in the Court of Appeal of the state of California, Fourth Appellate District, Division One. In September 2021, the Court of Appeal denied our appeal. On February 22, 2022, the court consolidated the case with three related cases, in which we are not a party. On March 11, 2022, the court granted our motion, dismissing plaintiffs’ Unfair Competition Law claim, without further leave to amend. Discovery is ongoing.

We are a defendant in an action filed in the U.S. District Court for the District of Massachusetts. On August 4, 2021, the Mexican Government filed an action against several U.S.-based firearms manufacturers and a firearms distributor, claiming defendants design, market, distribute, and sell firearms in ways they know routinely arm the drug cartels in Mexico. Plaintiff alleges, among other claims, negligence, public nuisance, design defect, unjust enrichment and restitution against all defendants and violation of the Massachusetts Consumer Protection Act against us alone, and is seeking monetary damages and injunctive relief. In November 2021, defendants filed motions to dismiss plaintiff’s complaint. On January 31, 2022, plaintiff filed its oppositions to our motions. Several amicus briefs were also filed with the court. On April 12, 2022, a hearing was held on defendants’ motions to dismiss.

We believe that the various allegations as described above are unfounded, and, in addition, that any incident and any results from them or any injuries were due to negligence or misuse of the firearm by the claimant or a third party.

On March 9, 2022, two plaintiffs, on behalf of a proposed class of current and former employees and temporary workers who worked at our Springfield facility from November 2018 to the present, filed a claim alleging non-payment of wages and overtime in violation of the Massachusetts Wage Act and Massachusetts Fair Wage Act. The case has not been certified as a class action. We believe the claims asserted in the complaint have no merit, and we intend to aggressively defend this action.

In addition, from time to time, we are involved in lawsuits, claims, investigations, and proceedings, including commercial, environmental, premises and employment matters, which arise in the ordinary course of business.

The relief sought in individual cases primarily includes compensatory and, sometimes, punitive damages. Certain of the cases and claims seek unspecified compensatory or punitive damages. In others, compensatory damages sought may range from less than \$75,000 to approximately \$50.0 million. In our experience, initial demands do not generally bear a reasonable relationship to the facts and circumstances of a particular matter. We believe that our accruals for product liability cases and claims are a reasonable quantitative measure of the cost to us of product liability cases and claims.

We are vigorously defending ourselves in the lawsuits to which we are subject. An unfavorable outcome or prolonged litigation could harm our business. Litigation of this nature also is expensive, time consuming, and diverts the time and attention of our management.

We monitor the status of known claims and the related product liability accrual, which includes amounts for defense costs for asserted and unasserted claims. After consultation with litigation counsel and a review of the merit of each claim, we have concluded that we are unable to reasonably estimate the probability or the estimated range of reasonably possible losses related to material adverse judgments related to such claims and, therefore, we have not accrued for any such judgments. In the future, should we determine that a loss (or an additional loss in excess of our accrual) is at least reasonably possible and material, we would then disclose an estimate of the possible loss or range of loss, if such estimate could be made, or disclose that an estimate could not be made. We believe that we have provided adequate accruals for defense costs.

We have recorded our liability for defense costs before consideration for reimbursement from insurance carriers. We have also recorded the amount due as reimbursement under existing policies from the insurance carriers as a receivable shown in other current assets and other assets.

At this time, an estimated range of reasonably possible additional losses relating to unfavorable outcomes cannot be made.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

*Commitments*

On September 30, 2021, we announced our plan to move our headquarters and significant elements of our operations to Maryville, Tennessee in 2023, or the Relocation. In connection with the Relocation, we entered into a project agreement, or the Project Agreement, with The Industrial Development Board of Blount County and the cities of Alcoa and Maryville, Tennessee, a public, nonprofit corporation organized and existing under the laws of the state of Tennessee, or the IDB. Pursuant to the Project Agreement, we represented to the IDB that we intend to incur, or cause to be incurred, no less than \$120.0 million in aggregate capital expenditures on or before December 31, 2025, create no less than 620 new jobs, and sustain an average hourly wage of at least \$25.97 at the facility. Further, pursuant to the Project Agreement, we are required to, among other things, (A) execute a facility lease and an equipment lease with the IDB; (B) cause the construction of the new facility at our sole cost and expense to commence on or before May 31, 2022; (C) incur, or cause to be incurred, aggregate capital expenditures in connection with the construction and equipping of the new facility in an aggregate amount of not less than \$120.0 million on or before December 31, 2025; (D) cause the construction of the new facility to be substantially completed and for a certificate of occupancy to be issued therefore on or before December 31, 2023; (E) provide the IDB with a written report certified by one of our authorized officers, not later than January 31 of each year during the period between January 31, 2024 and January 31, 2031; and (F) make certain payments to IDB in the event that our actual capital expenditures, number of employees, or average hourly wage of such employees are less than our projections.

As part of the Relocation, we intend to vacate and sublease our Missouri distribution facility. We have received indications of interest from potential third-party sublessees, and we believe that we will not incur an impairment associated with this lease. Assets associated with our assembly operations in Massachusetts and distribution operations in Missouri continue to be fully utilized, and we intend to either move those assets to Tennessee at the appropriate time or sell or sublease those assets that will not be moved. Consequently, as of July 31, 2022, we do not believe we have an impairment related to the building or assets. Subsequent to the Relocation, our Massachusetts facility will continue to remain an important part of our manufacturing activities with significant portions of the operations being unaffected by the Relocation.

In addition, at or near the conclusion of our Connecticut building lease in May 2024, we intend to relocate a portion of our plastic injection molding operations to Tennessee and will evaluate selling the remaining molding operations utilized in our Connecticut operations to a third party. As of July 31, 2022, all plastic injection molding machinery and equipment was being utilized. Therefore, we could not determine an estimated range of reasonably possible losses associated with any impairment of such assets because we have not yet determined which assets may be sold.

**(10) Restructuring:**

As a result of the Relocation, we recorded \$2.2 million in restructuring charges for the three months ended July 31, 2022. Of this, approximately \$608,000 is reflected in selling, general and administrative expenses, approximately \$1.2 million in cost of goods sold, and approximately \$366,000 in marketing and distribution. There were no costs associated with the Relocation recorded for the three months ended July 31, 2021.

The components of the restructuring charges recorded in our consolidated income statement are as follows (dollars in thousands):

	For the Three Months Ended July 31,	
	2022	2021
Severance and employee-related benefits (a)	\$ 1,913	\$ —
Consulting services	84	—
Employee relations	192	—
Office rent and equipment	31	—
<b>Total restructuring expense</b>	<b>\$ 2,220</b>	<b>\$ —</b>

(a) None of these amounts have been paid as of July 31, 2022, and the balance has been recorded in accrued payroll and incentives on our balance sheet.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Overview**

Please refer to the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Fiscal 2022 Annual Report and our unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q. This section sets forth key objectives and performance indicators used by us as well as key industry data tracked by us.

**First Quarter Fiscal 2023 Highlights**

Our operating results for the three months ended July 31, 2022 included the following:

- Net sales were \$84.4 million, a decrease of \$190.2 million, or 69.3%, from the comparable quarter last year.
- Gross margin was 37.3% compared with gross margin of 47.3% for the comparable quarter last year.
- Net income was \$3.3 million, or \$0.07 per diluted share, compared with net income of \$76.9 million, or \$1.57 per diluted share, for the comparable quarter last year.

**Results of Operations**

**Net Sales and Gross Profit – For the Three Months Ended July 31, 2022**

The following table sets forth certain information regarding net sales and gross profit for the three months ended July 31, 2022 and 2021 (dollars in thousands):

	2022	2021	\$ Change	% Change
Handguns	\$ 59,367	\$ 197,856	\$ (138,489)	-70.0%
Long Guns	14,105	67,691	(53,586)	-79.2%
Other Products & Services	10,922	9,062	1,860	20.5%
Total net sales	\$ 84,394	\$ 274,609	\$ (190,215)	-69.3%
Cost of sales	52,923	144,667	(91,744)	-63.4%
Gross profit	\$ 31,471	\$ 129,942	\$ (98,471)	-75.8%
% of net sales (gross margin)	37.3%	47.3%		

The following table sets forth certain information regarding firearm units shipped by trade channel for the three months ended July 31, 2022 and 2021 (units in thousands):

<b>Total Units Shipped</b>	2022	2021	# Change	% Change
Handguns	128	507	(379)	-74.8%
Long Guns	28	137	(109)	-79.6%
<b>Sporting Goods Channel Units Shipped</b>	2022	2021	# Change	% Change
Handguns	116	474	(358)	-75.5%
Long Guns	25	131	(106)	-80.9%
<b>Professional Channel Units Shipped</b>	2022	2021	# Change	% Change
Handguns	12	33	(21)	-63.6%
Long Guns	3	6	(3)	-50.0%

Sales of our handguns decreased \$138.5 million, or 70.0%, from the comparable quarter last year. The decrease in sales was primarily as a result of a return to more normalized demand from the historic pandemic-related demand that lasted from March 2020 through the beginning of fiscal 2022, partially offset by net sales generated from increased shipments of new products. Handgun unit shipments into the sporting goods channel decreased by 75.5% from the comparable quarter last year while overall consumer handgun demand decreased 4.9% (as indicated by adjusted background checks reported in the National Instant Criminal Background Check System, or NICS).

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

Sales of our long guns decreased \$53.6 million, or 79.2%, from the comparable quarter last year. Similar to handgun sales, this decrease was primarily as a result of lower demand for the majority of our long gun products. Long gun unit shipments into our sporting goods channel decreased 80.9% from the comparable quarter last year while overall consumer demand for long guns decreased 4.5%, as indicated by NICS.

We believe the small decrease in overall firearm demand (as indicated by adjusted NICS) indicates that the market is still healthy, but has normalized from the surge levels we experienced during much of calendar 2020 and 2021. During our prior year first quarter, we saw inventory in our distribution channel begin to grow significantly for the first time in five consecutive quarters. During the current quarter, however, inventory in our distribution channel declined versus the prior year comparable quarter, resulting in a sizeable swing in our comparable financial results. We believe that we have lost market share in the short term when compared to the strong market share gains that we achieved through our ability to respond to the significant demand in fiscal 2021 and 2022; however, we believe this pull forward of our products will correct in the coming quarters as channel inventory continues to normalize and as we launch new products.

Other products and services revenue increased \$1.9 million, or 20.5%, over the comparable quarter last year, primarily because of increased sales of component parts and handcuffs, partially offset by decreased business-to-business services and licensing revenue.

New products, defined as any new SKU not shipped in the comparable quarter last year, represented 21.3% of sales for the three months ended July 31, 2022 and included two new pistols, one new modern sporting rifle, and many new product line extensions.

Gross margin for the three months ended July 31, 2022 was 37.3% compared with gross margin of 47.3% for the comparable quarter last year, primarily because of a combination of reduced sales volumes across nearly all product lines, unfavorable fixed-cost absorption due to lower production volume, and expenses recorded related to employee severance and relocation costs associated with the Relocation, partially offset by decreased compensation costs and favorable inventory valuation adjustments.

As expected, our inventory balances increased \$45.8 million between April 30, 2022 and July 31, 2022 as we replenished stock to provide our customers with a more robust selection of inventory and positioned ourselves for potential increases in consumer demand. While inventory levels, both internally and in the distribution channel, in excess of demand may negatively impact future operating results, it is difficult to forecast the potential impact of distributor inventories on future revenue and income as demand is impacted by many factors, including seasonality, new product introductions, news events, political events, and consumer tastes. We expect our inventory levels will slightly increase in the short term but will decline by the end of the fiscal year due to normal seasonality.

**Operating Expenses**

The following table sets forth certain information regarding operating expenses for the three months ended July 31, 2022 and 2021 (dollars in thousands):

	2022	2021	\$ Change	% Change
Research and development	\$ 1,673	\$ 1,808	\$ (135)	-7.5%
Selling, marketing, and distribution	8,027	10,634	(2,607)	-24.5%
General and administrative	17,854	17,614	240	1.4%
Total operating expenses	\$ 27,554	\$ 30,056	\$ (2,502)	-8.3%
% of net sales	32.6%	10.9%		

Research and development expenses decreased \$135,000 from the prior year comparable quarter, primarily because of decreased compensation-related costs, driven by temporarily unfilled positions, we believe, as a result of the Relocation. Selling, marketing, and distribution expenses decreased \$2.6 million, primarily as a result of decreased compensation-related expenses, decreased co-op advertising expenses, decreased digital advertising costs, and decreased freight costs due to lower shipments, partially offset by increased costs associated with the Relocation and increased expenses related to industry shows. General and administrative expenses increased \$240,000, primarily because of increased legal-related expenses, increased professional fees, and an increase in costs associated with the Relocation, partially offset by decreased compensation-related costs, driven by temporarily unfilled positions, we believe, as a result of the Relocation, and decreased depreciation expense.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

**Operating Income**

The following table sets forth certain information regarding operating income for the three months ended July 31, 2022 and 2021 (dollars in thousands):

	2022	2021	\$ Change	% Change
Operating income from operations	\$ 3,917	\$ 99,886	\$ (95,969)	-96.1%
% of net sales (operating margin)	4.6%	36.4%		

Operating income for the three months ended July 31, 2022 decreased \$96.0 million from the comparable quarter last year, primarily because of reduced sales volumes across nearly all product lines, unfavorable fixed-cost absorption, expenses recorded in relation to the Relocation, increased legal-related expenses, and increased professional fees. These unfavorable impacts were partially offset by lower digital advertising costs, lower compensation-related expenses, decreased co-op advertising expenses, and decreased freight costs.

**Income Taxes**

The following table sets forth certain information regarding income tax expense for the three months ended July 31, 2022 and 2021 (dollars in thousands):

	2022	2021	\$ Change	% Change
Income tax expense	\$ 845	\$ 23,120	\$ (22,275)	-96.3%
% of income from operations (effective tax rate)	20.3%	23.1%		-2.8%

Income tax expense decreased \$22.3 million from the comparable quarter last year as a result of lower operating income.

**Net Income**

The following table sets forth certain information regarding net income and the related per share data for the three months ended July 31, 2022 and 2021 (dollars in thousands, except per share data):

	2022	2021	\$ Change	% Change
Income from operations	\$ 3,312	\$ 76,882	\$ (73,570)	-95.7%
Net income per share				
Basic	\$ 0.07	\$ 1.59	\$ (1.52)	-95.6%
Diluted	\$ 0.07	\$ 1.57	\$ (1.50)	-95.5%

Net income for the three months ended July 31, 2022 was \$3.3 million compared with \$76.9 million for the comparable quarter last year for the reasons outlined above.

**Liquidity and Capital Resources**

Our principal cash requirements are to (1) finance the growth of our operations, including working capital and capital expenditures, (2) fund the Relocation, and (3) return capital to stockholders. Capital expenditures for the Relocation, new product development, and repair and replacement of equipment represent important cash needs.

The following table sets forth certain cash flow information for the three months ended July 31, 2022 and 2021 (dollars in thousands):

	2022	2021	\$ Change	% Change
Operating activities	\$ 7,145	\$ 109,087	\$ (101,942)	-93.5%
Investing activities	(11,586)	(5,768)	(5,818)	-100.9%
Financing activities	(5,835)	(44,923)	39,088	87.0%
Total cash flow	\$ (10,276)	\$ 58,396	\$ (68,672)	-117.6%

***Operating Activities***

On an annual basis, operating activities generally represent the principal source of our cash flow. Cash provided by operating activities was \$7.1 million for the three months ended July 31, 2022 compared with \$109.1 million of cash generated for the three months ended July 31, 2021. In addition to a \$73.6 million reduction in net income, cash provided by operating activities for the three months ended July 31, 2022 was negatively impacted by an incremental \$27.2 million increase in inventory resulting from lower sales volumes, an incremental \$21.6 million decrease in accrued income taxes due to lower forecasted income, and an incremental \$3.2 million increase in prepaid expenses and other current assets. These unfavorable impacts were partially offset by a \$12.6 million incremental decrease in accounts receivable due to reduced sales, an incremental \$7.7 million increase in accrued payroll and incentives due to accruals related to the Relocation, and an incremental \$5.2 million increase in accounts payable.

***Investing Activities***

Cash used in investing activities increased \$5.8 million for the three months ended July 31, 2022 compared with the prior year comparable period. We paid \$11.5 million for capital expenditures for the three months ended July 31, 2022, \$5.8 million higher than the prior year comparable period primarily due to payments related to the Relocation. Excluding payments related to the Relocation, we expect to spend between \$20.0 million and \$25.0 million on capital expenditures in fiscal 2023, representing a decrease of \$4.0 million to an increase of nearly \$1.0 million, as compared with \$24.0 million in capital expenditures in fiscal 2022. This is primarily due to lower expenditures related to capacity offset by expenditures related to new product development and repair and replacement of equipment.

Additionally, as it relates to the Relocation, we expect to incur capital expenditures in connection with the construction and equipping of the new facility in an aggregate amount of not less than \$120.0 million on or before December 31, 2025. We expect to spend between \$125.0 million and \$130.0 million on capital expenditures in fiscal 2023, of which \$90.0 million to \$95.0 million is expected for the construction of the facility. This spending will be recorded in construction in progress throughout the building construction. Through the three months ended July 31, 2022, we have incurred \$29.1 million and have paid \$7.6 million for capital expenditures in connection with the Relocation.

***Financing Activities***

Cash used in financing activities was \$5.8 million for the three months ended July 31, 2022 compared with \$44.9 million for the three months ended July 31, 2021. Cash used in financing activities during the three months ended July 31, 2022 was primarily the result of a \$4.6 million dividend distribution. For the three months ended July 31, 2021, cash used in financing activities was primarily the result of a \$40.0 million treasury stock repurchase and a \$3.8 million dividend distribution.

*Finance Lease* – We are a party to a \$46.2 million lease for our Missouri distribution facility, which has an effective interest rate of approximately 5.0% and is payable in 240 monthly installments through fiscal 2039. The building is pledged to secure the amounts outstanding. During the three months ending July 31, 2022, we paid approximately \$278,000 in principal payments relating to this finance lease. With the completion of the Separation, we entered into a sublease for 59.0% of this facility under the same terms as the master lease. On July 16, 2022, we entered into an amendment to the sublease agreement, increasing the leased space to 64.7% of the facility under the same terms as the master lease. We have recorded \$544,000 of income related to this sublease agreement, which is recorded in other income/(expense) in our condensed consolidated statements of income.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

*Credit Facilities* — As of July 31, 2022, we had no outstanding indebtedness. However, we maintain the Revolving Line, which includes availability up to \$100.0 million at any one time. The Revolving Line provides for availability for general corporate purposes, with borrowings to bear interest at either the Base Rate or LIBOR rate, plus an applicable margin based on our consolidated leverage ratio, as of July 31, 2022. The Amended and Restated Credit Agreement also provides a swingline facility in the maximum amount of \$5.0 million at any one time (subject to availability under the revolving line). Each Swingline Loan (as defined in the Amended and Restated Credit Agreement) bears interest at the Base Rate, plus an applicable margin based on our consolidated leverage ratio. In response to a Springing Lien Triggering Event (as defined in the Amended and Restated Credit Agreement), we would be required to enter into certain documents that create in favor of the administrative agent, and the lenders party to such documents as legal, valid, and enforceable first priority lien on the collateral described therein. Subject to the satisfaction of certain terms and conditions described in the Amended and Restated Credit Agreement, we have an option to increase the Revolving Line by an aggregate amount not exceeding \$50.0 million. The Revolving Line matures on the earlier of August 24, 2025, or the date that is six months in advance of the earliest maturity of any Permitted Notes under the Amended and Restated Credit Agreement.

The Amended and Restated Credit Agreement contains financial covenants relating to maintaining maximum leverage and minimum debt service coverage. We were in compliance with all debt covenants as of July 31, 2022.

*Share Repurchase Programs* — On March 2, 2021, our Board of Directors authorized the repurchase of up to \$100.0 million of our common stock, subject to certain conditions, in the open market or in privately negotiated transactions. During fiscal 2021, we repurchased 3,380,447 shares of our common stock for \$60.0 million under this authorization. During the three months ended July 31, 2021, we completed this stock repurchase program by repurchasing 1,967,420 shares of our common stock for \$40.0 million, utilizing cash on hand. On June 15, 2021, our Board of Directors authorized the repurchase of an additional \$50.0 million of our common stock, subject to certain conditions, in the open market or in privately negotiated transactions. As of July 31, 2021, there were no purchases under this authorization; however, this authorization was completed during fiscal 2022. There were no common stock purchases through the three months ended July 31, 2022, nor were there any unfulfilled authorizations.

*Dividends* — In June 2022, our Board of Directors authorized a regular quarterly dividend for stockholders of \$0.10 per share. The current dividend will be for stockholders of record as of market close on September 22, 2022 and will be payable on October 6, 2022.

Our future capital requirements will depend on many factors, including net sales, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the timing of introductions of new products and enhancements to existing products, the costs to ensure access to adequate manufacturing capacity, and costs related to the Relocation. Further equity or debt financing may not be available to us on acceptable terms or at all. If sufficient funds are not available or are not available on acceptable terms, our ability to take advantage of unexpected business opportunities or to respond to competitive pressures could be limited or severely constrained.

As of July 31, 2022, we had \$110.5 million in cash and cash equivalents on hand. Based upon our current working capital position, current operating plans, and expected business conditions, we believe that our existing capital resources and credit facilities will be adequate to fund our operations, including our finance leases and other commitments, for the next 12 months.

## **Other Matters**

### ***Critical Accounting Policies***

The preparation of condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant accounting policies are disclosed in Note 2 of the Notes to the Consolidated Financial Statements in our Fiscal 2022 Annual Report. The most significant areas involving our judgments and estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Fiscal 2022 Annual Report, to which there have been no material changes. Actual results could differ from our estimates.

### ***Recent Accounting Pronouncements***

The nature and impact of recent accounting pronouncements, if any, is discussed in Note 2—*Basis of Presentation* to our condensed consolidated financial statements included elsewhere in this report, which is incorporated herein by reference.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

During the period ended July 31, 2022, we did not enter into or transact any forward option contracts nor did we have any forward contracts outstanding.

**Item 4. *Controls and Procedures***

**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of July 31, 2022, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act was recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There was no change in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II — OTHER INFORMATION**

**Item 1. *Legal Proceedings***

The nature of legal proceedings against us is discussed in Note 9—*Commitments and Contingencies* to our condensed consolidated financial statements included elsewhere in this report, which is incorporated herein by reference.

**Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds***

As of July 31, 2022, we had no authorized share repurchase programs.

**Item 6. *Exhibits***

The exhibits listed on the Index to Exhibits (immediately preceding the signatures section of this Quarterly Report on Form 10-Q) are included herewith or incorporated herein by reference.

**INDEX TO EXHIBITS**

10.132*	<a href="#">2022 Incentive Stock Plan (1).</a>
10.133*	<a href="#">Form of Indemnity Agreement entered into with the following directors and executive officers: as of August 9, 2022 with Anita D. Britt, Fred M. Diaz, Kevin A. Maxwell, Deana L. McPherson, Barry M. Monheit, and Robert L. Scott; as of August 15, 2022 with Michael F. Golden; as of August 24, 2022 with Susan J. Cupero; as of August 25, 2022 with Denis G. Suggs and Mark P. Smith; and as of September 5, 2022 with John B. Furman.</a>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer</a>
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer</a>
32.1	<a href="#">Section 1350 Certification of Principal Executive Officer</a>
32.2	<a href="#">Section 1350 Certification of Principal Financial Officer</a>
101.INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

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\* Management contract or compensatory arrangement.

(1) Incorporated by reference to Appendix A of the Registrant's Proxy Statement filed with the SEC on August 3, 2022.

**SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three Months Ended July 31, 2022 and 2021**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: September 8, 2022

SMITH & WESSON BRANDS, INC.  
a Nevada corporation

By: /s/ Mark P. Smith  
Mark P. Smith  
*President and Chief Executive Officer*

Date: September 8, 2022

By: /s/ Deana L. McPherson  
Deana L. McPherson  
*Executive Vice President, Chief Financial Officer,  
Treasurer, and Assistant Secretary*

**INDEMNITY AGREEMENT**

This Indemnity Agreement (this “Agreement”), dated as of August \_\_, 2022, is made by and between **SMITH & WESSON BRANDS, INC.**, a Nevada corporation (the “Corporation”), and the undersigned who is either a director, an officer, a director and officer, or Agent of the Corporation (the “Indemnitee”), with this Agreement to be deemed effective as of the date that the Indemnitee first became director, officer, or Agent of the Corporation.

**RECITALS**

A. WHEREAS, the Corporation is aware that competent and experienced persons are reluctant to serve as directors or officers of corporations unless they are protected by comprehensive liability insurance and indemnification, due to the exposure to litigation costs and risks resulting from their service to such corporations, and due to the fact that the exposure frequently bears no reasonable relationship to the compensation of such directors and officers;

B. WHEREAS, the Board of Directors of the Corporation (the “Board”) has concluded that, to retain and attract talented and experienced individuals to serve as officers and directors of the Corporation, it is necessary for the Corporation contractually to indemnify officers and directors and to assume for itself maximum liability for Expenses (as defined in Section 1.4) and damages in connection with claims against such officers and directors in connection with their service to the Corporation;

C. WHEREAS, Indemnitee is a director and/or an officer of the Corporation or an Agent to the Corporation or the Corporation expects Indemnitee to join the Corporation as a director and/or an officer of the Corporation or Agent to the Corporation;

D. WHEREAS, in recognition of the need to provide Indemnitee with substantial protection against personal liability, in order to procure Indemnitee’s service and/or continued services as a director and/or officer of the Corporation or Agent of the Corporation and to enhance Indemnitee’s ability to serve the Corporation in an effective manner, and in order to provide protection pursuant to express contract rights (intended to be enforceable irrespective of, among other things, any amendment to the Corporation’s articles of incorporation or bylaws (collectively, the “Constituent Documents”), any change in the composition of the Board or any change in control or business combination transaction relating to the Corporation), the Corporation wishes to provide in this Agreement for the indemnification of, and the advancement of Expenses (as defined in Section 1.4 below) to, Indemnitee as set forth in this Agreement and for the coverage or continued coverage of Indemnitee under the Corporation’s directors’ and officers’ liability insurance policies.

E. WHEREAS, this Agreement shall supersede and replace all prior indemnity agreements, if any, between Indemnitee and the Corporation or any of its subsidiaries.

NOW, THEREFORE, in consideration of the foregoing and the Indemnitee’s Agreement to provide or to continue to provide services to the Corporation, the parties agree as follows:

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1. **Definitions.**

1.1 **Agent.** For the purposes of this Agreement, the term “Agent” shall include any person who is or was a director, officer or director level or above (as shown in the Corporation’s or the applicable consolidated subsidiary’s human resources records) employee of the Corporation or any of its consolidated subsidiaries or, while a director, officer or director level or above (as shown on the Corporation’s or the applicable consolidated subsidiary’s human resources records) of the Corporation or any of its consolidated subsidiaries, is or was serving at the request of the Corporation or any of its consolidated subsidiary as a director, officer, employee or Agent of another corporation, partnership, joint venture, trust or other enterprise.

1.2 **Beneficial Owner.** For the purposes of this Agreement, the term “Beneficial Owner” has the meaning given to the term “beneficial owner” in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

1.3 **Change of Control.** For the purposes of this Agreement, the term “Change in Control” has the meaning in Section 8(b) of the Smith & Wesson Brands, Inc. 2022 Incentive Stock Plan. :

1.4 **Corporation.** For purposes of this Agreement, the “Corporation” includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger that, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or Agents so that any person who is or was a director, officer, employee, or Agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, or Agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Agreement with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. The term “Corporation” shall include any predecessor of the Corporation and any constituent corporation (including any constituent of a constituent) absorbed by the Corporation in a consolidation or merger.

1.5 **Disinterested Director.** For the purposes of this Agreement, the term “Disinterested Director” means a director of the Corporation who is not and was not a party to, and does not control a party outside the Corporation that is party to, the Proceeding in respect of which indemnification is sought by Indemnitee.

1.6 **Enterprise.** The term “enterprise” or “other enterprise” shall include any corporation, limited liability company, partnership, joint venture, trust, or employee benefit plan.

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1.7                   **Expenses.** “Expenses” means any and all expenses, including without limitation, attorneys’ and experts’ fees, court costs, transcript costs, travel expenses, duplicating, printing and binding costs, telephone charges, and all other out-of-pocket costs and expenses actually and reasonably incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness or participate in, any Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, (ii) for purposes of Section 6.3 only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee’s rights under this Agreement, by litigation or otherwise; and (iii) any excise taxes assessed on a person with respect to an employee benefit plan. Expenses, however, shall not include amounts paid in settlement by Indemnitee, the amount of judgments or fines against Indemnitee, or penalties or amounts paid in settlement of a proceeding. The parties agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Corporation in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee’s counsel as being reasonable shall be presumed conclusively to be reasonable.

1.8                   **Fines.** For purposes of this Agreement, references to “fines” includes any excise taxes assessed on a person with respect to any employee benefit plan.

1.9                   **Liabilities.** For purposes of this Agreement, “liabilities” means judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement in connection with a proceeding.

1.10                  **Person.** “Person” means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity and includes the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act.

1.11                  **Proceeding.** For the purposes of this Agreement, “proceeding” means any threatened, pending, or completed action, suit, or other proceeding (including, without limitation, an action, suit or proceeding by or in the right of the Corporation), whether civil, criminal, administrative, or investigative.

1.12                  **Subsidiary.** For purposes of this Agreement, “subsidiary” means any Enterprise of which more than 50% of the outstanding voting securities is owned directly or indirectly by the Corporation, by the Corporation and one or more of its subsidiaries, or by one or more of the Corporation’s subsidiaries.

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1.13 **Serving at the Request of the Corporation.** For purposes of this Agreement, “serving at the request of the Corporation” shall include service as a director, officer, employee, or Agent of another corporation, joint venture, trust, or other enterprise that imposes duties on, or involves services by, such Agent with respect to any other enterprise or any employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed indemnifiable Expenses; and action by a person with respect to any employee benefit plan that such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Corporation.

1.14 **Voting Securities.** For the purposes of this Agreement, the term “Voting Securities” means any securities of the Corporation that vote generally in the election of directors.

2. **Agreement to Serve.** The Indemnitee agrees to serve and/or continue to serve as an Agent of the Corporation, at the will of the Corporation (or under separate agreement, if such agreement exists), in the capacity the Indemnitee currently serves as an Agent of the Corporation, faithfully and to the best of his ability, so long as the Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the Constituent Documents of the Corporation or any subsidiary of the Corporation; provided, however, that the Indemnitee may at any time and for any reason resign from such position (subject to any contractual obligation that the Indemnitee may have assumed apart from this Agreement), and the Corporation and any subsidiary shall have no obligation under this Agreement to continue the Indemnitee in any such position. This Agreement shall not be deemed an employment or consulting agreement between the Corporation (or any of its direct or indirect subsidiaries or the Corporation) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee’s employment with or service to the Corporation or any of its direct or indirect subsidiaries or the Corporation is at will and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment agreement or other written agreement between Indemnitee and the Corporation (or any of its direct or indirect subsidiaries or the Enterprise), any other applicable formal severance policies duly adopted by the Board or, with respect to service as a director and/or officer of the Corporation, by the Corporation’s Constituent Documents or Nevada law. This Agreement shall continue in force after Indemnitee has ceased to serve as a director and/or officer of the Corporation or consultant to the Corporation or, at the request of the Corporation, of any of its direct or indirect subsidiaries or the Enterprise.

3. **Directors’ and Officers’ Insurance.** The Corporation shall, to the extent that the Board determines it to be economically reasonable, maintain a policy of directors’ and officers’ liability insurance (“D&O Insurance”), on such terms and conditions as may be approved by the Board.

4. **Mandatory Indemnification.** Subject to Section 9 below, the Corporation shall indemnify the Indemnitee, to the fullest extent permitted by Nevada law in effect on the date hereof, or as such laws may from time-to-time hereafter be amended to increase (but not decrease) the scope of such permitted indemnification, including:

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4.1                   **Third-Party Actions.** If the Indemnitee is a person who was or is a party or is threatened to be made a party to any proceeding (except an action by or in the right of the Corporation) by reason of the fact that the Indemnitee is or was the Agent of the Corporation, or by reason of anything done or not done by the Indemnitee in any such capacity, against any and all Expenses and liabilities of any type whatsoever incurred by the Indemnitee in connection with such proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe the Indemnitee's conduct was unlawful, unless either the Indemnitee's act or failure to act constituted a breach of the Indemnitee's fiduciary duties as a director or officer or the Indemnitee's breach of those duties involved intentional misconduct, fraud, or a knowing violation of law; and

4.2                   **Derivative Actions.** If the Indemnitee is a person who was or is a party or is threatened to be made a party to any proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the Indemnitee is or was an Agent of the Corporation, or by reason of anything done or not done by the Indemnitee in any such capacity, against any and all Expenses and liabilities incurred by the Indemnitee in connection with such proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, unless either the Indemnitee's act or failure to act constituted a breach of the Indemnitee's fiduciary duties as a director or officer or the Indemnitee's breach of those duties involved intentional misconduct, fraud, or a knowing violation of law. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the Indemnitee is liable pursuant to NRS 78.138 or did not act in good faith and in a manner in which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, or that, with respect to any criminal proceeding he or she had reasonable cause to believe that his or her conduct was unlawful. The Corporation shall not indemnify an Indemnitee for any claim, issue or matter as to which the Indemnitee has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Corporation or for any amounts paid in settlement to the Corporation, unless and only to the extent that the court in which the proceeding was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such amounts as the court deems proper. Except as so ordered by a court and for advancement of Expenses pursuant to this Section, indemnification may not be made to or on behalf of an Indemnitee if a final adjudication establishes that his or her acts or omissions involved intentional misconduct, fraud or a knowing violation of law and was material to the cause of action; and

4.3                   **Exception for Amounts Covered by Insurance.** Notwithstanding the foregoing, the Corporation shall not be obligated to indemnify the Indemnitee for Expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines or penalties and amounts paid in settlement) to the extent such have been paid to the Indemnitee by D&O Insurance.

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## 5. **Partial Indemnification and Contribution.**

5.1 **Partial Indemnification.** If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for some or a portion of any Expenses or liabilities of any type whatsoever incurred by the Indemnitee in connection with a proceeding but is not entitled, however, to indemnification for all of the total amount thereof, then the Corporation shall nevertheless indemnify the Indemnitee for such total amount except as to the portion thereof to which the Indemnitee is not entitled to indemnification.

5.2 **Contribution.** If the Indemnitee is not entitled to the indemnification provided in Section 4 for any reason other than the statutory limitations set forth in the Nevada Revised Statutes Chapter 78, then in respect of proceeding in which the Corporation is jointly liable with the Indemnitee (or would be if joined in such proceeding), the Corporation shall contribute to the amount of Expenses and liabilities paid or payable by the Indemnitee in such proportion as is appropriate to reflect (i) the relative benefits received by the Corporation on the one hand and the Indemnitee on the other hand from the transaction from which such proceeding arose and (ii) the relative fault of the Corporation on the one hand and of the Indemnitee on the other hand in connection with the events that resulted in such Expenses, as well as any other relevant equitable considerations. The relative fault of the Corporation on the one hand and of the Indemnitee on the other hand shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent the circumstances resulting in such Expenses, judgments, fines, or settlement amounts. The Corporation agrees that it would not be just and equitable if contribution pursuant to this Section 5 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

## 6. **Mandatory Advancement of Expenses.**

6.1 **Advancement.** Subject to Sections 7 and 9 below, the Corporation shall advance all Expenses incurred by the Indemnitee in connection with any proceeding to which the Indemnitee is a party or is threatened to be made a party by reason of the fact that the Indemnitee is or was an Agent of the Corporation or by reason of anything done or not done by the Indemnitee in any such capacity. The Indemnitee hereby undertakes to promptly repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Corporation under the provisions of this Agreement, the Articles of Incorporation or Bylaws of the Corporation, NRS 78.138, or otherwise. The advances to be made hereunder shall be paid by the Corporation to the Indemnitee within thirty (30) days following delivery of a written request therefor by the Indemnitee to the Corporation. In connection with any request for Expense advancement, Indemnitee shall not be required to provide any documentation or information to the extent that the provision thereof would undermine or otherwise jeopardize attorney-client privilege. In connection with any request for Expense advancement, Indemnitee shall execute and deliver to the Corporation an undertaking (which shall be accepted without reference to Indemnitee's ability to repay the Expense advancement), in the form attached hereto as Exhibit A, to repay any amounts paid, advanced, or reimbursed by the Corporation for such Expenses to the extent that it is ultimately determined, following the final disposition of such Proceeding, that Indemnitee was not entitled to indemnification hereunder. Indemnitee's obligation to reimburse the Corporation for Expense advancement shall be unsecured and no interest shall be charged thereon. All Expense advancements shall be paid without deduction (other than any legally mandated deductions for tax withholdings) or off set.

6.2 **Exception.** Notwithstanding the foregoing provisions of this Section 6, the Corporation shall not be obligated to advance any Expenses to the Indemnitee arising from a lawsuit filed directly by the Corporation against the Indemnitee if an absolute majority of the members of the Board reasonably determines in good faith, within thirty (30) days of the Indemnitee's request to be advanced Expenses, that the facts known to them at the time such determination is made demonstrate clearly and convincingly that the Indemnitee acted in bad faith. If such a determination is made, the Indemnitee may have such decision reviewed in the manner set forth in Section 8.5 hereof, with all references therein to "indemnification" being deemed to refer to "advancement of Expenses," and the burden of proof shall be on the Corporation to demonstrate clearly and convincingly that,

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based on the facts known at the time, the Indemnitee acted in bad faith. The Corporation may not avail itself of this Section 6.2 as to a given lawsuit if, at any time after the occurrence of the activities or omissions that are the primary focus of the lawsuit, the Corporation has undergone a Change of Control.

6.3 **Indemnification for Expenses in Enforcing Rights.** To the fullest extent allowable under applicable law, the Corporation shall also indemnify against, and, if requested by Indemnitee, shall advance to Indemnitee subject to and in accordance with Section 6, any Expenses actually and reasonably paid or incurred by Indemnitee in connection with any action or proceeding by Indemnitee for (a) indemnification or reimbursement or advance payment of Expenses by the Corporation under any provision of this Agreement, or under any other agreement or provision of the Constituent Documents now or hereafter in effect relating to Proceedings, and/or (b) recovery under any directors' and officers' liability insurance policies maintained by the Corporation, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification or insurance recovery, as the case may be. Indemnitee shall be required to reimburse the Corporation in the event that a final judicial determination is made that such action brought by Indemnitee was frivolous or not made in good faith. All such amounts shall be paid without deduction (other than any legally mandated deductions for tax withholdings) or off set.

## 7. **Notice and Other Indemnification Procedures.**

7.1 **Notification.** Promptly after receipt by the Indemnitee of notice of the commencement of or the threat of commencement of any proceeding, the Indemnitee shall, if the Indemnitee believes that indemnification with respect thereto may be sought from the Corporation under this Agreement, notify the Corporation of the commencement or threat of commencement thereof.

7.2 **Insurance.** If, at the time of the receipt of a notice of the commencement of a proceeding pursuant to Section 7.1 hereof, the Corporation has D&O Insurance in effect, the Corporation shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Corporation shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such D&O Insurance policies.

7.3 **Defense.** In the event the Corporation shall be obligated to advance the Expenses for any proceeding against the Indemnitee, the Corporation, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by the Indemnitee (which approval shall not be unreasonably withheld), upon the delivery to the Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the Corporation, the Corporation will not be liable to the Indemnitee under this Agreement for any fees of counsel subsequently incurred by the Indemnitee with respect to the same proceeding, provided that (a) the Indemnitee shall have the right to employ the Indemnitee's own counsel in any such proceeding at the Indemnitee's expense; (b) the Indemnitee shall have the right to employ the Indemnitee's own counsel in connection with any such proceeding, at the expense of the Corporation, if such counsel serves in a review, observer, advice, and counseling capacity and does not otherwise materially control or participate in the defense of such proceeding; and (c) if (i) the employment of counsel by the Indemnitee has been previously authorized by the Corporation, (ii) the Indemnitee shall have reasonably concluded that there may be conflict of interest between the Corporation and the Indemnitee in the conduct of any such defense, or (iii) the Corporation shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and Expenses of the Indemnitee's counsel shall be at the expense of the Corporation.

7.4 **Settlement of Claims.** So long as the Corporation shall not be in material breach of its obligation under this Agreement (after notice and a thirty (30) day cure period), the Corporation shall not be liable to Indemnitee under this Agreement for any amounts paid in settlement of any threatened or pending Proceeding related to an Indemnifiable Proceeding effected without the Corporation's prior written consent, which shall not be unreasonably withheld; provided, however, that if a Change of Control has occurred, the Corporation shall be

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liable for indemnification of the Indemnitee for amounts paid in settlement if an independent counsel (appointed by the Indemnitee as provided in Section 7.3 above) has approved the settlement. The Corporation shall not settle any Proceeding related to an Indemnifiable Proceeding in any manner that would impose any fines on the Indemnitee or which would result in the issuance of any injunction binding upon the Indemnitee or the creation of any contractual obligation on the part of the Corporation to do or not do anything, without the Indemnitee's prior written consent.

## 8. **Determination of Right to Indemnification.**

8.1 **Success on Merits.** To the extent the Indemnitee has been successful on the merits or otherwise in defense of any proceeding referred to in Section 4.1 or 4.2 of this Agreement or in the defense of any claim, issue, or matter described therein, the Corporation shall indemnify the Indemnitee against Expenses actually and reasonably incurred by the Indemnitee in connection with the investigation, defense, or appeal of such proceeding, or such claim, issue, or matter, as the case may be.

8.2 **Proof by Corporation.** In the event that Section 8.1 is inapplicable, or does not apply to the entire proceeding, the Corporation shall nonetheless indemnify the Indemnitee unless the Corporation shall prove by clear and convincing evidence to a forum listed in Section 8.4 below that the Indemnitee has not met the applicable standard of conduct required to entitle the Indemnitee to such indemnification.

8.3 **Termination of Proceeding.** The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* its equivalent, does not, of itself, create a presumption that a person (a) did not act in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation, (b) with respect to any criminal action or proceeding, that the person had reasonable cause to believe that the person's conduct was unlawful, (c) the person's act or failure to act constituted a breach of the person's fiduciary duties as a director or officer or the person's breach of those duties involved intentional misconduct, fraud, or a knowing violation of law, or (d) is liable pursuant to NRS 78.138.

8.4 **Applicable Forums.** The Indemnitee shall be entitled to select the forum in which the validity of the Corporation's claim under Section 8.2 hereof that the Indemnitee is not entitled to indemnification will be heard from among the following, except that the Indemnitee can select a forum consisting of the stockholders of the Corporation only with the approval of the Corporation and, if the Indemnitee is a director or officer at the time of such determination, the determination shall be made in accordance with (a), (b), (c) or (d) below at the election of the Corporation:

(a) A majority vote of the directors who are not parties to the proceeding for which indemnification is being sought even though less than a quorum;

(b) By a committee of directors who are Disinterested Directors, even though less than a quorum of the Board;

(c) If there are no directors who are not parties to the proceeding for which indemnification is sought, or if such directors so direct, by independent legal counsel in a written opinion;

(d) The stockholders of the Corporation;

(e) A panel of three arbitrators, one of whom is selected by the Corporation, another of whom is selected by the Indemnitee and the last of whom is selected by the first two arbitrators so selected; or

(f) The Eighth Judicial District Court of the State of Nevada ("Nevada Court").

8.5 **Submission.** As soon as practicable, and in no event later than thirty (30) days after the forum has been selected pursuant to Section 8.4 above, the Corporation shall, at its own expense, submit to the

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selected forum its claim that the Indemnitee is not entitled to indemnification, and the Corporation shall act in the utmost good faith to assure the Indemnitee a complete opportunity to defend against such claim.

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8.6                   **Appeals.** If the forum selected in accordance with Section 8.4 hereof is not a court, then after the final decision of such forum is rendered, the Corporation or the Indemnitee shall have the right to apply to the Nevada Court for the purpose of appealing the decision of such forum, provided that such right is executed within sixty (60) days after the final decision of the forum selected in accordance with Section 8.4 is rendered. The rights of the Corporation or the Indemnitee to appeal any decision of the Nevada Court shall be governed by the applicable laws and rules governing appeals of the decision of the Nevada Court.

8.7                   **Expenses for Interpretation.** Notwithstanding any other provision in this Agreement to the contrary, the Corporation shall indemnify the Indemnitee against all Expenses incurred by the Indemnitee in connection with any hearing or proceeding under this Section 8 involving the Indemnitee and against all Expenses incurred by the Indemnitee in connection with any other proceeding between the Corporation and the Indemnitee involving the interpretation or enforcement of the rights of the Indemnitee under this Agreement unless the Nevada Court finds that each of the material claims and/or defenses of the Indemnitee in any such proceeding was frivolous or not made in good faith.

9.                   **Exceptions.** Any other provision herein to the contrary notwithstanding, the Corporation shall not be obligated pursuant to the terms of this Agreement in the following circumstances:

9.1                   **Claims Initiated by Indemnitee.** To indemnify or advance Expenses to the Indemnitee with respect to proceedings or claims initiated or brought voluntarily by the Indemnitee and not by way of defense, except with respect to proceedings specifically authorized by the Board or brought to establish or enforce a right to indemnification and/or advancement of Expenses arising under this Agreement, the Constituent Documents of the Corporation or any subsidiary or any statute or law or otherwise, but such indemnification or advancement of Expenses may be provided by the Corporation in specific cases if the Board finds it to be appropriate; or

9.2                   **Unauthorized Settlements.** To indemnify the Indemnitee hereunder for any amounts paid in settlement of a proceeding unless the Corporation consents in advance in writing to such settlement, which consent shall not be unreasonably withheld; or

9.3                   **Securities Law Actions.** To indemnify the Indemnitee (a) on account of any suit in which judgment is rendered against the Indemnitee for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state, or local statutory law; (b) for Indemnitee's reimbursement to the Corporation of any bonus; or (c) as required in each case under the Exchange Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act of 2002) in connection with an accounting restatement of the Corporation or the payment to the Corporation of profits arising from the purchase or sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act; or

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9.4 **Unlawful Indemnification.** To indemnify the Indemnitee if a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful. In this respect, the Corporation and the Indemnitee have been advised that the Securities and Exchange Commission takes the position that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication.

10. **Non-Exclusivity.** The provisions for indemnification and advancement of Expenses set forth in this Agreement shall not be deemed exclusive of any other rights that the Indemnitee may have under the Constituent Documents, Chapter 78 of the Nevada Revised Statutes, any other contract or otherwise (collectively, "Other Indemnity Provisions"); provided, however, that (a) to the extent that Indemnitee otherwise would have any greater right to indemnification under any Other Indemnity Provision, Indemnitee will be deemed to have such greater right hereunder and (b) to the extent that any change is made to any Other Indemnity Provision which permits any greater right to indemnification than that provided under this Agreement as of the date hereof, Indemnitee will be deemed to have such greater right hereunder. No amendment to any of the Constituent Documents shall have the effect denying, diminishing or encumbering Indemnitee's right to indemnification under this Agreement or any Other Indemnity Provision and shall be subordinate to Indemnitee's rights under this Agreement.

## 11. **General Provisions.**

11.1 **Interpretation of Agreement.** It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification and advancement of Expenses to the Indemnitee to the fullest extent now or hereafter permitted by law, except as expressly limited herein.

11.2 **Severability.** If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable by the Nevada Court for any reason whatsoever, then: (a) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal, or unenforceable that are not themselves invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to Section 11.1 hereof.

11.3 **Modification and Waiver.** No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver. Except as specifically provided herein, no failure to exercise or any delay in exercising any right or remedy hereunder shall constitute a waiver thereof.

11.4 **Subrogation.** In the event of full payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all documents required and shall do all acts that may be necessary or desirable to secure such rights and to enable the Corporation effectively to bring suit to enforce such rights.

11.5 **Counterparts.** This Agreement may be executed in one or more counterparts, which shall together constitute one agreement.

11.6 **Successors and Assigns.** The terms of this Agreement shall bind, and shall inure to the benefit of, the successors and assigns of the parties hereto. The indemnification and advancement of Expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified,

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(b) The Corporation shall be precluded from asserting that the procedures and presumptions of this Agreement are not valid, binding and enforceable. The Corporation shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Agreement and is precluded from making any assertion to the contrary.

(c) In addition to any other remedies to which the Indemnitee may be entitled, at law, in equity or in arbitration, to the extent that any moneys are determined to be owed by the Corporation to the Indemnitee, such amounts shall bear interest from the date said amounts were due at the lesser of ten (10) percent per annum (compounded monthly), or the maximum amount allowed by applicable Nevada law.

11.10 **Consent to Jurisdiction.** The Corporation and the Indemnitee each hereby irrevocably consent to the Nevada Court for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement.

11.11 **Attorneys' Fees.** In the event Indemnitee prevails on the predominant issue sought in any such Proceeding, Indemnitee shall be entitled to reasonable fees and costs in bringing and pursuing such Proceeding, which amount shall be determined by a court of competent jurisdiction.

11.12 **Duration.** All agreements and obligations of the Corporation contained herein shall continue during the period that Indemnitee is a director and/or officer of the Corporation (or is serving at the request of the Corporation as a director, officer, employee, member, manager, trustee or Agent of or consultant to the Corporation, any direct or indirect subsidiary, or the Enterprise) and shall continue thereafter (i) so long as Indemnitee may be subject to any possible Indemnifiable Proceeding (including any rights of appeal thereto) and (ii) throughout the pendency of any proceeding (including any rights of appeal thereto) commenced by Indemnitee to enforce or interpret Indemnitee's rights under this Agreement, even if, in either case, Indemnitee may have ceased to serve in such capacity at the time of any such Proceeding (such period being referred to as the "Term of this Agreement").

[signature page follows]

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**IN WITNESS WHEREOF**, the parties hereto have entered into this Indemnity Agreement effective as of the date first written above.

**SMITH & WESSON BRANDS, INC.,**  
a Nevada corporation

**INDEMNITEE**

By: \_\_\_\_\_  
Name: \_\_\_\_\_ [Print Name of Indemnity]  
Title: \_\_\_\_\_  
\_\_\_\_\_  
[Signature of Indemnity]

EXHIBIT A  
ACTIVE 66005752v9

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**EXHIBIT A**

**FORM OF UNDERTAKING FOR ADVANCEMENT OF EXPENSES**

[DATE]

Attn:  
SMITH & WESSON BRANDS, INC.,  
[Address]

Re: Undertaking to Repay Advancement of Expenses.

Ladies and Gentlemen:

This undertaking is being provided pursuant to that certain Indemnification Agreement, dated [DATE], by and between SMITH & WESSON BRANDS, INC., a Nevada corporation (the “**Corporation**”), and the undersigned as Indemnitee (the “**Indemnification Agreement**”). Terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indemnification Agreement. Pursuant to the Indemnification Agreement, among other things, I am entitled to the advancement of Expenses paid or incurred in connection with Proceeding.

I have become subject to [DESCRIPTION OF PROCEEDING] (the proceeding) based on my status as [TITLE] of the Corporation/alleged actions or failures to act in my capacity as [TITLE] of the Corporation. This undertaking also constitutes notice to the Corporation of the proceeding pursuant to Section 7 of the Indemnification Agreement. The following is a brief description of the [current status of the] proceeding:

[DESCRIPTION OF PROCEEDING]

Pursuant to Section 6 of the Indemnification Agreement, I hereby request an Expense advancement in connection with the proceeding. The Expenses for which advances are requested are as follows:

[DESCRIPTION OF EXPENSES]

In connection with the request for Expense advancement set out above, I hereby undertake to repay any amounts paid, advanced or reimbursed by the Corporation for such Expense advancement to the extent that it is ultimately determined that I am not entitled to indemnification under the Indemnification Agreement.

This undertaking shall be governed by and construed in accordance with the laws of the State of Nevada, without regard to the principles of conflicts of laws thereof.

EXHIBIT A

ACTIVE 66005752v9

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Very truly yours,

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Name:

Title:

cc: Corporate Secretary

EXHIBIT A

ACTIVE 66005752v9

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark P. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Smith & Wesson Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Mark P. Smith  
Mark P. Smith  
*President and Chief Executive Officer*

Date: September 8, 2022

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Deana L. McPherson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Smith & Wesson Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Deana L. McPherson  
Deana L. McPherson  
*Executive Vice President, Chief Financial Officer,  
Treasurer, and Assistant Secretary*

Date: September 8, 2022

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Smith & Wesson Brands, Inc. (the "Company") for the quarterly period ended July 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Deana L. McPherson, Executive Vice President, Chief Financial Officer, Treasurer, and Assistant Secretary of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Deana L. McPherson  
Deana L. McPherson  
Executive Vice President, Chief Financial Officer,  
Treasurer, and Assistant Secretary

Date: September 8, 2022

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of Smith & Wesson Brands, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

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