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

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**January 19, 2016  
Date of Report (Date of earliest event reported)**

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**Smith & Wesson Holding Corporation**

(Exact Name of Registrant as Specified in Charter)

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**Nevada**  
(State or Other Jurisdiction  
of Incorporation)

**001-31552**  
(Commission  
File Number)

**87-0543688**  
(IRS Employer  
Identification No.)

**2100 Roosevelt Avenue  
Springfield, Massachusetts  
01104**  
(Address of Principal Executive Offices) (Zip Code)

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

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD Disclosure.**

We are furnishing this Current Report on Form 8-K in connection with the disclosure of information, in the form of the textual information from a PowerPoint presentation to be given at meetings with institutional investors or analysts. This information may be amended or updated at any time and from time to time through another Form 8-K, a later company filing, or other means. The PowerPoint presentation attached as Exhibit 99.1 to this Current Report on Form 8-K updates and replaces in its entirety all prior PowerPoint presentations filed by us, including the PowerPoint presentation filed as Exhibit 99.1 to the Current Report on Form 8-K dated September 10, 2015, which was filed with the Securities and Exchange Commission on September 10, 2015.

The information in this Current Report on Form 8-K (including the exhibit) is furnished pursuant to Item 7.01 and shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. This Current Report on Form 8-K will not be deemed an admission as to the materiality of any information in the Report that is required to be disclosed solely by Regulation FD.

We do not have, and expressly disclaim, any obligation to release publicly any updates or any changes in our expectations or any change in events, conditions, or circumstances on which any forward-looking statement is based.

The text included with this Report on Form 8-K is available on our website located at [www.smith-wesson.com](http://www.smith-wesson.com), although we reserve the right to discontinue that availability at any time.

**Item 9.01. Financial Statements and Exhibits.**

(a) *Financial Statements of Business Acquired.*

Not applicable.

(b) *Pro Forma Financial Information.*

Not applicable.

(c) *Shell Company Transactions.*

Not applicable.

(d) *Exhibits.*

<u>Exhibit Number</u>	<u>Exhibits</u>
99.1	Smith & Wesson January 2016 Investor Presentation

**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 hereunto duly authorized.

**SMITH & WESSON HOLDING CORPORATION**

Date: January 19, 2016

By: /s/ Robert J. Cicero

Robert J. Cicero  
Vice President, General Counsel,  
Chief Compliance Officer, and Secretary

99.1 Smith & Wesson January 2016 Investor Presentation





# Smith & Wesson®

## JANUARY 2016 INVESTOR PRESENTATION



[WWW.SMITH-WESSON.COM](http://WWW.SMITH-WESSON.COM)

# SAFE HARBOR

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Certain statements contained in this presentation may be deemed to be forward-looking statements under federal securities laws, and the Company intends that such forward-looking statements be subject to the safe-harbor created thereby. Such forward-looking statements include but are not limited to statements regarding the Company's vision, mission, and strategy; the Company's potential future structure; the Company's strategic corporate objectives; the demand for the Company's products and services; the Company's new products and strategic product development; the Company's market position; the Company's expansion goals and opportunities; strategic and financial benefits of the accessories acquisition; the Company's markets and opportunities for growth as well as market drivers; and anticipated revenue, gross margins, adjusted EBITDAS margins, cash flow, GAAP and non-GAAP earnings per share, tax rate, share count for the Company in future periods. The Company cautions that these statements are qualified by important factors that could cause actual results to differ materially from those reflected by such forward-looking statements. Such factors include the demand for the Company's products, the Company's growth opportunities, the ability of the Company to obtain operational enhancements, the success of new products, the potential for increased regulation of firearms and firearm-related products, and other risks detailed from time to time in the Company's reports filed with the SEC.

# SMITH & WESSON OVERVIEW

## FIREARMS



Smith & Wesson®



by Smith & Wesson®



by Smith & Wesson®



THOMPSON/CENTER  
America's Master Gunmaker®

The firearms division consists of products and services manufactured and sold from our Massachusetts, Maine, and Connecticut facilities, which includes revolvers, pistols, rifles, handcuffs, and related products sold through a distribution chain and directly to consumers and international, state, and federal governments.

### Q2 FISCAL 2016

- \$124.9 million in sales, + 15.2% Y/Y
- 87% of total sales
- 37.5% gross margin
- 16.8% operating margin

## ACCESSORIES



The accessories division was established in December 2014 with the acquisition of Battenfeld Technologies (BTI) and consists of hunting and shooting accessories developed and marketed at our Missouri facility.

### Q2 FISCAL 2016

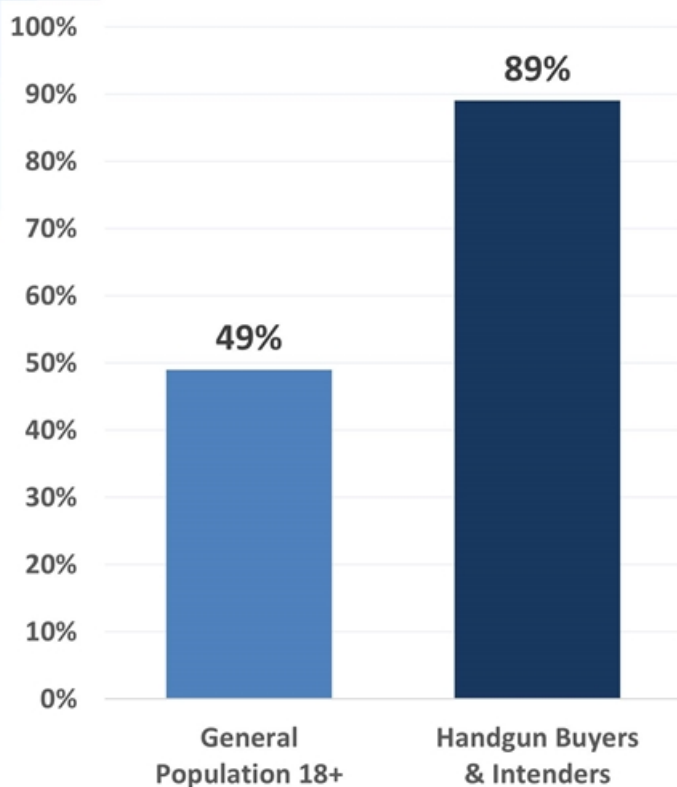
- \$18.4 million in sales, + 24.6% Y/Y
- 13% of total sales
- 50.9% gross margin
- 18.7% operating margin\*



\* Excludes the impact of amortization of intangible assets related to the BTI acquisition.

# THE #1 FIREARM BRAND IN AMERICA

Smith & Wesson®



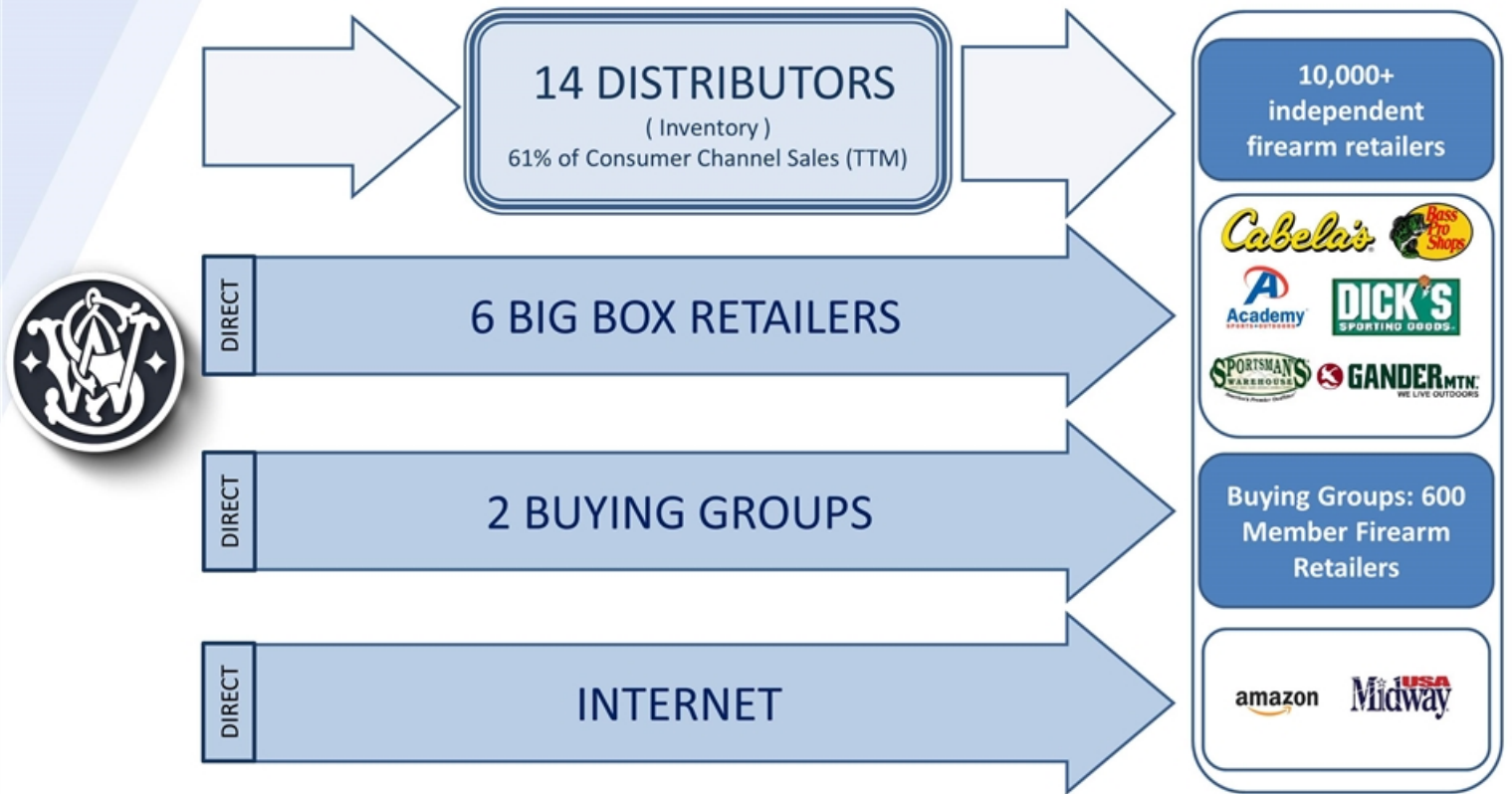
- Leads all firearm manufacturers in total aided brand awareness
- Leads in critical attribute ratings: Reliability, durability, and accuracy
- Most owned and considered revolver brand in the market: 1 of every 2 revolvers owned is a Smith & Wesson
- Endorser brand to M&P®



Source: Smith & Wesson Handgun A&U Research - December 2011 & Tracking Survey June 2015  
Smith & Wesson Awareness Tracking - Gen Pop - July 2015



# 4 WAYS TO U.S. SPORTING GOODS MARKET



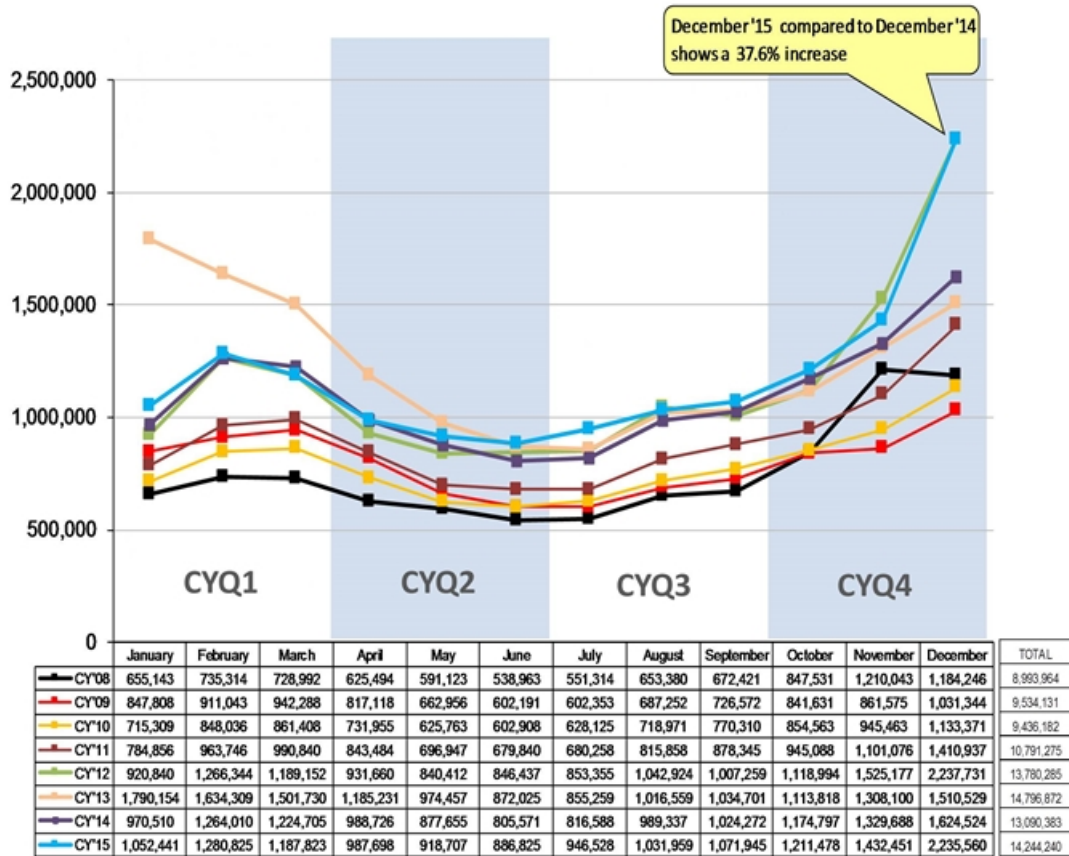
Diverse path to market = Enhanced insight into retail environment



Note: Additional non big-box, direct retail relationships not included

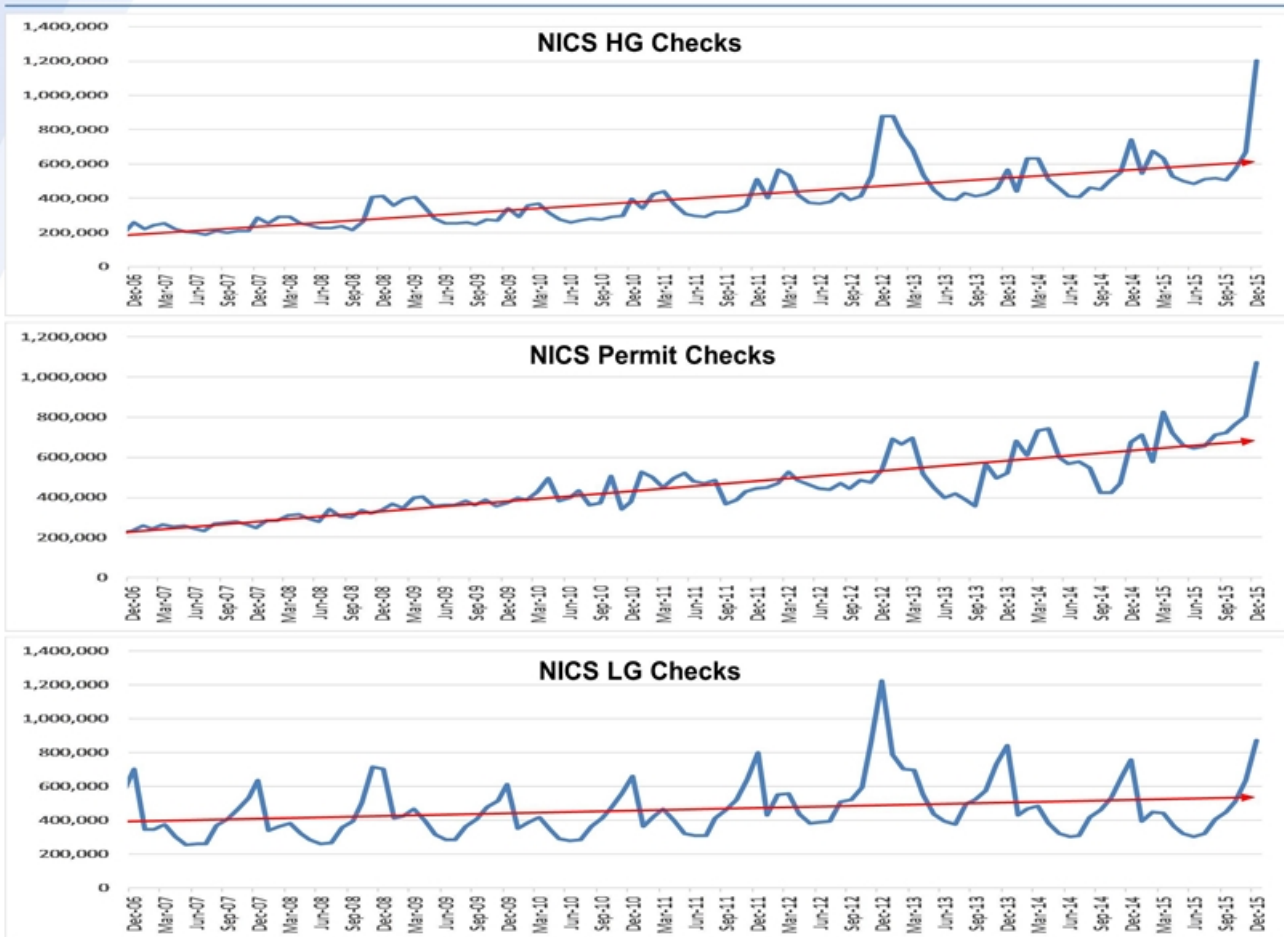


# CY08 - CY15 ADJUSTED NICS CHECKS



Source: NSSF The NSSF adjusts FBI NICS data to eliminate background checks associated with permit applications and checks on active CCW permit databases. NSSF adjusted NICS data provides a more accurate picture of market conditions.

# COMPONENTS OF NICS CY07 - CY15



Source: FBI Total NICS Firearms Background Checks

# FINANCIAL GUIDANCE

(Fiscal Year Ending April 30)

<b>FISCAL THIRD QUARTER 2016</b>	<b>Estimate</b>
<b>Revenue</b>	<b>\$175M to \$180M</b>
<b>GAAP Earnings Per Share</b>	<b>\$0.36 to \$0.38</b>
<b>Non-GAAP Earnings Per Share*</b>	<b>\$0.39 to \$0.41</b>
<b>FISCAL YEAR 2016</b>	<b>Estimate</b>
<b>Revenue</b>	<b>\$650M to \$660M</b>
<b>GAAP Earnings Per Share</b>	<b>\$1.21 to \$1.26</b>
<b>Non-GAAP Earnings Per Share*</b>	<b>\$1.36 to \$1.41</b>
<b>Tax Rate</b>	<b>37%</b>
<b>Share Count</b>	<b>55.8M</b>

*Note: Guidance for revenue, GAAP earnings per share, non-GAAP earnings per share, tax rate, and share count reflects information as of January 4, 2016. The Company is not updating any of this guidance to the present date nor does its inclusion constitute a reiteration or modification of this information. \*See Appendices for GAAP to non-GAAP reconciliations.*





## ***Vision***

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*To be the leading provider of quality products for the shooting and outdoor enthusiast*

## ***Mission***

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*To leverage our employees' capabilities and experiences to design, produce, and market high quality, innovative firearms, accessories, and outdoor products that meet the needs and desires of our consumer and professional customers while delivering a healthy financial performance*

## ***Strategy***

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- Develop innovative products*
- Take market share*
- Grow our brands*
- Enhance and add strategic partnerships*
- Expand organically and inorganically into adjacent and complementary markets*

# POTENTIAL FUTURE STRUCTURE



**Diversify Revenue:**

By acquiring counter-cyclical / counter-seasonal businesses and selling manufacturing services B2B

**Harvest Synergies:**

From current and future divisions

**Leverage Manufacturing:**

Capability to serve all divisions and drive deeper vertical integration

**Delight Customer:**

By centralizing logistics and driving excellence in customer service

# POTENTIAL FUTURE STRUCTURE



- Will begin moving toward structure in CY16 - creation of manufacturing services and shared services.
- Potential acquisitions in targeted spaces are fragmented – could take time to find companies that match IRR criteria.
- New structure is cost-neutral in near term with potential cost savings in 3-5 years.



# STRATEGIC CORPORATE GROWTH OBJECTIVES

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1. **Develop innovative products**
2. **Take market share**
3. **Grow our brands**
4. **Enhance and add strategic partnerships**
5. **Expand organically and inorganically into adjacent and complementary markets**



# 1. DEVELOP INNOVATIVE PRODUCTS

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- **From Mission Statement: Understand the needs and desires of customers (both consumer and professional)**
  - *Focus on filling gaps in product portfolio*
  - *Enhance existing products – new generations*
- **Based on researching consumer trends (pull not push)**
- **New products at 2016 SHOT® Show across all brands**
  - *Smith & Wesson®*
  - *M&P®*
  - *Performance Center®*
  - *Thompson/Center Arms™*
  - *Battenfeld Technologies, Inc.® and its brands*
- **More new products planned for calendar 2016**

# NEW PRODUCTS: SMITH & WESSON



Introducing the Smith & Wesson SW22 Victory™ target pistol, the newest addition to the Smith & Wesson line of pistols. The SW22 Victory is a fully featured .22LR pistol with a convertible design suitable for multiple sporting applications. It comes standard with adjustable fiber optic sights and a match grade, interchangeable barrel for superb accuracy at the range or in the field. MSRP \$409



# NEW PRODUCTS: M&P

## M&P® 15-22 SPORT™



Introducing the next generation M&P 15-22 modern sporting rifle. The M&P 15-22 SPORT is chambered in .22 LR and features a variety of product enhancements, including a new M&P Slim Handguard with Magpul® M-LOK™ system, which allow for a wide range of customization options for a variety of optics and accessories. Other features include front and rear Magpul Folding MBUS® sights standard. MSRP \$449

## M&P® 15 SPORT™ II



Introducing the M&P15 Sport II, the newest addition to the M&P modern sporting rifle line. The M&P15 Sport II was developed with all the same great features found in the M&P15 Sport, now with the addition of a dust cover and forward bolt assist. Product features include a Magpul® folding MBUS® rear sight, adjustable A2 Post front sight, and durable corrosion resistant Armornite® barrel finish. MSRP \$739



# NEW PRODUCTS: PERFORMANCE CENTER

## Performance Center® M&P® SHIELD™ Ported



The acclaimed Smith & Wesson Performance Center is now offering the highly popular M&P Shield pistol, in both 9mm and .40 S&W, with a factory ported barrel and slide. Engineered by the hands of some of the most skilled Master Gunsmiths in the world, the new M&P Shield Ported pistols, provide a host of premium features desired by the most astute shooters. MSRP \$519

## Performance Center® Machine Engraved SW1911™



Smith & Wesson has expanded the company's line of machine-engraved firearms with the introduction of a new, custom designed, machine engraved SW1911 pistol. Features a scrollwork design created by Smith & Wesson's Master Engraver and made possible through the use of a highly precise diamond-tipped tool. The engraving embellishes the all-steel canvas and elevates the venerable 1911 platform to a new level of sophistication and beauty. MSRP \$1219



# NEW PRODUCTS: THOMPSON/CENTER ARMS



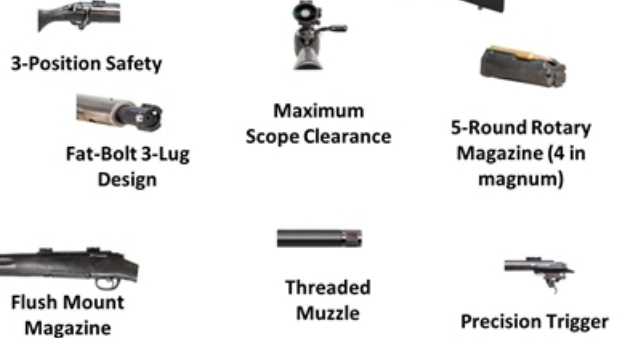
## **STRIKE**

**.50 CALIBER - 209 IGNITION MUZZLELOADERS**



**New Striker Fired .50 caliber Muzzleloaders  
w/ Armornite® Precision Barrel**

## **COMPASS**



**New Entry Level Priced Bolt Action Rifle  
10 Calibers Blued/Composite**

## Accessories Division New Products

- 121 new SKU's scheduled for launch during the 2016 SHOT SHOW
- Product development focus on innovation and productivity remain incredibly strong
- Recent expansions within Engineering team have more than doubled new product introductions

### 2016 new SKU count

#### by Brand

Caldwell®	54
Frankford®	4
LockDown®	3
Tipton®	3
Wheeler®	12
Hooyman®	13
S&W®	9
M&P®	17
TC®	6
<b>TOTAL</b>	<b>121</b>



# SMITH & WESSON OVERVIEW



## 2016 New Products

**Caldwell**  
**MAG CHARGER** FAMILY EXPANSION



Ballistic Precision  
**TARGET CAMERA LR**



**TAC OPS**



**WI-FI BULLET**





# SMITH & WESSON OVERVIEW



## 2016 New Products

TECHNICAL INNOVATION!

QUALITY AND PERFORMANCE  
COMBINED!



**Hooyman**  
PREMIUM TREE SAWS

13 NEW PRODUCTS!



**Frankford Arsenal**  
Reloading Tools



# SMITH & WESSON OVERVIEW

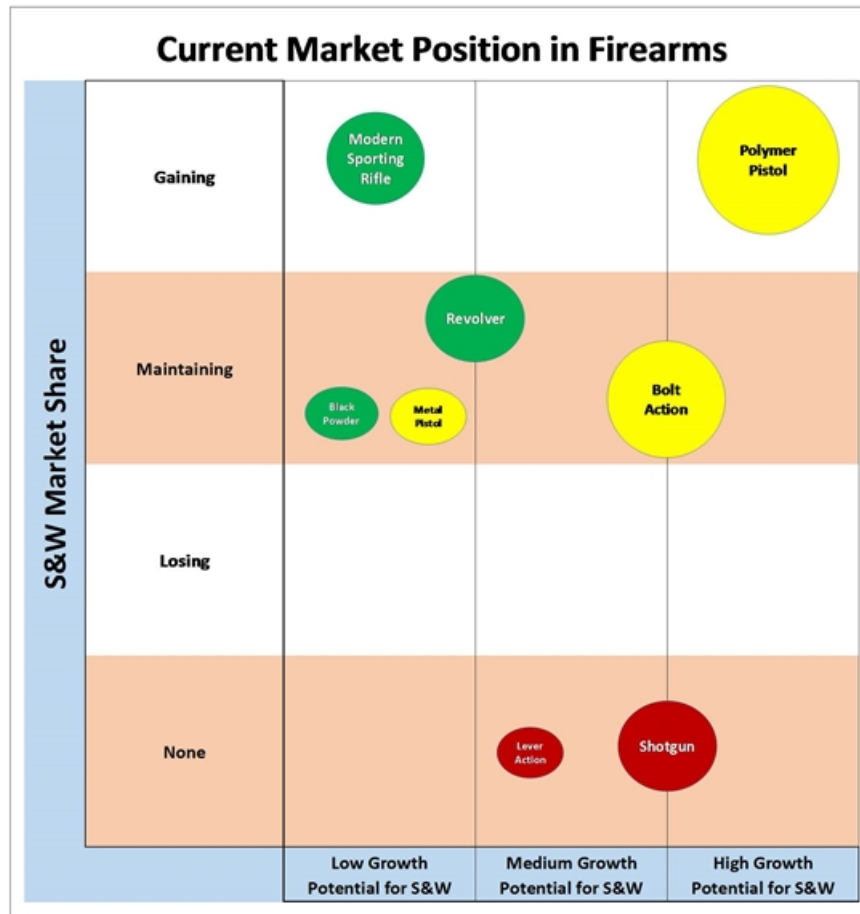


## 2016 New Products



# 2. TAKE MARKET SHARE

- Analysis applies to all divisions
- This is the firearms example
- Size of bubbles indicate relative size of the markets
- Similar analysis would be done in Accessories



S&W IS MARKET LEADER
S&W IN MARKET, BUT NOT LEADER
S&W IS NOT IN THE MARKET





# 3. GROW OUR BRANDS

## Our research indicates:

- Increasing consumer *Awareness, Purchase Intent/Relevance, and Purchase Conversion* leads to increased sales
- Successful marketing communications drives greater brand awareness
- Compelling products and messages drive purchase intent and relevance
- Brand awareness + purchase intent + retail experience = Successful purchase conversion



# 4. ENHANCE STRATEGIC PARTNERSHIPS

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## Example 1: U.S. Army Modular Handgun System Replacement

- *Teamed with General Dynamics, a large company with deep experience in government contracting and arms manufacturing*
- *Final RFP issued 8/28/15*
- *Proposals due 1/28/16*
- *We will submit next-generation M&P pistol that will also serve the consumer market*

## Example 2: Co-Branding Opportunities

- *Crimson Trace® (Bodyguard® products)*
- *Magpul® (MSR products)*





# 5. EXPAND ORGANICALLY AND INORGANICALLY

## Firearms

- Organic: Expand breadth of product portfolio and strive towards our goal of being the leading manufacturer in each major product category
- Inorganic: Seek companies that are strong in product categories where S&W is weak or non-existent, such as bolt action rifles, shotguns, lever action rifles.

## Accessories

- Organic: Continue new product development and enhance existing products while expanding customer base
- Inorganic: Seek companies with outdoor accessory products and similar (offshore) sourcing model. Ideal candidates have existing sourcing base and are easily integrated (purchase only IT and inventory)

## Manufacturing

- Organic: Maintain manufacturing process flexibility, maximize plant utilization, drive increased margins via cost reduction, and sell manufacturing services externally (B2B)
- Inorganic: Seek companies that deliver vertical integration of supply chain, cost reduction, streamlined product development processes, or incremental B2B sales, such as MIM, stamping, and finishing

## New Divisions

- Inorganic: Seek companies in the outdoor products or related industries that can serve as genesis for new division(s). Ideal candidates must have strong growth opportunities, will help diversify revenue stream, and would ideally be contra-seasonal to firearms industry

# SUCCESS STORY: ACCESSORIES ACQUISITION



**DECEMBER 2014: Purchase of industry-leading provider of hunting and shooting accessories provides a broad, established platform for organic and inorganic growth of newly created accessories division**

## **Strategic Benefits:**

- Strong brand portfolio
- Robust product innovation process
- Multiple accessory product categories
- Supplier to leading retailers
- Category leading market share

## **Financial Highlights:**

- \$130.5M all cash deal
- 18%+ sales CAGR 2006-2014
- 50%+ Q2FY16 gross margins
- Accretive to gross margins & cash in current fiscal year 2016



# EXPANDING THE ADDRESSABLE MARKET

BTI accessories expand the market for the family of Smith & Wesson products to ALL firearm purchasers. Creates new outdoor enthusiast customer opportunities.



- Approximately 15 million people applied to purchase a gun in 2013
- Cumulative amount for 2000 – 2013 is 127 million
- Retailers estimate that ~25% of gun purchases are made by first-time owners
- Consumers spend almost as much on gun accessories as part of a first gun purchase as they do on the firearm itself
- In 2012, males spent an average of \$545 on gun accessories vs. \$554 on the gun
- In 2012, females spent an average of \$457 on gun accessories vs. \$469 on the gun
- The BTI portfolio represents comprehensive coverage of most major firearm accessory categories and is enhanced by a robust new product development focus

Note: Regarding first time purchases: guns include handguns, rifles and shotguns; accessories include eye protection, hunting apparel, holsters, shooting apparel, rifle/shotgun slings and choke tubes.  
Source: NSSF 2013-2014 Industry Reference Guide, 2012 Industry Reference Guide, and 2013 Firearm Retailer Survey.



# INVESTMENT SUMMARY



- ✓ Leading position in the U.S. firearm market
- ✓ Iconic brand with customer driven product portfolio
- ✓ Focus strategically on new product opportunities
- ✓ New high growth, high margin accessories division
- ✓ Focus on high growth opportunities in the outdoor space
- ✓ Strong financial performance: Profitable Growth
  - Long-term quarterly gross margin target in the range of 37% - 41%
    - *Margins vary among quarters due to absorption impacts of seasonality, factory shutdowns, and holidays*
  - Long-term Adjusted EBITDAS margin target above 20%
- ✓ Focus on operating efficiencies & targeted vertical integration
- ✓ Strong balance sheet and cash flows from operations

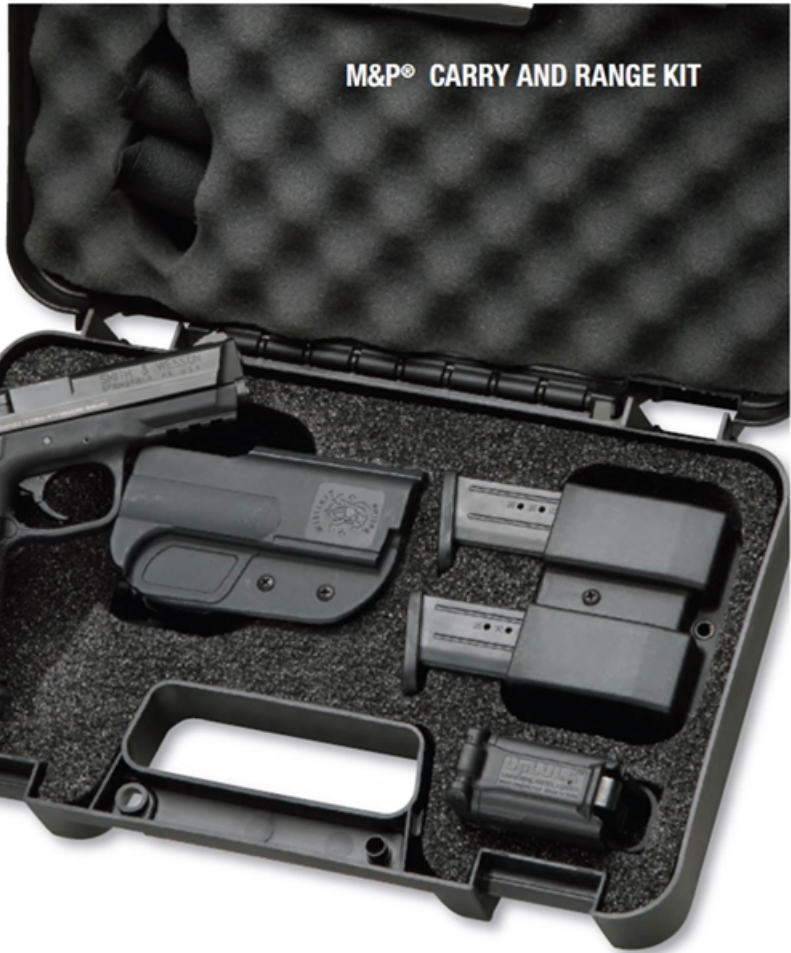
**THANK YOU**

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**QUESTIONS?**





# FINANCIAL REVIEW

# REVENUE - ANNUAL



U.S.\$ Millions



*Note: Guidance for revenue, GAAP earnings per share, non-GAAP earnings per share, tax rate and share count reflects information as of January 4, 2016. The Company is not updating any of this guidance to the present date nor does its inclusion constitute a reiteration or modification of this information. \*See Appendices for GAAP to non-GAAP reconciliations.*



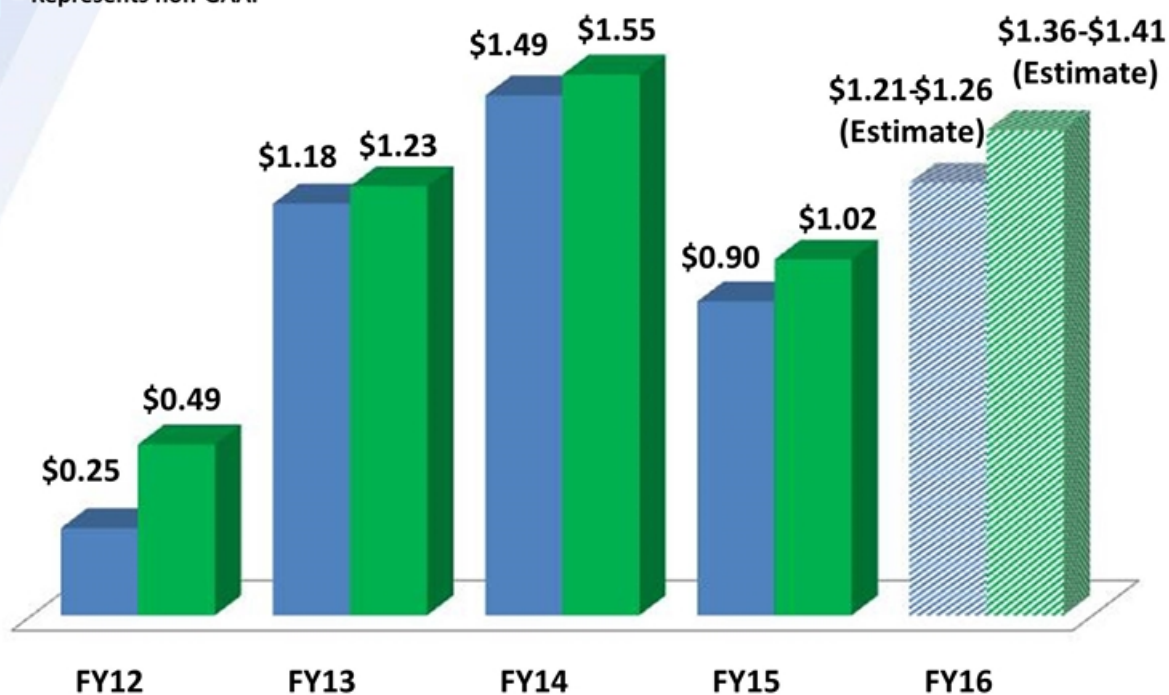
*Note: Excludes Walther sales – an agreement which ended in Fiscal 2013*

# EARNINGS PER SHARE - ANNUAL



U.S. \$

█ = Represents non-GAAP



*Note: Guidance for revenue, GAAP earnings per share, non-GAAP earnings per share, tax rate and share count reflects information as of January 4, 2016. The Company is not updating any of this guidance to the present date nor does its inclusion constitute a reiteration or modification of this information. \*See Appendices for GAAP to non-GAAP reconciliations.*



# BALANCE SHEET & CASH FLOW

## CONDENSED BALANCE SHEET

For the period ending:	(U.S.\$ Thousands)	
	Oct. 31, 2015	April 30, 2015
<i>Cash and equivalents</i>	\$ 54,064	\$ 42,222
<i>Accounts receivable</i>	50,153	55,280
<i>Inventories</i>	100,897	76,895
<i>Other current assets</i>	29,742	22,679
<i>Total current assets</i>	<u>234,856</u>	<u>197,076</u>
<i>Long-term assets</i>	<u>288,960</u>	<u>293,849</u>
<i>Total assets</i>	<u>\$ 523,816</u>	<u>\$ 490,925</u>
<i>Current liabilities</i>	\$ 86,244	\$ 81,011
<i>Other non-current liabilities</i>	42,959	44,611
<i>Notes payable</i>	169,282	170,933
<i>Total liabilities</i>	<u>298,485</u>	<u>296,555</u>
<i>Total equity</i>	<u>225,331</u>	<u>194,370</u>
<i>Total liabilities &amp; equity</i>	<u>\$ 523,816</u>	<u>\$ 490,925</u>

## CONDENSED CASH FLOWS

For the three months ended:	(U.S.\$ Thousands)	
	Oct. 31, 2015	Oct. 31, 2014
<i>Net cash provided by operating activities</i>	\$ 22,761	\$ (3,428)
<i>Net cash used in investing activities</i>	(14,164)	(43,910)
<i>Net cash used in financing activities</i>	3,245	42,851
<i>Net increase/(decrease) in cash</i>	<u>\$ 11,842</u>	<u>\$ (4,487)</u>

# KEY FINANCE ACTIVITIES

Optimizing capital efficiency, lowering the average weighted cost of capital, and strengthening the balance sheet to support future growth initiatives

## JULY 2014

- Issued \$75M of 5.000% Senior Notes due 2018
- Expanded credit facility from \$75M to \$125M

## DECEMBER 2014

- Borrowed \$100M toward the acquisition of BTI (*the company's new accessories division*)
- Repaid entire \$100M prior to April 2015 utilizing cash flows from operations

## APRIL/JUNE 2015

- Expanded credit facility from \$125M to \$175M
- Added \$105M Term Loan A due 2020 (Interest rate 3.31%)
- Repurchased \$100M of 5.875% Senior Notes due 2017 with 2.9375% call premium

## SHARE REPURCHASE PROGRAM HIGHLIGHTS



- \$165M in cumulative share repurchases since 2012 (14.4M shares)
- Represents 21.7% reduction in public float
- New \$50M repurchase authorized by the Board of Directors in June 2015



# APPENDICES

# EXPERIENCED LEADERSHIP

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## JAMES DEBNEY PRESIDENT & CHIEF EXECUTIVE OFFICER

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20+ years:  
multinational  
consumer and  
business-to-business  
environments,  
including President of  
Presto Products Co., a  
\$500 million business  
unit of Alcoa  
Consumer Products

## JEFFREY D. BUCHANAN EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER & CHIEF ADMINISTRATIVE OFFICER

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25+ years: public and  
private company  
experience in  
financial  
management and  
law; CFO for publicly  
traded, global  
manufacturing  
company; law firm  
partner; public  
company board  
member

# MARKET PARTICIPANTS

## Listed Alphabetically

SEMI AUTOMATIC PISTOLS	RIMFIRE SEMI AUTOMATIC PISTOLS	REVOLVERS	CENTERFIRE MSR	RIMFIRE MSR	BOLT ACTION	BLACK POWDER RIFLES
Smith & Wesson	Smith & Wesson	Smith & Wesson	Smith & Wesson	Smith & Wesson	Smith & Wesson	Smith & Wesson
Beretta	Ruger	Ruger	Colt	Colt	Browning	CVA
Glock	Sig Sauer	Taurus	DPMS/Bushmaster	Mossberg	Marlin	Traditions
H&K	Walther		Rock River	Ruger	Remington	
Kimber			Sig Sauer	Sig Sauer	Ruger	
Ruger					Savage Arms	
Sig Sauer					Weatherby	
Springfield					Winchester	



# INDUSTRY INDICATORS

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- **NICS**

**[WWW.FBI.GOV](http://WWW.FBI.GOV)**

- NICS background checks are conducted at the point of sale, tracked by the FBI, and reported monthly. NSSF adjusts the total to eliminate permit-related checks and other “noise”

- **ADJUSTED NICS**

**[WWW.NSSF.ORG](http://WWW.NSSF.ORG)**

- Adjusted NICS serves as a proxy for consumer sales since Smith & Wesson sells only to federally licensed firearm dealers who must, by law, conduct a background check for every firearm they sell
- Applies to retail stores, gun shows, anywhere an FFL sells a firearm

- **FET DATA**

**[WWW.TTB.GOV](http://WWW.TTB.GOV)**

- Firearms and Ammunition Excise Tax Collections
  - Alcohol and Tobacco Tax and Trade Bureau
- NSSF translates into manufacturer’s sales
- Lagging data

# GAAP to NON-GAAP RECONCILIATION

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In this investor presentation, certain non-GAAP financial measures, including “non-GAAP earnings per share” and “Adjusted EBITDAS” as well as gross margin, operating expenses, operating income, and earnings per share from continuing operations excluding certain costs, expenses, and tax effects are or may be presented. From time-to-time, we consider and use these supplemental measures of operating performance in order to provide the reader with an improved understanding of underlying performance trends. We believe it is useful for us and the reader to review, as applicable, both (1) GAAP measures that include (i) amortization of acquired intangible assets, (ii) TCA accessories transition costs, (iii) discontinued operations, (iv) insurance recovery costs, (v) acquisition-related costs, (vi) bond premium, (vii) debt extinguishment costs, (viii) the tax effect of non-GAAP adjustments, (ix) interest expense, (x) income taxes, (xi) depreciation and amortization, (xii) stock-based compensation expense, (xiii) DOJ and SEC costs, (xiv) fair value inventory step-up and backlog expense, (xv) restructuring costs, (xvi) severance costs, (xvii) payments for acquisitions, and (xviii) receipts from note receivables; and (2) the non-GAAP measures that exclude such information. We present these non-GAAP measures because we consider them an important supplemental measure of our performance. Our definition of these adjusted financial measures may differ from similarly named measures used by others. We believe these measures facilitate operating performance comparisons from period to period by eliminating potential differences caused by the existence and timing of certain expense items that would not otherwise be apparent on a GAAP basis. These non-GAAP measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for our GAAP measures. The principal limitations of these measures are that they do not reflect our actual expenses and may thus have the effect of inflating our financial measures on a GAAP basis.

# GAAP to NON-GAAP RECONCILIATION

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES  
 RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES  
 (Dollars in thousands, except per share data)  
 (Unaudited)

	For the Three Months Ended				For the Six Months Ended			
	October 31, 2015		October 31, 2014		October 31, 2015		October 31, 2014	
	\$	% of Sales	\$	% of Sales	\$	% of Sales	\$	% of Sales
GAAP gross profit	\$ 56,215	39.2%	\$ 34,840	32.1%	\$ 115,085	39.5%	\$ 83,958	34.9%
Discontinued operations	—	—	—	—	52	0.0%	—	—
Non-GAAP gross profit	\$ 56,215	39.2%	\$ 34,840	32.1%	\$ 115,137	39.6%	\$ 83,958	34.9%
GAAP operating expenses	\$ 34,433	24.0%	\$ 24,066	22.2%	\$ 63,485	21.8%	\$ 47,509	19.8%
Amortization of acquired intangible assets	(2,656)	-1.9%	(215)	-0.2%	(4,729)	-1.6%	(215)	-0.1%
TCA accessories transition costs	(70)	0.0%	—	—	(151)	-0.1%	—	—
Discontinued operations	(24)	0.0%	(61)	-0.1%	(45)	0.0%	(157)	-0.1%
Insurance recovery costs	—	—	—	—	1,791	0.6%	—	—
Acquisition-related costs	—	—	(7)	0.0%	—	—	(442)	-0.2%
Non-GAAP operating expenses	\$ 31,683	22.1%	\$ 23,783	21.9%	\$ 60,351	20.7%	\$ 46,695	19.4%
GAAP operating income	\$ 21,782	15.2%	\$ 10,774	9.9%	\$ 51,600	17.7%	\$ 36,449	15.2%
Amortization of acquired intangible assets	2,656	1.9%	215	0.2%	4,729	1.6%	215	0.1%
TCA accessories transition costs	70	0.0%	—	—	151	0.1%	—	—
Discontinued operations	24	0.0%	61	0.1%	45	0.0%	157	0.1%
Insurance recovery costs	—	—	—	—	(1,791)	-0.6%	—	—
Acquisition-related costs	—	—	7	0.0%	4,729	1.6%	442	0.2%
Non-GAAP operating income	\$ 24,532	17.1%	\$ 11,057	10.2%	\$ 59,463	20.4%	\$ 37,263	15.5%
GAAP net income	\$ 12,466	8.7%	\$ 5,050	4.7%	\$ 26,878	9.2%	\$ 19,606	8.2%
Bond premium paid	—	—	—	—	2,938	1.0%	—	—
Amortization of acquired intangible assets	2,656	1.9%	215	0.2%	4,729	1.6%	215	0.1%
Debt extinguishment costs	—	—	—	—	1,723	0.6%	—	0.0%
TCA accessories transition costs	70	0.0%	—	—	151	0.1%	—	—
Discontinued operations	24	0.0%	61	0.1%	97	0.0%	157	—
Insurance recovery costs	—	—	—	—	(1,791)	-0.6%	—	—
Acquisition-related costs	—	—	7	0.0%	—	—	442	0.2%
Tax effect of non-GAAP adjustments	(1,021)	-0.7%	(105)	-0.1%	(2,903)	-1.0%	(222)	-0.1%
Non-GAAP net income	\$ 14,195	9.9%	\$ 5,228	4.8%	\$ 31,822	10.9%	\$ 20,198	8.4%
GAAP net income per share - diluted	\$ 0.22		\$ 0.09		\$ 0.48		\$ 0.35	
Bond premium paid	—		—		0.05		—	
Amortization of acquired intangible assets	0.05		0.01		0.09		0.00	
Debt extinguishment costs	—		—		0.03		—	
TCA accessories transition costs	0.00		—		0.00		—	
Discontinued operations	0.00		0.00		0.00		0.00	
Insurance recovery costs	—		—		(0.03)		—	
Acquisition-related costs	—		0.00		—		0.01	
Tax effect of non-GAAP adjustments	(0.02)		(0.00)		(0.05)		(0.00)	
Non-GAAP net income per share - diluted	\$ 0.25		\$ 0.10		\$ 0.57		\$ 0.36	

# GAAP to NON-GAAP RECONCILIATION

	For the Three Months Ended	
	October 31, 2015	October 31, 2014
GAAP net income	\$ 12,466	\$ 5,050
Interest expense	2,323	2,914
Income tax expense	7,015	2,819
Depreciation and amortization	9,818	6,485
Stock-based compensation expense	1,702	1,220
TCA accessories transition costs	70	—
Discontinued operations	24	61
Acquisition-related costs	—	7
DOJ/SEC costs	(20)	258
Non-GAAP Adjusted EBITDAS	<u>\$ 33,398</u>	<u>\$ 18,814</u>

# GAAP to NON-GAAP RECONCILIATION

SMITH & WESSON HOLDING CORPORATION  
 RECONCILIATION OF GAAP EARNINGS PER SHARE TO NON-GAAP EARNINGS PER SHARE  
 (Unaudited)

For the years ended April 30,

	2012	2013	2014	2015	2016 (Guidance range)	
GAAP earnings per share - diluted	\$ 0.25	\$ 1.18	\$ 1.49	\$ 0.90	\$ 1.21	\$ 1.26
Fair value inventory step-up and backlog expense	—	—	—	0.08	—	—
Amortization of acquired intangible assets	—	—	—	0.07	0.19	0.19
Acquisition-related costs	—	—	0.01	0.04	—	—
SEC settlement costs	—	—	—	—	—	—
Debt extinguishment costs	—	—	0.08	—	0.03	0.03
Bond premium paid	—	—	—	—	0.05	0.05
Restructuring costs	0.04	—	—	—	—	—
Discontinued operations	0.24	0.07	(0.01)	—	—	—
DOJ/SEC costs	0.05	0.01	0.03	—	(0.03)	(0.03)
Severance costs	0.01	—	—	—	—	—
Tax effect of non-GAAP adjustments	(0.10)	(0.03)	(0.05)	(0.07)	(0.09)	(0.09)
Non-GAAP earnings per share - diluted	\$ 0.49	\$ 1.23	\$ 1.55	\$ 1.02	\$ 1.36	\$ 1.41



# FREE CASH FLOW

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

	For the Three Months Ended		For the Six Months Ended	
	October 31, 2015	October 31, 2014	October 31, 2015	October 31, 2014
Net cash provided by/(used in) operating activities	\$ 6,136	\$ (14,208)	\$ 22,761	\$ (3,428)
Net cash used in investing activities	(7,075)	(5,214)	(14,164)	(43,910)
Payments for the net assets of Tri-Town Precision Plastics, Inc.	—	—	—	24,095
Receipts from note receivable	(20)	(19)	(41)	(40)
Free cash flow	\$ (959)	\$ (19,441)	\$ 8,556	\$ (23,283)

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