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

FORM 8-K

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

Date of Report (Date of earliest event reported): March 9, 2023

Smith & Wesson Brands, Inc.

(Exact Name of Registrant as Specified in Charter)

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)

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))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|----------------------|--|
| Common Stock, Par Value \$0.001 per Share | SWBI | Nasdaq Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

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.

Item 2.02. Results of Operations and Financial Condition.

We are furnishing the disclosure in this Item 2.02 in connection with the disclosure of information in the form of the textual information from a press release issued on March 9, 2023.

The information in this Item 2.02 (including Exhibit 99.1) is furnished pursuant to Item 2.02 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.

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 Current Report on Form 8-K is available on our website at www.smith-wesson.com, although we reserve the right to discontinue that availability at any time.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

Exhibit
No.

- | | |
|------|--|
| 99.1 | Press release from Smith & Wesson Brands, Inc., dated March 9, 2023, entitled “Smith & Wesson Brands, Inc. Reports Third Quarter Fiscal 2023 Financial Results |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

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 BRANDS, INC.

Date: March 9, 2023

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



**Smith & Wesson Brands, Inc. Reports
Third Quarter Fiscal 2023 Financial Results**

- ***Q3 Net Sales of \$129.0 Million***
- ***Q3 Gross Margin of 32.4%; Non-GAAP Gross Margin of 32.7%***
- ***Q3 EPS of \$0.24/Share; Q3 Adjusted EBITDAS Margin of 18.4%***

SPRINGFIELD, Mass., March 9, 2023 – Smith & Wesson Brands, Inc. (NASDAQ Global Select: SWBI), a U.S.-based leader in firearm manufacturing and design, today announced financial results for the third quarter fiscal year 2023, ended January 31, 2023.

Third Quarter Fiscal 2023 Financial Highlights

- Net sales were \$129.0 million, a decrease of \$48.7 million, or 27.4%, from the comparable quarter last year, but \$1.6 million, or 1.3%, higher than the comparable quarter in fiscal 2020, which was the last pre-pandemic comparable third quarter.
- Gross margin was 32.4% compared with 39.6% in the comparable quarter last year and 28.0% in the comparable quarter in fiscal 2020.
- GAAP net income was \$11.1 million, or \$0.24 per diluted share, compared with \$30.5 million, or \$0.65 per diluted share, for the comparable quarter last year, and \$4.2 million, or \$0.08 per diluted share, for the comparable quarter in fiscal 2020.
- Non-GAAP net income was \$11.6 million, or \$0.25 per diluted share, compared with \$32.9 million, or \$0.70 per diluted share, for the comparable quarter last year, and with \$2.2 million, or \$0.04 per diluted share, for the comparable quarter in fiscal 2020. For a detailed reconciliation, see the schedules that follow in this release.
- Non-GAAP Adjusted EBITDAS was \$23.7 million, or 18.4% of net sales, compared with \$51.9 million, or 29.2% of net sales, for the comparable quarter last year, and \$15.0 million, or 11.8% of net sales, for the comparable quarter in fiscal 2020.

Mark Smith, President and Chief Executive Officer, commented, “We are extremely pleased with our third quarter performance, with our top-line increasing sequentially, and above the comparable pre-pandemic quarter in fiscal 2020, and our bottom-line results continuing to show dramatic improvement over pre-pandemic levels. Our results reflect the work our team has done to capitalize on the opportunity afforded by our flexible manufacturing model during the surge to fundamentally transform our business model as it relates to product mix and pricing. Further, the firearm market remains healthy, with strong participation growth in recent years on top of a large and loyal base of core consumers, all of which leads to a compelling view of the future for a leading brand like Smith & Wesson.”

Deana McPherson, Executive Vice President and Chief Financial Officer, commented, “In spite of inflationary pressures, we are pleased that our average selling prices and profitability for the third quarter were well above pre-pandemic levels. Our investment in the relocation to Tennessee resulted in us borrowing against our line of credit during the third quarter, but we expect that we will be able to repay this balance by the time the relocation is complete, if not sooner. We will continue to focus on managing the business for long-term profitability, market share performance, and capital returned to our stockholders. Consistent with our capital allocation strategy, our board of directors has authorized a \$0.10 per share quarterly dividend, which will be paid to stockholders of record on March 16, 2023 with payment to be made on March 30, 2023.”

Conference Call and Webcast

The company will host a conference call and webcast on March 9, 2023 to discuss its third quarter fiscal 2023 financial and operational results. Speakers on the conference call will include Mark Smith, President and Chief Executive Officer, and Deana McPherson, Executive Vice President and Chief Financial Officer. The conference call may include forward-looking statements. The conference call and webcast will begin at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time). Those interested in listening to the conference call via telephone should click "[here](#)" to pre-register for the conference call and obtain your dial-in number and unique PIN number. The conference call audio webcast can also be accessed live on the company's website at www.smith-wesson.com, under the Investor Relations section.

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

In this press release, certain non-GAAP financial measures, including "non-GAAP net income," "Adjusted EBITDAS," and "free cash flow" are presented. From time-to-time, 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) interest expense, (ii) income tax expense, (iii) depreciation and amortization, (iv) stock-based compensation expense, (v) COVID-19 expenses, (vi) transition costs, (vii) amortization of acquired intangible assets, (viii) spin related stock-based compensation, (ix) relocation expense, (x) CEO separation, (xi) change in contingent consideration, and (xii) the tax effect of non-GAAP adjustments; 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 its financial measures on a GAAP basis.

About Smith & Wesson Brands, Inc.

Smith & Wesson Brands, Inc. (NASDAQ Global Select: SWBI) is a U.S.-based leader in firearm manufacturing and design, delivering a broad portfolio of quality handgun, long gun, and suppressor products to the global consumer and professional markets under the iconic Smith & Wesson®, M&P®, and Gemtech® brands. The company also provides manufacturing services including forging, machining, and precision plastic injection molding services. For more information call (800) 331-0852 or visit www.smith-wesson.com.

Safe Harbor Statement

Certain statements contained in this press release may be deemed to be forward-looking statements under federal securities laws, and we intend that such forward-looking statements be subject to the safe-harbor created thereby. Such forward-looking statements include, among others, that the health of the firearm market and strong participation growth in recent years on top of a large and loyal base of core consumers all leads to a compelling view of the future for a leading brand like Smith & Wesson; our expectation that we will be able to repay the balance on our line of credit by the time the relocation is complete, if not sooner; and our expectation that we will continue to focus on managing the business for long-term profitability, market share performance, and capital returned to our stockholders. We caution that these statements are qualified by important risks, uncertainties, and other factors that could cause actual results to differ materially from those reflected by such forward-looking statements. Such factors include, among others, economic, social, political, legislative, and regulatory factors; the potential for increased regulation of firearms and firearm-related products; actions of social activists that could have an adverse effect on our business; the impact of lawsuits; the demand for our products; the state of the U.S. economy in general and the firearm industry in particular; general economic conditions and consumer spending patterns; our competitive environment; the supply, availability, and costs of raw materials and components; our anticipated growth and growth opportunities; our strategies; our ability to maintain and enhance brand recognition and reputation; our ability to effectively manage and execute the Relocation; our ability to introduce new products; the success of new products; the potential for cancellation of orders from our backlog; and other risks detailed from time to time in our reports filed with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended April 30, 2022.

Contact:

investorrelations@smith-wesson.com

(413) 747-3448

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

| | As of: | |
|--|---|-------------------|
| | January 31, 2023 | April 30, 2022 |
| | (In thousands, except par value and share data) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 44,596 | \$ 120,728 |
| Accounts receivable, net of allowances for credit losses of \$35 on January 31, 2023 and \$36 on April 30, 2022 | 58,252 | 62,695 |
| Inventories | 193,426 | 136,660 |
| Prepaid expenses and other current assets | 5,954 | 5,569 |
| Income tax receivable | 7,660 | 1,945 |
| Total current assets | <u>309,888</u> | <u>327,597</u> |
| Property, plant, and equipment, net | 186,190 | 135,591 |
| Intangibles, net | 3,594 | 3,608 |
| Goodwill | 19,024 | 19,024 |
| Deferred income taxes | 1,221 | 1,221 |
| Other assets | 9,276 | 10,435 |
| Total assets | <u>\$ 529,193</u> | <u>\$ 497,476</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 37,761 | \$ 30,042 |
| Accrued expenses and deferred revenue | 19,485 | 23,482 |
| Accrued payroll and incentives | 18,444 | 17,371 |
| Accrued income taxes | 169 | 2,673 |
| Accrued profit sharing | 7,807 | 13,543 |
| Accrued warranty | 1,682 | 1,838 |
| Total current liabilities | <u>85,348</u> | <u>88,949</u> |
| Notes and loans payable, net of current portion | 24,769 | — |
| Finance lease payable, net of current portion | 36,687 | 37,628 |
| Other non-current liabilities | 8,021 | 10,385 |
| Total liabilities | <u>154,825</u> | <u>136,962</u> |
| Commitments and contingencies | | |
| 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, 74,938,481 issued and 45,898,111 shares outstanding on January 31, 2023 and 74,641,439 shares issued and 45,601,069 shares outstanding on April 30, 2022 | 75 | 75 |
| Additional paid-in capital | 281,659 | 278,101 |
| Retained earnings | 514,936 | 504,640 |
| Accumulated other comprehensive income | 73 | 73 |
| Treasury stock, at cost (29,040,370 shares on January 31, 2023 and April 30, 2022) | (422,375) | (422,375) |
| Total stockholders' equity | <u>374,368</u> | <u>360,514</u> |
| Total liabilities and stockholders' equity | <u>\$ 529,193</u> | <u>\$ 497,476</u> |

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

| | <u>For the Three Months Ended January 31,</u> | | <u>For the Nine Months Ended January 31,</u> | |
|---|---|------------------|--|-------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| | (In thousands, except per share data) | | | |
| Net sales | \$ 129,036 | \$ 177,738 | \$ 334,465 | \$ 682,826 |
| Cost of sales | 87,195 | 107,339 | 221,890 | 380,490 |
| Gross profit | <u>41,841</u> | <u>70,399</u> | <u>112,575</u> | <u>302,336</u> |
| Operating expenses: | | | | |
| Research and development | 2,133 | 1,716 | 5,675 | 5,269 |
| Selling, marketing, and distribution | 9,996 | 11,518 | 27,454 | 33,575 |
| General and administrative | 15,576 | 17,443 | 48,867 | 58,491 |
| Total operating expenses | <u>27,705</u> | <u>30,677</u> | <u>81,996</u> | <u>97,335</u> |
| Operating income | <u>14,136</u> | <u>39,722</u> | <u>30,579</u> | <u>205,001</u> |
| Other income/(expense), net: | | | | |
| Other income/(expense), net | 840 | 751 | 2,304 | 2,244 |
| Interest expense, net | (508) | (594) | (1,361) | (1,605) |
| Total other income/(expense), net | <u>332</u> | <u>157</u> | <u>943</u> | <u>639</u> |
| Income from operations before income taxes | 14,468 | 39,879 | 31,522 | 205,640 |
| Income tax expense | 3,389 | 9,337 | 7,483 | 47,281 |
| Net income | <u>\$ 11,079</u> | <u>\$ 30,542</u> | <u>\$ 24,039</u> | <u>\$ 158,359</u> |
| Net income per share: | | | | |
| Basic - net income | <u>\$ 0.24</u> | <u>\$ 0.65</u> | <u>\$ 0.52</u> | <u>\$ 3.32</u> |
| Diluted - net income | <u>\$ 0.24</u> | <u>\$ 0.65</u> | <u>\$ 0.52</u> | <u>\$ 3.28</u> |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 45,897 | 46,763 | 45,817 | 47,769 |
| Diluted | 46,166 | 47,175 | 46,133 | 48,307 |

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

| | For the Nine Months Ended | |
|---|---------------------------|-------------------|
| | January 31, 2023 | January 31, 2022 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income | \$ 24,039 | \$ 158,359 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 21,795 | 22,413 |
| (Gain)/loss on sale/disposition of assets | (43) | 31 |
| Provision for (recoveries)/losses on notes and accounts receivable | (1) | 678 |
| Impairment of long-lived tangible assets | — | 86 |
| Stock-based compensation expense | 3,859 | 3,565 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 4,444 | 17,378 |
| Inventories | (56,767) | (55,791) |
| Prepaid expenses and other current assets | (384) | 887 |
| Income taxes | (8,220) | (2,119) |
| Accounts payable | 134 | (21,209) |
| Accrued payroll and incentives | 1,072 | (1,158) |
| Accrued profit sharing | (5,737) | (2,943) |
| Accrued expenses and deferred revenue | (4,077) | (6,322) |
| Accrued warranty | (156) | (159) |
| Other assets | 1,158 | 2,188 |
| Other non-current liabilities | (2,364) | (3,609) |
| Net cash (used in)/provided by operating activities | <u>(21,248)</u> | <u>112,275</u> |
| Cash flows from investing activities: | | |
| Payments to acquire patents and software | (251) | (218) |
| Proceeds from sale of property and equipment | 85 | 97 |
| Payments to acquire property and equipment | (64,586) | (15,090) |
| Net cash used in investing activities | <u>(64,752)</u> | <u>(15,211)</u> |
| Cash flows from financing activities: | | |
| Proceeds from loans and notes payable | 25,000 | — |
| Payments on finance lease obligation | (856) | (813) |
| Payments on notes and loans payable | (231) | — |
| Payments to acquire treasury stock | — | (90,000) |
| Dividend distribution | (13,744) | (11,393) |
| Proceeds from exercise of options to acquire common stock, including employee stock purchase plan | 753 | 846 |
| Payment of employee withholding tax related to restricted stock units | (1,054) | (1,453) |
| Net cash provided by/(used in) financing activities | <u>9,868</u> | <u>(102,813)</u> |
| Net (decrease)/increase in cash and cash equivalents | (76,132) | (5,749) |
| Cash and cash equivalents, beginning of period | 120,728 | 113,017 |
| Cash and cash equivalents, end of period | <u>\$ 44,596</u> | <u>\$ 107,268</u> |
| Supplemental disclosure of cash flow information | | |
| Cash paid for: | | |
| Interest | \$ 1,743 | \$ 1,670 |
| Income taxes | \$ 15,775 | \$ 49,402 |

SMITH & WESSON BRANDS, INC. 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 Nine Months Ended | | | | | |
|--|----------------------------|------------|------------------|------------|------------------|------------|---------------------------|------------|------------------|------------|------------------|------------|
| | January 31, 2023 | | January 31, 2022 | | January 31, 2020 | | January 31, 2023 | | January 31, 2022 | | January 31, 2020 | |
| | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales |
| GAAP gross profit | \$ 41,841 | 32.4% | \$ 70,399 | 39.6% | \$ 35,687 | 28.0% | \$ 112,575 | 33.7% | \$ 302,336 | 44.3% | \$ 103,586 | 30.8% |
| Relocation expenses | 305 | 0.2% | 1,243 | 0.7% | — | — | 3,285 | 1.0% | 2,330 | 0.3% | — | — |
| COVID-19 | — | — | 1 | 0.0% | — | — | — | — | 32 | 0.0% | — | — |
| Non-GAAP gross profit | \$ 42,146 | 32.7% | \$ 71,643 | 40.3% | \$ 35,687 | 28.0% | \$ 115,860 | 34.6% | \$ 304,698 | 44.6% | \$ 103,586 | 30.8% |
| GAAP operating expenses | \$ 27,705 | 21.5% | \$ 30,677 | 17.3% | \$ 26,877 | 21.1% | \$ 81,996 | 24.5% | \$ 97,335 | 14.3% | \$ 84,255 | 25.0% |
| Amortization of acquired intangible assets | — | — | (72) | 0.0% | (36) | 0.0% | — | — | (214) | 0.0% | (258) | -0.1% |
| Transition costs | — | — | — | — | (1,025) | -0.8% | — | — | 80 | 0.0% | (1,189) | -0.4% |
| COVID-19 | — | — | (37) | 0.0% | — | — | — | — | (137) | 0.0% | — | — |
| CEO separation | — | — | — | — | 3,844 | 3.0% | — | — | — | — | 3,844 | 1.1% |
| Spin related stock-based compensation | (26) | 0.0% | (43) | 0.0% | — | — | (79) | 0.0% | (104) | 0.0% | — | — |
| Relocation expenses | (321) | -0.2% | (1,737) | -1.0% | — | — | (2,649) | -0.8% | (6,198) | -0.9% | — | — |
| Non-GAAP operating expenses | \$ 27,358 | 21.2% | \$ 28,788 | 16.2% | \$ 29,660 | 23.3% | \$ 79,268 | 23.7% | \$ 90,762 | 13.3% | \$ 86,652 | 25.7% |
| GAAP operating income | \$ 14,136 | 11.0% | \$ 39,722 | 22.3% | \$ 8,810 | 6.9% | \$ 30,579 | 9.1% | \$ 205,001 | 30.0% | \$ 19,331 | 5.7% |
| Amortization of acquired intangible assets | — | — | 72 | 0.0% | 36 | 0.0% | — | — | 214 | 0.0% | 258 | 0.1% |
| Transition costs | — | — | — | — | 1,025 | 0.8% | — | — | (80) | 0.0% | 1,189 | 0.4% |
| COVID-19 | — | — | 38 | 0.0% | — | — | — | — | 169 | 0.0% | — | — |
| CEO separation | — | — | — | — | (3,844) | -3.0% | — | — | — | — | (3,844) | -1.1% |
| Spin related stock-based compensation | 26 | 0.0% | 43 | 0.0% | — | — | 79 | 0.0% | 104 | 0.0% | — | — |
| Relocation expenses | 626 | 0.5% | 2,980 | 1.7% | — | — | 5,934 | 1.8% | 8,528 | 1.2% | — | — |
| Non-GAAP operating income | \$ 14,788 | 11.5% | \$ 42,855 | 24.1% | \$ 6,027 | 4.7% | \$ 36,592 | 10.9% | \$ 213,936 | 31.3% | \$ 16,934 | 5.0% |
| GAAP net income | \$ 11,079 | 8.6% | \$ 30,542 | 17.2% | \$ 4,227 | 3.3% | \$ 24,039 | 7.2% | \$ 158,359 | 23.2% | \$ 6,755 | 2.0% |
| Amortization of acquired intangible assets | — | — | 72 | 0.0% | 36 | 0.0% | — | — | 214 | 0.0% | 258 | 0.1% |
| Transition costs | — | — | — | — | 1,025 | 0.8% | — | — | (80) | 0.0% | 1,189 | 0.4% |
| COVID-19 | — | — | 38 | 0.0% | — | — | — | — | 169 | 0.0% | — | — |
| CEO separation | — | — | — | — | (3,844) | -3.0% | — | — | — | — | (3,844) | -1.1% |
| Change in contingent consideration | — | — | — | — | — | — | — | — | — | — | (100) | 0.0% |
| Spin related stock-based compensation | 26 | 0.0% | 43 | 0.0% | — | — | 79 | 0.0% | 104 | 0.0% | — | — |
| Relocation expenses | 626 | 0.5% | 2,980 | 1.7% | — | — | 5,934 | 1.8% | 8,528 | 1.2% | — | — |
| Tax effect of non-GAAP adjustments | (153) | -0.1% | (733) | -0.4% | 751 | 0.6% | (1,425) | -0.4% | (2,054) | -0.3% | 785 | 0.2% |
| Non-GAAP net income | \$ 11,578 | 9.0% | \$ 32,942 | 18.5% | \$ 2,195 | 1.7% | \$ 28,627 | 8.6% | \$ 165,240 | 24.2% | \$ 5,043 | 1.5% |
| GAAP net income per share—diluted | \$ 0.24 | | \$ 0.65 | | \$ 0.08 | | \$ 0.52 | | \$ 3.28 | | \$ 0.12 | |
| Amortization of acquired intangible assets | — | | — | | — | | — | | — | | — | |
| Transition costs | — | | — | | 0.02 | | — | | — | | 0.02 | |
| COVID-19 | — | | — | | — | | — | | — | | — | |
| CEO separation | — | | — | | (0.07) | | — | | — | | (0.07) | |
| Spin related stock-based compensation | — | | — | | — | | — | | — | | — | |
| Relocation expenses | 0.01 | | 0.06 | | — | | 0.13 | | 0.18 | | — | |
| Tax effect of non-GAAP adjustments | — | | (0.02) | | 0.01 | | (0.03) | | (0.04) | | 0.01 | |
| Non-GAAP net income per share—diluted | \$ 0.25 | | \$ 0.70(a) | | \$ 0.04 | | \$ 0.62 | | \$ 3.42 | | \$ 0.09(a) | |

(a) Non-GAAP net income per share does not foot due to rounding.

SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP INCOME FROM OPERATIONS TO NON-GAAP ADJUSTED EBITDAS
(In thousands)
(Unaudited)

| | For the Three Months Ended | | | For the Nine Months Ended | | |
|------------------------------------|----------------------------|------------------|------------------|---------------------------|-------------------|------------------|
| | January 31, 2023 | January 31, 2022 | January 31, 2020 | January 31, 2023 | January 31, 2022 | January 31, 2020 |
| GAAP net income | \$ 11,079 | \$ 30,542 | \$ 4,227 | \$ 24,039 | \$ 158,359 | \$ 6,755 |
| Interest expense | 671 | 639 | 2,869 | 1,806 | 1,740 | 8,919 |
| Income tax expense | 3,389 | 9,337 | 1,688 | 7,483 | 47,281 | 4,084 |
| Depreciation and amortization | 6,669 | 7,179 | 7,509 | 21,795 | 22,346 | 23,776 |
| Stock-based compensation expense | 1,253 | 1,199 | 1,554 | 3,859 | 3,565 | 4,375 |
| Change in contingent consideration | — | — | — | — | — | (100) |
| COVID-19 | — | 38 | — | — | 169 | — |
| Transition costs | — | — | 1,025 | — | (80) | 1,189 |
| CEO separation | — | — | (3,844) | — | — | (3,844) |
| Relocation expense | 626 | 2,980 | — | 5,934 | 8,528 | — |
| Non-GAAP Adjusted EBITDAS | <u>\$ 23,687</u> | <u>\$ 51,914</u> | <u>\$ 15,028</u> | <u>\$ 64,916</u> | <u>\$ 241,908</u> | <u>\$ 45,154</u> |

SMITH & WESSON BRANDS, INC. AND SUBSIDIARIES
RECONCILIATION OF OPERATING CASH FLOW FROM OPERATIONS TO FREE CASH FLOW
(In thousands)
(Unaudited)

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|----------------------------|------------------|---------------------------|------------------|
| | January 31, 2023 | January 31, 2022 | January 31, 2023 | January 31, 2022 |
| Net cash (used in)/provided by operating activities | \$ 6,917 | \$ 6,911 | \$ (21,248) | \$ 112,275 |
| Net cash used in investing activities | (25,162) | (5,012) | (64,752) | (15,211) |
| Free cash flow | <u>\$ (18,245)</u> | <u>\$ 1,899</u> | <u>\$ (86,000)</u> | <u>\$ 97,064</u> |