
**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): December 3, 2020

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 December 3, 2020.

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
Number

Exhibits

| | |
|------|---|
| 99.1 | Press release from Smith & Wesson Brands, Inc., dated December 3, 2020, entitled “Smith & Wesson Brands, Inc. Reports Second Quarter Fiscal 2021 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: December 3, 2020

By: /s/ Robert J. Cicero

Robert J. Cicero

Senior Vice President, General Counsel,
Chief Compliance Officer, and Secretary

**Contact:**

investorrelations@smith-wesson.com

(413) 747-3448

**Smith & Wesson Brands, Inc. Reports
Second Quarter Fiscal 2021 Financial Results**

- *Record Quarterly Revenue of \$249 Million*
- *GAAP EPS of \$0.87/Share, non-GAAP EPS of \$0.93/Share*
- *\$0.05 per Share Dividend*

SPRINGFIELD, Mass., December 3, 2020 – Smith & Wesson Brands, Inc. (NASDAQ Global Select: SWBI), a U.S.-based leader in firearm manufacturing and design, today announced financial results for the second quarter of fiscal year 2021, ended October 31, 2020. On August 24, 2020, the company completed the previously announced spin-off of its outdoor products and accessories business. Therefore, beginning with this quarter, all historical financial information for that business is reported as discontinued operations. Unless otherwise indicated, any reference to income statement items refers to results from continuing operations.

Second Quarter Fiscal 2021 Consolidated Financial Highlights

- Quarterly net sales were \$248.7 million compared with \$113.7 million for the comparable quarter last year, an increase of 118.7%.
- Gross margin for the quarter was 40.6% compared with 28.4% for the comparable quarter last year.
- Quarterly GAAP income was \$49.1 million, or \$0.87 per diluted share, compared with \$343,000, or \$0.01 per diluted share, for the comparable quarter last year.
- Quarterly non-GAAP income was \$52.8 million, or \$0.93 per diluted share, compared with \$472,000, or \$0.01 per diluted share, for the comparable quarter last year. GAAP to non-GAAP adjustments for income exclude costs related to the spin-off of the outdoor products and accessories business, COVID-19 related expenses, and other costs. For a detailed reconciliation, see the schedules that follow in this release.
- Quarterly non-GAAP Adjusted EBITDAS was \$78.9 million, or 31.7% of net sales, compared with \$13.4 million, or 11.8% of net sales, for the comparable quarter last year.

Mark Smith, President and Chief Executive Officer, commented, “Today, I am pleased to report a second consecutive record-breaking quarter for our 168 year old company. These results are a testament to Smith & Wesson’s devoted team of employees, and their ability to deliver strong performance in the face of any challenge. Because of the hard work of our employees, who have been diligently following our safety protocols, we have been able to continue safely operating our business and, during these extremely difficult times when so many of our fellow Americans are out of work, we successfully created and filled 287 new jobs during our second quarter. Along with our existing employees, our new team members played a critical role in achieving these record-breaking numbers.”

Deana McPherson, Executive Vice President and Chief Financial Officer, commented, “Smith & Wesson’s record-breaking financial performance enabled us to generate \$49.1 million in net income, seed the outdoor products and accessories business with \$25 million of cash at the spin date, repay the final \$25 million on our revolving loan, and left us with \$55.5 million of cash on hand, and zero bank debt, significantly sooner than our prior internal targets. Additionally, our Board again authorized a \$0.05 per share dividend to shareholders of record as of December 17, 2020, with payment to be made on January 5, 2021.”

Conference Call and Webcast

The company will host a conference call and webcast today, December 3, 2020 to discuss its second quarter fiscal 2021 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 may call directly at (844) 309-6568 and reference conference identification number 8990013. No RSVP is necessary. 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, the company considers and uses these supplemental measures of operating performance in order to provide the reader with an improved understanding of underlying performance trends. The company believes it is useful for itself and the reader to review, as applicable, both (1) GAAP measures that include (i) amortization of acquired intangible assets, (ii) transition costs, (iii) the tax effect of non-GAAP adjustments, (iv) COVID-19 expenses, (v) net cash used in investing activities, (vi) interest expense, (vii) income tax expense, (viii) depreciation and amortization, and (ix) stock-based compensation expenses; and (2) the non-GAAP measures that exclude such information. The company presents these non-GAAP measures because it considers them an important supplemental measure of its performance. The company’s definition of these adjusted financial measures may differ from similarly named measures used by others. The company believes these measures facilitate operating performance comparisons from period to period by eliminating potential differences caused by the existence and timing of certain expense items that would not otherwise be apparent on a GAAP basis. These non-GAAP measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for the company’s GAAP measures. The principal limitations of these measures are that they do not reflect the company’s actual expenses and may thus have the effect of inflating its financial measures on a GAAP basis.

About 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®, Thompson/Center Arms™, and Gemtech® brands. The company also provides manufacturing services including forging, machining, and precision plastic injection molding services. For more information call (844) 363-5386 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, our ability to deliver strong performance in the face of any challenge. 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; speculation surrounding fears of terrorism and crime; our anticipated growth and growth opportunities; our ability to increase demand for our products in various markets, including consumer, law enforcement, and military channels, domestically and internationally; our penetration rates in new and existing markets; our strategies; our ability to maintain and enhance brand recognition and reputation; our ability to introduce new products; the success of new products; our ability to expand our markets; the potential for cancellation of orders from our backlog; and other risks detailed from time to time in our reports filed with the SEC, including our Annual Report on Form 10-K for the fiscal year ended April 30, 2020.

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

| | As of: | |
|---|---|-------------------|
| | October 31, 2020 | April 30, 2020 |
| | (In thousands, except par value and share data) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 55,549 | \$ 125,011 |
| Accounts receivable, net of allowances for credit losses of \$1,067 on October 31, 2020 and \$1,038 on April 30, 2020 | 68,637 | 60,879 |
| Inventories | 78,889 | 103,741 |
| Prepaid expenses and other current assets | 7,599 | 7,556 |
| Current assets of discontinued operations | — | 94,673 |
| Income tax receivable | 4,713 | 1,595 |
| Total current assets | <u>215,387</u> | <u>393,455</u> |
| Property, plant, and equipment, net | 147,907 | 147,739 |
| Intangibles, net | 4,458 | 4,375 |
| Goodwill | 19,024 | 19,024 |
| Other assets of discontinued operations | — | 148,485 |
| Other assets | 14,309 | 16,437 |
| | <u>401,085</u> | <u>729,515</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 60,985 | \$ 31,476 |
| Accrued expenses and deferred revenue | 41,254 | 57,678 |
| Accrued payroll and incentives | 11,405 | 12,448 |
| Accrued income taxes | 337 | 5,503 |
| Accrued profit sharing | 6,810 | 2,197 |
| Accrued warranty | 4,352 | 3,297 |
| Current liabilities of discontinued operations | — | 17,372 |
| Total current liabilities | <u>125,143</u> | <u>129,971</u> |
| Deferred income taxes | 457 | 457 |
| Notes and loans payable, net of current portion | — | 159,171 |
| Finance lease payable, net of current portion | 39,343 | 39,610 |
| Other non-current liabilities of discontinued operations | — | 2,299 |
| Other non-current liabilities | 9,264 | 10,889 |
| Total liabilities | <u>174,207</u> | <u>342,397</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$.001 par value, 20,000,000 shares authorized, no shares issued or outstanding | — | — |
| Common stock, \$.001 par value, 100,000,000 shares authorized, 74,122,674 issued and 55,955,812 shares outstanding on October 31, 2020 and 73,526,790 shares issued and 55,359,928 shares outstanding on April 30, 2020 | 74 | 74 |
| Additional paid-in capital | 269,911 | 267,630 |
| Retained earnings | 179,195 | 341,716 |
| Accumulated other comprehensive income | 73 | 73 |
| Treasury stock, at cost (18,166,862 shares on October 31, 2020 and April 30, 2020) | (222,375) | (222,375) |
| Total stockholders' equity | <u>226,878</u> | <u>387,118</u> |
| | <u>\$ 401,085</u> | <u>\$ 729,515</u> |

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

| | <u>For the Three Months Ended October 31,</u> | | <u>For the Six Months Ended October 31,</u> | |
|---|---|-----------------|---|------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| | (In thousands, except per share data) | | | |
| Net sales | \$ 248,729 | \$ 113,717 | \$ 478,614 | \$ 209,153 |
| Cost of sales | 147,656 | 81,405 | 285,117 | 141,254 |
| Gross profit | <u>101,073</u> | <u>32,312</u> | <u>193,497</u> | <u>67,899</u> |
| Operating expenses: | | | | |
| Research and development | 1,855 | 1,795 | 3,761 | 3,692 |
| Selling, marketing, and distribution | 11,614 | 10,841 | 21,609 | 20,374 |
| General and administrative | 23,224 | 16,103 | 45,007 | 33,312 |
| Total operating expenses | <u>36,693</u> | <u>28,739</u> | <u>70,377</u> | <u>57,378</u> |
| Operating income from continuing operations | <u>64,380</u> | <u>3,573</u> | <u>123,120</u> | <u>10,521</u> |
| Other income/(expense), net: | | | | |
| Other income/(expense), net | 693 | 83 | 760 | 90 |
| Interest expense, net | (1,490) | (3,046) | (2,806) | (5,687) |
| Total other (expense)/income, net | <u>(797)</u> | <u>(2,963)</u> | <u>(2,046)</u> | <u>(5,597)</u> |
| Income from operations before income taxes | 63,583 | 610 | 121,074 | 4,924 |
| Income tax expense | 14,465 | 267 | 28,657 | 2,396 |
| Income from continuing operations | \$ 49,118 | \$ 343 | \$ 92,417 | \$ 2,528 |
| Discontinued operations: | | | | |
| Income/(loss) from discontinued operations | 3,123 | 950 | 8,209 | (3,343) |
| Net income/(loss) | <u>\$ 52,241</u> | <u>\$ 1,293</u> | <u>\$ 100,626</u> | <u>\$ (815)</u> |
| Net income/(loss) per share: | | | | |
| Basic - continuing operations | <u>\$ 0.88</u> | <u>\$ 0.01</u> | <u>\$ 1.66</u> | <u>\$ 0.05</u> |
| Basic - net income/(loss) | <u>\$ 0.93</u> | <u>\$ 0.02</u> | <u>\$ 1.81</u> | <u>\$ (0.01)</u> |
| Diluted - continuing operations | <u>\$ 0.87</u> | <u>\$ 0.01</u> | <u>\$ 1.64</u> | <u>\$ 0.05</u> |
| Diluted - net income/(loss) | <u>\$ 0.92</u> | <u>\$ 0.02</u> | <u>\$ 1.78</u> | <u>\$ (0.01)</u> |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 55,914 | 54,912 | 55,691 | 54,847 |
| Diluted | 56,531 | 55,424 | 56,475 | 54,847 |

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

| | For the Six Months Ended | |
|---|--------------------------|------------------|
| | October 31, 2020 | October 31, 2019 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Income from continuing operations | \$ 92,417 | \$ 2,528 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 17,129 | 16,483 |
| Loss on sale/disposition of assets | 3 | 15 |
| Provision for losses on notes and accounts receivable | 29 | (219) |
| Change in fair value of contingent consideration | — | 100 |
| Stock-based compensation expense | 2,075 | 2,826 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (7,787) | (5,585) |
| Inventories | 24,852 | (29,260) |
| Prepaid expenses and other current assets | (43) | (2,979) |
| Income taxes | (8,267) | (2,932) |
| Accounts payable | 28,331 | 3,486 |
| Accrued payroll and incentives | (1,043) | (9,510) |
| Accrued profit sharing | 4,613 | (1,462) |
| Accrued expenses and deferred revenue | (16,212) | (1,134) |
| Accrued warranty | 1,055 | (436) |
| Other assets | 2,561 | 753 |
| Other non-current liabilities | (1,625) | (1,358) |
| Cash provided by/(used in) operating activities - continuing operations | 138,088 | (28,684) |
| Cash used in operating activities - discontinued operations | (2,225) | (6,187) |
| Net cash provided by/(used in) operating activities | 135,863 | (34,871) |
| Cash flows from investing activities: | | |
| Payments to acquire patents and software | (350) | (279) |
| Payments to acquire property and equipment | (14,964) | (8,249) |
| Cash used by investing activities - continuing operations | (15,314) | (8,528) |
| Cash used by investing activities - discontinued operations | (1,143) | (840) |
| Net cash used in investing activities | (16,457) | (9,368) |
| Cash flows from financing activities: | | |
| Proceeds from loans and notes payable | 25,000 | 75,000 |
| Cash paid for debt issuance costs | (450) | — |
| Payments on finance lease obligation | (479) | (431) |
| Payments on notes and loans payable | (185,000) | (28,150) |
| Distribution to AOUT | (25,000) | — |
| Dividend distribution | (2,795) | — |
| Proceeds from exercise of options to acquire common stock | 2,195 | 936 |
| Payment of employee withholding tax related to restricted stock units | (2,173) | (550) |
| Cash used in/(provided by) financial activities - continuing operations | (188,702) | 46,805 |
| Cash used in financial activities - discontinued operations | (166) | — |
| Net cash (used in)/provided by financing activities | (188,868) | 46,805 |
| Net decrease in cash and cash equivalents | (69,462) | 2,566 |
| Cash and cash equivalents, beginning of period | 125,011 | 40,853 |
| Cash and cash equivalents, end of period | \$ 55,549 | \$ 43,419 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for: | | |
| Interest | \$ 2,188 | \$ 5,767 |
| Income taxes | \$ 40,888 | \$ 4,184 |

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 Six Months Ended | | | |
|--|----------------------------|------------|------------------|------------|--------------------------|------------|------------------|------------|
| | October 31, 2020 | | October 31, 2019 | | October 31, 2020 | | October 31, 2019 | |
| | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales | \$ | % of Sales |
| GAAP gross profit | \$ 101,073 | 40.6% | \$ 32,312 | 28.4% | \$ 193,497 | 40.4% | \$ 67,899 | 32.5% |
| COVID-19 | 10 | 0.0% | — | — | 896 | 0.2% | — | — |
| Non-GAAP gross profit | \$ 101,083 | 40.6% | \$ 32,312 | 28.4% | \$ 194,393 | 40.6% | \$ 67,899 | 32.5% |
| GAAP operating expenses | \$ 36,693 | 14.8% | \$ 28,739 | 25.3% | \$ 70,377 | 14.7% | \$ 57,378 | 27.4% |
| Amortization of acquired intangible assets | (83) | 0.0% | (113) | -0.1% | (166) | 0.0% | (222) | -0.1% |
| Transition costs | (4,338) | -1.7% | (164) | -0.1% | (7,933) | -1.7% | (164) | -0.1% |
| COVID-19 | (92) | 0.0% | — | — | (159) | 0.0% | — | — |
| Spin related stock-based compensation | (442) | -0.2% | — | — | (442) | -0.1% | — | — |
| Non-GAAP operating expenses | \$ 31,738 | 12.8% | \$ 28,462 | 25.0% | \$ 61,677 | 12.9% | \$ 56,992 | 27.2% |
| GAAP operating income | \$ 64,380 | 25.9% | \$ 3,573 | 3.1% | \$ 123,120 | 25.7% | \$ 10,521 | 5.0% |
| Amortization of acquired intangible assets | 83 | 0.0% | 113 | 0.1% | 166 | 0.0% | 222 | 0.1% |
| Transition costs | 4,338 | 1.7% | 164 | 0.1% | 7,933 | 1.7% | 164 | 0.1% |
| COVID-19 | 102 | 0.0% | — | — | 1,055 | 0.2% | — | — |
| Spin related stock-based compensation | 442 | 0.2% | — | — | 442 | 0.1% | — | — |
| Non-GAAP operating income | \$ 69,345 | 27.9% | \$ 3,850 | 3.4% | \$ 132,716 | 27.7% | \$ 10,907 | 5.2% |
| GAAP income from continuing operations | \$ 49,118 | 19.7% | \$ 343 | 0.3% | \$ 92,417 | 19.3% | \$ 2,528 | 1.2% |
| Amortization of acquired intangible assets | 83 | 0.0% | 113 | 0.1% | 166 | 0.0% | 222 | 0.1% |
| Transition costs | 4,338 | 1.7% | 164 | 0.1% | 7,933 | 1.7% | 164 | 0.1% |
| COVID-19 | 102 | 0.0% | — | — | 1,055 | 0.2% | — | — |
| Change in contingent consideration | — | — | (100) | -0.1% | — | — | (100) | 0.0% |
| Spin related stock-based compensation | 442 | 0.0% | — | — | 442 | 0.0% | — | — |
| Tax effect of non-GAAP adjustments | (1,241) | -0.5% | (48) | 0.0% | (2,399) | -0.5% | (77) | 0.0% |
| Non-GAAP income from continuing operations | \$ 52,842 | 21.2% | \$ 472 | 0.4% | \$ 99,614 | 20.8% | \$ 2,737 | 1.3% |
| GAAP income from continuing operations per share - diluted | \$ 0.87 | | \$ 0.01 | | \$ 1.64 | | \$ 0.05 | |
| Amortization of acquired intangible assets | — | | — | | — | | — | |
| Transition costs | 0.08 | | — | | 0.14 | | — | |
| COVID-19 | — | | — | | 0.02 | | — | |
| Change in contingent consideration | — | | — | | — | | — | |
| Spin related stock-based compensation | 0.01 | | — | | 0.01 | | — | |
| Tax effect of non-GAAP adjustments | (0.02) | | — | | (0.04) | | — | |
| Non-GAAP income from continuing operations per share - diluted | \$ 0.93 | (a) | \$ 0.01 | | \$ 1.76 | (a) | \$ 0.05 | |

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

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

| | For the Three Months Ended | | For the Six Months Ended | |
|---|----------------------------|-------------------|--------------------------|--------------------|
| | October 31, 2020 | October 31, 2019 | October 31, 2020 | October 31, 2019 |
| Net cash provided by/(used in) operating activities | \$ 55,265 | \$ (3,544) | \$ 138,088 | \$ (28,684) |
| Net cash used in investing activities | (8,674) | (5,326) | (15,314) | (8,528) |
| Free cash flow | <u>\$ 46,591</u> | <u>\$ (8,870)</u> | <u>\$ 121,988</u> | <u>\$ (35,514)</u> |

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

| | For the Three Months Ended | | For the Six Months Ended | |
|--|----------------------------|------------------|--------------------------|------------------|
| | October 31, 2020 | October 31, 2019 | October 31, 2020 | October 31, 2019 |
| GAAP income from continuing operations | \$ 49,118 | \$ 343 | \$ 92,417 | \$ 2,528 |
| Interest expense | 1,517 | 3,266 | 2,879 | 6,029 |
| Income tax expense | 14,465 | 267 | 28,657 | 2,396 |
| Depreciation and amortization | 8,145 | 8,137 | 16,282 | 16,267 |
| Stock-based compensation expense | 1,191 | 1,295 | 2,075 | 2,820 |
| Change in contingent consideration | — | (100) | — | (100) |
| COVID-19 | 102 | — | 1,055 | — |
| Transition costs | 4,338 | 164 | 7,933 | 164 |
| Non-GAAP Adjusted EBITDAS | <u>\$ 78,876</u> | <u>\$ 13,372</u> | <u>\$ 151,298</u> | <u>\$ 30,104</u> |