
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): June 30, 2011

Smith & Wesson Holding Corporation

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation)

001-31552

(Commission File Number)

87-0543688

(IRS Employer Identification No.)

**2100 Roosevelt Avenue
Springfield, Massachusetts**

(Address of principal executive offices)

01104

(Zip Code)

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

(Former name or former address, if changed since last report.)

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:

- 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 2.02. Results of Operations and Financial Condition.

As described in Item 7.01, we are furnishing this Report on Form 8-K in connection with the disclosure of information during a conference call and webcast on June 30, 2011 discussing our fourth quarter and full year fiscal 2011 financial results. The disclosure provided in Item 7.01 of this Report on Form 8-K is hereby incorporated by reference into this Item 2.02.

The information in this Report on Form 8-K (including the exhibit) 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.

Item 7.01. Regulation FD Disclosure.

We are furnishing this Report on Form 8-K in connection with the disclosure of information during a conference call and webcast on June 30, 2011 discussing our fourth quarter and full year fiscal 2011 financial results. The transcript of the conference call and webcast is included as Exhibit 99.1 to this Report on Form 8-K.

The information in this 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 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.

The text included with this Report on Form 8-K and the replay of the conference call and webcast on June 30, 2011 is available on our website located at www.smith-wesson.com, although we reserve the right to discontinue that availability at any time.

Certain statements contained in this Report on Form 8-K 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, but are not limited to, statements regarding our focus on increasing shippable product and improving margins in fiscal 2012; the impact of lower levels of government funding and corporate capital spending on our security solutions business; our focus on increasing revenue and improving profitability in our security solutions division; the importance of the professional user community to our ability to grow market share in the consumer channel; the impact of constrained budgets on the law enforcement market; our backlog; our expectation for the purchase and deployment of additional equipment to continue the expansion of our production capacity; our capacity; the impact of strategic sourcing of a number of components from our supplier base; our focus on increasing operating efficiencies; the enhancement of our lean initiatives program; the relocation of our Thompson/Center Arms business from Rochester, New Hampshire to our Springfield, Massachusetts facility; military opportunities; the success of our security solutions business; our strategic rebranding of our security solutions business; the ability of our security solutions business to deliver profitability; the current environment in our security solutions business; the impact of CFATS on the perimeter security industry; the opportunities for security upgrades in the military market; opportunities in the federal government market; new product offerings in our security solutions business; the developing of our product portfolio in our security

solutions business; our ability to maintain cost controls in our security solutions business; our belief that we have adequate resources to repay the remaining \$30 million of convertible notes that may be put to us in December 2011; the covenants in our credit facility; our expectation regarding sales, gross margin, and operating expenses for the first quarter of fiscal 2012 and for fiscal 2012; our anticipation for a sequential reduction in revenue in the first quarter of fiscal 2012; our expectations for fiscal 2012 capital expenditures; our expectations regarding our cash; our estimated taxes for fiscal 2012; our growth strategy; our belief that the fourth quarter of the fiscal year is our largest quarter; the impact of the decrease in our finished goods inventory; our expectation regarding military and government spending; the DOJ and SEC investigations; our price repositioning strategy; the success of our firearm products; the improvements in our estimated capacity and our ability to manage and control projects on the execution side in our security solutions business; the growth in our firearm business; and the quarterly sales in our security solutions business necessary to breakeven from an operating income perspective. We caution 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 our products; the costs and ultimate conclusion of certain legal matters, including the DOJ and SEC matters; the state of the U.S. economy; general economic conditions and consumer spending patterns; speculation surrounding increased gun control and fears of terrorism and crime; our growth opportunities; our anticipated growth; our ability to increase demand for our products in various markets, including consumer, law enforcement, and military channels, domestically and internationally; the position of our hunting products in the consumer discretionary marketplace and distribution channel; our penetration rates in new and existing markets; our strategies; our ability to introduce new products; the success of new products; the success of our diversification strategy, including the expansion of 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 Form 10-K Report for the fiscal year ended April 30, 2011.

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.

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.*

Exhibit Number	Exhibits
99.1	Transcript of conference call and webcast conducted on June 30, 2011.

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: June 30, 2011

By: /s/ Jeffrey D. Buchanan
Jeffrey D. Buchanan
Executive Vice President, Chief Financial Officer, and Treasurer

EXHIBIT INDEX

99.1 Transcript of conference call and webcast conducted on June 30, 2011.

Thomson StreetEvents™

SWHC — Q4 2011 Smith & Wesson Holding Corp Earnings Conference Call

Event Date/Time: Jun. 30. 2011 / 9:00PM GMT

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Jun. 30. 2011 / 9:00PM, SWHC — Q4 2011 Smith & Wesson Holding Corp Earnings Conference Call

CORPORATE PARTICIPANTS

Liz Sharp

Smith & Wesson Holding Corp — VP, IR

Mike Golden

Smith & Wesson Holding Corp — CEO and President

James Debney

Smith & Wesson Holding Corp — President, Firearms Division

Barry Willingham

Smith & Wesson Holding Corp — President, USR Perimeter Security Division

Jeff Buchanan

Smith & Wesson Holding Corp — EVP, CFO, Treasurer

CONFERENCE CALL PARTICIPANTS

Cai von Rumohr

Cowen and Company — Analyst

Reed Anderson

D.A. Davidson & Co. — Analyst

Lisa Brozewicz

KeyBanc Capital Markets — Analyst

Jim Barrett

CL King & Associates — Analyst

David Kelly

Avondale Partners — Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the fourth-quarter and full-year fiscal 2011 conference call. My name is Jennifer and I will be your operator for today.

At this time all participants are in listen-only mode and later we will conduct a question-and-answer session. (Operator Instructions)

I would now like to turn the conference over to your host for today Ms. Liz Sharp, Vice President of Investor Relations. Please proceed.

Liz Sharp — *Smith & Wesson Holding Corp — VP, IR*

Thank you and good afternoon. Before we begin the formal part of our presentation, let me tell you that what we are about to say as well as any questions we may answer could contain predictions, estimates and other forward-looking statements.

Our use of words like anticipate, project, estimate, expect, forecast and other similar expressions is intended to identify those forward-looking statements. Forward-looking statements include measures such as backlog which typically contain orders that are shippable over multiple quarters and in some cases are subject to cancellation until shipped.

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Any forward-looking statements that we might make represent our current judgment on what the future holds. As such, those statements are subject to a variety of risks and uncertainties.

Important risk factors and other considerations that could cause our actual results to be materially different are described in our securities filings including our Forms S-3, 8-K, 10-K and 10-Q. I encourage you to review those documents.

A replay of this call can be found on our website later today at www.smith-wesson.com. This conference call contains time-sensitive information is accurate only as of the time hereof.

If any portion of this presentation is rebroadcast, retransmitted or redistributed at a later date, we will not be reviewing or updating the material content herein. Our actual results could differ materially from these statements.

Our speakers on today's call are Mike Golden, President and CEO; Jeffrey Buchanan, our Chief Financial Officer; James Debney, President of our Firearms Division; and Barry Willingham, President of our Security Solutions Division. With that, I'll turn the call over to Mike.

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Thank you, Liz, and thanks, everyone, for joining us. Fiscal 2011 provided us with a variety of successes as well as challenges.

While fiscal 2011 revenue was slightly lower compared with fiscal 2010, we believe the decline largely reflected firearms sales returning to more normal levels in the first half of the year versus the surge that occurred after the presidential election. In firearms which represents 87% of our annual revenue, we completed the year with record fourth-quarter sales, record production levels, and record units shipped. These achievements represent growth across nearly all firearms product lines.

As we close fiscal 2011, our strong product line provided growth drivers for our firearms business. In response to the ongoing consumer shift towards smaller concealed carry handguns, we expanded our offerings in the segment during the year.

We're benefiting from that trend. Overall, our success in building high quality innovative firearm products that meet consumer preference is reflected in the 153% increase in our backlog over Q3 levels.

With our firearm business running at record production levels at year-end and the consolidation of our Thompson/Center Arms operations into our Springfield, Massachusetts headquarters underway; we remain focused on adding flexible manufacturing capacity and implementing lean initiatives. These actions are aimed at increasing shippable product and improving margins in fiscal 2012.

Our recent rebranding of the Security Solutions Division under the globally recognized Smith & Wesson brand is being well received. However the operating environment for this business remains challenging.

Lower levels of government funding and corporate capital spending as well as the presence of price focused competition remain near-term factors. In response, our efforts have centered on reducing cost as well as developing and deploying new products to address broader market needs. Our focus will remain on increasing revenue and improving profitability.

With that, I will now turn the call over to James Debney for some operational highlights in our Firearms Division. James?

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James Debney — *Smith & Wesson Holding Corp — President, Firearms Division*

Thank you, Mike. Firearm revenue for fiscal 2011 was \$342.2 million compared with \$357.9 million a year ago, a decline of 4.4%. Revenue for the first six months of fiscal 2011 was down compared to the prior year which included the end of an industrywide surge in consumer firearm sales. By mid-fiscal 2011 however, our year-over-year firearm revenue growth resumed.

During the fourth quarter, revenue grew by 12.7% over last year to a record \$102 million. This significant growth occurred across nearly all product lines and was driven by BODYGUARD 380 pistols, polymer framed pistols and modern sporting rifles which are also referred to as tactical rifles.

Along with record sales for the quarter, we also had record production levels, a result of capacity expansion both internally and with our supplier base. Sequentially, our quarter revenue grew by \$22 million or 28% versus the third quarter this year.

While all product lines increased significantly on a sequential basis, noteworthy were our strong modern sporting rifles sales which were up \$7.4 million or 96% and which reflected the launch of our M&P15 sport rifle.

To support the sales growth during the quarter that exceeded our production capacity, we drew approximately \$4.6 million from our finished goods inventory and approximately \$7 million from Walther's finished goods inventory in Germany. As a result of this inventory drawdown, we ended the quarter with suboptimal inventory carrying levels internally and within our supply chain.

Consumer sales of \$90 million in the fourth quarter were 17% higher than last year and were nearly 90% of our firearm revenue. Our sales unit growth for the quarter was even stronger at 34.5%.

This result compares favorably with adjusted mixed unit data which shows an increase in background checks of nearly 15% for the same period. When combined with market information we receive each month from an independent third party source, we believe that we have maintained our position as the leader in both the handgun and modern sporting rifle categories which accounted for 85% of our Q4 firearm revenue.

The professional user community is strategically important to us as we believe it enhances our ability to grow market share in the consumer channel. The professional markets include international, federal government, and law enforcement and together they accounted for approximately 10% of our total Firearm Division revenue in Q4.

Sales into the international channel increased by just under \$1 million compared to Q4 last year resulting primarily from our sale of M&P pistols to the Victoria police in Australia. In our law enforcement and federal government channels, sales declined by \$2.7 million or about 28% compared to the same quarter last year.

Orders this quarter included the Albuquerque police and the Dekalb County Sheriffs Department. We believe that much of the law enforcement market continues to suffer from constrained budgets.

During the fourth quarter our firearm backlog grew to nearly \$187 million, a sequential increase of nearly \$113 million versus the third quarter and nearly \$79 million higher than at the end of the previous fiscal year. The backlog increase came largely from the consumer channel and reflects a combination of new products and strategically priced repositioned products.

It is comprised primarily of orders for our BODYGUARD 380s, our SIGMA and M&P full-size polymer pistols and new GOVERNOR revolvers, our VENTURE bolt-action rifles and our new M&P15 sport rifles. A majority of the backlog represents orders which can ship immediately as inventory becomes available. However, there is a significant portion that ships to dates which are specified by the customer and these dates span our entire fiscal year.

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As a reminder, backlog in firearms is always at risk of being canceled until shipped. We continue to take the necessary steps to address the demand that currently exceeds our production capacity.

During the latter part of fiscal 2011, we invested nearly \$4 million in equipment to continue the expansion of our production capacity. We expect to spend an additional \$6 million in fiscal 2012.

Deployment of this equipment will take place during the first half of the fiscal year with the full benefit being felt by the beginning of the third quarter. This additional capacity will provide manufacturing flexibility which can be used to provide a variety of products including those which are featured in our backlog.

It will also allow us to launch new products during the year without compromising our ability to support demand of existing products. We are also gaining capacity through the strategic sourcing of a number of components from our supplier base.

In fiscal 2012, we will continue to focus on driving increases in operating efficiency by enhancing our lean (inaudible) program. We recently hired a seasoned executive to head up this function.

He will be working with all areas of our business to lead process improvement initiatives designed to enhance our overall performance. We have completed the first phases of our Thompson/Center Arms consolidation to Springfield.

The move should conclude in November as planned and on budget and we are confident that the consolidation will benefit gross margins over the long term for both Thompson/Center and Smith & Wesson products. Turning now to military opportunities, there are several of these that we are either actively pursuing or monitoring.

In the rifle category, an RFP has been released for the bolt carrier assembly under the M4 Product Improvement Program. This is an upgrade to the existing rifle. We will submit our proposal later this summer.

Also in the rifle category, we continue to review the draft RFP for an individual carving replacement competition and expect to see a final RFP this summer. It is important to note that the individual carving competition is to fund the competition only and unlike the bulk carrier assembly RFP does not include a guaranteed sale. Following the competition, the results will be reviewed in comparison to the current fielded weapon system with a decision to follow.

While these are all positive indicators, I have said before that military programs are long time horizons. We will continue to closely monitor the situation including any future solicitation for the M4 rifle and any activity related to a replacement for the M9 pistol and we will respond accordingly. At this point, I would like to turn the call back to Mike.

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Thank you, James. I will now turn the call over to Barry Willingham for an update on our Security Solutions business. Barry?

Barry Willingham — *Smith & Wesson Holding Corp — President, USR Perimeter Security Division*

Thanks, Mike. Fiscal 2011 proved a challenging year for Security Solutions marked by constrained capital budgets across our government and corporate client base and a step up in price focus competition.

In response, we took those actions that we believe will best position the business for longer-term success. This does include our recent rebranding under the Smith & Wesson name and expansion of our product portfolio to strengthen our position with existing customers and address a broader segment of the market and a focus on reducing our operating expenses.

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In the fourth quarter, total Security Solutions revenue was just over \$10 million. Of that, 70% represented military, federal and state government sales with the balance coming from corporate clients.

During the quarter, we received contracts from a new agency in the federal sector as well as contracts from three new corporate clients in the technology and banking sectors. Backlog for the period increased by about \$1.6 million to \$20.6 million.

Our decision to rebrand our business to Smith & Wesson Security Solutions has proven to be very beneficial. We have noted a measurable improvement in customer awareness, interest level and inquiries.

Most importantly, our Smith & Wesson name is opening doors for our sales personnel, the necessary first step to winning business. We've taken a number of steps to reduce the operating expenses wherever possible.

Our primary goal is to deliver profitability. We recently right-sized our organization and consolidated our personnel into a single facility. This delivered both cost reduction and an improvement in our efficiency and responsiveness to customers.

Now turning to the current environment, security plan approvals for sites affected by CFATS regulations continue to emerge slowly. In the interim, we see an adoption of CFATS regulations with a few customers and that activity is generating some opportunity with sites that we've been working with for the last 18 months.

In addition, corporate clients have shown moderate increases in committed fundings towards security upgrades, primarily in the high-end technology and financial business sectors. Our past growth came largely from the military market and our positive performance at these facilities provided contracts that yielded as much as 75% of our past revenue.

However, over the last year, including the most recent federal budget reductions, the opportunities for security upgrades in this sector have been significantly restricted. Outside of the two sizable programs that are in the RFP stage currently projected for award in our fiscal 2012, the military sector remains relatively quiet with regards to projects and funding.

Outside the military, we do see opportunities in the federal government market for projects which include perimeter security products that we have historically offered only as a reseller. Therefore we are optimistic that our newer product offerings will help grow our share of that business.

As we proceed through fiscal 2012, our focus remains clear. We must continue to develop our product portfolio, allowing us to tailor our current solutions to broader requirements in the current market. In addition, we must maintain tight cost controls and seek profitability as we pursue new business armed with our powerful Smith & Wesson brand.

Back to you, Mike.

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Thank you, Barry. We will now turn the call over to Jeff Buchanan for our financial overview. Jeff?

Jeff Buchanan — *Smith & Wesson Holding Corp — EVP, CFO, Treasurer*

Thanks, Mike. Fourth-quarter revenue was \$111.8 million, a 7.7% increase over the prior year with revenue increasing 12.7% and firearms declining 25.6% in Security Solutions. Firearm revenue exceeded the top end of our guidance and Security Solutions revenue was within our guidance.

Full-year revenue of just over \$392 million was at the top end of our guidance but is a 3.4% decline over fiscal year 2010. Fourth-quarter gross margins were 30.2% above the top end of our guidance.

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Our fourth-quarter gross margin was favorably impacted by several factors in firearms including increased efficiencies as a result of running the manufacturing facility at full capacity. Our fourth-quarter gross margin was about one percentage point below last year however and was negatively impacted by \$1.4 million of increased costs and inefficiencies associated with the Thompson/Center or TC consolidation.

Gross margins for the full fiscal year were 29.5%, down from 32.4% last year. Without the TC consolidation gross margins for the full year would've been just over 30%.

Gross margins for the year were also impacted by the price repositioning strategy rolled out in the third quarter as well as by reduced volumes occurring in the early part of the year as a result of the end of the surge. Fourth-quarter operating expense totaled \$28.4 million or 25.4% of sales versus operating expenses of \$23.7 million or 22.8% of sales last year.

The increase occurred as a result of several items including higher legal costs, higher costs in the sale and management support functions in the Security Solutions Division including some severance costs and higher advertising costs. Other fourth-quarter operating expenses included \$1.7 million for ongoing DOJ and SEC investigation costs.

During the year we incurred \$90.5 million of non-cash impairment charges relating to the intangible and goodwill assets associated with the acquisition of the USR. Not including that impairment, our operating expenses for the year were \$105.8 million versus \$89.1 million in the prior year.

Significant increases include a full year of Security Solutions operating expense compared to a nine-month period last fiscal year, an increase in operating expenses in our Security Solutions Division designed to stabilize the business, enhance controls over estimating and contract execution and increase sales; an increase in fees and costs associated with the DOJ and SEC investigations and severance costs related to ongoing restructuring in both divisions.

GAAP net income for the fourth quarter was \$1.1 million or \$0.02 per share compared with net income of \$2.7 million or \$0.04 per share last year. Excluding the TC consolidation and the DOJ and SEC investigation costs as nonrecurring items, the EPS would have been \$0.06.

If Security Solutions were also excluded, EPS for the quarter would have been \$0.13. For the full fiscal year without the impairments and US earnout adjustments, net income was \$2 million or \$0.03 per share versus \$0.38 per share in 2010.

Non-GAAP adjusted EBITDAS for the quarter was \$12.9 million compared with \$15 million last year. I would note that the adjusted EBITDAS in the recent third quarter was \$2.5 million so we saw a strong improvement in this metric.

Adjusted EBITDAS for the year was \$36.7 million versus \$61.3 million last year. This reduction occurred primarily because of lower gross margins in Firearms and the increased operating expenses in both divisions. Most the difference came early in the fiscal year as production slowed in conjunction with the end of the surge.

Capital expenditures for the fiscal year were \$20.4 million compared with \$16.8 million last year. Last December in conjunction with the TC consolidation, we were granted state tax incentives of \$4.4 million if we added \$11 million of equipment by the end of the fiscal year.

Therefore we pulled forward some CapEx from fiscal 2012 into fiscal 2011 resulting in \$13.5 million of capital spending in the fourth quarter. At the end of the fourth quarter, we had \$81.3 million in working capital and no borrowings under our \$120 million credit facility. Our cash balance was \$58.3 million, an increase of \$25.7 million from the end of Q3.

Cash in the fourth quarter was positively impacted by several factors including the absence of a quarterly excise tax payment. In addition our accounts payable increased by \$19 million partly because most of our CapEx occurred at the end of the quarter and is still in accounts payable.

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In the fourth quarter we generated \$25.5 million of free cash flow which we define as operating cash flow less capital expenditures compared with \$3.7 million in 2010. The improvement was primarily related to a decrease in working capital requirements.

During the year, we rolled \$50 million of our convertible notes into high-yield fixed term debt due in five years. That left only \$30 million in convertible notes which we expect to be put to us this December and we have adequate resources to pay off those notes.

I would note that the two principal covenants in our \$120 million unused credit facility are a leverage ratio and a fixed charge coverage ratio. In both instances the covenants provide us with ample headroom with regard to use of the line.

So now let me address our forward-looking financial guidance for the first quarter and for fiscal 2012. For the first quarter we expect total revenue of between 92 million and \$95 million.

Sales in our Firearm Division are anticipated to be between 86 million and \$89 million which would be a year over year increase of 10 to 14%. Our Security Solutions Division would contribute the balance.

Although we continue to operate the firearms business at full capacity, we anticipate a sequential reduction in revenue in the first quarter for several reasons. First we will have less finished goods inventory from which to draw.

Second the Thompson/Center consolidation is expected to have a short-term impact in the phasing of shipments. Total Company gross margins for the first quarter are anticipated to be between 28% and 29% inclusive of the expenses relating to the TC consolidation.

We expect operating expenses in the quarter to be around 28%. We expect a reduction in cash during the first quarter as we address working capital needs including building the inventory and paying down our accounts payable relating to capital expenditures in the fourth quarter.

Cash will also be impacted by our CapEx for 2012 which is expected to be front loaded. For the full year, we expect total sales of between 420 million and \$440 million. Revenue will be down or flat for Security Solutions but is expected to grow 11 to 13% in our Firearms business.

Total Company gross profit margin for the year is anticipated to be about 30% including expenses related to the TC consolidation and including ongoing gross margin pressure in Security Solutions. Operating expenses are estimated at 25% which would include continued DOJ and SEC investigation costs. Taxes are estimated at a rate of 42%. And with that, I will now turn the call back over to Mike.

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Thanks, Jeff. Our strategy for growth at Smith & Wesson is centered on building our firearms business in the consumer and professional channels while expanding beyond firearms into the large security market.

We aim to achieve this by developing new products and expanding our product portfolio, entering new markets and expanding our presence in existing markets, enhancing our productivity, flexibility and production capacity, capitalizing on the Smith & Wesson brand name and increasing customer satisfaction and loyalty. With that, I'll open up a call up to questions from our analysts. Operator?

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Cai von Rumohr, Cowen and Company.

Cai von Rumohr — *Cowen and Company — Analyst*

So impressive build in the backlog. You know, how come — you know that's I think a record backlog. And I know you mentioned that it's likely the guys can kind of pull out, but is it possible the first quarter could be — I mean if people wanted more, could you ship more? Because it looks like the demand would be there to kind of do it in the gun side.

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

I'm going to let James answer that about the demand, but that's actually not the largest backlog, Cai. If my memory serves me correct, early in the surge, again for the second quarter, I mean we were up to \$268 million or \$270 million, something like that. We do think this is a little different. So I'll let James talk a little bit about it.

James Debney — *Smith & Wesson Holding Corp — President, Firearms Division*

Sure, I mean that's really — shipping volume is dependent upon our ability to produce. So we are capacity constrained when you think about it like that.

And obviously as you said earlier, we don't have the necessary finished goods inventory now to draw upon whereas we did before in Q4 of the last fiscal year. So our decrease sequentially will be about — we believe about \$15 million and as I said, we don't — we drew last quarter on finished goods inventory of \$12 million.

As I just want to stress as well, we do as I said earlier and commented, we do continue to invest in capacity. And as I said, we invested a total of \$10 million and you will see the benefit of that in the second half of the year. And we must always remember that there is some seasonality to the business and we do tend to have our largest — we know we have our largest quarter is Q4 of any fiscal year.

Cai von Rumohr — *Cowen and Company — Analyst*

Terrific and maybe to follow up, where do you expect CapEx to be in fiscal 2012 and walk us through kind of how the capacity comes out?

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Jeff, do you want to —?

Jeff Buchanan — *Smith & Wesson Holding Corp — EVP, CFO, Treasurer*

Sure, so our CapEx expectations are around \$15 million. As James mentioned, we're spending a significant portion of that in the first six months but the capacity is really coming on in the second six months. So if you're looking for revenue ramp, you can expect that it's more towards — it's more in this third and fourth quarter.

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Jun. 30. 2011 / 9:00PM, SWHC — Q4 2011 Smith & Wesson Holding Corp Earnings Conference Call

Cai von Rumohr — *Cowen and Company — Analyst*

Got it. And then Security Solutions, the drop to \$6 million just as the gun business looks great; that looks just very, very, very weak. And when you say flat down to the year, I mean you know the run rate is going to be down like 50%. So give us some color in terms of why it's down so much in the first quarter. And when you say flat to down for the year, maybe give us some parameters?

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Barry, you want to answer that?

Barry Willingham — *Smith & Wesson Holding Corp — President, USR Perimeter Security Division*

Yes, sure. The long-term look on this — in the past couple of quarters we had a pretty strong competitive environment that restrained purchase orders for the Company and also the budget cuts actually negated some of the orders we clearly anticipated and actually that were already on the table.

That created a situation because of the revenue — the way we take revenue. It created a lower period currently and in the near short-term. But because orders are picking up, as you noticed the backlog did go up slightly and the pattern seems to be continuing there.

So we have the opportunity to continue our forecasting as we have now and reach the goals that we have set up before us, even though we had a little bit of a rough period in the past couple of quarters.

Cai von Rumohr — *Cowen and Company — Analyst*

Was the continuing resolution a big issue that made this quarter particularly difficult? And then sort of what sort of pattern — because normally as I recall, the April quarter tends to be seasonally weaker. How should we kind of expect this to go in this (multiple speakers)

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Well one of the things, Cai, that affects this business, if you remember, last fall we did not see nor did anybody see the orders from the military and from the government at the end of the fiscal year that everyone had anticipated and we don't think we are going to see the same scenario this year that we saw last year based on what the guys are hearing from the guys in the military. Barry?

Barry Willingham — *Smith & Wesson Holding Corp — President, USR Perimeter Security Division*

The different sources are saying that there's money to be allocated against I guess during the [years spent] which was down significantly last year. There's a lot of factors that go into that but I believe you mentioned something about the continuing resolution. What specifically were you referring to there?

Cai von Rumohr — *Cowen and Company — Analyst*

The fact that the fiscal 2011 budget (multiple speakers)

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Barry Willingham — *Smith & Wesson Holding Corp — President, USR Perimeter Security Division*

There's other factors involved. But yes, it did certainly have some constraint regarding projects that were going to be funded and we are seeing that not only at the federal level but also at the state level where some of the budget for the state level has affected projects that were in progress or in the immediate term (multiple speakers) delayed or canceled.

Cai von Rumohr — *Cowen and Company — Analyst*

Last question, maybe update us on the status of the FCPA investigation and kind of what you expect the legal expenses to be. You mentioned that they're going to be in there but like how much? What's the range of what they might be for fiscal 2012?

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Let me explain what I can say. Obviously we don't speak much about this. It's been going on for about a year and a half now, Cai.

Let me reiterate our Company has not been indicted. We have fully cooperated with the DOJ and the SEC. The timing is really in their hands as to when we can bring this to a resolve but we have done everything we needed to do.

So the investigation that we did we had an outside company come in and do within our own Company. That is done. We have got that piece done. But it's kind of in their hands as far as timing.

Jeff Buchanan — *Smith & Wesson Holding Corp — EVP, CFO, Treasurer*

Cai, as far as costs, you will note that our costs this quarter were down. Like from the last two quarters, we had been at about a \$1 million run rate. Now we're down to more like between 6 and 8, something along those lines, that \$600,000 to \$800,000. (multiple speakers)

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

It was \$1 million a month.

Jeff Buchanan — *Smith & Wesson Holding Corp — EVP, CFO, Treasurer*

It was \$1 million through quarter two and quarter three. Now it's down to about \$600,000 to \$800,000 per month. And as Mike said, because we really can't speculate as to when it's done, the reduction has occurred because of — the internal investigation is done. What I've done in providing guidance is assumed it's going to kind of continue at the fourth-quarter run rates going forward.

Cai von Rumohr — *Cowen and Company — Analyst*

Ok, but usually it's over when they stop asking for more documents. Are they asking for fewer documents now?

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

We don't — we would love for it to be over. We don't know when it's going to be over, so that's why we — as we did our guidance, we assumed that it will go at the same rate through the year. Hopefully it won't.

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Cai von Rumohr — *Cowen and Company — Analyst*

Okay, great, thank you.

Operator

Reed Anderson, D.A. Davidson.

Reed Anderson — *D.A. Davidson & Co. — Analyst*

Couple of things. (inaudible) on the top line in sales, you might just give a strategic repricing of those initiatives around kind of repricing some product etc. Is that essentially done? It's obviously worked. Are you contemplating other things? Just some comparative update on that.

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

You know what? I'm going to let James talk to that. It's (inaudible) his division.

James Debney — *Smith & Wesson Holding Corp — President, Firearms Division*

Yes, the component of an overall go to market strategy — a strong component of that was that the price repositioning. That is complete so that is bedding in and we're very encouraged by what we see in terms of the results. For example over half of our backlog at the end of the fiscal year was in products that have been price repositioned.

Reed Anderson — *D.A. Davidson & Co. — Analyst*

And so then from that, could you safely conclude that you are not contemplating additional exchanges or tweaks and you feel like you're done?

James Debney — *Smith & Wesson Holding Corp — President, Firearms Division*

No, we're not. We made a step change, that's it.

Unidentified Company Representative

I think one of the important things as what James said and you referred to is it appears to us to have worked.

Reed Anderson — *D.A. Davidson & Co. — Analyst*

Yes, I think that's very obvious. I think also the other question I had on sales was the logistical side makes sense. You had a great quarter there and that's kind of what we were expecting. The tactical, that was a big positive surprise and maybe my compass is off on that but clearly has the new product driving that.

To what extent are those types of gains sustainable? I know you don't want to get too granular. But it seems like that's coming back, that business is coming back for you. Just some color on that please.

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Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

You know what? Reed, if you remember at the (inaudible) show, we should you the M&P15 sport which we started shipping in the quarter and we thought the response was going to be pretty good to that. James, do you have any thoughts on the marketplace?

James Debney — *Smith & Wesson Holding Corp — President, Firearms Division*

Yes, we launched the M&P15 sport, so a tactical rifle. It was one of the many products obviously we launched at the SHOT show. We're very pleased with how the sport is being received.

Dealers are coming to us directly. I met with several dealers last week; that they just can't get enough of them, that are actually flying off the shelves. So, we're very encouraged and we look forward to future success there.

Reed Anderson — *D.A. Davidson & Co. — Analyst*

Good, that's great. Then on the margin side, the overall gross margins were a little bit better than I was thinking.

But when I look at it by segment, I was surprised to see — and I'm sure there's a lot of puts and takes there — but year over year it looked like actually the security business was up and that the firearms business was down. And I guess again not wanting to get too granular but at what point do we start to see the firearms margin start to get better? Where is that in this year? Because I've got to believe it's coming pretty soon.

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

James?

James Debney — *Smith & Wesson Holding Corp — President, Firearms Division*

Yes, sure. I mean really we have to remember at the moment we're in the midst of consolidating TCA into our Springfield facility. Once that is complete which as I said earlier it should be complete by November, then — and really before that point as well, you will see an improvement in gross margin. That is our belief. (multiple speakers) part of it.

We've also you know — went vertical last year and you would have some economic increase in terms of labor and materials as well with no corresponding price increase. Obviously we took a very strategic approach to what we do with pricing in the marketplace and we continue to analyze what our pricing should be and constantly monitor it. But as I said earlier, we don't believe that we're going to make any further price repositionings to that degree.

Unidentified Company Representative

And, Reed, remember when you look at the full year that the first half of the year was indexing against the surge the year before but it went through about the first half of the year before last year. So you had some abnormal situations there. But the — if you remember back when we announced the TC relocation, we said we expect to see positive impacts on both the TC gross margin and on the Smith & Wesson gross margin.

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Reed Anderson — *D.A. Davidson & Co. — Analyst*

That's very helpful, guys, thanks a lot.

Operator

Lisa Brozewicz, KeyBanc Capital Markets.

Lisa Brozewicz — *KeyBanc Capital Markets — Analyst*

I apologize if I missed this, but what was the impact for the quarter of the Thompson consolidation?

Jeff Buchanan — *Smith & Wesson Holding Corp — EVP, CFO, Treasurer*

The impact was about \$1.6 million.

Lisa Brozewicz — *KeyBanc Capital Markets — Analyst*

Okay, great. And then when you think about the USR business, has your thinking changed about what the obtainable gross margin would be over the long term?

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Well, the Smith & Wesson Security Solutions business, we officially changed the name of that in April. But, Barry, you want to talk a little bit about it?

Barry Willingham — *Smith & Wesson Holding Corp — President, USR Perimeter Security Division*

As far as the change in gross margin, there's several things that affected that. We've had an awful lot of improvements in our estimated capacity and our ability to manage and control the projects on the execution side and that's one of the most challenging pieces of any construction activity.

So what we've done is those improvements are yielding a very, very tight consistency with the estimates and we're actually showing improvements as we execute the project. So that's a very positive thing going forward because that's something that's sustainable that we can continue to improve upon it.

Lisa Brozewicz — *KeyBanc Capital Markets — Analyst*

Okay, great, thank you.

Operator

Jim Barrett, CL King and Associates.

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Jim Barrett — *CL King & Associates — Analyst*

Mika, I thought you mentioned the hiring of an executive with experience in lean manufacturing. Can you tell us where he or she came from, what his accomplishments were to cause you to hire that person?

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

I'm going to let James — he works in James' organization. I don't think we should give the company he came from. Maybe you could talk a little bit about his background.

James Debney — *Smith & Wesson Holding Corp — President, Firearms Division*

Yes, just all I really want to say is — I'll give you his name. The individual is called Francis.

He is a seasoned executive when it comes to lean. He has many accomplishments in his background.

He comes from a plant floor environment which is ideal for us. He has a background simply in precision cutting of metal which makes him an ideal match for us.

And just an overall he has experience in Fortune 100 companies let's say. He also has a period of his career in consultancy background.

So he really does know how to come in understand the big picture first and get down into the nitty-gritty detail and make some step changes.

Jim Barrett — *CL King & Associates — Analyst*

Okay, good. And, James, though you may have touched upon it, do you believe Smith & Wesson is currently growing faster than the firearms industry at this point? How should we look at the Company's overall sales growth both in the quarter as well as what you're expecting for the current fiscal year?

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

What I find interesting, Jim, is if you look at the mix data — and we all that know that is not perfect, right?

Jim Barrett — *CL King & Associates — Analyst*

And its units.

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

And its units. But that was up in the quarter 15%, so 15% more units were sold in the quarter. For Smith & Wesson, for our Company, we sold 34.5% more units than we did in the same period last year.

And you do channel checks and you know what the inventory situation is like out at retail. So it's kind of hard to say definitively but that's a metric that we look at. James, do you have anything else (multiple speakers)

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James Debney — *Smith & Wesson Holding Corp — President, Firearms Division*

(multiple speakers) comment and Mike just reinforced as well, we share 34.5% higher in terms of units than last year and adjusted mix is only up 15%. I think that's a really encouraging indicator.

And we also monitor channel inventory as well with key distributors and we're not seeing that inventory increase either. That's a really good thing.

So we know the inventory is flowing through to the retailers and discussions with dealers — and I spent time with about 50 dealers last week and they are saying that they are still having very good levels of business as well. So I think it's all encouraging.

We also have a structured data capture that we do in terms of unit sales from independent dealers as well. That's orchestrated by a third party and that shows us encouraging results as well.

So I'd have to say we believe that we are growing faster than the industry is growing in certain product categories. Obviously we've launched new products such as the M&P15 sport or even where the trend for concealed carry is still strong for the BODYGUARD 380 or just our classic 1911 E series family are just all doing really, really well.

Jim Barrett — *CL King & Associates — Analyst*

It certainly looks that way, and thank you. Mike, finally, can you give us any sense based upon the restructuring and progress at Security Systems what sales level would represent an approximate breakeven from an operating income perspective?

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Jeff, you want to —?

Jeff Buchanan — *Smith & Wesson Holding Corp — EVP, CFO, Treasurer*

It's probably around \$13 million to \$15 million.

Jim Barrett — *CL King & Associates — Analyst*

Per quarter?

Jeff Buchanan — *Smith & Wesson Holding Corp — EVP, CFO, Treasurer*

Per quarter, yes.

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Given the current overhead level that's down there obviously.

Jim Barrett — *CL King & Associates — Analyst*

Okay, well thanks all of you.

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Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Jim, one last thing on that is we've made some changes down there reacting to the market environment. We're watching the market environment carefully to make sure we react how we have to react.

Operator

(Operator Instructions) Bret Jordan, Avondale Partners.

David Kelly — *Avondale Partners — Analyst*

This is David Kelly in for Bret. Just a couple quick questions for you.

Going back to the TC consolidation and its effects on the gross margin going forward, I know you mentioned that should be completed by September. Should we expect similar impacts on gross margin that we've seen the past couple of quarters until September?

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

Well it will actually be done by November.

Jeff Buchanan — *Smith & Wesson Holding Corp — EVP, CFO, Treasurer*

The answer is yes. I think the gross margin impact may even be a little bit larger in the first quarter because this is kind of I would call the peak of the move, the biggest — most action going on right now in terms of the move. So I think the next two quarters it's going to be at roughly the same levels, if not a little bit higher in Q1.

David Kelly — *Avondale Partners — Analyst*

Okay, thank you. Just one more question with the TC consolidation. If you could just provide some color on that consolidation's effect on production rates that you've seen the last quarter and possibly going forward as you've seen this increase in demand in firearm sales.

Mike Golden — *Smith & Wesson Holding Corp — CEO and President*

James, can you speak to that? (inaudible) the impact of the process of the relocation while we're doing it on production?

David Kelly — *Avondale Partners — Analyst*

Yes, that's correct.

James Debney — *Smith & Wesson Holding Corp — President, Firearms Division*

Yes, sure, I mean obviously that has been an impact in terms of we've been running certain product categories off inventory for certain components which during a move of this magnitude will always slow you down in terms of shipments and that has changed the phasing of some of our shipments just pushing them further out.

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But as I said before, everything is on plan. We're still on budget etc. but yes there is an impact and it was an expected impact and you will always get some inefficiencies as you go through and basically train a new workforce. So that's to be expected and as anticipated as well.

But during the quarter, great strides were made in both terms of recruiting new people and training those people. And I have to say that we've been very pleased with the performance during the quarter.

David Kelly — *Avondale Partners* — *Analyst*

Great, thank you. And I believe all of my other questions have been answered, so thank you guys.

Mike Golden — *Smith & Wesson Holding Corp* — *CEO and President*

Great, thank you.

Operator

There are no further questions at this time. I will now turn the call back over to management.

Mike Golden — *Smith & Wesson Holding Corp* — *CEO and President*

Thank you, operator. In closing, thanks to all of our employees. A special thanks to those employees and their families who are serving in the National Guard and Army Reserve. We appreciate your service. Thank you everyone for joining us today and we'll see you next quarter.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.

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