

American Outdoor Brands, Inc. Reports First Quarter Fiscal 2021 Financial Results

September 3, 2020

- Net Sales Growth +51.9%
- E-commerce Channel Net Sales +130% -- Traditional Channel Net Sales +15%
 - Gross Margin +590 basis points
 - Net Income +135.9%

COLUMBIA, Mo., Sept. 3, 2020 /PRNewswire/ -- American Outdoor Brands, Inc. (NASDAQ Global Select: AOUT), an industry leading provider of products and accessories for rugged outdoor enthusiasts, today announced financial results for the first quarter fiscal 2021, ended July 31, 2020.



First Quarter Fiscal 2021 Financial Highlights

- Quarterly net sales were \$50.5 million, an increase of \$17.3 million, or 51.9%, over net sales of \$33.2 million for the comparable quarter last year, driven primarily by increases in both e-commerce and traditional sales channels.
- Quarterly gross margin was 47.0%, an increase of 590 basis points, over gross margin of 41.1% for the comparable quarter last year.
- Quarterly net income was \$1.8 million, or \$0.13 per diluted share, compared with a net loss of \$(5.0) million, or \$(0.36) per diluted share, for the comparable quarter last year.
- Quarterly non-GAAP net income was \$5.0 million, or \$0.36 per diluted share, compared with a non-GAAP net loss of \$(1.2 million), or \$(0.09) per diluted share, for the comparable quarter last year. GAAP to non-GAAP adjustments for net income exclude costs related to the acquired intangible amortization, stock compensation, and other costs.
- Quarterly Adjusted EBITDAS was \$8.7 million, or 17.3% of net sales, compared with \$10,000, or 0.0% of net sales, for the comparable quarter last year.

Brian Murphy, President and CEO, said, "I want to thank all of our employees for their incredible accomplishments. In the past several months, this dedicated team has successfully organized and executed our spin-off into an independent company, maintained safety protocols to ensure the health and safety of our workforce and our business, and delivered first quarter results that featured significant growth in both net sales and profitability. We believe our net sales growth of nearly 52% reflected the strong alignment between our diverse brand portfolio and current consumer trends, including participation in outdoor activities, driven in part by pandemic related travel restrictions and social distancing, increased interest in self-protection, and our ability to replenish retailer inventories. We also believe our results demonstrated the benefit of investments we have made, over time, in our logistics capabilities and our e-commerce platform. Our objective is to situate our brands wherever the consumer expects to find them. Given that our e-commerce channel and our traditional channel each contributed an equal share of our net sales in the quarter, we are clearly achieving that objective. In addition, we believe our increased profitability in the quarter demonstrated that we have built a leverageable platform that positions us well for future growth. On August 24, 2020, we began operating as a standalone company. We believe that our passion for products that allow people

to pursue their outdoor adventures is especially timely, as consumers increasingly look to outdoor activities such as fishing, hunting, shooting sports, camping, and hiking. We are excited about our future, and we look forward to delivering innovative products that make it possible for people to re-think their connection with the outdoors."

Andrew Fulmer, Chief Financial Officer, said, "Increased net sales in the quarter benefited, in part, from an initiative we began in fiscal 2020 to migrate certain retail customers from lumpy, 'bulk buy' ordering to a more balanced approach. That initiative allowed us to achieve more direct alignment between those retailers' sales and our replenishment of their inventory, ultimately driving net sales. During the quarter, we prepared for our spin-off, which became effective last week. Those preparations included the establishment of a \$50.0 million senior secured credit facility, expandable by an additional \$15.0 million under certain conditions. This new credit facility, combined with \$25.0 million of starting cash from our former parent company, means that we now have \$75 million to \$90 million in available capital, providing significant liquidity as we begin our new life as an independent company."

Outlook

Conference Call and Webcast

The company will host a conference call and webcast tomorrow, September 4, 2020, to discuss its first quarter fiscal 2020 financial and operational results. Speakers on the conference call will include Brian Murphy, President and Chief Executive Officer, and Andrew Fulmer, Chief Financial Officer. The conference call may include forward-looking statements. The conference call and webcast will begin at 8:30 a.m. Eastern Time (5:30 a.m. Pacific Time). Those interested in listening to the conference call via telephone may call directly at (833) 570-1129 and reference conference identification number 6055576. No RSVP is necessary. The conference call audio webcast can also be accessed live on the company's website at www.aob.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" and "Adjusted EBITDAS" 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) stock compensation, (iii) transition costs, (iv) COVID-19 expenses, (v) the tax effect of non-GAAP adjustments, (vi) income tax expense/(benefit), (viii) depreciation and amortization, and (ix) related party interest income; 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 American Outdoor Brands. Inc.

American Outdoor Brands, Inc. (NASDAQ Global Select: AOUT) is an industry leading provider of outdoor products and accessories, including hunting, fishing, camping, shooting, and personal security and defense products, for rugged outdoor enthusiasts. The company produces innovative, top quality products under the brands Caldwell®; Crimson Trace®; Wheeler®; Tipton®; Frankford Arsenal®; Lockdown®; BOG®; Hooyman®; Smith & Wesson® Accessories; M&P® Accessories; Thompson/Center ArmsTM Accessories; Performance Center® Accessories; Schrade®; Old Timer®; Uncle Henry®; Imperial®; BUBBA®; UST®; LaserLyte®; and MEAT!. For more information about all the brands and products from American Outdoor Brands, Inc., visit www.aob.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. All statements other than statements of historical facts contained or

incorporated herein by reference in this press release, including statements regarding our future operating results, future financial position, business strategy, objectives, goals, plans, prospects, markets, and plans and objectives for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "estimates," "expects," "intends," "targets," "contemplates," "projects," "predicts," "may," "might," "plan," "would," "should," "could," "may," "can," "potential," "continue," "objective," or the negative of those terms, or similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words. 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, the effects of the COVID-19, pandemic, including potential disruptions in our ability to source the materials necessary for the production of our products, disruptions and delays in the manufacture of our products, and difficulties encumbered by retailers and other components of the distribution channel for our products; economic, social, political, legislative, and regulatory factors; recently issued accounting standards on our consolidated financial statements; failure to realize the anticipated benefits from being a public company separate from Smith & Wesson, Inc.; our assessment of factors relating to the valuation of assets acquired and liabilities assumed in acquisitions, the timing for such evaluations, and the potential adjustment in such evaluations; assessments that we make about determining segments and reporting units; estimated amortization expense of intangible assets for future periods; the potential for impairment charges; lawsuits and their effect on us; inventory levels, both internally and in the distribution channel, in excess of demand; natural disasters, pandemics, seasonality, news events, political events, and consumer tastes; the impact of the Tax Cuts and Jobs Act, or Tax Reform, on our operating results, including our belief that Tax Reform will be a benefit to us and reduce our effective tax rate; the integration of our acquisitions, including the quality and strength of their products and their effect on our overall financial performance; the effect of political pressures on firearm laws and regulations; future investments for capital expenditures; future products and product development; the features, quality, and performance of our products; the success of our strategies and marketing programs; our market share and factors that affect our market share; liquidity and anticipated cash needs and availability; actions of social activists that could have an adverse effect on our business; the supply, availability, and costs of materials and components and related tariffs; our ability to maintain and enhance brand recognition and reputation; risks associated with the distribution of our products and overall availability of labor; and, other factors detailed from time to time in our reports filed with the Securities and Exchange Commission, or the SEC, including our Information Statement on Form 10 for the fiscal year ended April 30, 2020, filed with the SEC on July 1, 2020, as amended by Amendment No. 1 filed on July 13, 2020.

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