

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Form 10-Q**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
 **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **January 31, 2024**

Commission File No. **001-39366**



**American Outdoor Brands, Inc.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**1800 North Route Z, Suite A**  
**Columbia, Missouri**  
(Address of principal executive offices)

**84-4630928**  
(I.R.S. Employer  
Identification No.)

**65202**  
(Zip Code)

**(800) 338-9585**

(Registrant's telephone number, including area code)

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

Title of each Class	Trading Symbol	Name of exchange on which registered
Common Stock, par value \$0.001 per share	AOUT	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The registrant had 12,757,311 shares of common stock, par value \$0.001, outstanding as of February 29, 2024.

AMERICAN OUTDOOR BRANDS, INC.

Quarterly Report on Form 10-Q  
For the Three and Nine Months Ended January 31, 2024 and 2023

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## Statement Regarding Forward-Looking Information

The statements contained in this Quarterly Report on Form 10-Q that are not historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained or incorporated herein by reference in this Quarterly Report on Form 10-Q, 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,” “suggests,” “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. Specific forward-looking statements in this Quarterly Report on Form 10-Q include statements regarding the following:

- our expectation that the unrecognized compensation expense related to unvested RSUs and PSUs will be recognized over a weighted average remaining contractual term of one year;
- our intention to vigorously defend ourselves in the lawsuits to which we are subject;
- the possibility that an unfavorable outcome of litigation or prolonged litigation could harm our business;
- the results reported in our condensed consolidated financial statements may not be indicative our future performance;
- our belief that our future ability to fund our operating needs will depend on our future ability to generate positive cash flow from operations and obtain financing on acceptable terms; our belief we will meet known or reasonably likely future cash requirements through the combination of cash flows from operating activities, available cash balances, and available borrowings through our existing \$75 million credit facility;
- our expectation that our overall cost of debt funding may increase and decrease the overall debt capacity and commercial credit available to us;
- our future capital requirements' dependency on many factors, including net sales, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the timing of introductions of new products and enhancements to existing products, the capital needed to operate as an independent publicly traded company, and any acquisitions or strategic investments that we may determine to make;
- the possibility that our ability to take advantage of unexpected business opportunities or to respond to competitive pressures could be limited or severely constrained if sufficient funds are not available or are not available on acceptable terms;
- our expectation to continue to utilize our cash flows to invest in our business, including research and development for new product initiatives; hire additional employees; fund growth strategies, including any potential acquisitions; repay any indebtedness we may incur over time; and to repurchase our common stock if we have authorization to do so;
- the possibility that increased demand for sourced products in various industries could cause further delays at various U.S. ports, which could delay the timing of receipts of our products; and,
- our expectation that we will receive tax and other incentives from federal, state, and local governmental authorities.

A number of factors could cause our actual results to differ materially from those indicated by the forward-looking statements. Such factors include, among others, the following:

- potential disruptions in our suppliers' ability to source the raw materials necessary for the production of our products, disruptions and delays in the manufacture of our products, and difficulties encountered by retailers and other components of the distribution channel for our products, including delivery of product stemming from port congestion and related transportation challenges;
  - lower levels of consumer spending in general and specific to our products or product categories;
  - our ability to introduce new products that are successful in the marketplace;
  - interruptions of our arrangements with third-party contract manufacturers and freight carriers that disrupt our ability to fill our customers' orders;
  - increases in costs or decreases in availability of finished products, components, and raw materials;
  - our ability to maintain or strengthen our brand recognition and reputation;
  - the ability to forecast demand for our products accurately;
  - our ability to continue to expand our e-commerce business;
  - our ability to compete in a highly competitive market;
  - our dependence on large customers;
  - our ability to attract and retain talent;
  - an increase of emphasis on private label products by our customers;
  - pricing pressures by our customers;
  - our ability to collect our accounts receivable;
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- the potential for product recalls, product liability, and other claims or lawsuits against us;
- our ability to protect our intellectual property;
- inventory levels, both internally and in the distribution channel, in excess of demand;
- our ability to identify acquisition candidates, to complete acquisitions of potential acquisition candidates, to integrate acquired businesses with our business, to achieve success with acquired companies, and to realize the benefits of acquisitions in a manner consistent with our expectations;
- the performance and security of our information systems;
- our ability to comply with any applicable foreign laws or regulations and the effect of increased protective tariffs;
- economic, social, political, legislative, and regulatory factors;
- the potential for increased regulation of firearms and firearms-related products;
- the effect of political pressures on firearm laws and regulations;
- the potential impact on our business and operations from the results of federal, state, and local elections and the policies that may be implemented as a result thereof;
- our ability to realize the anticipated benefits of being a separate, public company;
- future investments for capital expenditures, liquidity, and anticipated cash needs and availability;
- the potential for impairment charges;
- estimated amortization expense of intangible assets for future periods;
- actions of social or economic activists that could, directly or indirectly, have an adverse effect on our business;
- disruptions caused by social unrest, including related protests or disturbances;
- 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; and,
- other factors detailed from time to time in our reports filed with the Securities and Exchange Commission, or the SEC, including information contained herein.

All forward-looking statements included herein, or in our Annual Report on Form 10-K, are based on information available to us as of their respective dates and speak only as of such dates. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. The forward-looking statements contained in or incorporated by reference into this Quarterly Report on Form 10-Q, or in our Annual Report on Form 10-K, reflect our views as of the date of these reports about future events and are subject to risks, uncertainties, assumptions, and changes in circumstances that may cause our actual results, performance, or achievements to differ significantly from those expressed or implied in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, performance, or achievements.

We are subject to the informational requirements of the Exchange Act, and we file or furnish reports, proxy statements, and other information with the SEC. Such reports and other information we file with the SEC are available free of charge at <https://ir.aob.com/financial-information/sec-filings> as soon as practicable after such reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov). The SEC's website contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**AMERICAN OUTDOOR BRANDS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	As of:	
	January 31, 2024 (Unaudited)	April 30, 2023
	(In thousands, except par value and share data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 15,890	\$ 21,950
Accounts receivable, net of allowance for credit losses of \$133 on January 31, 2024 and \$125 on April 30, 2023	27,220	26,846
Inventories	100,016	99,734
Prepaid expenses and other current assets	6,564	7,839
Income tax receivable	246	1,251
Total current assets	149,936	157,620
Property, plant, and equipment, net	11,437	9,488
Intangible assets, net	43,273	52,021
Right-of-use assets	33,978	24,198
Other assets	455	260
Total assets	\$ 239,079	\$ 243,587
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 9,245	\$ 11,544
Accrued expenses	9,445	8,741
Accrued payroll and incentives	3,018	1,813
Lease liabilities, current	1,303	904
Total current liabilities	23,011	23,002
Notes and loans payable	—	4,623
Lease liabilities, net of current portion	33,642	24,064
Other non-current liabilities	—	34
Total liabilities	56,653	51,723
Commitments and contingencies (Note 11)		
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, 14,627,170 shares issued and 12,778,097 shares outstanding on January 31, 2024 and 14,447,149 shares issued and 13,233,151 shares outstanding on April 30, 2023	15	14
Additional paid in capital	275,841	272,784
Retained deficit	(69,321)	(62,375)
Treasury stock, at cost (1,849,073 shares on January 31, 2024 and 1,213,998 shares on April 30, 2023)	(24,109)	(18,559)
Total equity	182,426	191,864
Total liabilities and equity	\$ 239,079	\$ 243,587

See accompanying notes to unaudited condensed consolidated financial statements.

**AMERICAN OUTDOOR BRANDS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	For the Three Months ended January 31,		For the Nine Months ended January 31,	
	2024	2023	2024	2023
	(In thousands, except per share data)			
Net sales	\$ 53,425	\$ 50,894	\$ 154,801	\$ 149,006
Cost of sales	30,591	26,905	85,758	80,015
Gross profit	22,834	23,989	69,043	68,991
Operating expenses:				
Research and development	1,792	1,575	5,065	4,887
Selling, marketing, and distribution	14,464	14,522	41,933	40,226
General and administrative	9,461	10,893	29,035	32,575
Total operating expenses	25,717	26,990	76,033	77,688
Operating loss	(2,883)	(3,001)	(6,990)	(8,697)
Other (expense)/income, net:				
Other income, net	51	226	143	1,052
Interest expense, net	(65)	(213)	(71)	(641)
Total other (expense)/income, net	(14)	13	72	411
Loss from operations before income taxes	(2,897)	(2,988)	(6,918)	(8,286)
Income tax expense/(benefit)	13	(125)	28	(98)
Net loss	\$ (2,910)	\$ (2,863)	\$ (6,946)	\$ (8,188)
Net loss per share:				
Basic	\$ (0.23)	\$ (0.21)	\$ (0.53)	\$ (0.61)
Diluted	\$ (0.23)	\$ (0.21)	\$ (0.53)	\$ (0.61)
Weighted average number of common shares outstanding:				
Basic	12,883	13,331	13,030	13,413
Diluted	12,883	13,331	13,030	13,413

See accompanying notes to unaudited condensed consolidated financial statements.

**AMERICAN OUTDOOR BRANDS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**(In thousands)**

	Common Stock		Additional Paid-In Capital	Retained (Deficit)/Earnings	Treasury Stock		Total Equity
	Shares	Amount			Shares	Amount	
<b>For the three months ended January 31, 2024 and 2023</b>							
Balance at October 31, 2022	14,353	\$ 14	\$ 270,220	\$ (55,676)	921	\$ (15,781)	\$ 198,777
Net loss	—	—	—	(2,863)	—	—	(2,863)
Stock-based compensation	—	—	1,065	—	—	—	1,065
Issuance of common stock under restricted stock unit awards, net of tax	16	—	(9)	—	—	—	(9)
Repurchase of treasury stock	—	—	—	—	192	(1,812)	(1,812)
Balance at January 31, 2023	<u>14,369</u>	<u>\$ 14</u>	<u>\$ 271,276</u>	<u>\$ (58,539)</u>	<u>1,113</u>	<u>\$ (17,593)</u>	<u>\$ 195,158</u>
Balance at October 31, 2023	14,606	\$ 15	\$ 274,708	\$ (66,411)	1,640	\$ (22,321)	\$ 185,991
Net loss	—	—	—	(2,910)	—	—	(2,910)
Stock-based compensation	—	—	1,133	—	—	—	1,133
Issuance of common stock under restricted stock unit awards, net of tax	21	—	—	—	—	—	—
Repurchase of treasury stock	—	—	—	—	209	(1,788)	(1,788)
Balance at January 31, 2024	<u>14,627</u>	<u>\$ 15</u>	<u>\$ 275,841</u>	<u>\$ (69,321)</u>	<u>1,849</u>	<u>\$ (24,109)</u>	<u>\$ 182,426</u>
<b>For the nine months ended January 31, 2024 and 2023</b>							
Balance at April 30, 2022	14,240	\$ 14	\$ 268,393	\$ (50,351)	837	\$ (15,025)	\$ 203,031
Net loss	—	—	—	(8,188)	—	—	(8,188)
Stock-based compensation	—	—	2,900	—	—	—	2,900
Shares issued under employee stock purchase plan	39	—	287	—	—	—	287
Issuance of common stock under restricted stock unit awards, net of tax	90	—	(304)	—	—	—	(304)
Repurchase of treasury stock	—	—	—	—	276	(2,568)	(2,568)
Balance at January 31, 2023	<u>14,369</u>	<u>\$ 14</u>	<u>\$ 271,276</u>	<u>\$ (58,539)</u>	<u>1,113</u>	<u>\$ (17,593)</u>	<u>\$ 195,158</u>
Balance at April 30, 2023	14,447	\$ 14	\$ 272,784	\$ (62,375)	1,214	\$ (18,559)	\$ 191,864
Net loss	—	—	—	(6,946)	—	—	(6,946)
Stock-based compensation	—	—	3,071	—	—	—	3,071
Shares issued under employee stock purchase plan	47	—	339	—	—	—	339
Issuance of common stock under restricted stock unit awards, net of tax	133	1	(353)	—	—	—	(352)
Repurchase of treasury stock	—	—	—	—	635	(5,550)	(5,550)
Balance at January 31, 2024	<u>14,627</u>	<u>\$ 15</u>	<u>\$ 275,841</u>	<u>\$ (69,321)</u>	<u>1,849</u>	<u>\$ (24,109)</u>	<u>\$ 182,426</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**AMERICAN OUTDOOR BRANDS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	For the Nine Months Ended January 31,	
	2024	2023
	(In thousands)	
Cash flows from operating activities:		
Net loss	\$ (6,946)	\$ (8,188)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,919	12,556
Loss on sale/disposition of assets	7	94
Provision for credit losses on accounts receivable	9	12
Stock-based compensation expense	3,071	2,900
Changes in operating assets and liabilities:		
Accounts receivable	(383)	3,725
Inventories	(282)	16,171
Prepaid expenses and other current assets	1,275	(1,172)
Income taxes	1,005	(183)
Accounts payable	(2,034)	(2,767)
Accrued payroll and incentives	1,205	(1,006)
Right of use assets	921	413
Accrued expenses	704	2,242
Other assets	110	43
Lease liabilities	(724)	(577)
Other non-current liabilities	(34)	—
Net cash provided by operating activities	<u>9,823</u>	<u>24,263</u>
Cash flows from investing activities:		
Payments to acquire patents and software	(1,180)	(3,036)
Proceeds from sale of property and equipment	131	30
Payments to acquire property and equipment	(4,271)	(1,225)
Net cash used in investing activities	<u>(5,320)</u>	<u>(4,231)</u>
Cash flows from financing activities:		
Payments on notes and loans payable	(5,000)	(15,170)
Payments to acquire treasury stock	(5,550)	(2,568)
Cash paid for debt issuance costs	—	(88)
Proceeds from exercise of options to acquire common stock, including employee stock purchase plan	339	287
Payment of employee withholding tax related to restricted stock units	(352)	(304)
Net cash used in financing activities	<u>(10,563)</u>	<u>(17,843)</u>
Net (decrease)/increase in cash and cash equivalents	(6,060)	2,189
Cash and cash equivalents, beginning of period	21,950	19,521
Cash and cash equivalents, end of period	<u>\$ 15,890</u>	<u>\$ 21,710</u>
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	\$ 254	\$ 597
Income taxes (net of refunds)	\$ (979)	\$ 86

See accompanying notes to unaudited condensed consolidated financial statements.



**AMERICAN OUTDOOR BRANDS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)**  
**(Unaudited)**

Supplemental Disclosure of Non-cash Investing and Financing Activities:

	<b>For the Nine Months Ended January 31,</b>	
	<b>2024</b>	<b>2023</b>
	(In thousands)	
Purchases of property and equipment and intangibles included in accounts payable	\$ 146	\$ 341
Changes in right of use assets for operating lease obligations	10,701	130
Changes in lease liabilities for operating lease obligations	10,701	130

See accompanying notes to unaudited condensed consolidated financial statements.

**AMERICAN OUTDOORS BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three and Nine Months Ended January 31, 2024 and 2023**

**(1) Organization:**

American Outdoor Brands, Inc. (our “company,” “we,” “us,” or “our”) is a leading provider of outdoor lifestyle products and shooting sports accessories encompassing hunting, fishing, outdoor cooking, camping, shooting, and personal security and defense products for rugged outdoor enthusiasts. We conceive, design, source, and sell our outdoor lifestyle products, including premium sportsman knives and tools for fishing and hunting; land management tools for hunting preparedness; harvesting products for post-hunt or post-fishing activities; outdoor cooking products; and camping, survival, and emergency preparedness products. We conceive, design, produce or source, and sell our shooting sports accessories, such as rests, vaults, and other related accessories; electro-optical devices, including hunting optics, firearm aiming devices, flashlights, and laser grips; and reloading, gunsmithing, and firearm cleaning supplies. We develop and market all our products as well as manufacture some of our electro-optics products at our facility in Columbia, Missouri. We also contract for the manufacture and assembly of most of our products with third parties located in Asia.

We focus on our brands and the establishment of product categories in which we believe our brands will resonate strongly with the activities and passions of consumers and enable us to capture an increasing share of our overall addressable markets. Our owned brands include BOG, BUBBA, Caldwell, Crimson Trace, Frankford Arsenal, Grilla Grills, or Grilla, Hooyman, Imperial, LaserLyte, Lockdown, MEAT! Your Maker, Old Timer, Schrade, Tipton, Uncle Henry, ust, and Wheeler, and we license additional brands for use in association with certain products we sell, including M&P, Smith & Wesson, Performance Center by Smith & Wesson, and Thompson/Center. In focusing on the growth of our brands, we organize our creative, product development, sourcing, and e-commerce teams into four brand lanes, each of which focuses on one of four distinct consumer verticals – Adventurer, Harvester, Marksman, and Defender – with each of our brands included in one of the brand lanes.

- Our Adventurer brands include products that help enhance consumers’ fishing, outdoor cooking, and camping experiences.
- Our Harvester brands focus on the activities hunters typically engage in, including the activities to prepare for the hunt, the hunt itself, and the activities that follow a hunt, such as meat processing.
- Our Marksman brands address product needs arising from consumer activities that take place primarily at the shooting range and where firearms are cleaned, maintained, and worked on.
- Our Defender brands include products that are used by consumers in situations that require self-defense and products that help safely secure, store, and maintain connectivity to those possessions that many consumers consider to be high value or high consequence.

**(2) Basis of Presentation:**

*Interim Financial Information*

Our unaudited condensed consolidated financial statements have been prepared in accordance with the requirements of the Securities and Exchange Commission, or SEC, for interim reporting. As permitted under those rules, certain disclosures and other financial information that normally are required by accounting principles generally accepted in the United States have been condensed or omitted. Our accounting policies are described in the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for our fiscal year ended April 30, 2023. We are responsible for the condensed consolidated financial statements included in this report, which are unaudited but, in our opinion, include all adjustments necessary for a fair presentation of our condensed consolidated balance sheet as of January 31, 2024, our condensed consolidated statement of operations for the three and nine months ended January 31, 2024 and 2023, and our condensed consolidated statement of cash flows for the nine months ended January 31, 2024 and 2023. The consolidated balance sheet as of April 30, 2023 was derived from audited financial statements.

The results reported in these condensed consolidated financial statements should not necessarily be taken as indicative of results that may be expected for the entire fiscal year.

**AMERICAN OUTDOORS BRANDS, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**For the Three and Nine Months Ended January 31, 2024 and 2023**

*Revenue Recognition*

We recognize revenue for the sale of our products at the point in time when the control of ownership has transferred to the customer. The transfer of control typically occurs at a point in time based on consideration of when the customer has (i) a payment obligation, (ii) physical possession of goods has been received, (iii) legal title to goods has passed, (iv) risks and rewards of ownership of goods has passed to the customer, and (v) the customer has accepted the goods. The timing of revenue recognition occurs either on shipment or delivery of goods based on contractual terms with the customer. Revenue recorded excludes sales tax charged to retail customers as we are considered a pass-through conduit for collecting and remitting sales taxes.

The duration of contractual arrangements with customers in our wholesale channels is typically less than one year. Payment terms with customers are typically between 20 and 90 days, with a discount available in certain cases for early payment. For contracts with discounted terms, we determine the transaction price upon establishment of the contract that contains the final terms of the sale, including the description, quantity, and price of each product purchased. We estimate variable consideration relative to the amount of cash discounts to which customers are likely to be entitled. In some instances, we provide longer payment terms, particularly as it relates to our hunting dating programs, which represent payment terms due in the fall for certain orders of hunting products received in the spring and summer. We do not consider these extended terms to be a significant financing component of the contract because the payment terms are less than one year.

We have elected to treat all shipping and handling activities as fulfillment costs and recognize the costs as distribution expenses at the time we recognize the related revenue. Shipping and handling costs billed to customers are included in net sales.

The amount of revenue we recognize reflects the expected consideration to be received for providing the goods or services to customers, which includes estimates for variable consideration. Variable consideration includes allowances for trade term discounts, chargebacks, and product returns. Estimates of variable consideration are determined at contract inception and reassessed at each reporting date, at a minimum, to reflect any changes in facts and circumstances. We apply the portfolio approach as a practical expedient and utilize the expected value method in determining estimates of variable consideration, based on evaluations of specific product and customer circumstances, historical and anticipated trends, and current economic conditions. We have co-op advertising program expense, which we record within advertising expense, in recognition of a distinct service that we receive from our customers at the retail level.

*Disaggregation of Revenue*

The following table sets forth certain information regarding trade channel net sales for the three months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
e-commerce channels net sales	\$ 24,881	\$ 24,493	\$ 388	1.6%
Traditional channels net sales	28,544	26,401	2,143	8.1%
Total net sales	\$ 53,425	\$ 50,894	\$ 2,531	5.0%

Our e-commerce channels include net sales from customers that do not traditionally operate a physical brick-and-mortar store, but generate the majority of their revenue from consumer purchases at their retail websites. Our e-commerce channels also include our direct-to-consumer sales. Our traditional channels include customers that operate primarily out of physical brick and mortar stores and generate the large majority of their revenue from consumer purchases at their brick-and-mortar locations.

We sell our products worldwide. The following table sets forth certain information regarding geographic makeup of net sales included in the above table for the three months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Domestic net sales	\$ 51,006	\$ 49,489	\$ 1,517	3.1%
International net sales	2,419	1,405	1,014	72.2%
Total net sales	\$ 53,425	\$ 50,894	\$ 2,531	5.0%

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The following table sets forth certain information regarding net sales in our shooting sports and outdoor lifestyle categories for the three months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Shooting sports net sales	\$ 24,306	\$ 22,581	\$ 1,725	7.6%
Outdoor lifestyle net sales	29,119	28,313	806	2.8%
Total net sales	\$ 53,425	\$ 50,894	\$ 2,531	5.0%

The following table sets forth certain information regarding trade channel net sales for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
e-commerce channels net sales	\$ 66,720	\$ 67,750	\$ (1,030)	-1.5%
Traditional channels net sales	88,081	81,256	6,825	8.4%
Total net sales	\$ 154,801	\$ 149,006	\$ 5,795	3.9%

We sell our products worldwide. The following table sets forth certain information regarding geographic makeup of net sales included in the above table for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Domestic net sales	\$ 145,777	\$ 141,871	\$ 3,906	2.8%
International net sales	9,024	7,135	1,889	26.5%
Total net sales	\$ 154,801	\$ 149,006	\$ 5,795	3.9%

The following table sets forth certain information regarding net sales in our shooting sports and outdoor lifestyle categories for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Shooting sports net sales	\$ 67,752	\$ 67,161	\$ 591	0.9%
Outdoor lifestyle net sales	87,049	81,845	5,204	6.4%
Total net sales	\$ 154,801	\$ 149,006	\$ 5,795	3.9%

*Recently Adopted Accounting Standards*

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures* ("ASU 2023-09"), which improves the transparency of income tax disclosures by requiring companies to (1) disclose consistent categories and greater disaggregation of information in the effective rate reconciliation and (2) provide information on income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, although early adoption is permitted. The guidance should be applied on a prospective basis with the option to apply the standard retrospectively. We are currently evaluating the impact of adopting this ASU 2023-09 on our consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU improves financial reporting by requiring disclosure of incremental segment information. The new guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15,

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2024. Early adoption is permitted. We are currently evaluating the impact of adopting this ASU 2023-07 on our consolidated financial statements and disclosures.

**(3) Leases:**

We lease real estate, as well as other equipment, under non-cancelable operating lease agreements. We recognize expenses under our operating lease assets and liabilities at the commencement date based on the present value of lease payments over the lease terms. Our leases do not provide an implicit interest rate. We use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. Our lease agreements do not require material variable lease payments, residual value guarantees, or restrictive covenants. For operating leases, we recognize expense on a straight-line basis over the lease term. We record tenant improvement allowances as an offsetting adjustment included in our calculation of the respective right-of-use asset.

Many of our leases include renewal options that can extend the lease term. These renewal options are at our sole discretion and are reflected in the lease term when they are reasonably certain to be exercised. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

The amounts of assets and liabilities related to our operating leases as of January 31, 2024 and April 30, 2023 are as follows (in thousands):

	<u>January 31, 2024</u>	<u>April 30, 2023</u>
<b>Operating Leases</b>		
Right-of-use assets	\$ 37,539	\$ 26,999
Accumulated amortization	(3,561)	(2,801)
Right-of-use assets, net	<u>\$ 33,978</u>	<u>\$ 24,198</u>
Lease liabilities, current portion	\$ 1,303	\$ 904
Lease liabilities, net of current portion	33,642	24,064
Total operating lease liabilities	<u>\$ 34,945</u>	<u>\$ 24,968</u>

On January 31, 2023, we entered an Assignment Agreement with our former parent company and RCS – S&W Facility, LLC to assign to us the rights of the tenant under the Lease Agreement, dated October 26, 2017, as amended by the First Amendment of Lease Agreement, dated October 25, 2018, and as further amended by the Second Amendment to Lease Agreement, dated January 31, 2019 (collectively, the “Lease”), which assignment was effective on January 1, 2024.

The Lease covers approximately 632,000 square feet of building and surrounding property located at 1800 North Route Z, Columbia, Boone County, Missouri, or the Building, where we formerly subleased approximately 361,000 of the Building from our former parent company. We now lease the entire building and the Lease provides us with an option to expand the Building by up to 491,000 additional square feet. The terms of the Lease are consistent with the sublease agreement that we formerly had with our former parent company. The Lease term ends on November 26, 2038 and, pursuant to the Assignment Agreement, does not provide for an extension of the term of the Lease. We will receive tax and other incentives from federal, state, and local governmental authorities previously received by our former parent. Our former parent has guaranteed the Lease through the end of the term. During the three months ended January 31, 2024, we recorded a right-of-use asset and lease liability of \$10.6 million for the additional space provided under the Assignment Agreement.

For the three and nine months ended January 31, 2024, we recorded \$868,000 and \$2.5 million, respectively, of operating lease costs, of which \$2,000 and \$9,000 were short-term operating lease costs. For the three and nine months ended January 31, 2023, we recorded \$1.1 million and \$3.1 million, respectively, of operating lease costs, of which \$43,000 and \$131,000 were short-term operating lease costs. As of January 31, 2024, our weighted average lease term and weighted average discount rate for our operating leases were 14.8 years and 6.0%, respectively. The operating lease costs, weighted average lease term, and weighted average discount rate, are primarily driven by the lease of our corporate office and warehouse facility in Columbia, Missouri through fiscal 2039. The depreciable lives of right-of-use assets are limited by the lease term and are amortized on a straight-line basis over the life of the lease.

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Future lease payments for all our operating leases for the remainder of fiscal 2024 and for succeeding fiscal years, as of January 31, 2024, are as follows (in thousands):

	<b>Operating</b>
2024	\$ 838
2025	3,354
2026	3,270
2027	3,299
2028	3,348
Thereafter	39,322
<b>Total future lease payments</b>	<b>53,431</b>
Less amounts representing interest	(18,486)
<b>Present value of lease payments</b>	<b>34,945</b>
Less current maturities of lease liabilities	(1,303)
<b>Long-term maturities of lease liabilities</b>	<b>\$ 33,642</b>

The operating cash flows used for operating leases was \$724,000 and \$577,000 for the nine months ended January 31, 2024 and 2023, respectively.

**(4) Intangible Assets, net:**

The following table summarizes intangible assets as of January 31, 2024 and April 30, 2023 (in thousands):

	January 31, 2024			April 30, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 89,980	\$ (77,667)	\$ 12,313	\$ 89,980	\$ (74,035)	\$ 15,945
Developed software and technology	27,761	(19,697)	8,064	31,022	(21,978)	9,044
Patents, trademarks, and trade names	69,344	(48,541)	20,803	68,943	(44,042)	24,901
	187,085	(145,905)	41,180	189,945	(140,055)	49,890
Patents and software in development	1,663	—	1,663	1,701	—	1,701
<b>Total definite-lived intangible assets</b>	<b>188,748</b>	<b>(145,905)</b>	<b>42,843</b>	<b>191,646</b>	<b>(140,055)</b>	<b>51,591</b>
Indefinite-lived intangible assets	430	—	430	430	—	430
<b>Total intangible assets</b>	<b>\$ 189,178</b>	<b>\$ (145,905)</b>	<b>\$ 43,273</b>	<b>\$ 192,076</b>	<b>\$ (140,055)</b>	<b>\$ 52,021</b>

We amortize intangible assets with determinable lives over a weighted-average period of approximately five years. The weighted-average periods of amortization by intangible asset class is approximately five years for customer relationships, six years for developed software and technology, and six years for patents, trademarks, and trade names. Amortization expense amounted to \$3.3 million and \$3.6 million for the three months ended January 31, 2024 and 2023, respectively. Amortization expenses amounted to \$9.7 million and \$10.4 million for the nine months ended January 31, 2024 and 2023, respectively.

Future expected amortization expense for the remainder of fiscal 2024 and for succeeding fiscal years, as of January 31, 2024, are as follows (in thousands):

<b>Fiscal</b>	<b>Amount</b>
2024	\$ 3,292
2025	9,659
2026	8,310
2027	5,893
2028	4,486
Thereafter	9,540
<b>Total</b>	<b>\$ 41,180</b>

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**(5) Fair Value Measurement:**

We follow the provisions of ASC 820-10, *Fair Value Measurements and Disclosures Topic*, or ASC 820-10, for our financial assets and liabilities. ASC 820-10 provides a framework for measuring fair value under GAAP and requires expanded disclosures regarding fair value measurements. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value.

Financial assets and liabilities recorded on the accompanying condensed consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

*Level 1* — Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that we have the ability to access at the measurement date (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Our cash and cash equivalents, which are measured at fair value on a recurring basis, totaled \$15.9 million as of January 31, 2024 and \$22.0 million as of April 30, 2023. Cash and cash equivalents are reported at fair value based on market prices for identical assets in active markets, and therefore classified as Level 1 of the value hierarchy.

*Level 2* — Financial assets and liabilities whose values are based on quoted prices in markets in which trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets. Level 2 inputs include the following:

- quoted prices for identical or similar assets or liabilities in non-active markets (such as corporate and municipal bonds which trade infrequently);
- inputs other than quoted prices that are observable for substantially the full term of the asset or liability (such as interest rate and currency swaps); and
- inputs that are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability (such as certain securities and derivatives).

*Level 3* — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect our assumptions about the assumptions a market participant would use in pricing the asset or liability.

We currently do not have any Level 3 financial assets or liabilities as of January 31, 2024.

**(6) Inventories:**

The following table sets forth a summary of inventories, stated at lower of cost or net realizable value, as of January 31, 2024 and April 30, 2023 (in thousands):

	<u>January 31, 2024</u>	<u>April 30, 2023</u>
Finished goods	\$ 89,917	\$ 90,906
Finished parts	2,775	2,818
Work in process	69	66
Raw material	7,255	5,944
Total inventories	<u>\$ 100,016</u>	<u>\$ 99,734</u>

Certain of our suppliers in Asia require deposits to procure our inventory prior to beginning the manufacturing process. These deposits on our inventory varies by supplier and range from 30% to 100%. As of January 31, 2024 and April 30, 2023, we have

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recorded \$3.8 million and \$4.3 million, respectively, of inventory on deposit in prepaid expenses and other current assets on our consolidated balance sheet.

**(7) Debt:**

On August 24, 2020, we entered into a financing arrangement consisting of a \$50.0 million revolving line of credit secured by substantially all our assets, maturing five years from the closing date, with available borrowings determined by a borrowing base calculation. The revolving line included an option to increase the credit commitment by an additional \$15 million. The revolving line bore interest at a fluctuating rate equal to the Base Rate or LIBOR, as applicable, plus the applicable margin.

On March 25, 2022, we amended our secured loan and security agreement, or the Amended Loan and Security Agreement, increasing the revolving line of credit to \$75 million, secured by substantially all our assets, maturing in March 2027, with available borrowings determined by a borrowing base calculation. The amendment also includes an option to increase the credit commitment by an additional \$15 million. The amended revolving line bears interest at a fluctuating rate equal to the Base Rate or Secured Overnight Financing Rate, or SOFR, as applicable, plus the applicable margin. The applicable margin can range from a minimum of 0.25% to a maximum of 1.75% based on certain conditions as defined in the Amended Loan and Security Agreement. The financing arrangement contains covenants relating to minimum debt service coverage.

As of January 31, 2024, we had no borrowings outstanding on the revolving line of credit. If we would have had borrowings at January 31, 2023, those borrowings would have borne interest at approximately 6.82%, which is equal to SOFR plus the applicable margin.

In the fiscal year ended April 30, 2023, we executed an irrevocable standby letter of credit for \$1.7 million to collateralize duty drawback bonds. During the three months ended January 31, 2024, no amounts have been drawn on the letter of credit.

**(8) Equity:**

*Treasury Stock*

On September 30, 2022, our Board of Directors authorized the repurchase of up to \$10.0 million of our common stock, subject to certain conditions, in the open market, in block purchases, or in privately negotiated transactions. This authorization expired on September 29, 2023. On October 2, 2023, our Board of Directors authorized the repurchase of up to \$10.0 million of our common stock, subject to certain conditions, in the open market, in block purchases, or in privately negotiated transactions, executable through September 30, 2024. During the three and nine months ended January 31, 2024, under these authorizations, we repurchased 209,548 and 635,075 shares, respectively, of our common stock for \$1.8 million and \$5.6 million, respectively, utilizing cash on hand.

*Earnings per Share*

We compute diluted earnings per share by giving effect to all potentially dilutive stock awards that are outstanding. The computation of diluted earnings per share excludes the effect of the potential exercise of stock-based awards when the effect of the potential exercise would be anti-dilutive. All of our outstanding restricted stock units, or RSUs, were included in the computation of diluted earnings per share for the three and nine months ended January 31, 2024 and 2023.

Due to the loss from operations for the three and nine months ended January 31, 2024 and 2023, there are no common shares added to calculate dilutive earnings per share because the effect would be anti-dilutive.

*Incentive Stock and Employee Stock Purchase Plans*

We have a stock incentive plan, or 2020 Incentive Compensation Plan, under which we can grant new awards to our employees and directors.

We grant RSUs to employees and directors. The awards are made at no cost to the recipient. An RSU represents the right to receive one share of our common stock and does not carry voting or dividend rights. Except in specific circumstances, RSU grants to employees generally vest over a period of three or four years with one-third or one-fourth of the units vesting on each anniversary of the grant date, respectively. We amortize the aggregate fair value of our RSU grants to compensation expense over the vesting period. Awards that do not vest are forfeited.



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We grant performance stock units, or PSUs, to our executive officers and certain other employees from time to time. At the time of grant, we calculate the fair value of our PSUs using the Monte-Carlo simulation. We incorporate the following variables into the valuation model:

	For the Nine Months ended January 31,	
	2024	2023
Grant date fair market value		
American Outdoor Brands, Inc.	\$ 8.79	\$ 12.70
Russell 2000 Index	\$ 1,769.21	\$ 1,882.91
Volatility (a)		
American Outdoor Brands, Inc.	45.53 %	49.04 %
Russell 2000 Index	27.08 %	31.75 %
Correlation coefficient (b)	0.48	0.50
Risk-free interest rate (c)	3.81 %	2.91 %
Dividend yield (d)	0 %	0 %

- (a) Expected volatility is calculated based on a peer group over the most recent period that represents the remaining term of the performance period as of the valuation date, or three years.
- (b) The correlation coefficient utilizes the same historical price data used to develop the volatility assumptions.
- (c) The risk-free interest rate is based on the yield of a zero-coupon U.S. Treasury bill, commensurate with the three-year performance period.
- (d) We do not expect to pay dividends in the foreseeable future.

The PSUs vest, and the fair value of such PSUs will be recognized, over the corresponding three-year performance period. Our PSUs have a maximum aggregate award equal to 200% of the target unit amount granted. Generally, the number of PSUs that may be earned depends upon the total stockholder return, or TSR, of our common stock compared with the TSR of the Russell 2000 Index, or the RUT, over the three-year performance period. For PSUs, our stock must outperform the RUT by 5% in order for the target award to vest. In addition, there is a cap on the number of shares that can be earned under our PSUs, which is equal to six times the grant-date value of each award.

During the nine months ended January 31, 2024, we granted an aggregate of 75,894 PSUs to our executive officers. We also granted 318,947 RSUs during the nine months ended January 31, 2023, including 103,118 RSUs to executive officers and 215,829 to non-executive officer employees and directors under our 2020 Incentive Compensation Plan. During the nine months ended January 31, 2024, 79,131 PSUs were cancelled, at target, as a result of the performance condition not being met, and 22,201 RSUs were cancelled as a result of the service condition not being met. In connection with the vesting of RSUs, during the nine months ended January 31, 2024, we delivered common stock to our employees, including our executive officers and directors with a total market value of \$1.3 million.

During the nine months ended January 31, 2023, we granted an aggregate of 52,277 market-condition PSUs to our executive officers. We also granted 264,898 service-based RSUs during the nine months ended January 31, 2023, including 52,277 RSUs to executive officers and 212,621 to non-executive officer employees and directors under our 2020 Incentive Compensation Plan. In addition, in connection with a 2019 grant, we vested 7,200 market-condition PSUs (i.e., the target amount granted), which achieved 200% of the maximum aggregate award possible, resulting in awards totaling 14,400 shares to certain of our executive officers and employees of our former parent. During the nine months ended January 31, 2023, we cancelled 7,094 service-based RSUs as a result of the service condition not being met. In connection with the vesting of RSUs, during the nine months ended January 31, 2023, we delivered common stock to our employees, including our executive officers and directors with a total market value of \$1.3 million.

We recognized \$1.1 million of stock-based compensation expense for the three months ended January 31, 2024 and 2023. We recognized \$3.1 million and \$2.9 million of stock-based compensation expense for the nine months ended January 31, 2024 and 2023, respectively.

We include stock-based compensation expense in the cost of sales, sales and marketing, research and development, and general and administrative expenses

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A summary of activity for unvested RSUs and PSUs under our 2020 Incentive Compensation Plan for the nine months ended January 31, 2024 and 2023 is as follows:

	For the Nine Months Ended January 31,			
	2024		2023	
	Total # of Restricted Stock Units	Weighted Average Grant Date Fair Value	Total # of Restricted Stock Units	Weighted Average Grant Date Fair Value
RSUs and PSUs outstanding, beginning of period	560,579	\$ 13.36	349,774	\$ 15.93
Awarded	395,384	8.69	323,375	10.87
Vested	(174,415)	11.69	(123,223)	13.33
Forfeited	(116,555)	12.58	(7,094)	15.22
RSUs and PSUs outstanding, end of period	664,993	\$ 11.16	542,832	\$ 13.51

As of January 31, 2024, there was \$2.6 million of unrecognized compensation expense related to unvested RSUs and PSUs. We expect to recognize this expense over a weighted average remaining contractual term of 1.2 years.

We have an employee stock purchase plan, or ESPP, which authorizes the sale of up to 419,253 shares of our common stock to employees. All options and rights to participate in our ESPP are nontransferable and subject to forfeiture in accordance with our ESPP guidelines. Our current ESPP will be implemented in a series of successive offering periods, each with a maximum duration of 12 months. If the fair market value per share of our common stock on any purchase date is less than the fair market value per share on the start date of a 12-month offering period, then that offering period will automatically terminate and a new 12-month offering period will begin on the next business day. Each offering period will begin on April 1 or October 1, as applicable, immediately following the end of the previous offering period. Payroll deductions will be on an after-tax basis, in an amount of not less than 1% and not more than 20% (or such greater percentage as the committee appointed to administer our ESPP may establish from time to time before the first day of an offering period) of a participant's compensation on each payroll date. The option exercise price per share will equal 85% of the lower of the fair market value on the first day of the offering period or the fair market value on the exercise date. The maximum number of shares that a participant may purchase during any purchase period is the greater of 2,500 shares, or a total of \$25,000 in shares, based on the fair market value on the first day of the offering period. Our ESPP will remain in effect until the earliest of (a) the exercise date that participants become entitled to purchase a number of shares greater than the number of reserved shares available for purchase under our ESPP, (b) such date as is determined by our Board of Directors in its discretion, or (c) the tenth anniversary of the effective date. In the event of certain corporate transactions, each option outstanding under our ESPP will be assumed or an equivalent option will be substituted by the successor corporation or a parent or subsidiary of such successor corporation. During the nine months ended January 31, 2024, 47,466 shares were purchased by our employees under our ESPP.

We measure the cost of employee services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. We amortize the fair value of the award over the vesting period of the option. Under ESPP, fair value is determined at the beginning of the purchase period and amortized over the term of each exercise period.

The following assumptions were used in valuing ESPP purchases under our ESPP during the nine months ended January 31, 2024 and 2023:

	For the Nine Months ended January 31,	
	2024	2023
Risk-free interest rate	5.46% - 5.53%	3.97% - 4.01%
Expected term	6 months - 12 months	6 months - 12 months
Expected volatility	43.2% - 48.9%	51.9% - 58.4%
Dividend yield	0%	0%

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**(9) Accrued Expenses:**

The following table sets forth other accrued expenses as of January 31, 2024 and April 30, 2023 (in thousands):

	January 31, 2024	April 30, 2023
Accrued freight	\$ 2,603	\$ 1,962
Accrued sales allowances	2,308	2,453
Accrued commissions	1,359	1,072
Accrued warranty	1,103	966
Accrued professional fees	926	1,106
Accrued employee benefits	597	568
Accrued taxes other than income	286	346
Accrued other	263	268
<b>Total accrued expenses</b>	<b>\$ 9,445</b>	<b>\$ 8,741</b>

**(10) Income Taxes:**

The income tax expense included in the condensed consolidated statements of operations is based upon the estimated effective tax rate for the year, adjusted for the impact of discrete items which are accounted for in the period in which they occur. We recorded income tax expense/(benefit) of \$13,000 and (\$125,000) for the three months ended January 31, 2024 and 2023, respectively. The effective tax rate for the three months ended January 31, 2024 and 2023 was (0.4%) and 4.2%, respectively. We recorded income tax expense/(benefit) of \$28,000 and (\$98,000) for the nine months ended January 31, 2024 and 2023, respectively. The effective tax rate for the nine months ended January 31, 2024 and 2023 was (0.4%) and 1.2%, respectively. Income tax benefit for the nine months ended January 31, 2023 included a discrete tax benefit of \$127,000 associated with return to provision adjustments relating to the Federal tax return filed for the prior fiscal year.

On March 7, 2023, the Internal Revenue Service (“IRS”) initiated an examination of our Federal income tax return filed for the tax period ended April 30, 2021. During the three months ended January 31, 2024, we were notified by the IRS that they had concluded their examination. As a result of their examination procedures, there was no impact to our condensed consolidated financial statements.

**(11) Commitments and Contingencies:**

*Litigation*

From time to time, we are involved in lawsuits, claims, investigations, and proceedings, including those relating to product liability, intellectual property, commercial relationships, employment issues, and governmental matters, which arise in the ordinary course of business.

For the three months and nine months ended January 31, 2024 and 2023, we did not incur any material expenses in defense and administrative costs relative to product liability litigation. In addition, we did not incur any settlement fees related to product liability cases in those fiscal years.

*Gain Contingency*

In 2018, the United States imposed additional section 301 tariffs of up to 25% on certain goods imported from China. These additional section 301 tariffs apply to our sourced products from China and have added additional cost to us. We are utilizing the duty drawback mechanism to offset some of the direct impact of these tariffs, specifically on goods that we sell internationally. We are accounting for duty drawbacks as a gain contingency and may record any such gain from a reimbursement in future periods if and when the contingency is resolved.

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**For the Three and Nine Months Ended January 31, 2024 and 2023**

**(12) Segment Reporting:**

We have evaluated our operations under ASC 280-10-50-1 – Segment Reporting and have concluded that we are operating as one segment based on several key factors, including the reporting and review process used by the chief operating decision maker, our Chief Executive Officer, who reviews only consolidated financial information and makes decisions to allocate resources based on those financial statements. We analyze revenue streams in various ways, including customer group, brands, product categories, and customer channels. However, this information does not include a full set of discrete financial information. In addition, although we currently sell our products under 21 distinct brands that are organized into four brand lanes and include specific product sales that have identified revenue streams, these brand lanes are focused almost entirely on product development and marketing activities and do not qualify as separate reporting units under ASC 280-10-50-1. Other sales and customer focused activities, operating activities, and administrative activities are not divided by brand lane and, therefore, expenses related to each brand lane are not accumulated or reviewed individually. Our business is evaluated based upon a number of financial and operating measures, including sales, gross profit and gross margin, operating expenses, and operating margin.

Our business includes our outdoor products and accessories products as well as our electro-optics products, which we develop, source, market, assemble, and distribute from our facility in Columbia, Missouri. We report operating costs based on the activities performed.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

The following discussion and analysis of our financial condition and results of operations for the three and nine months ended January 31, 2024 and 2023 should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for fiscal year ended April 30, 2023. This discussion and analysis should also be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included in Item 1 of this Quarterly Report on Form 10-Q.

The following discussion and analysis includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties, and other factors that could cause our actual results to differ materially from those expressed or implied by the forward-looking statements. Factors that could cause or contribute to these differences include those discussed above in "Statement Regarding Forward-Looking Information" in this Form 10-Q. In addition, this section sets forth key objectives and performance indicators used by us, as well as key industry data tracked by us.

The following discussion and analysis includes references to net sales of our products in shooting sports and outdoor lifestyle categories. Our shooting sports category includes net sales of shooting accessories and our products used for personal protection. Our outdoor lifestyle category includes net sales of our products used in hunting, fishing, camping, rugged outdoor activities, and outdoor cooking.

### Third Quarter Fiscal 2024 Highlights

Our operating results for the three months ended January 31, 2024 included the following:

- Net sales were \$53.4 million, an increase of \$2.5 million or 5.0%, over the comparable quarter last year.
- Gross margin was 42.7%, a decrease of 440 basis points from the comparable quarter last year.
- Net loss was \$2.9 million, or \$0.23 per diluted share, compared with a net loss of \$2.9 million, or \$0.21 per diluted share, for the comparable quarter last year.
- Non-GAAP Adjusted EBITDAS was \$2.4 million for the three months ended January 31, 2024 compared with \$3.3 million for the three months ended January 31, 2023. See non-GAAP financial measure disclosures below for our reconciliation of non-GAAP Adjusted EBITDAS.

Our operating results for the nine months ended January 31, 2024 included the following:

- Net sales were \$154.8 million, an increase of \$5.8 million, or 3.9%, over the prior year comparable period.
- Gross margin was 44.6%, a decrease of 170 basis points from the prior year comparable period.
- Net loss was \$6.9 million, or \$0.53 per diluted share, compared with a net loss of \$8.2 million, or \$0.61 per diluted share, for the prior year comparable period.
- Non-GAAP Adjusted EBITDAS was \$8.7 million for the nine months ended January 31, 2024 compared with \$11.0 million for the nine months ended January 31, 2023. See non-GAAP financial measure disclosures below for our reconciliation of non-GAAP Adjusted EBITDAS.

### Results of Operations

#### Net Sales and Gross Profit

The following table sets forth certain information regarding consolidated net sales and gross profit for the three months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Net sales	\$ 53,425	\$ 50,894	\$ 2,531	5.0%
Cost of sales	30,591	26,905	3,686	13.7%
Gross profit	\$ 22,834	\$ 23,989	\$ (1,155)	-4.8%
% of net sales (gross margin)	42.7%	47.1%		

The following table sets forth certain information regarding trade channel net sales for the three months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
e-commerce channels net sales	\$ 24,881	\$ 24,493	\$ 388	1.6%
Traditional channels net sales	28,544	26,401	2,143	8.1%
Total net sales	\$ 53,425	\$ 50,894	\$ 2,531	5.0%

Our e-commerce channels include net sales from customers that do not traditionally operate physical brick-and-mortar stores, but generate the majority of their revenue from consumer purchases from their retail websites. Our e-commerce channels also include our direct-to-consumer sales. Our traditional channels include customers that primarily operate out of physical brick-and-mortar stores and generate the large majority of revenue from consumer purchases in their brick-and-mortar locations. We sell our products worldwide.

The following table sets forth certain information regarding geographic makeup of net sales included in the above table for the three months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Domestic net sales	\$ 51,006	\$ 49,489	\$ 1,517	3.1%
International net sales	2,419	1,405	1,014	72.2%
Total net sales	\$ 53,425	\$ 50,894	\$ 2,531	5.0%

The following table sets forth certain information regarding net sales categories for the three months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Shooting sports net sales	\$ 24,306	\$ 22,581	\$ 1,725	7.6%
Outdoor lifestyle net sales	29,119	28,313	806	2.8%
Total net sales	\$ 53,425	\$ 50,894	\$ 2,531	5.0%

For the three months ended January 31, 2024, total net sales increased \$2.5 million, or 5.0%, over the comparable quarter last year because of an increase in net sales of certain personal protection and rugged outdoor products as well as our hunting and fishing products.

Net sales in our e-commerce channel increased \$388,000, or 1.6%, over the comparable quarter last year, primarily because of an increase in direct-to-consumer net sales for products sold on our e-commerce platform. E-commerce channel net sales for our outdoor lifestyle category increased primarily from higher rugged outdoor product net sales as a result of higher holiday shopping trends and increased promotional product discounts.

Net sales in our traditional channels increased \$2.1 million, or 8.1%, over the comparable quarter last year. Traditional channel net sales for our shooting sports category increased primarily because of selling slow moving personal protection products at a discount and higher net sales of certain shooting accessories. Traditional channel net sales for our outdoor lifestyle category increased primarily from higher fishing and hunting product net sales as a result of higher holiday shopping trends, partially offset by lower orders of certain rugged outdoor products. In addition, our international net sales increased \$1.0 million, or 72.2%, over the comparable quarter last year as a result of increased sales in Canada because of increased orders in the region as we continued to focus on introducing more outdoor lifestyle brands in Canada.

New products, which we define as any SKU introduced over the prior two fiscal years, represented 22.1% of net sales for the three months ended January 31, 2024.

Gross margin for the three months ended January 31, 2024 decreased 440 basis points from the comparable quarter last year, primarily because of higher tariff, freight, and duty expenses driven by increased inventory purchases earlier in fiscal 2024, as well as an increase in promotional activity.

The following table sets forth certain information regarding consolidated net sales and gross profit for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Net sales	\$ 154,801	\$ 149,006	\$ 5,795	3.9%
Cost of sales	85,758	80,015	5,743	7.2%
Gross profit	\$ 69,043	\$ 68,991	\$ 52	0.1%
% of net sales (gross margin)	44.6%	46.3%		

The following table sets forth certain information regarding trade channel net sales for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
e-commerce channels net sales	\$ 66,720	\$ 67,750	\$ (1,030)	-1.5%
Traditional channels net sales	88,081	81,256	6,825	8.4%
Total net sales	\$ 154,801	\$ 149,006	\$ 5,795	3.9%

The following table sets forth certain information regarding geographic makeup of net sales included in the above table for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Domestic net sales	\$ 145,777	\$ 141,871	\$ 3,906	2.8%
International net sales	9,024	7,135	1,889	26.5%
Total net sales	\$ 154,801	\$ 149,006	\$ 5,795	3.9%

The following table sets forth certain information regarding net sales categories for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Shooting sports net sales	\$ 67,752	\$ 67,161	\$ 591	0.9%
Outdoor lifestyle net sales	87,049	81,845	5,204	6.4%
Total net sales	\$ 154,801	\$ 149,006	\$ 5,795	3.9%

For the nine months ended January 31, 2024, total net sales increased \$5.8 million, or 3.9%, over the prior year comparable period because of an increase in net sales of our outdoor lifestyle products.

Net sales in our e-commerce channel decreased \$1.0 million, or 1.5%, over the prior year comparable period, primarily because of lower net sales to the world's largest e-commerce retailer as a result of reduced orders. E-commerce channel net sales for our shooting sports category decreased because of lower net sales for certain personal protection products. E-commerce channel net sales for our outdoor lifestyle category increased primarily from higher net sales for certain hunting and rugged outdoor products as a result of additional promotional activity, partially offset by lower net sales for our outdoor cooking products.

Net sales in our traditional channels increased \$6.8 million, or 8.4%, over the prior year comparable period. Traditional channel net sales for our shooting sports category increased primarily because of selling slow moving personal protection products at a discount and higher net sales of certain shooting accessories mentioned above. Traditional channel net sales for our outdoor lifestyle category increased primarily as a result of higher net sales for hunting, fishing, and certain rugged outdoor products, which include new product introductions during fiscal 2024. In addition, our traditional channel net sales increased because we began selling one of our outdoor lifestyle direct-to-consumer only brands at retail. Our international net sales increased \$1.9 million, or 26.5%, over the prior year comparable period as a result of increased sales in Canada because of increased orders in the region as we focus on introducing more outdoor lifestyle products in Canada.

New products, which we define as any SKU introduced over the prior two fiscal years, represented 23.0% of net sales for the nine months ended January 31, 2024.

Gross margin for the nine months ended January 31, 2024 decreased 170 basis points from the prior year comparable period primarily from higher tariff, freight, and duty expenses from increased inventory purchases earlier in fiscal 2024 and increased promotional product discounts.

### **Operating Expenses**

The following table sets forth certain information regarding operating expenses for the three months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Research and development	\$ 1,792	\$ 1,575	\$ 217	13.8 %
Selling, marketing, and distribution	14,464	14,522	(58)	-0.4 %
General and administrative	9,461	10,893	(1,432)	-13.1 %
Total operating expenses	\$ 25,717	\$ 26,990	\$ (1,273)	-4.7 %
% of net sales	48.1 %	53.0 %		

Research and development expenses increased \$217,000 over the comparable quarter last year, primarily from increased depreciation for new product tooling. Selling, marketing, and distribution expenses remained flat as compared to the comparable quarter last year. General and administrative expenses decreased \$1.4 million from the comparable quarter last year, primarily because of lower insurance premiums, reduced enterprise resource planning system implementation-related expenses, and lower rent expense as result of the facility consolidations we completed in the prior fiscal year.

The following table sets forth certain information regarding operating expenses for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Research and development	\$ 5,065	\$ 4,887	\$ 178	3.6 %
Selling, marketing, and distribution	41,933	40,226	1,707	4.2 %
General and administrative	29,035	32,575	(3,540)	-10.9 %
Total operating expenses	\$ 76,033	\$ 77,688	\$ (1,655)	-2.1 %
% of net sales	49.1 %	52.1 %		

Research and development expenses increased \$178,000 over the prior year comparable period from increased depreciation for new product tooling. Selling, marketing, and distribution expenses increased \$1.7 million over the prior year comparable period, primarily because of increased outbound freight costs and other sales volume-related expenses. General and administrative expenses decreased \$3.5 million from the prior year comparable period, primarily because of \$1.2 million lower legal and advisory fees associated with the completed cooperation agreement with a stockholder that was completed in the prior fiscal year, \$1.1 million of reduced enterprise resource planning system implementation-related expenses, and \$500,000 of lower rent expense as result of the facility consolidations we completed in the prior fiscal year.

### **Operating Loss**

The following table sets forth certain information regarding operating loss for the three months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Operating loss	\$ (2,883)	\$ (3,001)	\$ 118	-3.9 %
% of net sales (operating margin)	-5.4 %	-5.9 %		

Operating loss for the three months ended January 31, 2024 was relatively flat as compared to the comparable quarter last year.



The following table sets forth certain information regarding operating loss for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Operating loss	\$ (6,990)	\$ (8,697)	\$ 1,707	-19.6%
% of net sales (operating margin)	-4.5%	-5.8%		

Operating loss for the nine months ended January 31, 2024 was \$7.0 million, a \$1.7 million increase from an operating loss of \$8.7 million for the nine months ended January 31, 2023, primarily because of lower operating expenses as mentioned above.

#### **Income Taxes**

The following table sets forth certain information regarding income tax benefit for the three months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Income tax expense/(benefit)	\$ 13	\$ (125)	\$ 138	-110.4%
% of income from operations (effective tax rate)	-0.4%	4.2%		-4.6%

We recorded income tax expense of \$13,000 for the three months ended January 31, 2024 compared with income tax benefit of \$125,000 for the prior year comparable period because of differences in the timing of recording return to provision adjustments relating to our Federal tax returns. The income tax expense recorded for the three months ended January 31, 2024 was primarily due to a full valuation allowance recorded against our deferred tax assets. The income tax benefit recorded during the three months ended January 31, 2023 was primarily due to recording return to provision adjustments relating to the Federal tax return filed for the prior fiscal year.

The following table sets forth certain information regarding income tax expense for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Income tax expense/(benefit)	\$ 28	\$ (98)	\$ 126	-128.6%
% of income from operations (effective tax rate)	-0.4%	1.2%		-1.6%

We recorded income tax expense of \$28,000 for the nine months ended January 31, 2024 compared with income tax benefit of \$98,000 for the prior year comparable period. The income tax expense recorded during the nine months ended January 31, 2024 was primarily due to a full valuation allowance recorded against our deferred tax assets. The income tax benefit recorded during the nine months ended January 31, 2023 was primarily due to recording return to provision adjustments relating to the Federal tax return filed for the prior fiscal year.

On March 7, 2023, the Internal Revenue Service (“IRS”) initiated an examination of our Federal income tax return filed for the tax period ended April 30, 2021. During the three months ended January 31, 2024, we were notified by the IRS that they had concluded their examination. As a result of their examination procedures, there was no impact to our condensed consolidated financial statements.

#### **Net loss**

The following table sets forth certain information regarding net income and the related per share data for the three months ended January 31, 2024 and 2023 (dollars in thousands, except per share data):

	2024	2023	\$ Change	% Change
Net loss	\$ (2,910)	\$ (2,863)	\$ (47)	1.6%
Net loss per share				
Basic	\$ (0.23)	\$ (0.21)	\$ (0.02)	9.5%
Diluted	\$ (0.23)	\$ (0.21)	\$ (0.02)	9.5%

Net loss was \$2.9 million, or \$0.23 per diluted share, for the three months ended January 31, 2024 compared with net loss of \$2.9 million, or \$0.21 per share, for the comparable quarter last year.

The following table sets forth certain information regarding net loss and the related per share data for the nine months ended January 31, 2024 and 2023 (dollars in thousands, except per share data):

	2024	2023	\$ Change	% Change
Net loss	\$ (6,946)	\$ (8,188)	\$ 1,242	-15.2%
Net loss per share				
Basic	\$ (0.53)	\$ (0.61)	\$ 0.08	-13.1%
Diluted	\$ (0.53)	\$ (0.61)	\$ 0.08	-13.1%

Net loss was \$6.9 million, or \$0.53 per diluted share, for the nine months ended January 31, 2024 compared with net loss of \$8.2 million, or \$0.61 per share, for the prior year comparable period, primarily because of lower operating expenses.

#### Non-GAAP Financial Measure

We use GAAP net income as our primary financial measure. We use Adjusted EBITDAS, which is a non-GAAP financial metric, as a supplemental measure of our performance in order to provide investors with an improved understanding of underlying performance trends, and it should be considered in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Adjusted EBITDAS is defined as GAAP net income/(loss) before interest, taxes, depreciation, amortization, and stock compensation expense. Our Adjusted EBITDAS calculation also excludes certain items we consider non-routine. We believe that Adjusted EBITDAS is useful to understanding our operating results and the ongoing performance of our underlying business, as Adjusted EBITDAS provides information on our ability to meet our capital expenditure and working capital requirements, and is also an indicator of profitability. We believe this reporting provides additional transparency and comparability to our operating results. We believe that the presentation of Adjusted EBITDAS is useful to investors because it is frequently used by analysts, investors, and other interested parties to evaluate companies in our industry. We use Adjusted EBITDAS to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, and to neutralize our capitalization structure to compare our performance against that of other peer companies using similar measures, especially companies that are private. We also use Adjusted EBITDAS to supplement GAAP measures of performance to evaluate our performance in connection with compensation decisions. We believe it is useful to investors and analysts to evaluate this non-GAAP measure on the same basis as we use to evaluate our operating results.

Adjusted EBITDAS is a non-GAAP measure and may not be comparable to similar measures reported by other companies. In addition, non-GAAP measures have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. We address the limitations of non-GAAP measures through the use of various GAAP measures. In the future, we may incur expenses or charges such as those added back to calculate Adjusted EBITDAS. Our presentation of Adjusted EBITDAS should not be construed as an inference that our future results will be unaffected by these items.

The following table sets forth our calculation of non-GAAP Adjusted EBITDAS for the three and nine months ended January 31, 2024 and 2023, respectively (dollars in thousands):

	For the Three Months Ended January 31,		For the Nine Months Ended January 31,	
	2024	2023	2024	2023
				(Unaudited)
GAAP net loss	\$ (2,910)	\$ (2,863)	\$ (6,946)	\$ (8,188)
Interest expense	65	213	71	641
Income tax expense/(benefit)	13	(125)	28	(98)
Depreciation and amortization	3,968	3,894	11,848	12,115
Stock compensation	1,133	1,065	3,071	2,900
Technology implementation	106	543	465	1,585
Acquisition costs	—	—	—	47
Facility consolidation costs	—	548	—	840
Stockholder cooperation agreement costs	—	—	—	1,177
Other	—	—	204	—
Non-GAAP Adjusted EBITDAS	<u>\$ 2,375</u>	<u>\$ 3,275</u>	<u>\$ 8,741</u>	<u>\$ 11,019</u>

## Liquidity and Capital Resources

We expect to continue to utilize our cash flows to invest in our business, including research and development for new product initiatives; to hire additional employees; to fund growth strategies, including any potential acquisitions; to make payments on any indebtedness we may incur over time; and to repurchase shares of our common stock if we are authorized to do so.

The following table sets forth certain cash flow information for the nine months ended January 31, 2024 and 2023 (dollars in thousands):

	2024	2023	\$ Change	% Change
Operating activities	\$ 9,823	\$ 24,263	\$ (14,440)	-59.5%
Investing activities	(5,320)	(4,231)	(1,089)	25.7%
Financing activities	(10,563)	(17,843)	7,280	-40.8%
Total cash flow	<u>\$ (6,060)</u>	<u>\$ 2,189</u>	<u>\$ (8,249)</u>	<u>-376.8%</u>

### Operating Activities

On an annual basis, operating activities generally represent the principal source of our cash flow.

Cash generated by operating activities was \$9.8 million for the nine months ended January 31, 2024 compared with cash generated by operating activities of \$24.3 million for the nine months ended January 31, 2023. Cash generated by operating activities for the nine months ended January 31, 2024 was primarily impacted by \$1.3 million of lower prepaid expenses and other current assets because of reduced deposits on inventory and increased accrued payroll and incentives because of higher management incentive accruals, offset by lower accounts payable due to timing.

### Investing Activities

Cash used in investing activities was \$1.1 million higher during the nine months ended January 31, 2024 compared with the prior year comparable period, primarily from higher spending on warehouse equipment in conjunction with the Lease assignment, noted below. We expect to spend approximately \$6.0 million to \$6.5 million of capital expenditures in fiscal 2024, an increase of \$1.1 million to \$1.6 million over fiscal 2023.

### Financing Activities

Cash used in financing activities was \$10.6 million for the nine months ended January 31, 2024, primarily from \$5.0 million to payoff all our borrowings on our revolving line of credit and \$5.6 million used to repurchase 635,075 shares of our common stock.

On January 31, 2023, we entered an Assignment Agreement with our former parent company and RCS – S&W Facility, LLC to assign to us the rights of the tenant under the Lease Agreement, dated October 26, 2017, as amended by the First Amendment of Lease Agreement, dated October 25, 2018, and as further amended by the Second Amendment to Lease Agreement, dated January 31, 2019 (collectively, the “Lease”), which assignment was effective on January 1, 2024.

The Lease covers approximately 632,000 square feet of building and surrounding property located at 1800 North Route Z, Columbia, Boone County, Missouri, or the Building, where we formerly subleased approximately 361,000 of the Building from our former parent company. We now lease the entire building and the Lease provides us with an option to expand the Building by up to 491,000 additional square feet. The terms of the Lease are consistent with the sublease agreement that we formerly had with our former parent company. The Lease term ends on November 26, 2038 and, pursuant to the Assignment Agreement, does not provide for an extension of the term of the Lease. We will receive tax and other incentives from federal, state, and local governmental authorities previously received by our former parent. Our former parent will guarantee the Lease through the end of the term. During the three months ended January 31, 2024, we recorded a right-of-use asset and lease liability of \$10.6 million for the additional space provided under the Assignment Agreement.

Our future capital requirements will depend on many factors, including net sales, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the timing of introductions of new products and enhancements to existing products, any acquisitions or strategic investments that we may determine to make, and changes in consumer spending, which is sensitive to economic conditions and other factors. Further equity or debt financing may not be available to us on acceptable terms or at all. If sufficient funds are not available or are not available on acceptable terms, our ability to take advantage of unexpected business opportunities or to respond to competitive pressures could be limited or severely constrained.

We had \$15.9 million of cash equivalents on hand as of January 31, 2024 and had \$22.0 million in cash and cash equivalents on hand as of April 30, 2023.

## **Other Matters**

### ***Critical Accounting Policies***

The preparation of our condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting periods. Significant accounting policies are summarized in Note 2 of the Notes to the consolidated and combined financial statements in our Annual Report on Form 10-K for the fiscal year ended April 30, 2023. The most significant areas involving our judgments and estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended April 30, 2023, to which there have been no material changes. Actual results could differ from our estimates.

### ***Recent Accounting Pronouncements***

The nature and impact of recent accounting pronouncements, if any, is discussed in Note 2—*Basis of Presentation* to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### ***Item 3. Quantitative and Qualitative Disclosures About Market Risk***

There were no material changes from the information provided in Quantitative and Qualitative Disclosures about Market Risk in the Form 10-K.

### ***Item 4. Controls and Procedures***

#### **Disclosure Controls and Procedures**

As of January 31, 2024, our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) and have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter ended January 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. *Legal Proceedings*

The nature of legal proceedings against us is discussed in Note 11 — *Commitments and Contingencies* to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### Item 1A. *Risk Factors*

We have disclosed under the heading “Risk Factors” in our Annual Report on Form 10-K, filed with the SEC on June 28, 2023, risk factors that materially affect our business, financial condition, or results of operations. There have been no material changes from the risk factors previously disclosed.

### Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The following table sets forth certain information relating to the purchases of our common stock by us and any affiliated purchases within the meaning of Rule 10b5-1 of the Exchange Act during the nine months ended January 31, 2024 (dollars in thousands, except per share data):

Period	Total # of Shares Purchased	Average Price Paid Per Share (2)	Total # of Shares Purchased as Part of Publicly Announced Plan or Program (1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program
Total first quarter fiscal year 2024	267,991	\$ 8.43	267,991	\$ 4,217
Total second quarter fiscal year 2024	157,536	9.46	425,527	9,537
November 1, 2023 to November 30, 2023	55,662	8.39	481,189	9,070
December 1, 2023 to December 31, 2023	64,670	8.00	545,859	8,552
January 1, 2024 to January 31, 2024	89,216	8.94	635,075	7,755
Total third quarter fiscal year 2024	209,548	8.50	635,075	7,755
Total year-to-date fiscal year 2024	635,075	\$ 8.71	635,075	\$ 7,755

(1) On September 30, 2022, our Board of Directors authorized the repurchase of up to \$10.0 million of our common stock, subject to certain conditions, in the open market, in block purchases, or in privately negotiated transactions. This authorization expired on September 29, 2023. We purchased 375,556 shares in fiscal 2024 until the plan expired for a total of \$3.3 million, utilizing cash on hand. On October 2, 2023, our Board of Directors authorized the repurchase of up to \$10.0 million of our common stock, subject to certain conditions, in the open market, in block purchases, or in privately negotiated transactions, executable through September 30, 2024. During the three and nine months ended January 31, 2024, under these authorizations, we repurchased a total of 209,548 and 635,075 shares, respectively, of our common stock for \$1.8 million and \$5.6 million, respectively, utilizing cash on hand. As of January 31, 2024, we have \$7.8 million of available funds to repurchase our common stock under the current authorization.

(2) The average price per share excludes fees paid to acquire the shares.

### Item 5. *Other Information*

During the quarter ended January 31, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (in each case, as defined in item 408 of Regulation S-K).

## Item 6. Exhibits

The exhibits listed on the Index to Exhibits (immediately preceding the signatures section of this Quarterly Report on Form 10-Q) are included herewith or incorporated herein by reference.

### INDEX TO EXHIBITS

10.1	<a href="#"><u>Lease Agreement, dated as of October 26, 2017, by and between Ryan Boone County, LLC and Smith &amp; Wesson Corp., as assigned to the Registrant effective January 1, 2024 (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 1, 2023).</u></a>
10.2	<a href="#"><u>First Amendment to Lease Agreement, dated as of October 25, 2018, by and among Ryan Boone County, LLC, Smith &amp; Wesson Corp., and American Outdoor Brands Corporation, as assigned to the Registrant effective January 1, 2024 (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 1, 2023).</u></a>
10.3	<a href="#"><u>Second Amendment to Lease Agreement, dated as of January 31, 2019, by and among Ryan Boone County, LLC, American Outdoor Brands Sales Company (f/k/a Smith &amp; Wesson Corp.) and American Outdoor Brands Corporation, as assigned to the Registrant effective January 1, 2024 (incorporated by reference to Exhibit 10.4 to Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 1, 2023).</u></a>
31.1	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer</u></a>
31.2	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer</u></a>
32.1	<a href="#"><u>Section 1350 Certification of Principal Executive Officer</u></a>
32.2	<a href="#"><u>Section 1350 Certification of Principal Financial Officer</u></a>
101.INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

**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 thereunto duly authorized.

AMERICAN OUTDOOR BRANDS, INC.,  
a Delaware corporation

Date: March 7, 2024

By: /s/ Brian D. Murphy  
Brian D. Murphy  
*President and Chief Executive Officer*

Date: March 7, 2024

By: /s/ H. Andrew Fulmer  
H. Andrew Fulmer  
*Executive Vice President,  
Chief Financial Officer, and Treasurer*

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brian D. Murphy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Outdoor Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 7, 2024

By: */s/ Brian D. Murphy*

Brian D. Murphy

*President and Chief Executive Officer*

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, H. Andrew Fulmer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of American Outdoor Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 7, 2024

By: /s/ H. Andrew Fulmer

H. Andrew Fulmer

*Executive Vice President,*

*Chief Financial Officer, and Treasurer*

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of American Outdoor Brands, Inc. (the "Company") on Form 10-Q for the period ended January 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian D. Murphy, the President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 7, 2024

By: /s/ Brian D. Murphy

Brian D. Murphy

*President and Chief Executive Officer*

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of American Outdoor Brands, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of American Outdoor Brands, Inc. (the "Company") on Form 10-Q for the period ended January 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Andrew Fulmer, the Executive Vice President, Chief Financial Officer, and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 7, 2024

By: /s/ H. Andrew Fulmer

H. Andrew Fulmer

*Executive Vice President,*

*Chief Financial Officer, and Treasurer*

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of American Outdoor Brands, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

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