



# **FY 2017 First Quarter Earnings Supplemental Information**

August 11, 2016

# Forward-Looking Statements

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Certain statements in this presentation and other oral and written statements made by Vista Outdoor from time to time are forward-looking statements, including those that discuss, among other things: Vista Outdoor's plans, objectives, expectations, intentions, strategies, goals, outlook or other non-historical matters; projections with respect to future revenues, income, earnings per share or other financial measures for Vista Outdoor; and the assumptions that underlie these matters. The words 'believe', 'expect', 'anticipate', 'intend', 'aim', 'should' and similar expressions are intended to identify such forward-looking statements. To the extent that any such information is forward-looking, it is intended to fit within the safe harbor for forward-looking information provided by the Private Securities Litigation Reform Act of 1995.

Numerous risks, uncertainties and other factors could cause Vista Outdoor's actual results to differ materially from expectations described in such forward-looking statements, including the following: general economic and business conditions in the U.S. and Vista Outdoor's other markets, including conditions affecting employment levels, consumer confidence and spending; Vista Outdoor's ability to attract and retain key personnel and maintain and grow its relationships with customers, suppliers and other business partners, including Vista Outdoor's ability to obtain acceptable third party licenses; Vista Outdoor's ability to adapt its products to changes in technology, the marketplace and customer preferences; Vista Outdoor's ability to maintain and enhance brand recognition and reputation; reductions, unexpected changes in or our inability to accurately forecast demand for ammunition, firearms or accessories or other outdoor sports and recreation products; risks associated with Vista Outdoor's sales to significant retail customers, including unexpected cancellations, delays and other changes to purchase orders; supplier capacity constraints, production disruptions or quality or price issues affecting Vista Outdoor's operating costs; Vista Outdoor's competitive environment; risks associated with compliance and diversification into international and commercial markets; the supply, availability and costs of raw materials and components; increases in commodity, energy and production costs; changes in laws, rules and regulations relating to Vista Outdoor's business, such as federal and state firearms and ammunition regulations; Vista Outdoor's ability to execute its long-term growth strategy, including our ability to complete and realize expected benefits from acquisitions and integrate acquired businesses; Vista Outdoor's ability to take advantage of growth opportunities in international and commercial markets; foreign currency exchange rates and fluctuations in those rates; the outcome of contingencies, including with respect to litigation and other proceedings relating to intellectual property, product liability, warranty liability, personal injury and environmental remediation; risks associated with cybersecurity and other industrial and physical security threats; capital market volatility and the availability of financing; changes to accounting standards or policies; and changes in tax rules or pronouncements.

Vista Outdoor undertakes no obligation to update any forward-looking statements. For further information on factors that could impact Vista Outdoor, and statements contained herein, please refer to Vista Outdoor's filings with the Securities and Exchange Commission, including the company's annual report on Form 10-K and any subsequent quarterly reports on Form 10-Q and current reports on Form 8-K filed with the U.S. Securities and Exchange Commission.

# First Quarter Highlights

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- ❑ First Quarter
  - Sales of \$630 million
  - Adjusted fully-diluted\* earnings per share of \$0.48
  - Free cash flow\* (\$41) million
  
- ❑ Share Repurchases
  - Q1 FY17 ~462k shares for \$22 million
  - Q2 FY17 QTD ~159k for \$8 million
  - Inception-to-date repurchased approximately 4.0m shares for \$179 million through August 10, 2016
  
- ❑ Reaffirms FY17 Guidance
  - Sales of \$2.72 - \$2.78 billion
  - Interest expense of ~ \$45 million
  - Tax rate of ~37%
  - Adjusted earnings per share of \$2.65 - \$2.85
  - Capital expenditures of ~\$90 million
  - Free cash flow\* of \$130 - \$160 million

\* Non-GAAP financial measure. See reconciliation table for details.

# Shooting Sports



(\$ millions)	First Quarter		
	Q1 FY17	Q1 FY16	YoY Change
Sales	\$343	\$332	3.3%
Gross Profit	\$91	\$87	5.0%



## Year-over-year change

- Sales increase driven by:
  - Strong performance in rimfire and shotshell ammunition
  - Strong demand for firearms
  - Partially offset by lower International Sales of centerfire ammunition
- Gross profit increase:
  - Increased overall volume
  - Calendar year 2015 price increase
  - Product mix



# Outdoor Products



(\$ millions)	First Quarter		
	Q1 FY17	Q1 FY16	YoY Change
<b>Sales</b>	<b>\$287</b>	\$183	57.4%
<b>Adjusted Gross Profit*</b>	<b>\$82</b>	\$53	54.3%



Jimmy Styks



GIRO



CAMELBAK®



Bushnell



bolle



## Year-over-year change

- Sales increase driven by:
  - Impact of acquisitions
  - Organic sales down 16% versus prior-year primarily impacted by declines in shooting accessories, optics and tactical products
- Adjusted Gross profit increase:
  - Impact of acquisitions
  - Organic profit down 27% year over year due to decreased revenues and unfavorable product mix

\* Non-GAAP financial measure. See reconciliation table for details.



- ❑ First Quarter versus prior-year quarter
  - Adjusted operating expenses were \$114 million compared to \$80 million, increase due to additional operating expenses incurred by acquired businesses and ongoing SG&A and R&D investments, as we discussed on our previous call
  - Adjusted tax rate was 36.9 percent, compared to 39.9 percent due to a one-time true-up of a deferred tax asset that occurred in the prior year.
  - Interest expense was approximately \$12 million compared to \$3 million, increase due to an increase in the average debt balance due to acquisitions and the write off of deferred financing fees

# FY 2017 Outlook

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## FY 2017 Guidance

<b>Sales</b>	\$2.72 – \$2.78 billion
<b>Interest expense*</b>	~\$45 million
<b>Tax Rate</b>	~37%
<b>Earnings per Share**</b>	\$2.65 – \$2.85
<b>Capital Expenditures</b>	~\$90 million
<b>Free Cash Flow***</b>	\$130 - \$160 million

\* Includes amortization of financing costs and write off of deferred financing fees

\*\* Excludes impact of transition/transaction expense, contingent consideration revaluation and inventory step-up

\*\*\* Non-GAAP financial measure. See reconciliation table for details



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## Appendix

- Reconciliation to GAAP Measures

# Non-GAAP Financial Measures



## Operating Profit and Earnings Per Share

The adjusted cost of sales, gross profit, operating expenses, operating profit (adjusted EBIT), adjusted tax rate, and adjusted earnings per share (adjusted EPS) presented below are non-GAAP financial measures that Vista Outdoor defines as gross profit, operating profit (EBIT), tax rate and EPS excluding, where applicable, the impact of costs incurred in the period for current and possible transactions, transition costs for the Action Sports acquisition, changes in value of future payments of contingent consideration, and acquisition inventory step-up. Vista Outdoor management is presenting these measures so a reader may compare gross profit, EBIT, tax rate and EPS excluding these items, as the measures provide investors with an important perspective on the operating results of the company. Vista Outdoor management uses these measurements internally to assess business performance, and Vista Outdoor's definition may differ from those used by other companies.

<b>Quarter ended July 3, 2016:</b>								
	<b>Cost of Sales</b>	<b>Gross Profit</b>	<b>Operating Expenses</b>	<b>Operating Profit</b>	<b>Income Tax</b>	<b>Income Tax Rate</b>	<b>Net Income</b>	<b>EPS</b>
As reported	\$ 458,892	\$ 171,377	\$ 112,275	\$ 59,102	\$ 18,015	38.2%	\$ 29,124	\$ 0.48
Contingent consideration revaluation	—	—	3,396	(3,396)	(1,274)		(2,122)	(0.04)
Transaction and transition costs	—	—	(2,002)	2,002	130		1,872	0.03
Inventory step-up	(817)	817	—	817	310		507	0.01
As adjusted	\$ 458,075	\$ 172,194	\$ 113,669	\$ 58,525	\$ 17,181	36.9%	\$ 29,381	\$ 0.48
<b>Quarter ended July 5, 2015:</b>								
	<b>Cost of Sales</b>	<b>Gross Profit</b>	<b>Operating Expenses</b>	<b>Operating Profit</b>	<b>Income Tax</b>	<b>Income Tax Rate</b>	<b>Net Income (Loss)</b>	<b>EPS</b>
As reported	\$ 375,205	\$ 139,292	\$ 80,309	\$ 58,983	\$ 22,523	39.9%	\$ 33,891	\$ 0.53
Transaction costs	—	—	(678)	678	258		420	0.01
As adjusted	\$ 375,205	\$ 139,292	\$ 79,631	\$ 59,661	\$ 22,781	39.9%	\$ 34,311	\$ 0.54

See press release for additional descriptions of adjustments shown above.

# Non-GAAP Financial Measures



## Cost of Sales and Gross Profit

The adjusted cost of sales and gross profit presented below are non-GAAP financial measures that Vista Outdoor defines as cost of sales, and gross profit excluding, where applicable, the impact of costs incurred in the period for Action Sports acquisition inventory step-up. Vista Outdoor management is presenting these measures so a reader may compare cost of sales and gross profit excluding these items, as the measures provide investors with an important perspective on the operating results of the company. Vista Outdoor management uses these measurements internally to assess business performance, and Vista Outdoor's definition may differ from those used by other companies.

<b>Outdoor Products</b>		
<b>Quarter ended July 3, 2016:</b>		
	<b>Cost of Sales</b>	<b>Gross Profit</b>
As reported	\$ 206,568	\$ 80,897
Inventory step-up	(817)	817
As adjusted	\$ 205,751	\$ 81,714
<b>Acquisitions</b>		
<b>Quarter ended July 3, 2016:</b>		
	<b>Cost of Sales</b>	<b>Gross Profit</b>
As reported	\$ 91,741	\$ 42,329
Inventory step-up	(817)	817
As adjusted	\$ 90,924	\$ 43,146

See press release for additional descriptions of adjustments shown above.

# Non-GAAP Financial Measures



## Free Cash Flow

Free cash flow is defined as cash provided by operating activities less capital expenditures and excluding transaction and transition costs net of taxes incurred to date. Vista Outdoor management believes free cash flow provides investors with an important perspective on the cash available for debt repayment, share repurchases and acquisitions after making the capital investments required to support ongoing business operations. Vista Outdoor management uses free cash flow internally to assess both business performance and overall liquidity.

	<b>Three months ended July 3, 2016</b>	<b>Three months ended July 5, 2015</b>	<b>Projected year ending March 31, 2017</b>
Cash (used for) provided by operating activities	\$ (22,158)	\$ (41,919)	\$217,581–\$247,581
Capital expenditures	(21,006)	(10,557)	~(90,000)
Transaction and transition costs paid to date, net of tax	2,419	—	2,419
Free cash flow	<u>\$ (40,745)</u>	<u>\$ (52,476)</u>	<u>\$130,000–\$160,000</u>

See press release for additional descriptions of adjustments shown above.

# Non-GAAP Financial Measures



## Adjusted Earnings Per Share – Guidance Reconciliation Table

The projected adjusted earnings per share (EPS) excluding the impact of costs incurred for current and possible transactions, transition costs for the Action Sports acquisition, changes in value of future payments of contingent consideration, and acquisition inventory step-up is a non-GAAP financial measure that Vista Outdoor defines as EPS excluding the impact of these items. Vista Outdoor management is presenting this measure so a reader may compare EPS excluding these items as this measure provides investors with an important perspective on the operating results of the company. Vista Outdoor management uses this measurement internally to assess business performance, and Vista Outdoor's definition may differ from those used by other companies.

<b>Current FY17 Full-Year Adjusted EPS Guidance</b>		
	<b>Low</b>	<b>High</b>
EPS guidance including contingent consideration revaluation, transaction and transition costs, and inventory step-up incurred to date	\$ 2.65	\$ 2.85
Contingent consideration revaluation	(0.04)	(0.04)
Transaction and transition costs incurred to date	0.03	0.03
Inventory step-up	0.01	0.01
Adjusted EPS guidance	\$ 2.65	\$ 2.85