

Section 1: 10-Q (10-Q)

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

For the quarterly period ended July 1, 2018

OR

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

For the transition period from _____ to _____

Commission file number 1-36597



Vista Outdoor Inc.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**262 N University Avenue
Farmington, UT**

(Address of principal executive offices)

47-1016855

(I.R.S. Employer
Identification No.)

84025

(Zip Code)

Registrant's telephone number, including area code: **(801) 447-3000**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

Emerging growth company

(Do not check if a
smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 30, 2018, there were 57,528,344 shares of the registrant's voting common stock outstanding.

TABLE OF CONTENTS

	Page
PART I - Financial Information	
Item 1. Financial Statements	2
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3. Quantitative and Qualitative Disclosures about Market Risk	34
Item 4. Controls and Procedures	35
PART II - Other Information	
Item 1. Legal Proceedings	36
Item 1A. Risk Factors	36
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 3. Defaults Upon Senior Securities	36
Item 4. Mine Safety Disclosures	36
Item 5. Other Information	36
Item 6. Exhibits	37
SIGNATURES	39

PART I— FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

(Amounts in thousands except share data)	July 1, 2018	March 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 63,360	\$ 22,870
Net receivables	395,644	421,763
Net inventories	413,224	382,278
Income tax receivable	4,390	3,379
Assets held for sale	154,031	200,440
Other current assets	21,613	27,962
Total current assets	1,052,262	1,058,692
Net property, plant, and equipment	270,325	277,207
Goodwill	657,399	657,536
Net intangible assets	585,281	592,279
Deferred charges and other non-current assets	26,157	29,122
Total assets	\$ 2,591,424	\$ 2,614,836
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 32,000	\$ 32,000
Accounts payable	164,016	114,549
Accrued compensation	26,857	36,346
Federal excise tax	22,572	22,701
Liabilities held for sale	48,087	42,177
Other current liabilities	110,316	97,447
Total current liabilities	403,848	345,220
Long-term debt	848,908	883,399
Deferred income tax liabilities	62,815	66,196
Accrued pension and postemployment benefits	37,375	38,196
Other long-term liabilities	64,541	64,335
Total liabilities	1,417,487	1,397,346
Commitments and contingencies (Notes 11 and 14)		
Common stock — \$.01 par value:		
Authorized — 500,000,000 shares		
Issued and outstanding — 57,521,905 shares as of July 1, 2018 and 57,431,299 shares as of March 31, 2018	575	574
Additional paid-in capital	1,758,682	1,746,182
Accumulated deficit	(208,874)	(156,526)
Accumulated other comprehensive loss	(110,759)	(104,296)
Common stock in treasury, at cost — 6,442,534 shares held as of July 1, 2018 and 6,533,140 shares held as of March 31, 2018	(265,687)	(268,444)
Total stockholders' equity	1,173,937	1,217,490
Total liabilities and stockholders' equity	\$ 2,591,424	\$ 2,614,836

See Notes to the Condensed Consolidated Financial Statements.

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

(Amounts in thousands except per share data)	Quarter ended	
	July 1, 2018	July 2, 2017
Sales, net	\$ 528,836	\$ 568,749
Cost of sales	415,498	422,191
Gross profit	113,338	146,558
Operating expenses:		
Research and development	6,968	7,791
Selling, general, and administrative	101,054	99,426
Impairment of held-for-sale assets (Note 5)	44,921	—
Income (loss) before interest and income taxes	(39,605)	39,341
Interest expense, net	(13,472)	(12,393)
Income (loss) before income taxes	(53,077)	26,948
Income tax provision (benefit)	(729)	10,296
Net income (loss)	\$ (52,348)	\$ 16,652
Earnings (loss) per common share:		
Basic	\$ (0.91)	\$ 0.29
Diluted	\$ (0.91)	\$ 0.29
Weighted-average number of common shares outstanding:		
Basic	57,454	56,916
Diluted	57,454	56,957
Net income (loss) (from above)	\$ (52,348)	\$ 16,652
Other comprehensive income (loss), net of tax:		
Pension and other postretirement benefit liabilities:		
Reclassification of prior service credits for pension and postretirement benefit plans recorded to net income, net of tax benefit of \$19 and \$163, respectively.	(60)	(274)
Reclassification of net actuarial loss for pension and postretirement benefit plans recorded to net income, net of tax expense of \$(171) and \$(666), respectively.	543	1,122
Valuation adjustment for pension and postretirement benefit plans, net of tax benefit of \$0 and \$2,154, respectively.	—	(3,628)
Change in derivatives, net of tax expense of \$(63) and \$(14), respectively.	200	23
Change in cumulative translation adjustment.	(7,146)	8,571
Total other comprehensive income (loss)	(6,463)	5,814
Comprehensive income (loss)	\$ (58,811)	\$ 22,466

See Notes to the Condensed Consolidated Financial Statements.

[Table of Contents](#)

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(Amounts in thousands)	Quarter ended	
	July 1, 2018	July 2, 2017
Operating Activities:		
Net income (loss)	\$ (52,348)	\$ 16,652
Adjustments to net income (loss) to arrive at cash provided by operating activities:		
Depreciation	14,139	13,552
Amortization of intangible assets	6,842	9,110
Impairment of held-for-sale assets (Note 5)	44,921	—
Amortization of deferred financing costs	1,268	728
Deferred income taxes	(3,302)	2
(Gain) loss on disposal of property, plant, and equipment	(50)	77
Stock-based compensation	2,368	3,357
Changes in assets and liabilities:		
Net receivables	26,935	(2,323)
Net inventories	(36,620)	17,550
Accounts payable	55,945	(20,953)
Accrued compensation	(9,555)	(178)
Accrued income taxes	(617)	8,423
Federal excise tax	(52)	(4,036)
Pension and other postretirement benefits	(184)	(4,841)
Other assets and liabilities	24,482	4,170
Cash provided by operating activities	74,172	41,290
Investing Activities:		
Capital expenditures	(9,949)	(16,430)
Proceeds from the disposition of property, plant, and equipment	65	13
Cash used for investing activities	(9,884)	(16,417)
Financing Activities:		
Borrowings on line of credit	40,000	145,000
Payments made on line of credit	(40,000)	(150,000)
Settlement from former parent	13,047	—
Payments made on long-term debt	(33,000)	(8,000)
Payments made for debt issuance costs	(2,759)	(1,805)
Shares withheld for payroll taxes	(830)	(2,381)
Proceeds from employee stock compensation plans	—	298
Cash used for financing activities	(23,542)	(16,888)
Effect of foreign exchange rate fluctuations on cash	(256)	490
Increase in cash and cash equivalents	40,490	8,475
Cash and cash equivalents at beginning of period	22,870	45,075
Cash and cash equivalents at end of period	\$ 63,360	\$ 53,550
Supplemental Cash Flow Disclosures:		
Non-cash investing activity:		
Capital expenditures included in accounts payable	\$ 2,613	\$ 5,598

See Notes to the Condensed Consolidated Financial Statements.

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

(Amounts in thousands except share data)	<u>Common Stock \$.01 Par Value</u>		Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Equity
	Shares	Amount					
Balance, March 31, 2017	57,014,319	\$ 571	\$1,752,903	\$ (108,033)	\$ (112,992)	\$ (287,384)	\$ 1,245,065
Comprehensive income (loss)	—	—	—	16,652	5,814	—	22,466
Exercise of stock options	18,476	—	(465)	—	—	763	298
Restricted stock grants net of forfeitures	(16,286)	—	(89)	—	—	(357)	(446)
Share-based compensation	—	—	3,357	—	—	—	3,357
Restricted stock vested and shares withheld	6,827	—	(423)	—	—	177	(246)
Employee stock purchase plan	6,510	—	(130)	—	—	269	139
Other	688	(1)	(34)	—	—	35	—
Balance, July 2, 2017	<u>57,030,534</u>	<u>\$ 570</u>	<u>\$1,755,119</u>	<u>\$ (91,381)</u>	<u>\$ (107,178)</u>	<u>\$ (286,497)</u>	<u>\$ 1,270,633</u>
Balance, March 31, 2018	57,431,299	\$ 574	\$1,746,182	\$ (156,526)	\$ (104,296)	\$ (268,444)	\$ 1,217,490
Comprehensive income (loss)	—	—	—	(52,348)	(6,463)	—	(58,811)
Share-based compensation	—	—	2,380	—	—	(12)	2,368
Restricted stock vested and shares withheld	24,430	—	(1,755)	—	—	1,486	(269)
Employee stock purchase plan	7,241	—	(192)	—	—	299	107
Settlement from former parent	—	—	13,047	—	—	—	13,047
Other	58,935	1	(980)	—	—	984	5
Balance, July 1, 2018	<u>57,521,905</u>	<u>\$ 575</u>	<u>\$1,758,682</u>	<u>\$ (208,874)</u>	<u>\$ (110,759)</u>	<u>\$ (265,687)</u>	<u>\$ 1,173,937</u>

See Notes to the Condensed Consolidated Financial Statements.

VISTA OUTDOOR INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
Quarter ended July 1, 2018
(Amounts in thousands except share and per share data unless otherwise indicated)

1. Significant Accounting Policies

Nature of Operations—Vista Outdoor Inc. (together with our subsidiaries, "Vista Outdoor", "we", "our", and "us") is a leading global designer, manufacturer and marketer of consumer products in the growing outdoor sports and recreation markets. We operate in two segments, Outdoor Products and Shooting Sports. Vista Outdoor is headquartered in Farmington, Utah and has manufacturing operations and facilities in 18 locations in the United States, Canada, Mexico, and Puerto Rico along with international customer service, sales and sourcing operations in Asia, Australia, Canada, and Europe. Vista Outdoor was incorporated in Delaware in 2014.

This Quarterly Report on Form 10-Q should be read in conjunction with our consolidated financial statements and notes included in our annual report on Form 10-K for the fiscal year ended March 31, 2018 ("fiscal 2018").

Basis of Presentation—Our unaudited condensed consolidated financial statements have been prepared in accordance with the requirements of the Securities and Exchange Commission ("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 can be condensed or omitted. Our accounting policies are described in the notes to the consolidated and combined financial statements in our Annual Report on Form 10-K for fiscal 2018. Management is responsible for the condensed consolidated financial statements included in this report, which are unaudited but, in the opinion of management, include all adjustments necessary for a fair presentation of our financial position as of July 1, 2018 and March 31, 2018, our results of operations for the quarters ended July 1, 2018 and July 2, 2017, and our cash flows for the quarters ended July 1, 2018 and July 2, 2017.

New Accounting Pronouncements—Effective April 1, 2018, we adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes existing revenue recognition requirements. We adopted this standard effective April 1, 2018 using the modified retrospective transition method. The adoption of this standard did not have a material impact on our consolidated financial statements. See Note 3, *Revenue Recognition*, for our enhanced disclosures about revenue in accordance with the new standard.

On February 25, 2016, the FASB issued Accounting Standard Update ("ASU") 2016-02, *Leases*. The new guidance was issued to increase transparency and comparability among companies by requiring most leases to be included on the balance sheet and by expanding disclosure requirements. Based on the current effective dates, the new guidance would first apply in the first quarter of our fiscal 2020. Although we expect adoption of the standard to materially increase the assets and liabilities recorded on our balance sheet, we are still evaluating the overall impact on our financial statements.

Other than the standards noted above and in our fiscal 2018 financial statements, there are no other new accounting pronouncements that are expected to have a significant impact on our condensed consolidated financial statements.

2. Fair Value of Financial Instruments

The current authoritative guidance on fair value prescribes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and requires disclosures about the use of fair value measurements. Fair value is the price that would be received to sell 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.

The valuation techniques required by the current authoritative literature are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3—Significant inputs to the valuation model are unobservable.

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

The following section describes the valuation methodologies we used to measure our financial instruments at fair value.

Long-term debt—The fair value of our outstanding variable-rate long-term debt is calculated based on current market rates for debt of the same risk and maturities. The fair value of the fixed-rate long-term debt is based on market quotes for the outstanding notes. We consider these to be Level 2 instruments.

Interest rate swaps—We periodically enter into floating-to-fixed interest rate swap agreements in order to hedge our forecasted interest payments on our outstanding variable-rate debt. The fair value of those swaps is determined using a pricing model based on observable inputs for similar instruments and other market assumptions. We consider these to be Level 2 instruments. See Note 11, *Long-term Debt*, for additional information.

Contingent consideration—The acquisition-related contingent consideration liability represents the estimated fair value of additional future earn-outs payable for acquisitions of businesses that included earn-out clauses. The valuation of the contingent consideration is evaluated on an ongoing basis and is based on management estimates and entity-specific assumptions which are considered Level 3 inputs. On September 1, 2016, we completed the acquisition of privately owned Logan Outdoor Products, LLC and Peak Trades, LLC ("Camp Chef"), a leading provider of outdoor cooking solutions. Under the terms of the transaction, approximately \$10,000 of the purchase price is payable over a three-year period from the closing date if certain incremental growth milestones are met and key members of Camp Chef management continue their employment with us through the respective milestone dates. The approximately \$10,000 is being expensed over the three-year measurement period and is to be paid in three equal installments as each milestone is achieved. The growth milestones for the first year were met and, therefore, we paid \$3,371 during the quarter ended December 31, 2017.

The following table presents our financial assets and liabilities that are not measured at fair value on a recurring basis. The carrying values and estimated fair values were as follows:

	July 1, 2018		March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed-rate debt	\$ 350,000	\$ 334,075	\$ 350,000	\$ 328,248
Variable-rate debt	543,000	543,000	576,000	576,000

3. Revenue Recognition

The following tables disaggregate our net sales by major category for the quarters ended July 1, 2018 and July 2, 2017:

	Quarter ended July 1, 2018			Quarter ended July 2, 2017		
	Outdoor Products	Shooting Sports	Total	Outdoor Products	Shooting Sports	Total
Ammunition	\$ —	\$ 217,122	\$ 217,122	\$ —	\$ 240,926	\$ 240,926
Firearms	—	40,934	40,934	—	37,840	37,840
Hunting and Shooting Accessories	103,688	—	103,688	115,842	—	115,842
Action Sports	71,708	—	71,708	76,477	—	76,477
Outdoor Recreation	63,113	—	63,113	64,659	—	64,659
Eyewear	32,271	—	32,271	33,005	—	33,005
Total	\$ 270,780	\$ 258,056	\$ 528,836	\$ 289,983	\$ 278,766	\$ 568,749

Geographic Region

United States	\$ 196,649	\$ 231,894	\$ 428,543	\$ 209,006	\$ 249,445	\$ 458,451
Rest of the World	74,131	26,162	100,293	80,977	29,321	110,298
Total	\$ 270,780	\$ 258,056	\$ 528,836	\$ 289,983	\$ 278,766	\$ 568,749

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

Effective April 1, 2018, we implemented Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers* (Topic 606), using the modified retrospective method. The standard did not have a material effect on our financial statements.

The vast majority of our revenues are from the sale of consumer products in the outdoor recreation and shooting sports markets. Our customers consist primarily of retailers and distributors, as well as government, law enforcement, and military professionals. We also sell some of our products online directly to consumers. Our top customer is Walmart, representing 14% and 15% of our sales for the quarters ended July 1, 2018 and July 2, 2017, respectively. No other single customer contributed 10% or more of our sales for the quarters ended July 1, 2018 and July 2, 2017.

Typically, our contracts require customers to pay within 30-60 days of product delivery with a discount available to some customers for early payment. In some cases, we offer extended payment terms to customers. However, we do not consider these extended payment terms to be a significant financing component of the contract because the payment terms are less than a year.

We recognize revenue for our products at a point in time upon the transfer of control of the products to the customer, which typically occurs upon shipment and coincides with our right to payment, the transfer of legal title, and the transfer of the significant risks and rewards of ownership of the product.

In limited circumstances, our contract with a customer may have shipping terms that indicate a transfer of control of the products upon their arrival at the destination rather than upon shipment. In those cases, we recognize revenue only when the product reaches the customer destination, which may require us to estimate the timing of transfer of control based on the expected delivery date. In all cases, however, we consider our costs related to shipping and handling to be a cost of fulfilling the contract with the customer.

The total amount of revenue we recognize for the sale of our products reflects various sales adjustments for discounts, returns, refunds, allowances, rebates, and other customer incentives. These sales adjustments can vary based on market conditions, customer preferences, timing of customer payments, volume of products sold, and timing of new product launches. These adjustments require management to make reasonable estimates of the amount we expect to receive from the customer. We estimate sales adjustments by customer or by product category on the basis of our historical experience with similar contracts with customers, adjusted as necessary to reflect current facts and circumstances and our expectations for the future.

Incentives in the form of cash paid to the customer (or a reduction of a customer cash payment to us) typically are recognized as a reduction of sales unless the incentive is for a distinct benefit that we receive from the customer (e.g., advertising or marketing).

We provide consumer warranties against manufacturing defects on certain products within the Shooting Sports and Outdoor Products segments. Our warranty periods typically range from one year to the lifetime of the product. The costs of such product warranties are recognized upon delivery of the product at the time the sale is recorded, and are estimated based on our past experience.

We pay commissions to some of our employees based on agreed-upon sales targets. We recognize the incremental costs of obtaining a contract as an expense when incurred because our sales contracts with commissions are a year or less.

We did not recognize any revenue in the reporting period from performance obligations satisfied (or partially satisfied) in previous reporting periods.

4. Earnings Per Share

The computation of earnings per share ("EPS") includes Basic EPS computed based upon the weighted average number of common shares outstanding for each period. Diluted EPS is computed based on the weighted average number of common shares and common equivalent shares. Common equivalent shares represent the effect of stock-based awards during each period presented, which, if exercised or earned, would have a dilutive effect on EPS.

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

In computing EPS for the quarters ended July 1, 2018 and July 2, 2017, earnings, as reported for each respective period, is divided by the number of shares below:

	Quarter ended	
	July 1, 2018	July 2, 2017
Net income (loss)	\$ (52,348)	\$ 16,652
Weighted-average number of common shares outstanding:		
Basic EPS shares outstanding	57,454	56,916
Dilutive effect of stock-based awards (1)	—	41
Diluted EPS shares outstanding	57,454	56,957
Shares excluded from the calculation of diluted EPS because the option exercise/threshold price was greater than the average market price of the common shares	481	358
Earnings (loss) per common share:		
Basic	\$ (0.91)	\$ 0.29
Diluted	\$ (0.91)	\$ 0.29

(1) Due to the loss from continuing operations in the quarter ended July 1, 2018, there are no common shares added to calculate dilutive EPS for that quarter because the effect would be antidilutive.

5. Assets and Liabilities Held for Sale

In November 2017, we announced our intention to sell our eyewear business consisting of the Bollé, Serengeti, and Cébé brands, which are part of our Outdoor Products segment. The decision to sell this business reflects our ongoing review of our portfolio of brands to focus on assets that are core to our mission and strategy. As of March 31, 2018, we had received multiple bids for the eyewear business with a wide range of potential purchase prices. When we performed our required held-for-sale impairment analysis for the quarter ended March 31, 2018, the fair value estimates at the time exceeded the eyewear book value. Negotiations progressed throughout the quarter ended July 1, 2018 and the range of estimated values narrowed. On July 9, 2018, we announced that we entered into a definitive agreement to sell the legal entities operating the Bollé, Cébé, and Serengeti brands to an entity controlled by a European private equity fund. The gross proceeds from the divestiture are expected to be approximately \$158,000, subject to net working capital adjustments and transaction costs. The sale of these legal entities is expected to be completed in the quarter ended September 30, 2018. During the quarter ended July 1, 2018, we recognized an impairment of \$44,921 related to an expected loss on the sale of our held-for-sale assets. The loss is attributable primarily to cumulative foreign currency translation adjustments for these entities that will be reclassified to earnings upon sale of the entities.

The operating results of this business do not qualify for reporting as discontinued operations. For the quarters ended July 1, 2018 and July 2, 2017, the earnings before taxes for this business were approximately \$5,393 and \$1,977, respectively. The earnings before taxes above include \$0 and \$2,093 of total depreciation and amortization expense for the quarters ended July 1, 2018 and July 2, 2017, respectively.

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

The following table presents information related to the assets and liabilities of the business that were classified as held for sale at July 1, 2018:

(Amounts in thousands)	July 1, 2018
Assets	
Net receivables	\$ 23,245
Net inventories	33,682
Other current assets	2,309
Net property, plant, and equipment	3,877
Goodwill	61,599
Net intangible assets	74,240
Total assets held for sale	\$ 198,952
Liabilities	
Accounts payable	\$ 12,202
Accrued compensation	2,284
Deferred tax liabilities	18,506
Other accrued liabilities	15,095
Total liabilities held for sale	\$ 48,087
Total net assets held for sale	\$ 150,865

The following table presents the calculation of our expected loss on sale as of July 1, 2018:

(Amounts in thousands)	July 1, 2018
Total net assets held for sale	\$ 150,865
Currency translation adjustment attributable to eyewear business	35,853
Total net assets including currency translation adjustment	186,718
Proceeds from sale, net of expected transaction costs and net working capital adjustments	(141,797)
Impairment of held-for-sale assets	\$ 44,921

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

The following table presents the reconciliation of the eyewear gross held-for-sale assets above to our consolidated balance sheet as of July 1, 2018:

(Amounts in thousands)	July 1, 2018
Total assets held for sale	\$ 198,952
Impairment of held-for-sale assets	(44,921)
Adjusted assets held for sale	<u>\$ 154,031</u>

6. Receivables

Net receivables are summarized as follows:

	July 1, 2018	March 31, 2018
Trade receivables	\$ 410,269	\$ 453,939
Other receivables	3,835	4,017
Less: allowance for doubtful accounts and discounts	(18,460)	(36,193)
Net receivables	<u>\$ 395,644</u>	<u>\$ 421,763</u>

As of July 1, 2018 and March 31, 2018, Walmart represented 17% and 14%, respectively, of the total trade receivables balance. No other customer represented more than 10% of our total trade receivables balance as of July 1, 2018 and March 31, 2018.

7. Inventories

Net inventories consist of the following:

	July 1, 2018	March 31, 2018
Raw materials	\$ 107,546	\$ 88,588
Work in process	42,385	40,812
Finished goods	263,293	252,878
Net inventories	<u>\$ 413,224</u>	<u>\$ 382,278</u>

We consider inventories to be long-term if they are not expected to be sold within one year. Long-term inventories are presented on the balance sheet net of reserves within deferred charges and other non-current assets and totaled \$22,923 and \$24,040 as of July 1, 2018 and March 31, 2018, respectively.

8. Accumulated Other Comprehensive Loss (AOCL)

The components of AOCL, net of income taxes, are as follows:

	July 1, 2018	March 31, 2018
Pension and other postretirement benefits	\$ (66,173)	\$ (66,656)
Derivatives	2,104	1,904
Cumulative translation adjustment	(46,690)	(39,544)
Total AOCL	<u>\$ (110,759)</u>	<u>\$ (104,296)</u>

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

The following tables summarize the changes in the balance of AOCL, net of income tax:

	Quarter ended July 1, 2018			
	Derivatives	Pension and other postretirement benefits	Cumulative translation adjustment	Total
Beginning balance in AOCL	\$ 1,904	\$ (66,656)	\$ (39,544)	\$ (104,296)
Net actuarial losses reclassified from AOCL ⁽¹⁾	—	543	—	543
Prior service costs reclassified from AOCL ⁽¹⁾	—	(60)	—	(60)
Net increase in fair value of derivatives	200	—	—	200
Net change in cumulative translation adjustment	—	—	(7,146)	(7,146)
Ending balance in AOCL	<u>\$ 2,104</u>	<u>\$ (66,173)</u>	<u>\$ (46,690)</u>	<u>\$ (110,759)</u>

(1) Amounts related to our pension and other postretirement benefits that were reclassified from AOCL were recorded as a component of net periodic benefit cost for each period presented.

	Quarter ended July 2, 2017			
	Derivatives	Pension and other postretirement benefits	Cumulative translation adjustment	Total
Beginning balance in AOCL	\$ —	\$ (56,929)	\$ (56,063)	\$ (112,992)
Net actuarial losses reclassified from AOCL ⁽¹⁾	—	1,122	—	1,122
Prior service costs reclassified from AOCL ⁽¹⁾	—	(274)	—	(274)
Valuation adjustment for pension and postretirement benefit plans ⁽²⁾	—	(3,628)	—	(3,628)
Net increase in fair value of derivatives	23	—	—	23
Net change in cumulative translation adjustment	—	—	8,571	8,571
Ending balance in AOCL	<u>\$ 23</u>	<u>\$ (59,709)</u>	<u>\$ (47,492)</u>	<u>\$ (107,178)</u>

(1) Amounts related to our pension and other postretirement benefits that were reclassified from AOCL were recorded as a component of net periodic benefit cost for each period presented.

(2) See Note 12, *Employee Benefit Plans*, for a description of the pension curtailment gain recognized in the quarter ended July 2, 2017.

9. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill by segment were as follows:

	Outdoor Products	Shooting Sports	Total
Balance, March 31, 2018	\$ 452,627	\$ 204,909	\$ 657,536
Effect of foreign currency exchange rates	—	(137)	(137)
Balance, July 1, 2018	<u>\$ 452,627</u>	<u>\$ 204,772</u>	<u>\$ 657,399</u>

The goodwill recorded within the Outdoor Products segment is presented net of \$545,106 of accumulated impairment losses, of which \$401,706 was recorded prior to fiscal 2018 and \$143,400 was recorded in fiscal 2018. The goodwill recorded within the Shooting Sports segment is presented net of \$41,020 of accumulated impairment losses, which were recorded in fiscal 2015. The remeasurement of goodwill and intangible assets is classified as a Level 3 fair value assessment as described in Note 2, *Fair Value of Financial Instruments*, due to the significance of unobservable inputs developed using company-specific information.

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

Net intangible assets other than goodwill consisted of the following:

	July 1, 2018			March 31, 2018		
	Gross carrying amount	Accumulated amortization	Total	Gross carrying amount	Accumulated amortization	Total
Trade names	\$ 62,657	\$ (13,196)	\$ 49,461	\$ 62,657	\$ (11,993)	\$ 50,664
Patented technology	16,466	(8,376)	8,090	16,466	(8,157)	8,309
Customer relationships and other	318,368	(96,561)	221,807	318,476	(91,093)	227,383
Total	397,491	(118,133)	279,358	397,599	(111,243)	286,356
Non-amortizing trade names	305,923	—	305,923	305,923	—	305,923
Net intangible assets	\$ 703,414	\$ (118,133)	\$ 585,281	\$ 703,522	\$ (111,243)	\$ 592,279

The amortizable assets in the table above are being amortized using a straight-line method over a weighted average remaining period of approximately 12.2 years. The amount of amortizing tradename and technology intangible assets for the Outdoor Products segment is presented net of a \$61,054 impairment charge recorded in fiscal 2017. The amount of non-amortizing tradename intangible assets in the Outdoor Products segment is presented net of \$8,920 and \$34,230 of impairment losses recorded in fiscal 2018 and fiscal 2017, respectively; and, the amount of non-amortizing tradename intangible assets in the Shooting Sports segment is presented net of \$11,200 of impairment losses recorded in fiscal 2015. Amortization expense for the quarters ended July 1, 2018 and July 2, 2017 was \$6,842 and \$9,110, respectively.

As of July 1, 2018, we expect amortization expense related to these assets to be as follows:

Remainder of fiscal 2019	\$ 20,538
Fiscal 2020	26,553
Fiscal 2021	26,537
Fiscal 2022	26,529
Fiscal 2023	26,414
Thereafter	152,787
Total	\$ 279,358

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

10. Other Current and Non-Current Liabilities

Other current and non-current liabilities consisted of the following:

	July 1, 2018	March 31, 2018
Other current liabilities:		
Accrual for in-transit inventory	\$ 31,397	\$ 29,200
Rebate accrual	18,056	14,827
Other	60,863	53,420
Total other current liabilities	\$ 110,316	\$ 97,447
Other non-current liabilities:		
Non-current portion of accrued income tax liability	\$ 35,092	\$ 34,716
Other	29,449	29,619
Total other non-current liabilities	\$ 64,541	\$ 64,335

We provide consumer warranties against manufacturing defects on certain products within the Shooting Sports and Outdoor Products segments with warranty periods ranging from one year to the expected lifetime of the product. The estimated costs of such product warranties are recorded at the time the sale is recorded based upon our past experience. The warranty liability recorded at each balance sheet date reflects the estimated liability for warranty coverage for products delivered based on historical information and current trends. The following is a reconciliation of the changes in our product warranty liability during the periods presented:

Balance, March 31, 2018	\$ 10,247
Payments made	(654)
Warranties issued	927
Changes related to preexisting warranties	(622)
Balance, July 1, 2018	\$ 9,898

11. Long-term Debt

Long-term debt, including the current portion, consisted of the following:

	July 1, 2018	March 31, 2018
Credit Agreement:		
Term Loan	\$ 543,000	\$ 576,000
Revolving Credit Facility	—	—
Total principal amount of Credit Agreement	543,000	576,000
5.875% Senior Notes	350,000	350,000
Principal amount of long-term debt	893,000	926,000
Less: unamortized deferred financing costs	(12,092)	(10,601)
Carrying amount of long-term debt	880,908	915,399
Less: current portion	(32,000)	(32,000)
Carrying amount of long-term debt, excluding current portion	\$ 848,908	\$ 883,399

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

Credit Agreement—On April 1, 2016, we entered into an Amended and Restated Credit Agreement (the "Credit Agreement"), which replaced our 2014 Credit Agreement. The Credit Agreement is comprised of a Term A Loan of \$640,000 and a \$200,000 Revolving Credit Facility, both of which mature on April 1, 2021. The Term A Loan is subject to quarterly principal payments of \$8,000, with the remaining balance due on April 1, 2021. During the quarter ended July 1, 2018, we repaid an additional \$25,000 of the Term A Loan. Substantially all domestic tangible and intangible assets of Vista Outdoor and our subsidiaries, as well as the tangible and intangible assets of Advanced Arrow S. de R.L. de C.V. and Hydrosport, S. de R.L. de C.V., are pledged as collateral under the Credit Agreement. Borrowings under the Credit Agreement bear interest at a rate equal to either the sum of a base rate plus a specified margin or the sum of a Eurodollar rate plus a specified margin. Each margin is based on our consolidated leverage ratio, as defined in the Credit Agreement, and based on the ratio in effect as of July 1, 2018, the base rate margin was 2.25% and the Eurodollar margin was 3.25%. The weighted average interest rate for our borrowings under the Credit Agreement as of July 1, 2018 was 5.34%, excluding the impact of the interest rate swaps that are discussed below. We pay a commitment fee on the unused portion of the Revolving Credit Facility based on our consolidated leverage ratio, and based on the current ratio, this fee is 0.50%. As of July 1, 2018, we had no borrowings against our \$200,000 Revolving Credit Facility and had outstanding letters of credit of \$23,288, which reduced amounts available on the Revolving Credit Facility to \$176,712. Debt issuance costs of approximately \$14,000 are being amortized over the term of the Credit Agreement.

During fiscal 2018, we conducted a review of our outstanding debt instruments and initiated discussions with our banks regarding refinancing our Credit Agreement with an asset-based loan ("ABL") and a new term loan. We believe that this change could provide us with additional flexibility to operate efficiently in a challenging market environment. Subject to debt market conditions, we anticipate finalizing the refinancing by the end of our second fiscal quarter. In order to allow us sufficient time to execute the refinancing, we received from our lenders a waiver of our Consolidated Leverage Ratio requirement for the quarter ended March 31, 2018 and, in May 2018, we executed an amendment to the Credit Agreement to amend, among other things, certain financial covenants during our fiscal 2019 (the "May 2018 Amendment"). The May 2018 Amendment provides for the following maximum ratios as defined in the Credit Agreement:

	Maximum leverage ratios per the Credit Agreement			
	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
Consolidated Leverage Ratio	7.25	8.25	8.00	6.75
Consolidated Senior Secured Leverage Ratio	5.00	5.50	5.25	4.50

The May 2018 Amendment also provides that the Consolidated Interest Coverage Ratio (as defined in the Credit Agreement) must be greater than 2.00 to 1.00 through the fiscal quarter ended December 31, 2018, and 2.50 to 1.00 for the quarter ended March 31, 2019. In addition, the May 2018 Amendment reduces the Revolving Credit Facility from \$400,000 to \$200,000, amends the borrowing rates under the Revolving Credit Facility and Term A Loan and the fee for unused commitments under the Revolving Credit Facility, all of which vary depending on our Consolidated Leverage Ratio, and further restricts our ability to enter into certain transactions. Debt issuance costs related to the May 2018 Amendment of approximately \$2,800 will be amortized over the term of the amendment.

5.875% Notes—In fiscal 2016, we issued \$350,000 aggregate principal amount of 5.875% Senior Notes (the "5.875% Notes") that mature on October 1, 2023. These notes are unsecured and senior obligations. Interest on the notes is payable semi-annually in arrears on April 1 and October 1 of each year. We have the right to redeem some or all of these notes from time to time on or after October 1, 2018, at specified redemption prices. Prior to October 1, 2018, we may redeem some or all of these notes at a price equal to 100% of their principal amount plus accrued and unpaid interest to the date of redemption and a specified make-whole premium. In addition, prior to October 1, 2018, we may redeem up to 35% of the aggregate principal amount of these notes with the net cash proceeds of certain equity offerings, at a price equal to 105.875% of their principal amount plus accrued and unpaid interest to the date of redemption. Debt issuance costs of approximately \$4,300 are being amortized to interest expense over 8 years, the term of the notes.

The Credit Agreement and the indenture governing the 5.875% Notes contain cross-default provisions so that non-compliance with the covenants within one debt agreement could also cause a default under the other debt agreement. As of July 1, 2018, we were in compliance with the covenants of both debt agreements. However, we cannot provide assurance that we will be able to comply with such financial covenants in the future, or complete a refinancing of our Credit Agreement mentioned above, because of various risks and uncertainties some of which may be beyond our control.

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

Rank and guarantees—The Credit Agreement obligations are guaranteed on a secured basis, jointly and severally and fully and unconditionally by substantially all of our domestic subsidiaries and by Advanced Arrow S. de R.L. de C.V. and Hydrosport, S. de R.L. de C.V. Vista Outdoor (the parent company issuer) has no independent assets or operations. We own 100% of all of these guarantor subsidiaries. The 5.875% Notes are senior unsecured obligations of Vista Outdoor and will rank equally in right of payment with any future senior unsecured indebtedness and senior in right of payment to any future subordinated indebtedness of Vista Outdoor. The 5.875% Notes are fully and unconditionally guaranteed, jointly and severally, by our existing and future domestic subsidiaries that guarantee indebtedness under our Credit Agreement or that guarantee certain of our other indebtedness, or indebtedness of any subsidiary guarantor, in an aggregate principal amount in excess of \$50,000. These guarantees are senior unsecured obligations of the applicable subsidiary guarantors. The guarantee by any subsidiary guarantor of our obligations in respect of the 5.875% Notes will be released in any of the following circumstances:

- if, as a result of the sale of its capital stock, such subsidiary guarantor ceases to be a restricted subsidiary;
- if such subsidiary guarantor is designated as an “Unrestricted Subsidiary”;
- upon defeasance or satisfaction and discharge of the 5.875% Notes; or
- if such subsidiary guarantor has been released from its guarantees of indebtedness under the Credit Agreement and all capital markets debt securities.

Interest rate swaps—During the quarter ended July 2, 2017, we entered into floating-to-fixed interest rate swap agreements in order to hedge our forecasted interest payments on our outstanding variable-rate debt. As of July 1, 2018, we had the following cash flow hedge interest rate swaps in place:

	Notional	Fair Value	Pay Fixed	Receive Floating	Maturity Date
Non-amortizing swap	\$ 100,000	\$ 864	1.519%	2.094%	June 2019
Non-amortizing swap	100,000	1,909	1.629%	2.094%	June 2020

The amount to be paid or received under these swaps is recorded as an adjustment to interest expense. The asset related to the swaps is recorded as part of other current assets.

Cash paid for interest on debt—Cash paid for interest on debt, including commitment fees, for the quarters ended July 1, 2018 and July 2, 2017 totaled \$7,073 and \$16,197, respectively.

12. Employee Benefit Plans

During the quarter ended July 1, 2018, we recognized an aggregate net benefit for employee defined benefit plans of \$186 compared to a net benefit of \$4,352 during the quarter ended July 2, 2017. The decrease was primarily due to the pension curtailment recognized in the quarter ended July 2, 2017, as discussed below.

Employer contributions and distributions—During the quarter ended July 1, 2018, there were no required contributions to the pension trust, and we made no contributions to our other postretirement benefit plans, and no distributions to retirees under the non-qualified supplemental executive retirement plan. During the quarter ended July 2, 2017, we contributed \$1,600 directly to the pension trust, made no contributions to our other postretirement benefit plans, and made no distributions to retirees under the non-qualified supplemental executive retirement plan. During the remainder of fiscal 2019, we do not expect to make additional contributions to the pension trust, to our other postretirement benefit plans, or directly to retirees under our non-qualified supplemental executive retirement plans.

Pension curtailment—In June 2017, we announced changes to our qualified and non-qualified defined benefit pension plans. The benefits under the affected plans are determined by a cash balance formula that provides participating employees with an annual “pay credit” as a percentage of their eligible pay based on their age and eligible service. The curtailment was effective July 31, 2017, with employees receiving a pro-rated pay credit for 2017 and no future pay credits beginning in 2018. However, a participating employee’s benefit will continue to grow based on annual interest credits applied to the employee’s cash balance account until commencement of the employee’s benefit. As a result of the changes, we recognized a one-time gain of \$5,783 during the quarter ended July 2, 2017.

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

13. Income Taxes

Our provision for income taxes includes federal, foreign, and state income taxes. Income tax provisions for interim periods are based on the year-to-date effective tax rate for the current year and on estimated effective annual income tax rate for the prior year.

The income tax provisions for the quarters ended July 1, 2018 and July 2, 2017 represent effective tax rates of 1.4% and 38.2%, respectively. The decrease in the rate from the prior year quarter is primarily caused by an impairment of held-for-sale assets and the income tax effects of The Tax Cuts and Jobs Act (the "Tax Legislation") including the decrease in the federal statutory tax rate, repeal of the domestic manufacturing deduction, and the implementation of a territorial tax system. The effective tax rate for the quarter ended July 1, 2018 was lower than the statutory rate primarily because of the loss in the first quarter, which caused the unfavorable tax adjustments to decrease the rate. The effective tax rate for the quarter ended July 2, 2017 was higher than the statutory rate, primarily because of state tax expense and unfavorable tax adjustments, partially offset by the domestic manufacturing deduction and tax credits.

On December 22, 2017, Tax Legislation was enacted in the United States. The Tax Legislation significantly revises the corporate income tax by, among other things, lowering corporate income tax rates, limiting various deductions, repealing the domestic manufacturing deduction, implementing a territorial tax system, and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries.

We estimate the impact of the Tax Legislation, based on currently available information and interpretations of the law, to be a benefit to us of approximately \$48 million, which was included in our prior period tax benefit. The majority of the tax benefit was due to remeasurement of the U.S. deferred tax liabilities at lower enacted corporate tax rates, which did not have a cash impact on the prior quarter. The actual impact of the Tax Legislation may differ from this estimate, possibly materially, due to, among other things, changes in interpretations and assumptions we have made, guidance that may be issued, and actions we may take as a result of the Tax Legislation.

On February 9, 2015, we entered into a Tax Matters Agreement with Orbital ATK that governs the respective rights, responsibilities and obligations of Vista Outdoor and Orbital ATK following the distribution of all of the shares of our common stock on a pro rata basis to the holders of Alliant Techsystems Inc. common stock (the "Spin-Off") with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. We have joint and several liability with Orbital ATK to the IRS for the consolidated U.S. federal income taxes of the Orbital ATK consolidated group relating to the taxable periods in which we were part of that group. However, the Tax Matters Agreement specifies the portion, if any, of this tax liability for which we bear responsibility, and Orbital ATK agrees to indemnify us against any amounts for which we are not responsible. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the Spin-Off is determined not to be tax-free. Though valid between the parties, the Tax Matters Agreement is not binding on the IRS.

The allocation of tax liabilities for the period from April 1, 2014 through the date of the Spin-Off was settled on June 15, 2018. Orbital ATK paid Vista \$13,047 to settle this matter, which was reflected as an adjustment to the distribution from Vista to Orbital ATK at the time of the Spin-Off.

Prior to the Spin-Off, Orbital ATK or one of its subsidiaries filed income tax returns in the U.S. federal and various U.S. state jurisdictions that included Vista Outdoor. In addition, certain of our subsidiaries filed income tax returns in foreign jurisdictions. Since the Spin-Off, we file income tax returns in the U.S. federal, foreign and various U.S. state jurisdictions. With a few exceptions, Orbital ATK and its subsidiaries and Vista are no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities prior to 2011. The IRS has completed the audits of Orbital ATK through fiscal 2014 and is currently auditing Orbital ATK's tax return for fiscal 2015. The IRS has also completed the audit of our tax return for the period that began after the Spin-Off (February 9, 2015) and ended on March 31, 2015. We believe appropriate provisions for all outstanding issues relating to our portion of these returns have been made for all remaining open years in all jurisdictions.

Although the timing and outcome of income tax audit settlements are uncertain, it is reasonably possible that a \$4,557 reduction of the uncertain tax benefits will occur in the next 12 months. The settlement of these unrecognized tax benefits could result in earnings from \$0 to \$3,877.

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

14. Contingencies

Litigation—From time to time, we are subject to various legal proceedings, including lawsuits, which arise out of, and are incidental to, the conduct of our business. We do not consider any of such proceedings that are currently pending, individually or in the aggregate to be material to our business or likely to result in a material adverse effect on our operating results, financial condition, or cash flows.

Environmental liabilities—Our operations and ownership or use of real property are subject to a number of federal, state, and local environmental laws and regulations, as well as applicable foreign laws and regulations, including those governing the discharge of hazardous materials, remediation of contaminated sites, and restoration of damage to the environment. We are obligated to conduct investigation and/or remediation activities at certain sites that we own or operate or formerly owned or operated.

We have been identified as a potentially responsible party (“PRP”), along with other parties, in regulatory agency actions associated with hazardous waste sites. As a PRP, we may be required to pay a share of the costs of the investigation and clean-up of these sites. While uncertainties exist with respect to the amounts and timing of the ultimate environmental liabilities, based on currently available information, we have concluded that these matters, individually or in the aggregate, will not have a material adverse effect on our operating results, financial condition, or cash flows. We have recorded a liability for environmental remediation of \$729 and \$731 as of July 1, 2018 and March 31, 2018, respectively.

We could incur substantial additional costs, including cleanup costs, resource restoration, fines, and penalties or third-party property damage or personal injury claims, as a result of violations or liabilities under environmental laws or non-compliance with environmental permits. While environmental laws and regulations have not had a material adverse effect on our operating results, financial condition, or cash flows in the past, and we have environmental management programs in place to mitigate these risks, it is difficult to predict whether they will have a material impact in the future.

15. Condensed Consolidating Financial Statements

In accordance with the provisions of the 5.875% Notes, the outstanding notes are guaranteed on an unsecured basis, jointly and severally and fully and unconditionally, by substantially all of Vista Outdoor domestic subsidiaries and by Advanced Arrow S. de R.L. de C.V. and Hydrosport, S. de R.L. de C.V. The parent company has no independent assets or operations. All of these guarantor subsidiaries are 100% owned by Vista Outdoor. These guarantees are senior or senior subordinated obligations, as applicable, of the applicable subsidiary guarantors. The consolidating financial information of the guarantor and non-guarantor subsidiaries is presented on the following pages.

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

(Amounts in thousands)	Quarter ended July 1, 2018				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Sales, net	\$ —	\$ 498,173	\$ 54,622	\$ (23,959)	\$ 528,836
Cost of sales	—	404,551	34,442	(23,495)	415,498
Gross profit	—	93,622	20,180	(464)	113,338
Operating expenses:					
Research and development	—	6,880	88	—	6,968
Selling, general, and administrative	—	88,447	12,607	—	101,054
Impairment of held-for-sale assets (Note 5)	—	44,921	—	—	44,921
Income (loss) before interest and income taxes	—	(46,626)	7,485	(464)	(39,605)
Equity in income of subsidiaries	(42,075)	4,771	—	37,304	—
Interest expense, net	(13,472)	—	—	—	(13,472)
Income (loss) before income taxes	(55,547)	(41,855)	7,485	36,840	(53,077)
Income tax provision (benefit)	(3,199)	220	2,360	(110)	(729)
Net income (loss)	\$ (52,348)	\$ (42,075)	\$ 5,125	\$ 36,950	\$ (52,348)
Other comprehensive income (loss), net of tax:					
Net income (loss) (from above)	\$ (52,348)	\$ (42,075)	\$ 5,125	\$ 36,950	\$ (52,348)
Total other comprehensive income	(6,463)	(6,463)	(7,146)	13,609	(6,463)
Comprehensive income (loss)	\$ (58,811)	\$ (48,538)	\$ (2,021)	\$ 50,559	\$ (58,811)

(Amounts in thousands)	Quarter ended July 2, 2017				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Sales, net	\$ —	\$ 539,559	\$ 50,697	\$ (21,507)	\$ 568,749
Cost of sales	—	410,957	33,229	(21,995)	422,191
Gross profit	—	128,602	17,468	488	146,558
Operating expenses:					
Research and development	—	7,791	—	—	7,791
Selling, general, and administrative	—	87,296	12,130	—	99,426
Income before interest and income taxes	—	33,515	5,338	488	39,341
Equity in income of subsidiaries	24,399	3,965	—	(28,364)	—
Interest expense, net	(12,393)	—	—	—	(12,393)
Income before income taxes	12,006	37,480	5,338	(27,876)	26,948
Income tax provision (benefit)	(4,646)	13,081	1,706	155	10,296
Net income	\$ 16,652	\$ 24,399	\$ 3,632	\$ (28,031)	\$ 16,652
Other comprehensive income, net of tax:					
Net income (from above)	\$ 16,652	\$ 24,399	\$ 3,632	\$ (28,031)	\$ 16,652
Total other comprehensive income	5,814	5,814	8,571	(14,385)	5,814
Comprehensive income (loss)	\$ 22,466	\$ 30,213	\$ 12,203	\$ (42,416)	\$ 22,466

See the beginning of this footnote for additional information about our guarantor and non-guarantor subsidiaries.

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATING BALANCE SHEET
(unaudited)

(Amounts in thousands)	July 1, 2018				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ 53,440	\$ 9,920	\$ —	\$ 63,360
Net receivables	—	370,495	25,149	—	395,644
Due from affiliates, current	—	—	9,264	(9,264)	—
Net inventories	—	393,813	22,389	(2,978)	413,224
Income tax receivable	—	2,111	(1,014)	3,293	4,390
Assets held for sale	—	35,003	119,028	—	154,031
Other current assets	—	21,788	(175)	—	21,613
Total current assets	—	876,650	184,561	(8,949)	1,052,262
Net property, plant, and equipment	—	262,968	7,357	—	270,325
Investment in subsidiaries	2,262,625	144,882	—	(2,407,507)	—
Goodwill	—	652,266	5,133	—	657,399
Net intangible assets	—	577,732	7,549	—	585,281
Long-term due from affiliates	—	237,971	—	(237,971)	—
Deferred charges and other non-current assets	—	20,811	5,346	—	26,157
Total assets	\$ 2,262,625	\$ 2,773,280	\$ 209,946	\$ (2,654,427)	\$ 2,591,424
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 32,000	\$ —	\$ —	\$ —	\$ 32,000
Accounts payable	—	161,375	2,641	—	164,016
Due to affiliates, current	—	9,264	—	(9,264)	—
Accrued compensation	—	26,045	812	—	26,857
Federal excise tax	—	21,423	1,149	—	22,572
Liabilities held for sale	—	24,762	23,325	—	48,087
Other current liabilities	—	104,742	5,574	—	110,316
Total current liabilities	32,000	347,611	33,501	(9,264)	403,848
Long-term debt	848,908	—	—	—	848,908
Deferred income tax liabilities	—	60,945	(234)	2,104	62,815
Accrued pension and postemployment benefits	—	37,375	—	—	37,375
Long-term due to affiliates	207,780	—	30,191	(237,971)	—
Other long-term liabilities	—	63,645	896	—	64,541
Total liabilities	1,088,688	509,576	64,354	(245,131)	1,417,487
EQUITY					
Total stockholders' equity	1,173,937	2,263,704	145,592	(2,409,296)	1,173,937
Total liabilities and stockholders' equity	\$ 2,262,625	\$ 2,773,280	\$ 209,946	\$ (2,654,427)	\$ 2,591,424

See the beginning of this footnote for additional information about our guarantor and non-guarantor subsidiaries.

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATING BALANCE SHEET
(unaudited)

(Amounts in thousands)	March 31, 2018				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ 3,359	\$ 19,511	\$ —	\$ 22,870
Net receivables	—	395,054	26,709	—	421,763
Due from affiliates, current	—	—	2,490	(2,490)	—
Net inventories	—	364,904	20,148	(2,774)	382,278
Income tax receivable	—	974	(181)	2,586	3,379
Assets held for sale	—	73,453	126,987	—	200,440
Other current assets	—	27,253	709	—	27,962
Total current assets	—	864,997	196,373	(2,678)	1,058,692
Net property, plant, and equipment	—	269,403	7,804	—	277,207
Investment in subsidiaries	2,333,155	153,181	—	(2,486,336)	—
Goodwill	—	652,266	5,270	—	657,536
Net intangible assets	—	584,388	7,891	—	592,279
Long-term due from affiliates	—	233,013	—	(233,013)	—
Deferred charges and other non-current assets	—	22,705	6,417	—	29,122
Total assets	\$ 2,333,155	\$ 2,779,953	\$ 223,755	\$ (2,722,027)	\$ 2,614,836
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 32,000	\$ —	\$ —	\$ —	\$ 32,000
Accounts payable	—	110,303	4,246	—	114,549
Due to affiliates, current	—	2,490	—	(2,490)	—
Accrued compensation	—	35,448	898	—	36,346
Federal excise tax	—	21,286	1,415	—	22,701
Liabilities held for sale	—	19,918	22,259	—	42,177
Other current liabilities	—	90,490	6,957	—	97,447
Total current liabilities	32,000	279,935	35,775	(2,490)	345,220
Long-term debt	883,399	—	—	—	883,399
Deferred income tax liabilities	—	64,507	181	1,508	66,196
Accrued pension and postemployment benefits	—	38,196	—	—	38,196
Long-term due to affiliates	200,266	—	32,747	(233,013)	—
Other long-term liabilities	—	63,372	963	—	64,335
Total liabilities	1,115,665	446,010	69,666	(233,995)	1,397,346
EQUITY					
Total stockholders' equity	1,217,490	2,333,943	154,089	(2,488,032)	1,217,490
Total liabilities and stockholders' equity	\$ 2,333,155	\$ 2,779,953	\$ 223,755	\$ (2,722,027)	\$ 2,614,836

See the beginning of this footnote for additional information about our guarantor and non-guarantor subsidiaries.

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(unaudited)

(Amounts in thousands)	Quarter ended July 1, 2018				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Operating Activities:					
Cash provided by (used for) operating activities	\$ (9,003)	\$ 83,780	\$ (605)	\$ —	\$ 74,172
Investing Activities:					
Capital expenditures	—	(9,671)	(278)	—	(9,949)
Due from affiliates	—	(44,851)	—	44,851	—
Proceeds from the disposition of property, plant, and equipment	—	54	11	—	65
Cash provided by (used for) investing activities	—	(54,468)	(267)	44,851	(9,884)
Financing Activities:					
Due to (from) affiliates	45,592	—	(741)	(44,851)	—
Borrowings on line of credit	40,000	—	—	—	40,000
Payments made on line of credit	(40,000)	—	—	—	(40,000)
Settlement from former parent	—	20,769	(7,722)	—	13,047
Payments made on long-term debt	(33,000)	—	—	—	(33,000)
Payments made for debt issuance costs	(2,759)	—	—	—	(2,759)
Shares withheld for payroll taxes	(830)	—	—	—	(830)
Cash provided by (used for) financing activities	9,003	20,769	(8,463)	(44,851)	(23,542)
Effect of foreign exchange rate fluctuations on cash	—	—	(256)	—	(256)
(Decrease) increase in cash and cash equivalents	—	50,081	(9,591)	—	40,490
Cash and cash equivalents at beginning of period	—	3,359	19,511	—	22,870
Cash and cash equivalents at end of period	\$ —	\$ 53,440	\$ 9,920	\$ —	\$ 63,360

See the beginning of this footnote for additional information about our guarantor and non-guarantor subsidiaries.

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(unaudited)

(Amounts in thousands)	Quarter ended July 2, 2017				
	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Operating Activities:					
Cash provided by (used for) operating activities	\$ (7,018)	\$ 42,650	\$ 5,658	\$ —	\$ 41,290
Investing Activities:					
Capital expenditures	—	(16,248)	(182)	—	(16,430)
Due from affiliates	—	(18,833)	—	18,833	—
Proceeds from the disposition of property, plant, and equipment	—	—	13	—	13
Cash used for investing activities	—	(35,081)	(169)	18,833	(16,417)
Financing Activities:					
Due to (from) affiliates	23,906	—	(5,073)	(18,833)	—
Borrowings on line of credit	145,000	—	—	—	145,000
Payments made on line of credit	(150,000)	—	—	—	(150,000)
Payments made on long-term debt	(8,000)	—	—	—	(8,000)
Payments made for debt issuance costs	(1,805)	—	—	—	(1,805)
Shares withheld for payroll taxes	(2,381)	—	—	—	(2,381)
Proceeds from employee stock compensation plans	298	—	—	—	298
Cash provided by financing activities	7,018	—	(5,073)	(18,833)	(16,888)
Effect of foreign exchange rate fluctuations on cash	—	—	490	—	490
(Decrease) in cash and cash equivalents	—	7,569	906	—	8,475
Cash and cash equivalents at beginning of period	—	23,027	22,048	—	45,075
Cash and cash equivalents at end of period	\$ —	\$ 30,596	\$ 22,954	\$ —	\$ 53,550

See the beginning of this footnote for additional information about our guarantor and non-guarantor subsidiaries.

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

16. Operating Segment Information

We operate our business structure within two operating segments, which are defined based on the reporting and review process used by the chief operating decision maker, our Chief Executive Officer. Management reviews the operating segments based on net sales and gross profit. Certain significant selling and general and administrative expenses are not allocated to the segments. In addition, certain significant asset balances are not readily identifiable with individual segments and therefore cannot be allocated. Each segment is described below:

- Outdoor Products, which generated approximately 51% of our external sales in the quarter ended July 1, 2018. The Outdoor Products product lines are action sports, archery/hunting accessories, camping, eyewear and sport protection products, golf, hydration products, optics, shooting accessories, tactical products and water sports. Action sports includes helmets, goggles, and accessories for cycling, snow sports, action sports and powersports. Archery/hunting accessories include high-performance hunting arrows, game calls, hunting blinds, game cameras and waterfowl decoys. Camping products include our outdoor cooking solutions. Eyewear and sport protection products include safety and protective eyewear, as well as fashion and sports eyewear. Golf products include laser rangefinders. Hydration products include hydration packs and water bottles. Optics products include binoculars, riflescopes and telescopes. Shooting accessories products include reloading equipment, clay targets, and premium gun care products. Tactical products include holsters, duty gear, bags and packs. Water sports products include stand up paddle boards.
- Shooting Sports, which generated approximately 49% of our external sales in the quarter ended July 1, 2018. Shooting Sports product lines include centerfire ammunition, rimfire ammunition, shotshell ammunition, reloading components, and firearms.

Walmart contributed 14% and 15% of our sales in the quarters ended July 1, 2018 and July 2, 2017, respectively. No other single customer contributed 10% or more of our sales in the quarters ended July 1, 2018 and July 2, 2017.

The following summarizes our results by segment:

	Quarter ended	
	July 1, 2018	July 2, 2017
Sales to external customers:		
Outdoor Products	\$ 270,780	\$ 289,983
Shooting Sports	258,056	278,766
Total sales to external customers	<u>\$ 528,836</u>	<u>\$ 568,749</u>
Gross Profit		
Outdoor Products	\$ 70,950	\$ 76,510
Shooting Sports	42,388	70,318
Corporate	—	(270)
Total gross profit	<u>\$ 113,338</u>	<u>\$ 146,558</u>

The sales above exclude intercompany sales between Outdoor Products and Shooting Sports of \$1,622 and \$861 for the quarters ended July 1, 2018 and July 2, 2017, respectively.

[Table of Contents](#)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

(Amounts in thousands except share and per share data unless otherwise indicated)

17. Subsequent Events

There were no subsequent events for the quarter ended July 1, 2018.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts in thousands unless otherwise indicated)

Forward-Looking Information is Subject to Risk and Uncertainty

Some of the statements made and information contained in this report, excluding historical information, are "forward-looking statements," including those that discuss, among other things: our 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 our actual results to differ materially from expectations described in such forward-looking statements, including the following:

- general economic and business conditions in the United States and our markets outside the United States, including conditions affecting employment levels, consumer confidence and spending, conditions in the retail environment, and other economic conditions affecting demand for our products and the financial health of our customers;
- our ability to attract and retain key personnel and maintain and grow our relationships with customers, suppliers, and other business partners, including our ability to obtain acceptable third-party licenses;
- our ability to adapt our products to changes in technology, the marketplace and customer preferences, including our ability to respond to shifting preferences of the end consumer from brick and mortar retail to online retail;
- our ability to maintain and enhance brand recognition and reputation;
- use of social media to disseminate negative commentary and boycotts;
- reductions in or 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 our 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 our operating costs;
- our competitive environment;
- risks associated with compliance and diversification into international and commercial markets;
- changes in the current tariff structures;
- 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 our business, such as federal and state firearms and ammunition regulations;
- our ability to execute our long-term growth strategy, including our ability to complete and realize expected benefits from acquisitions and integrate acquired businesses;
- our 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.

Table of Contents

You are cautioned not to place undue reliance on any forward-looking statements we make. A more detailed description of risk factors that may affect our operating results can be found in Part 1, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 and in the filings we make with the SEC from time to time. We undertake no obligation to update any forward-looking statements, except as otherwise required by law.

Executive Summary

We serve the outdoor sports and recreation markets through a diverse portfolio of over 50 well-recognized brands that provide consumers with a wide range of performance-driven, high-quality and innovative products, including sporting ammunition and firearms, golf rangefinders, hydration products, outdoor accessories, outdoor cooking solutions, outdoor sports optics, performance eyewear, protection for certain action sports, and stand up paddle boards. We serve a broad range of end consumers, including outdoor enthusiasts, hunters and recreational shooters, athletes, as well as law enforcement and military professionals. Our products are sold through a wide variety of mass, specialty and independent retailers and distributors, such as Academy, Amazon, Bass Pro Shops/Cabela's, Big Rock Sports, Dick's Sporting Goods, Sports South, Sportsman's Warehouse, Target, United Sporting Companies, and Walmart. We also sell certain of our products directly to consumers through the relevant brand's website. We have a scalable, integrated portfolio of brands that allows us to leverage our deep customer knowledge, product development and innovation, supply chain and distribution, and sales and marketing functions across product categories to better serve our retail partners and end users.

As of July 1, 2018, we operated in two business segments. These operating segments are defined based on the reporting and review process used by the chief operating decision maker, our Chief Executive Officer. As of July 1, 2018, Vista Outdoor's two operating segments were:

- Outdoor Products, which generated approximately 51% of our sales in the quarter ended July 1, 2018. The Outdoor Products product lines are action sports, archery/hunting accessories, camping, eyewear and sport protection products, golf, hydration products, optics, shooting accessories, tactical products and water sports. Action sports includes helmets, goggles, and accessories for cycling, snow sports, action sports and powersports. Archery/hunting accessories include high-performance hunting arrows, game calls, hunting blinds, game cameras and waterfowl decoys. Camping products include our outdoor cooking solutions. Eyewear and sport protection products include safety and protective eyewear, as well as fashion and sports eyewear. Golf products include laser rangefinders. Hydration products include hydration packs and water bottles. Optics products include binoculars, riflescopes and telescopes. Shooting accessories products include reloading equipment, clay targets, and premium gun care products. Tactical products include holsters, duty gear, bags and packs. Water sports products include stand up paddle boards.
- Shooting Sports, which generated approximately 49% of our sales in the quarter ended July 1, 2018. Shooting Sports product lines include centerfire ammunition, rimfire ammunition, shotshell ammunition, reloading components, and firearms.

On May 1, 2018, Vista Outdoor announced its strategic business transformation plan, designed to allow us to focus our resources on pursuing growth in our core product categories. The plan is a result of a comprehensive evaluation of the brands within our current portfolio based on their ability to serve our target consumer; create cross-selling and other similar synergy opportunities; achieve market leading positions and leadership economics; and demonstrate omni-channel distribution capabilities. As a result of this evaluation, Vista Outdoor will focus on achieving growth through its market-leading brands in ammunition, hunting and shooting accessories, hydration bottles and packs, and outdoor cooking products.

We are exploring strategic options for assets that fall outside of these core product categories, including its remaining Sports Protection brands (e.g. Bell, Giro, and Blackburn), Jimmy Styks paddle boards, and Savage and Stevens firearms. Vista Outdoor expects that the execution of our strategic plan will significantly reduce our leverage, will improve our financial flexibility and the efficiency of our capital structure, and provide additional resources to reinvest in core product categories, both organically and through acquisition. On July 9, 2018, we announced that we entered into a definitive agreement to sell the legal entities operating the Bollé, Cébé and Serengeti brands to an entity controlled by a European private equity fund.

Table of Contents

Financial Highlights and Notable Events

Certain notable events or activities affecting our fiscal 2019 financial results included the following:

Financial highlights for the quarter ended July 1, 2018

- Quarterly sales were \$528,836 and \$568,749 for the quarters ended July 1, 2018 and July 2, 2017, respectively. The decrease was driven by lower sales of \$20,710 in Shooting Sports and by lower Outdoor Products sales of \$19,203 for the reasons described in the Results of Operations section.
- Gross profit was \$113,338 and \$146,558 for the quarters ended July 1, 2018 and July 2, 2017, respectively. The decrease in gross profit was primarily driven by the Shooting Sports segment due to lower sales volume and unfavorable commodity pricing.
- Orbital ATK paid Vista \$13,047 to settle a Tax Matters Agreement.
- Cash flow provided by operating activities year-to-date was \$74,172, compared to \$41,290 in the prior-year period for the reasons described in the Liquidity and Capital Resources section.
- The decrease in the current quarter's tax rate to 1.4% from 38.2% in the quarter ended July 2, 2017 was primarily caused by impairment of held-for-sale assets and the income tax effects of the Tax Legislation, including the decrease in the corporate income tax rate, repeal of the domestic manufacturing deduction, and the implementation of a territorial tax system.

Outlook

Outdoor Recreation Industry

The outdoor recreation industry represents a large and growing focus area of our business. During the past and current fiscal years, we have seen a challenging retail environment as evidenced by recent bankruptcies and consolidation of certain of our customers. This challenging retail environment has been driven by a shift in consumer preferences to online platforms, as well as other market pressures that have resulted in a deeper discounting of our products and higher channel inventory levels. These market pressures became particularly pronounced during the latter half of the third fiscal quarter of fiscal 2017 and have continued into fiscal 2019, longer than we previously anticipated. Given these market conditions, we continue to take appropriate actions to optimize our inventory levels by reducing certain purchases of sourced products and output of manufactured products across both operating segments. Notwithstanding these market conditions, we believe the fragmented nature of the outdoor recreation industry, combined with retail and consumer overlap with our existing businesses, present attractive growth opportunities. We hold a strong competitive position in the marketplace, and we intend to further differentiate our brands through focused R&D and marketing investments including increased use of social media and revamping our brand websites as we strive to become our customers' brand of choice in their respective outdoor recreation activities. Growing market share will continue to be a focus as we execute our strategy of market segmentation by brand and channel. We anticipate introducing new products to accomplish this goal. We are continuing to expand our e-commerce presence to capitalize on the ongoing shift by consumers to online shopping and are leveraging the experience from our recent acquisitions to drive growth across business-to-business, dot com, dropship, and direct-to-consumer channels.

Shooting Sports Industry

Shooting sports related products currently represent approximately half of our sales. We design, develop, manufacture, and source ammunition, long guns and related equipment products. Among these categories, we derive the largest portion of our sales from ammunition, which is a consumable, repeat purchase product. During late fiscal 2015 and continuing into fiscal 2016, firearms and ammunition sales experienced an increase as more individuals entered the market and certain public and political events provided focus on the industry. During the later months of fiscal 2017 and continuing into fiscal 2019, we believe the market softened primarily due to the current political environment. The shooting sports industry historically has been a cyclical business with previous market declines lasting 12–24 months. The current political climate, the timing of national elections, and other market factors may cause the current market downturn to last longer than prior cycles. In addition, commodity prices have risen over recent years increasing input costs of our products. Given these market conditions, we are taking actions to work with vendors to evaluate our cost structure. We believe we are well positioned to succeed in a difficult shooting sports market, given our scale and global operating platform, which we believe is difficult to replicate in the highly regulated and capital-intensive ammunition manufacturing sector.

[Table of Contents](#)

Critical Accounting Estimates

There have been no material changes to the Company's critical accounting policies and estimates from the information provided in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended March 31, 2018, except for the following:

The Company adopted the new accounting standard on revenue recognition, Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which became effective on April 1, 2018. The adoption of this new standard did not have a material impact on our consolidated financial statements.

Results of Operations

The following information should be read in conjunction with our condensed consolidated financial statements. The key performance indicators that our management uses in managing the business are sales, gross profit, and cash flows.

Segment total net sales, cost of sales, and gross profit exclude intersegment sales and profit.

Sales

Walmart contributed 14% and 15% of our sales in the quarters ended July 1, 2018 and July 2, 2017, respectively. No other single customer contributed 10% or more of our sales in the quarters ended July 1, 2018 and July 2, 2017.

The following is a summary of each operating segment's sales:

	Quarter ended			
	July 1, 2018	July 2, 2017	\$ Change	% Change
Outdoor Products	\$ 270,780	\$ 289,983	\$ (19,203)	(6.6)%
Shooting Sports	258,056	278,766	(20,710)	(7.4)%
Total external sales	<u>\$ 528,836</u>	<u>\$ 568,749</u>	<u>\$ (39,913)</u>	<u>(7.0)%</u>

The total change in net sales was driven by the changes within the operating segments as described below.

Outdoor Products—The sales of the Outdoor Products segment decreased primarily due to lower sales in our hunting and shooting accessories, hydration solutions, and action sports businesses as a result of lower demand and market softness in retail channels. The decrease was partially offset by higher sales in our outdoor cooking business as a result of increased customer demand.

Shooting Sports—The decrease in sales was driven primarily by lower demand in the market for ammunition, primarily rimfire and centerfire rifle ammunition. The decrease was partially offset by increased sales of pistol ammunition and by increased firearms sales due to new product launches.

Table of Contents

Cost of Sales and Gross Profit

The following is a summary of each operating segment's cost of sales and gross profit:

Cost of sales	Quarter ended			
	July 1, 2018	July 2, 2017	\$ Change	% Change
Outdoor Products	\$ 199,830	\$ 213,473	\$ (13,643)	(6.4)%
Shooting Sports	215,668	208,448	7,220	3.5 %
Corporate	—	270	(270)	(100.0)%
Total cost of sales	\$ 415,498	\$ 422,191	\$ (6,693)	(1.6)%

Gross profit	Quarter ended			
	July 1, 2018	July 2, 2017	\$ Change	% Change
Outdoor Products	\$ 70,950	\$ 76,510	\$ (5,560)	(7.3)%
Shooting Sports	42,388	70,318	(27,930)	(39.7)%
Corporate	—	(270)	270	(100.0)%
Total gross profit	\$ 113,338	\$ 146,558	\$ (33,220)	(22.7)%

The total change in cost of sales and gross profit was driven by the changes within the operating segments as described below.

Outdoor Products—The decrease in gross profit was driven primarily by lower sales volume as discussed above.

Shooting Sports—The decrease in gross profit was primarily due to lower pricing, lower sales volume described above, and unfavorable commodity costs.

Corporate—The change in corporate gross profit was not material.

Operating Expenses

	Quarter ended				
	July 1, 2018	As a % of Sales	July 2, 2017	As a % of Sales	\$ Change
Research and development	\$ 6,968	1.3%	\$ 7,791	1.4%	\$ (823)
Selling, general, and administrative	101,054	19.1%	99,426	17.5%	1,628
Impairment of held-for-sale assets (Note 5)	44,921	8.5%	—	—%	44,921
Total operating expenses	\$ 152,943	28.9%	\$ 107,217	18.9%	\$ 45,726

Operating expenses increased \$45,726 primarily due to an impairment of held-for-sale assets in the current quarter, increased spending on professional services related to our strategic business transformation plan, and a pension curtailment gain in the prior year quarter, partially offset by cost cutting initiatives in the current quarter.

Net Interest Expense

	Quarter ended			
	July 1, 2018	July 2, 2017	\$ Change	% Change
Interest Expense	\$ 13,472	\$ 12,393	\$ 1,079	8.7%

The increase in interest expense was due to a higher average interest rate, partially offset by a decrease in our average debt balance.

Table of Contents

Income Tax Provision

	Quarter ended				
	July 1, 2018	Effective Rate	July 2, 2017	Effective Rate	\$ Change
Income taxes	\$ (729)	1.4%	\$ 10,296	38.2%	\$ (11,025)

Our provision for income taxes includes U.S. federal, foreign, and state income taxes. Income tax provisions for interim periods are based on the year-to-date effective tax rate for the current year and on estimated effective annual income tax rate for the prior year.

The income tax provisions for the quarters ended July 1, 2018 and July 2, 2017 represent effective tax rates of 1.4% and 38.2%, respectively. The decrease in the rate from the prior year quarter is primarily caused by impairment of held-for-sale assets and the income tax effects of the Tax Legislation, including the decrease in the corporate income tax rate, repeal of the domestic manufacturing deduction, and the implementation of a territorial tax system.

Liquidity and Capital Resources

We manage our business to maximize operating cash flows as the primary source of liquidity. In addition to cash on hand and cash generated by operations, sources of liquidity include a committed credit facility and access to the public debt and equity markets. We use our cash primarily to fund investments in our existing businesses and for debt repayment, acquisitions, and other activities.

Cash Flow Summary

Our cash flows from operating, investing and financing activities for the quarters ended July 1, 2018 and July 2, 2017 are summarized as follows:

	July 1, 2018	July 2, 2017
Cash provided by operating activities	\$ 74,172	\$ 41,290
Cash used for investing activities	(9,884)	(16,417)
Cash used for financing activities	(23,542)	(16,888)
Effect of foreign exchange rate fluctuations on cash	(256)	490
Net cash flows	\$ 40,490	\$ 8,475

Operating Activities—Cash provided by operating activities was \$74,172 in the quarter ended July 1, 2018 compared to cash provided of \$41,290 in the prior year period, a change of \$32,882. The change from the prior-year period was primarily a result of favorable changes in net working capital balances. The change in net working capital was driven primarily by the timing of supplier payments and collection of customer receivables, partially offset by increases in net inventories.

Investing Activities—Cash used for investing activities was \$9,884 compared to \$16,417 in the prior-year period, a change of \$6,533. The change is driven by a decrease in planned capital expenditures in the current period.

Financing Activities—Cash used for financing activities was \$23,542 in the current period, compared to cash used for financing activities of \$16,888 in the prior year period, a change of \$6,654. This change was primarily driven by \$20,000 of additional debt payments in the current period, partially offset by a favorable settlement with our former parent in the current period of \$13,047.

Liquidity

In addition to our normal operating cash requirements, our principal future cash requirements will be to fund capital expenditures, debt repayments, employee benefit obligations, any share repurchases, and any strategic acquisitions. Our short-term cash requirements for operations are expected to consist mainly of capital expenditures to maintain production facilities and working capital requirements. Our debt service requirements over the next two years consist of principal and interest payments due under the Credit Agreement, as well as interest payments on the 5.875% Notes, as discussed further below.

Table of Contents

Based on our current financial condition, management believes that our cash position, combined with anticipated generation of cash flows and the availability of funding, if needed, under our Credit Agreement, access to debt and equity markets, as well as potential future sources of funding including additional bank financing, will be adequate to fund future growth as well as to service our currently anticipated long-term debt and pension obligations and make capital expenditures over the next 12 months.

We do not expect that our access to liquidity sources will be materially impacted in the near future. There can be no assurance, however, that the cost or availability of future borrowings, if any, will not be materially impacted by capital market conditions or the company's financial condition and performance.

The allocation of tax liabilities for the period from April 1, 2014 through the date of the Spin-Off as required by the Tax Matters Agreement with Orbital ATK as discussed further in Note 13, *Income Taxes* was settled on June 15, 2018. Orbital ATK paid Vista \$13,047 to settle this matter which was reflected as an adjustment to the distribution from Vista to Orbital ATK at the time of the Spin-off.

Long-Term Debt and Credit Agreement

As of July 1, 2018, our indebtedness consisted of the following:

	July 1, 2018
Credit Agreement:	
Term Loan	\$ 543,000
Revolving Credit Facility	—
Total principal amount of Credit Agreement	543,000
5.875% Senior Notes	350,000
Principal amount of long-term debt	893,000
Less: Unamortized deferred financing costs	(12,092)
Carrying amount of long-term debt	880,908
Less: current portion	(32,000)
Carrying amount of long-term debt, excluding current portion	<u>\$ 848,908</u>

Our total debt (current portion of debt and long-term debt) as a percentage of total capitalization (total debt and stockholders' equity) was 43.2% as of July 1, 2018.

See Note 11, *Long-term Debt*, to the condensed consolidated financial statements in Part I, Item 1 of this report for additional discussion of the 5.875% Notes and the Credit Agreement.

During fiscal 2018, we conducted a review of our outstanding debt instruments and initiated discussions with our banks regarding refinancing our Credit Agreement with an asset-based loan ("ABL") and a new term loan. We believe that this change could provide us with additional flexibility to operate efficiently in a challenging market environment. Subject to debt market conditions, we anticipate finalizing the refinancing by the end of our second fiscal quarter.

Covenants

Credit Agreement—Our Credit Agreement imposes restrictions on us, including limitations on our ability to incur additional debt, enter into capital leases, grant liens, pay dividends and make certain other payments, sell assets, make loans and investments, or merge or consolidate with or into another entity. In addition, the Credit Agreement limits our ability to enter into sale-and-leaseback transactions. The Credit Agreement does not allow us to make "restricted payments" (as defined in the Credit Agreement), including payments for future share repurchases and dividends, when our consolidated total leverage ratio exceeds 4.00 to 1.00. When such ratio is 4.00 to 1.00 or less, the Credit Agreement allows us to make unlimited "restricted payments" as long as we maintain a certain amount of liquidity and maintain certain debt limits. When those requirements are not met, the limit is equal to \$150,000 plus proceeds of any equity issuances plus 50% of net income since April 1, 2017.

Table of Contents

The Credit Agreement contains covenants that require us to maintain a minimum consolidated interest coverage ratio and not to exceed certain consolidated total leverage ratio and consolidated senior secured leverage ratio (all as defined in the Credit Agreement) thresholds. To allow sufficient time to execute the refinancing discussed above, we executed an amendment to the Credit Agreement in May 2018 to amend, among other things, certain financial covenants during our fiscal 2019. This amendment provides the following maximum ratios:

	Maximum leverage ratios per the Credit Agreement			
	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19
Consolidated Leverage Ratio	7.25	8.25	8.00	6.75
Consolidated Senior Secured Leverage Ratio	5.00	5.50	5.25	4.50

The May 2018 Amendment also provides that the consolidated interest coverage ratio must be greater than 2.00 to 1.00 through the fiscal quarter ended December 31, 2018, and 2.50 to 1.00 for the quarter ended March 31, 2019. In addition, the May 2018 Amendment reduces the Revolving Credit Facility from \$400,000 to \$200,000, amends the borrowing rates under the Revolving Credit Facility and Term A Loan and the fee for unused commitments under the Revolving Credit Facility, all of which vary depending on our consolidated leverage ratio, and further restricts our ability to enter into certain transactions.

Our financial covenant ratios as of July 1, 2018 were as follows:

	Interest Coverage Ratio*	Total Leverage Ratio†	Senior Leverage Ratio†
Requirement	2.00	7.25	5.00
Actual	3.08	6.08	3.65

* Not to be below the required financial ratio

† Not to exceed the required financial ratio

The Consolidated Total Leverage Ratio is the sum of our total debt plus financial letters of credit and surety bonds, net of up to \$37,500 of cash, divided by Covenant EBITDA (which includes adjustments for items such as non-recurring or extraordinary items, non-cash charges related to stock-based compensation, and intangible asset impairment charges, as well as inclusion of EBITDA of acquired companies on a pro forma basis) for the past four fiscal quarters. The Senior Secured Leverage Ratio is the sum of our senior secured debt plus financial letters of credit and surety bonds, in each case secured by liens on any of our or our subsidiaries' property or assets, net of up to \$37,500 of cash, divided by Covenant EBITDA for the past four fiscal quarters. The Interest Coverage Ratio is Covenant EBITDA divided by pro forma interest expense (excluding amortization or write-off of deferred financing costs).

5.875% Notes—The indenture governing the 5.875% Notes contains covenants that, among other things, limit our ability to incur or permit to exist certain liens, sell, transfer or otherwise dispose of assets, consolidate, amalgamate, merge or sell all or substantially all of our assets, enter into transactions with affiliates, enter into agreements restricting our subsidiaries' ability to pay dividends, incur additional indebtedness, pay dividends or make other distributions or repurchase or redeem our capital stock, prepay, redeem or repurchase certain debt and make loans and investments.

The Credit Agreement and the indenture governing the 5.875% Notes contain cross-default provisions so that non-compliance with the covenants within one debt agreement could also cause a default under the other debt agreement. As of July 1, 2018, we were in compliance with the covenants of both debt agreements. However, we cannot provide assurance that we will be able to comply with such financial covenants in the future, or complete a refinancing of our Credit Agreement mentioned above, because of various risks and uncertainties some of which may be beyond our control. Any failure to comply with the restrictions in the Credit Agreement may prevent us from drawing under the Revolving Credit Facility and may result in an event of default under the Credit Agreement, which default may allow the creditors to accelerate the related indebtedness and the indebtedness under our 5.875% Notes and proceed against the collateral that secures the indebtedness. We may not have sufficient liquidity to repay the indebtedness in such circumstances.

Table of Contents

Contractual Obligations and Commitments

Other than the additional debt noted previously, there have been no material changes with respect to the contractual obligations and commitments or off-balance sheet arrangements described in our Annual Report on Form 10-K for fiscal 2018.

Contingencies

Litigation—From time to time, we are subject to various legal proceedings, including lawsuits, which arise out of, and are incidental to, the conduct of our business. We do not consider any of such proceedings that are currently pending, individually or in the aggregate, to be material to our business or likely to result in a material adverse effect on our operating results, financial condition, or cash flows.

Environmental Liabilities—Our operations and ownership or use of real property are subject to a number of federal, state, and local environmental laws and regulations, as well as applicable foreign laws and regulations, including those governing the discharge of hazardous materials, remediation of contaminated sites, and restoration of damage to the environment. We are obligated to conduct investigation and/or remediation activities at certain sites that we own or operate or formerly owned or operated.

We also have been identified as a PRP, along with other parties, in regulatory agency actions associated with hazardous waste sites. As a PRP, we may be required to pay a share of the costs of the investigation and clean-up of these sites. While uncertainties exist with respect to the amounts and timing of the ultimate environmental liabilities, based on currently available information, we have concluded that these matters, individually or in the aggregate, will not have a material adverse effect on our operating results, financial condition, or cash flows.

We could incur substantial additional costs, including cleanup costs, resource restoration, fines, and penalties or third-party property damage or personal injury claims, as a result of violations or liabilities under environmental laws or non-compliance with environmental permits. While environmental laws and regulations have not had a material adverse effect on our operating results, financial condition, or cash flows in the past, and we have environmental management programs in place to mitigate these risks, it is difficult to predict whether they will have a material impact in the future.

New Accounting Pronouncements

See Note 1, *Significant Accounting Policies*, to the unaudited condensed consolidated financial statements in Item 1 of Part I of this report.

Dependence on Key Customers; Concentration of Credit

The loss of any key customer and our inability to replace revenues provided by a key customer may have a material adverse effect on our business and financial condition. Walmart contributed 14% and 15% of our sales in the quarters ended July 1, 2018 and July 2, 2017, respectively. No other single customer contributed 10% or more of our sales in the quarters ended July 1, 2018 and July 2, 2017.

If a key customer fails to meet payment obligations, our operating results and financial condition could be adversely affected.

Inflation and Commodity Price Risk

In management's opinion, inflation has not had a significant impact upon the results of our operations. However, we have been impacted by changes in the prices of raw materials used in production as well as changes in oil and energy costs. In particular, the prices of commodity metals, such as copper, zinc, and lead continue to be volatile. These prices generally impact our Shooting Sports Segment.

We have a strategic sourcing and price strategy to mitigate risk from commodity price fluctuation. We will continue to evaluate the need for future price changes in light of these trends, our competitive landscape, and our financial results. If our sourcing and pricing strategy is unable to offset impacts of the commodity price fluctuations, our future results from operations and cash flows would be materially impacted.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates. To mitigate the risks from interest rate exposure, we may enter into hedging transactions, mainly interest rate swaps, through derivative financial instruments that have been authorized pursuant to corporate policies. We may use derivatives to hedge certain interest rate, foreign currency exchange rate, and commodity price risks, but do not use derivative financial instruments for trading or other speculative purposes. Additional information regarding the financial instruments is contained in Note 2, *Fair Value of Financial Instruments*, to the audited consolidated financial statements. Our objective in managing exposure to changes in interest rates is to limit the impact of such changes on earnings and cash flow.

We measure market risk related to holdings of financial instruments based on changes in interest rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in fair values, cash flows, and earnings based on a hypothetical change (increase and decrease) in interest rates. We used current market rates on the debt portfolio to perform the sensitivity analysis. Certain items such as lease contracts, insurance contracts, and obligations for pension and other postretirement benefits were not included in the analysis.

Table of Contents

We conduct business through our subsidiaries in many different countries, and fluctuations in currency exchange rates could have a significant impact on the reported results of operations, which are presented in U.S. dollars. Cross-border transactions, both with external parties and intercompany relationships, result in increased exposure to foreign exchange effects. Accordingly, significant changes in currency exchange rates, particularly the Euro, the British pound, the Chinese renminbi (yuan), the Canadian dollar, and the Australian dollar, could cause fluctuations in the reported results of our businesses' operations that could negatively affect our results of operations. To mitigate the risks from foreign currency exposure, we may enter into hedging transactions, mainly foreign currency forward contracts, through derivative financial instruments that have been authorized pursuant to corporate policies.

In addition, sales and expenses of our non-U.S. businesses are also translated into U.S. dollars for reporting purposes and the strengthening or weakening of the U.S. dollar could result in unfavorable translation effects.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of July 1, 2018, 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 Securities Exchange Act of 1934) and have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission'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.

Changes in Internal Control over Financial Reporting

During the quarter ended July 1, 2018, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) 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

From time to time, we are subject to various legal proceedings, including lawsuits, which arise out of, and are incidental to, the conduct of our business. Notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings in any particular quarter, we do not consider any of such proceedings that are currently pending, individually or in the aggregate, to be material to our business or likely to result in a material adverse effect on our future operating results, financial condition, or cash flows.

We have been identified as a PRP, along with other parties, in regulatory agency actions associated with hazardous waste sites. As a PRP, we may be required to pay a share of the costs of the investigation and clean-up of these sites. While uncertainties exist with respect to the amounts and timing of the ultimate environmental liabilities, based on currently available information, we do not currently expect that these matters, individually or in the aggregate, will have a material adverse effect on our operating results, financial condition, or cash flows.

ITEM 1A. RISK FACTORS

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business, some level of risk and uncertainty will always be present. Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 describes the known material risks and uncertainties associated with our business. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operations, cash flows, projected results, and future prospects. There have been no material changes to the Risk Factors disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit (and document from which incorporated by reference, if applicable)
<u>2.1*</u>	<u>Transaction Agreement, dated as of April 28, 2014, among Alliant Techsystems Inc., Vista SpinCo Inc., Vista Merger Sub Inc. and Orbital Sciences Corporation (Exhibit 2.1 to Vista Outdoor Inc.'s Registration Statement on Form 10, filed with the Securities and Exchange Commission on August 13, 2014).</u>
<u>2.2*+</u>	<u>Transition Services Agreement, dated as of February 9, 2015, among Alliant Techsystems Inc. and Vista Outdoor Inc. (Exhibit 2.2 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 10, 2014).</u>
<u>2.3*+</u>	<u>Ammunition Products Supply Agreement, dated as of February 9, 2015, among Alliant Techsystems Operations LLC and Federal Cartridge Company (Exhibit 2.3 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 10, 2014).</u>
<u>2.4*+</u>	<u>Powder Products Supply Agreement, dated as of February 9, 2015, among Alliant Techsystems Operations LLC and Federal Cartridge Company (Exhibit 2.4 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 10, 2014).</u>
<u>2.5*+</u>	<u>Tax Matters Agreement, dated as of February 9, 2015, among Alliant Techsystems Inc. and Vista Outdoor Inc. (Exhibit 2.5 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 10, 2014).</u>
<u>2.6*+</u>	<u>Stock Purchase Agreement, dated as of July 2, 2018, by and among Bushnell Inc., Bushnell Performance Optics Asia Limited, Bolle Inc., Serengeti Eyewear, Inc., Bushnell Outdoor Products Japan Limited, Antelope Brands Bidco Inc., and Vista Outdoor Inc. (solely for purposes of Section 11.18 thereof) (Exhibit 2.1 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 9, 2018).</u>
<u>3.1*</u>	<u>Amended and Restated Certificate of Incorporation of Vista Outdoor Inc. (Exhibit 3.1 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 10, 2014).</u>
<u>3.2*</u>	<u>Amended and Restated Bylaws of Vista Outdoor Inc. (Exhibit 3.2 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 10, 2014).</u>
<u>4.1*</u>	<u>Specimen Common Stock Certificate of Vista Outdoor Inc. (Exhibit 4.1 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 10, 2014).</u>
<u>4.2*</u>	<u>Indenture, dated as of August 11, 2015, among Vista Outdoor Inc., the subsidiaries of Vista Outdoor Inc. party thereto and U.S. Bank National Association, as trustee (Exhibit 4.1 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 11, 2015).</u>
<u>4.3*</u>	<u>Supplemental Indenture, dated as of August 11, 2015, among Vista Outdoor Inc., the subsidiaries of Vista Outdoor Inc. party thereto and U.S. Bank National Association, as trustee (Exhibit 4.2 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 11, 2015).</u>
<u>4.4*</u>	<u>Form of 5.875% Senior Note due 2023 (included as Exhibit A to the Supplemental Indenture filed as Exhibit 4.2 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 11, 2015).</u>
<u>4.5*</u>	<u>Second Supplemental Indenture, dated as of August 9, 2016, among Vista Outdoor Inc., the subsidiaries of Vista Outdoor Inc. party thereto and U.S. Bank National Association, as trustee (Exhibit 4.3 to Vista Outdoor Inc.'s Registration Statement on Form S-4, filed with the Securities and Exchange Commission on August 11, 2016).</u>
<u>4.6*</u>	<u>Third Supplemental Indenture, dated as of December 2, 2016, among Vista Outdoor Inc., the subsidiaries of Vista Outdoor Inc. party thereto and U.S. Bank National Association, as trustee (Exhibit 4.6 to Vista Outdoor Inc.'s Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 9, 2017).</u>
<u>10.1#</u>	<u>Vista Outdoor Inc. Severance Benefit Plan.</u>
<u>31.1</u>	<u>Certification of Principal Executive Officer.</u>
<u>31.2</u>	<u>Certification of Principal Financial Officer.</u>
<u>32</u>	<u>Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.

Table of Contents

101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

* Incorporated by reference.

+ Schedules to exhibits have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Vista Outdoor agrees to furnish supplementally a copy of any omitted schedules to the SEC upon its request; provided, however, that we may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any document so furnished.

Indicates a management contract or compensatory plan or arrangement.

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.

Date: August 9, 2018

VISTA OUTDOOR INC.
By: /s/ Miguel A. Lopez
Name: Miguel A. Lopez
Title: *Senior Vice President and Chief Financial Officer*

(On behalf of the Registrant and as principal financial officer)

Section 2: EX-10.1 (EXHIBIT 10.1)



Vista Outdoor Severance Benefit Plan
Summary Plan Description
Effective May 1, 2018

Introduction

The Plan provides a severance benefit to help Eligible Employees of Covered Employers transition through a time of unemployment when “involuntarily terminated” by a Covered Employer (referred to as a “Covered Termination”). Note that severance is not available to Eligible Employees in cases of voluntary resignation, Excluded Terminations, or when a participant is offered other comparable employment by Vista Outdoor Inc. (Vista Outdoor) or its subsidiaries or affiliates, or any successor contractor or succeeding operating company, or any acquiring or resulting entity in a transaction involving Vista Outdoor. Capitalized terms not defined in this Introduction are defined in the Plan Highlights section below.

This document is the summary plan description (SPD) and describes the terms of the Vista Outdoor Severance Benefit Plan (Plan) for Eligible Employees adopted by the company effective May 1, 2018 (Effective Date). This SPD and Plan replaces and supersedes any prior SPDs or Plan documents.

A severance payment is contingent upon a signed (and, if applicable, unrevoked) general release of all employment-related claims against Vista Outdoor and its subsidiaries and affiliates, in the form prescribed by Vista Outdoor. Upon official notification of termination, an individual will have a period of time to consider whether to accept and sign the general release in the form prescribed by Vista Outdoor. Its form may vary from state to state and it may be changed from time to time by Vista Outdoor in its sole discretion.

This Plan does not create a contract of employment between Vista Outdoor or its subsidiaries and any employee. This Plan is expected to continue indefinitely. However, this Plan is not a vested benefit and Vista Outdoor reserves the right to change, amend, or terminate this Plan or to change the severance benefit available under the Plan at any time in Vista Outdoor’s sole discretion.

The Plan’s terms cannot be modified by written or oral statements to you from the Human Resources Department or any other Vista Outdoor employee. In all circumstances the actual terms of this Plan will prevail. Be sure to contact the HR Hub Service Center at 844.430.5873 or hrhub@vistaoutdoor.com if you have any questions about this Plan.

Plan Highlights

Plan feature	How it works
Eligible Employees	<p>You are an Eligible Employee under this Plan only if you are classified by Vista Outdoor as a regular full-time or regular part-time employee of a Covered Employer; you satisfy any additional requirements listed in Appendices A, B or C, as applicable; you are not covered by a collective bargaining agreement or by any other Vista Outdoor severance plan or agreement and; and you receive written notice from Vista Outdoor that you are covered by this Plan and that you have experienced a Covered Termination.</p> <p>Persons classified by Vista Outdoor as temporary or project employees, or contingent workers (non-Vista Outdoor employees such as independent contractors, consultants, or temporary agency employees) are not eligible for benefits under this Plan. In particular, individuals not treated as employees by Vista Outdoor on its payroll records are excluded from participation even if a court or administrative agency determines that such individuals are employees and not independent contractors.</p>
Covered Termination	<p>Your involuntary termination of employment as an Eligible Employee from a Covered Employer which is not an Excluded Termination (defined below).</p>
Excluded Terminations	<p>For purposes of the Plan, Excluded Terminations are terminations of an Eligible Employee's employment by a Covered Employer based on your performance or behavior, including:</p> <ul style="list-style-type: none">• your failure to perform your duties of employment;• your (i) engaging in any act of dishonesty, wrongdoing or moral turpitude or (ii) violation of Vista Outdoor's Code of Business Ethics or other applicable company policy or rule,• your breach of your duty of loyalty; or• your failure to comply with any confidentiality, non-solicitation or non-compete agreement with Vista Outdoor or other obligations you have to protect Vista Outdoor or Vista Outdoor customer trade secrets or confidential or proprietary information.
Covered Employer	<p>Vista Outdoor and its U.S. subsidiaries that employ Eligible Employees. Such subsidiaries will be a Covered Employer only during the period of time that the subsidiary is both owned by Vista Outdoor and is a participating employer in other corporate-level Vista Outdoor U.S. employee benefit plans, including without limitation the Vista Outdoor Inc. 401(k) Plan.</p>
Severance Benefits	<p>The severance benefit applicable to the Eligible Employee as described in one of Appendices A, B or C.</p>
General Release	<p>You are required to sign (and, if applicable not revoke) a general release of all employment-related claims, in the form prescribed by Vista Outdoor, prior to receiving any severance benefits (other than any pay in lieu of notice as described Appendices A, B or C ("Notice Pay") under the Plan.</p>

Timing and Method of Payment

Severance (other than Notice Pay) is payable to an Eligible Employee after a Covered Termination and after the revocation period set forth in the Eligible Employee's signed general release, if any, has elapsed. Any Notice Pay is payable in a lump sum to an Eligible Employee on the Eligible Employee's final check. All payments will be made in a lump sum as soon as administratively feasible and no later than two and half months after the calendar year in which the Covered Termination occurs.

Table of Contents

Introduction	2
Plan Highlights	3
About this SPD	5
Eligibility	6
Who is Eligible	
Who is not Eligible Repaying Benefits	
Non-Duplication of Benefits	
Severance Benefit	9
Method of Payment	
Timing of Severance Payment	
Notes	
Definitions and General Provisions	10
Full years of continuous service	
General release	
Acquisition of Vista Outdoor	
Plan may be amended or terminated	
Administration (ERISA)	11
Claims Procedure	
Your Legal Rights	
Appendix A - Salaried Non-Executive	
Appendix B - Hourly	
Appendix C - Salaried Executives	

About this SPD

This document is the Summary Plan Description (SPD) of the Vista Outdoor Severance Benefit Plan (Plan). It explains who is eligible, what the benefit is, and how and when the benefit may be distributed.

See the Administration section for important additional administrative information, including your rights under the Employee Retirement Income Security Act of 1974, as amended (ERISA).

This SPD provides a description of the benefits under the Plan. Additional general information about the Plan may be found in the Vista Outdoor Inc. Welfare Benefit Plan, which, together with this SPD, form the legal plan document for the Plan. In the event of a conflict between the Plan and any other agreement or representation (whether written or oral) regarding severance, the Plan will prevail.

Eligibility

Who is Eligible

You are eligible for severance benefits under this Plan only if you are an Eligible Employee who meets all of the criteria described below and you receive a notice of your Covered Termination signed by Vista Outdoor's Senior Vice President, Human Resources and Corporate Services (or his/her designee), which includes a general release addressed to you individually by name with a statement of your actual severance benefit and payment amount. **To be eligible you must:**

- Work for a Covered Employer.
- Be classified as regular status, full-time or part-time employee of Vista Outdoor.
- Satisfy any additional eligibility requirements described in one of Appendices A, B or C, as applicable.
- Not be covered by a collective bargaining agreement or by any other Vista Outdoor severance plan or agreement, including without limitation the Vista Outdoor Inc. Executive Severance Plan or the Vista Outdoor Inc. Income Security Plan.
- Experience a Covered Termination, as determined and designated by Vista Outdoor in its sole discretion.
- Sign a general release of all claims in favor of Vista Outdoor and its subsidiaries and affiliates, except with respect to any Notice Pay, in the form prescribed by Vista Outdoor, within the consideration period set forth in your general release and any revocation period set forth in your general release expires.
- Maintain satisfactory job performance until the effective date of your Covered Termination.
- Continue to comply with any confidentiality or non-compete agreement with Vista Outdoor and its subsidiaries and affiliates or other obligations you have to protect Vista Outdoor, including its subsidiaries and affiliates, or Vista Outdoor customer, trade secrets or confidential or proprietary information.
- Execute in a timely and satisfactory manner all intellectual property assignment documents relating to your period of employment.
- Return all Vista Outdoor or customer property in your possession in satisfactory condition or provide an explanation for any damage to or your failure to return any such property which is acceptable to Vista Outdoor in its sole discretion.
- Continue to abide by Vista Outdoor's Code of Business Ethics and other workplace policies and rules, including but not limited to those relating to mistreating or harassing other employees, disclosing trade secrets, confidential, or proprietary information, or intentionally damaging any Vista Outdoor or customer property.

Vista Outdoor's classification of your employment status at the time of your termination is final and conclusive with respect to your participation in this Plan. Your status as a participant in this Plan may change from time to time as the result of events or changes in your employment. Determination as to whether one of Appendices A, B or C will apply and whether an individual is eligible for a benefit under the Plan will be made based on the facts and circumstances at the time of your Covered Termination, in the Plan Administrator's sole discretion.

Even if previously eligible to participate in this Plan, you will be disqualified from receiving benefits if any of the following occur:

- You voluntarily terminate, resign, abandon, or retire from your employment (including failing or refusing to work through the effective date of your Covered Termination), or die.
- Your employment is terminated by a Covered Employer due to inadequate job performance, violation of company policy, any other Excluded Termination, or any reason other than a Covered Termination.
- You fail to return from an approved leave of absence following the expiration of the approved period of such leave.
- You transfer to a location that does not participate in the Plan or excludes coverage to employees in the job position, classification, or status held by you.
- Your employer ceases to be a Covered Employer for purposes of the Plan.
- Your job classification changes to anything other than regular status employee.

Who is not Eligible

- You are not eligible for severance benefits under this Plan in any of the following situations, even if this situation results in the termination, constructive termination, or resignation of your employment with Vista Outdoor:
 - You are transferred to or accept another position with Vista Outdoor or any subsidiary or affiliate. Changes to your current job title, position, travel requirements, duties, responsibilities, level or reporting structure, and/or grade, whether such changes are to your benefit or not, as a result of a reassignment, an internal reorganization or other business decision, do not trigger participant status under the Plan.
 - Your job position is eliminated and you refuse an offer of continued employment with Vista Outdoor or any subsidiary or affiliate unless:
 - The offer results in a decrease of more than 15 percent of your base pay; or
 - The offer would require relocation and the new location is more than 50 miles from your principal place of residence prior to the relocation and the new location is farther from your residence than your current place of employment.
 - Employer directed leaves of absence, furloughs, or temporary layoffs, or any time away from work due to temporary interruptions in operations due to maintenance or vacation shutdown, material shortage, or similar occurrence, even if, for example, you qualify for unemployment compensation during this period. You may, however, be eligible for a severance benefit if your Covered Employer subsequently designates a temporary layoff, furlough, or directed leave of absence as a permanent termination of employment.
 - Your location, business unit, or work function is sold, transferred, outsourced, or merged with a third party to include a successor contractor or succeeding operating or service- provider company and you are offered comparable employment by or you are transferred to the successor contractor, succeeding operating or services company, purchaser, or other third party, whether or not you accept such employment and even if your Covered Employer otherwise terminates your employment as a result of such transaction.
 - If you will experience a period of unemployment between your termination from employment with your Covered Employer and start of employment with the successor contractor, succeeding operating company, purchaser, or other third party, then, in Vista Outdoor's sole

discretion, you may be eligible to receive severance payments corresponding to your weeks of unemployment. In such cases, your eligibility for severance benefits under this Plan, the amount of the severance benefit, and method of payment will be determined by Vista Outdoor in its sole discretion and will be included in your termination materials.

- For purposes of this Plan, “comparable employment” means any job that pays a base salary of at least 85 percent of your base salary at the time of your employment termination from your Covered Employer; “base salary” does **not** include overtime or bonus opportunities, benefits, or any other terms and conditions of employment.
- Note that in all cases, you are disqualified from receiving a severance benefit if you fail to work with satisfactory job performance through the effective date of your Covered Termination as determined solely by Vista Outdoor.
- You are eligible for severance benefits under any other severance plan or agreement with Vista Outdoor or any of its subsidiaries or affiliates.
- You are not paid from a U.S. payroll of a Covered Employer.
- Individuals not treated as employees by a Covered Employer on its payroll records are excluded from participation even if a court or administrative agency determines that such individuals are employees and not independent contractors.

Repaying Benefits

Even if severance benefits have commenced, ***all remaining benefits will be forfeited, your severance benefit will be terminated automatically, and you will repay to Vista Outdoor severance benefits you have received except for five-hundred dollars (\$500.00) if Vista Outdoor determines in its sole discretion that:***

- You should have been disqualified or ineligible from receiving benefits because of one of the conditions listed above.
- You fail to comply with any confidentiality, non-solicitation or non-compete agreement with Vista Outdoor or its subsidiaries or affiliates, or other obligations you have to protect Vista Outdoor and its subsidiaries and affiliates, or Vista Outdoor customer, trade secrets or confidential or proprietary information.
- You engage in any conduct that damages Vista Outdoor’s business or defames or slanders Vista Outdoor’s name or business reputation.
- You violate any provisions of your signed general release, in the form prescribed by Vista Outdoor in its sole discretion.

Non-Duplication of Benefits

- **Payments made in lieu of WARN notice or pursuant to other federal or state law requirements will reduce your Severance Benefits under this Plan**

This Plan does not supersede any additional rights an individual may have under federal or state law. However, if an employee is entitled to any other severance or termination of employment benefit or payment other than those provided by this Plan, then his/her severance benefits under this Plan will be reduced by the amounts of such other payments, including any payments made in lieu of providing notice under the Worker Adjustment, Retraining, and Notification Act (WARN) and/or any state or government required equivalents.

- **Previously paid Vista Outdoor Severance Benefit**

If you have previously received a severance benefit from Vista Outdoor, then the full years of continuous service used to calculate that prior severance benefit are excluded from any subsequent calculation of severance benefits. This occurs because any severance benefit is calculated off your most recent hire date and does not include any years of service prior to a break in service resulting from termination, layoff, or other cessation of employment with Vista Outdoor, provided that in no event shall an employee's severance benefit under the Plan be less than five-hundred dollars (\$500.00).

Severance Benefit

If you are eligible for severance benefits, you will receive written notice of your Covered Termination signed by Vista Outdoor's Senior Vice President, Human Resources and Corporate Services (or his/her designee), which will include:

- Statement of your eligibility for benefits under this Plan;
- Effective date of your termination;
- Whether you will receive working notice, pay in lieu of notice, or a combination thereof, if applicable under Appendices A or C; and
- Amount of your severance benefits and method of payment.

As an Eligible Employee, your severance benefits at the time of your Covered Termination are described in Appendix A to this Plan, unless you are an Eligible Employee:

- classified as an hourly or wage employee at the time of your Covered Termination, in which case Appendix B will instead apply; or
- working in a position classified by Vista Outdoor as a salaried executive as defined in Appendix C (i.e., Director or above) at the time of your Covered Termination, in which case Appendix C will instead apply.

An Eligible Employee may be eligible for severance benefits at the time of a Covered Termination from a Covered Employer only under one of Appendices A, B or C based on the nature of the Eligible Employee's employment with his or her Covered Employer as described above and in the applicable Appendix.

Method of Payment

Your severance payment will be paid as a lump sum payment.

Timing of Severance Payment

Severance is payable after the termination of your employment and after the revocation period set forth in your signed general release, if any, has elapsed. Payments will be made no later than two and one-half months after the end of the calendar year in which the Covered Termination occurs.

Notes

For purposes of your severance payment under this Plan, your base pay is your regular base pay on the effective date of your termination from employment. Overtime pay, performance shares, shift differentials, bonuses, other benefits, etc. are not included in base pay.

Taxes and other required or applicable payroll deductions will be withheld from your severance payment.

None of your severance payment will be considered eligible earnings (for example, it is not "earnings" or "recognized compensation" for purposes of any Vista Outdoor benefit plan, including but not limited to the 401(k) plan or pension plan).

Severance payments will be reduced by any payments made to you under any other applicable severance plans,

employment agreement, or any other termination of employment or layoff payments required under state, local or federal law, including pay made in lieu of notice under the Worker Adjustment, Retraining and Notification Act (WARN) or any state or other government equivalent, provided that in no event shall your severance under the Plan be less than five-hundred dollars (\$500.00).

Any money you owe Vista Outdoor that has not been repaid as of your termination date will be withheld from your severance benefit (for example, amounts owed by you on a Vista Outdoor-sponsored credit card account for personal expenses or for business-related expenses for which Vista has already reimbursed you), provided that in no event shall an employee's severance benefit under the Plan be less than five-hundred dollars (\$500.00).

Definitions and General Provisions

Full years of continuous service

For purposes of this Plan and the benefits described in Appendices A, B and C, your benefit amount is based on your *full years of continuous service* with Vista Outdoor as determined by Vista Outdoor, in its sole discretion, based on its personnel records. Full years of continuous service means a period of active regular status employment with a Covered Employer measured from your most recent hire date into regular status employment to the effective date of your Covered Termination, including any time during this period that you were on an approved form of leave.

You will not receive credit towards your full years of continuous service under this Plan for any time in a classification other than regular status employee, such as project or temporary employee, or contingent worker (temporary agency employee, independent contractor, or consultant). Further, any change in job classification to something other than regular status employee will constitute an interruption in active regular status employment, regardless of the reasons for or who initiated this change.

Any period of employment with a company acquired by Vista Outdoor will not be included in the calculation of your severance benefit unless (1) you were employed by the acquired company on the effective date of its acquisition by Vista Outdoor, (2) the acquired company becomes a Covered Employer under the Plan, and (3) Vista Outdoor expressly agrees to recognize such service under the Plan in writing, including without limitation pursuant to the purchase agreement related to the acquisition of such company. In addition, full years of continuous service with Alliant Techsystems Inc. (ATK) shall be credited for employees in accordance with the terms and conditions set forth in the Transaction Agreement, dated as of April 28, 2014, among ATK and others, pursuant to which the assets and business comprising ATK's Sporting Group were spun-off to Vista Outdoor.

General release

You are required to sign a general release of all employment-related claims, in the form prescribed by Vista Outdoor in its sole discretion, prior to receiving a severance payment. This general release includes a release of all claims and causes of action, arising, or which may have arisen, out of or in connection with your employment or termination from employment with Vista Outdoor.

Acquisition of Vista Outdoor

Should Vista Outdoor be acquired by or merge with another company, and Vista Outdoor is not the surviving company, then the new owner may not terminate or change this Plan for a period of one year from the effective date of the acquisition or merger in a manner that would adversely affect eligible Plan participants unless 80% of such participants provide written consent.

Plan may be amended or terminated

Vista Outdoor, through its designated officers, has the sole discretion to change, amend or terminate this Plan or to change the severance benefit available under the Plan at any time.

Administration

ERISA requires that you be given certain information to help you answer administrative questions about the Plan. Also detailed in this section is the appeal process if your claim for benefits is denied, as well as your legal rights under ERISA.

Name of Plan Vista Outdoor Severance Benefit Plan
(A component of the Vista Outdoor Inc. Welfare Benefit Plan)

Plan Sponsor

Vista Outdoor Inc.
262 North University Avenue
Farmington, UT 84025
1-844-430-5873

Employer Identification Number: 47-1016855

Plan Administrator

The Plan Administrator is Vista Outdoor's **Benefits Administrative Committee ("BAC")**. The BAC has the discretionary and exclusive right to make final determinations regarding Plan eligibility and to provide conclusive interpretation of Plan provisions. Benefits under the Plan shall be payable only if the BAC determines, in its sole discretion, that an eligible employee is entitled to them.

The BAC may delegate to other persons the responsibilities for performing certain of the duties of the Plan Administrator under the Plan. The BAC has delegated to the Senior Vice President, Human Resources and Corporate Services (and his/her designees) the authority to oversee day-to-day administration of the Plan and make initial determinations of claims, with the BAC deciding appeals of denied claims. The BAC has final discretionary authority to decide claim appeals under this Plan.

Benefits Administrative Committee
c/o Vista Outdoor Inc.
262 North University Avenue
Farmington, UT 84025

Plan Number 501
Type of Plan Welfare plan, Severance
Plan Eligibility As defined in Eligibility section
Plan Funding Unfunded - Benefits are paid from Employer's general assets.
Plan Year The Plan year begins on January 1 and ends on December 31.

Agent for Legal Process Senior Vice President, Human Resources and Corporate Services -
at the company address shown above

Claims Procedure

Generally, eligible employees do not need to make a claim for benefits under the Plan to receive Plan benefits (other than signing the required release to obtain severance pay). However, if you believe you may be entitled to benefits, or you disagree with any decision regarding your benefit, you may file a claim with the Plan Administrator by presenting a **written** claim or appeal to the HR Hub Service Center at the following address. (An **oral** claim or request for review is not sufficient.)

HR Hub Service Center
Attn: Total Rewards Department

262 North University Avenue
Farmington, UT 84025
Phone: 1-844-430-5873

If you do not file a written claim or follow the claims procedures, you may give up legal rights.

A Claim for Benefits

A “claim” for benefits is a request for benefits under the Plan filed in accordance with the Plan’s claims procedures. To make a claim or request review of a denied claim, you must file a written claim with HR Hub Service Center at the address shown above. An oral claim or request for review is not sufficient.

Steps in Filing a Claim

Time for Filing a Claim. You must file your written claim with the HR Hub Service Center within one year after the date you knew or reasonably should have known of the facts behind your claim, and in no case shall this date be more than one year from the effective date of your termination. **You will lose legal rights if you do not file your claim within this one year time period.**

Filing a Claim. You must file your claim with the HR Hub Service Center at the address noted above. You must include the facts and arguments that you want considered during the claims procedure.

Response from the HR Hub Service Center. Within 90 days of the date the HR Hub Service Center receives your claim, you will receive a written or electronic notice from the Plan Administrator of the decision **or** a notice describing the need for additional time (up to 90 additional days) to reach a decision. If the Plan Administrator notifies you that it needs additional time, the notice will describe the special circumstances requiring the extension and the date by which it expects to reach a decision. If the Plan Administrator denies your claim, in whole or in part, you will receive a notice specifying the reasons, the Plan provisions on which it is based, a description of additional material (if any) needed to perfect the claim, your right to file a civil action under section 502(a) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), if your claim is denied upon review, and it will also explain your right to request a review.

Steps in Filing Request for Review

Time for Filing a Request for Review. If the Plan Administrator denies your claim, you may request a review of your claim in writing by the Vista Outdoor BAC. The HR Hub Service Center must receive actual delivery of your written request for review within 60 days after the date you receive notice that your claim was denied.

Filing a Request for Review of a Denied Claim. You may file a request for review of a denied claim with the HR Hub Service Center, **which will be forwarded to the BAC.** Your request must include issues that you want considered in the review. You may submit written comments, documents, records, and other information relating to your claim. Upon request, you are entitled to receive free of charge reasonable access to and copies of the relevant documents, records, and information used in the claims process.

Response from Vista Outdoor BAC on Review. Within 60 days after the date the HR Hub Service Center receives your request, you will receive a written or electronic notice from the BAC of the decision **or** a notice describing the need for additional time (up to 60 additional days) to reach a decision. If you are notified that the BAC needs additional time, the notice will describe the special circumstances requiring the extension and the date

by which it expects to reach a decision. If the BAC affirms the denial of your claim, in whole or in part, you will receive a notice specifying the reasons, the Plan provisions on which it is based, notice that upon request you are entitled to receive free of charge reasonable access to and copies of the relevant documents, records, and information used in the claims process, and your right to file a civil action under section 502(a) of ERISA.

If the BAC Requests Further Information Regarding Your Claim on Review. If the BAC determines it needs further information to complete its review of your denied claim, you will receive a written notice describing the additional information necessary to make the decision. You will then have 60 days from the date you receive the notice requesting additional information to provide it to the BAC. The time between the date the BAC sends its request to you and the date it receives the requested additional information from you shall not count against the 60-day period in which the BAC has to decide your claim on review. If the BAC does not receive a response, then the period by which the BAC must reach its decision shall be extended by the 60-day period provided to you to submit the additional information. Note: If special circumstances exist, this period may be further extended.

In General

Authority of BAC to Decide or Delegate Claims. The BAC, or its designee, will make all decisions on claims and review of claims. With respect to the review of denied claims, the BAC has the sole discretion, final authority, and responsibility to decide all factual and legal questions under the Plan. This includes interpreting and construing the Plan and any ambiguous or unclear terms, and determining whether a claimant is eligible for benefits and the amount of the benefits, if any, a claimant is entitled to receive. The BAC may hold hearings and reserves the right to delegate its authority to make decisions. The BAC may rely on any applicable statute of limitations as a basis to deny a claim. The BAC's decisions are conclusive and binding on all parties. You may, at your own expense, have an attorney or representative act on your behalf, but the BAC reserves the right to require a written authorization for a person to act on your behalf.

Time Periods. The time period for review of your claim begins to run on the date the HR Hub Service Center receives your written claim. Similarly, if you file a timely request for review, the review period begins to run on the date the HR Hub Service Center receives your written request. In both cases, the time period begins to run regardless of whether you submit comments or information that you would like to be considered on review.

Limitations Period. If you file your claim within the required time, complete the entire claims procedure, and the BAC denies your claim after you request a review, you may sue over your claim (unless you have executed a release of your claim). You must, however, commence that suit within 30 months after you knew or reasonably should have known of the facts behind your claim or, *if earlier*, within 6 months after the claims procedure is completed.

Exhaustion of Administrative Remedies. Before commencing legal action to recover benefits, or to enforce or clarify rights, you must completely exhaust the Plan's claim and review procedures.

Administrative Safeguards. The Plan uses the claims procedures outlined herein and the review by the BAC as administrative processes and safeguards to ensure that the Plan's provisions are correctly and consistently applied.

The BAC has the sole discretion, authority, and responsibility to decide all factual and legal questions under the Plan. This includes interpreting and construing the Plan document and any ambiguous or unclear terms within the Plan document, and determining whether a claimant is eligible for benefits under the Plan and the amount of the benefits, if any, a claimant is entitled to receive. The BAC's decisions are conclusive and binding on all parties.

Your Legal Rights

As a participant in this Plan, you are entitled to certain rights and protections under ERISA. ERISA entitles all Plan participants to:

Receive Information about that Plan and Its Benefits

Examine, without charge, at the Plan administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration ("EBSA").

Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes certain duties on the people who are responsible for the operation of the employee benefit plans. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one including your employer, your union, or another person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Rights under the Plan

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request in writing a copy of Plan documents from the Plan and do not receive them within 30 days, you may file suit in Federal court. In such a case, the court may require the Plan Administrator to provide the materials to you and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that the Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person or entity you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees (for example, if the court finds your claim frivolous).

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest area office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefit Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.¹⁸

Appendix A

(Salaried Non-Executive)

Eligibility

The following Appendix A applies to Eligible Employees, who are **not** hourly employees and are **not** employees classified by Vista Outdoor as a salaried executive as defined in Appendix C (i.e. Director and above), and who otherwise satisfy all of the terms and conditions of the Plan in connection with a Covered Termination.

Two Weeks' Notice of Termination

If you are eligible for a severance benefit, then you will also be provided with two weeks' notice of the effective date of your Covered Termination. This notice may be working notice, pay in lieu of notice, or a combination thereof. Notice Pay will be paid at your regular base rate of pay at the time of termination.

Severance Payment

The amount of severance pay is equal to one week of base pay for each full year of continuous service with Vista Outdoor measured from your most recent hire date to the effective date of your Covered Termination.

- Minimum severance payment is two weeks.
- Maximum severance payment for all eligible employees is 26 weeks.

Years of Continuous Service	Weeks of Severance
0-2 years	2 weeks
3+ years	# of weeks equivalent to full years of continuous service; maximum severance of 26 weeks

In addition to the severance described above, you will also receive \$1,000 to offset the cost of continuing health care coverage during your severance period.

Calculating your Weeks of Severance

If an employee has 1.2 years of service as of the effective date of the Covered Termination, (s)he would have 1 full year of service for purposes of this Plan and receive 2 weeks of base pay as severance payment (minimum severance).

If an employee has 8.6 years of service as of the effective date of the Covered Termination, (s)he would have 8 full years of continuous service for purposes of this Plan and receive 8 weeks of base pay as severance.

If an employee has 30.5 years of service as of the effective date of the Covered Termination, (s)he would be eligible to receive 26 weeks of base pay as severance (maximum severance payment).

If an employee worked for Vista Outdoor for 3.5 years, voluntarily terminated employment, and later returned to Vista Outdoor for an additional 10.6 years, (s)he would have 14.11 years of combined service, but only 10 full years of continuous service since most recent hire date and (s)he would be eligible to receive 10 weeks of base pay as severance.

Appendix B

(Hourly)

Eligibility

The following Appendix B applies only to hourly Eligible Employees who otherwise satisfy all of the terms and conditions of the Plan in connection with a Covered Termination.

Two Weeks' Notice of Termination

If you are eligible for a severance benefit, then you will also be provided with two weeks' notice of the effective date of your Covered Termination. This notice may be working notice, pay in lieu of notice, or a combination thereof. Notice Pay will be paid at your regular base rate of pay at the time of termination.

Severance Payment

For regular full-time employee, the amount of severance pay is equal to the weeks of base pay shown in the chart below for the applicable corresponding full year(s) of continuous service with Vista Outdoor measured from your most recent hire date to the effective date of your Covered Termination.

Years of Continuous Service	Weeks of Severance
0-10 years	2 weeks
11-20 years	4 weeks
21 or more years	6 weeks

In addition to the severance described above, you will also receive \$1,000 to offset the cost of continuing health care coverage during your severance period.

Calculating your Weeks of Severance

If an employee has 1.4 years of service as of the effective date of the Covered Termination, (s)he would have 1 full years of continuous service for purposes of this Plan and receive 2 weeks of base pay as severance (minimum severance payment).

If an employee has 10.6 years of service as of the effective date of the Covered Termination, (s)he would have 10 full years of continuous service for purposes of this Plan and receive 2 weeks of base pay as severance.

If an employee has 25.11 years of service as of the effective date of the Covered Termination, (s)he would have 25 full years of continuous service for purposes of this Plan and receive 6 weeks of base pay as severance (maximum severance payment).

If an employee worked for Vista Outdoor for 3.5 years, voluntarily terminated employment, and later returned to Vista Outdoor for an additional 10.6 years, (s)he would have 14.1 years of combined service, but only 10 full years of continuous service since most recent hire date and (s)he would be eligible to receive 2 weeks of base pay as severance.

Special Rules for Regular Part-Time Employees

If you are a regular part time employee your severance benefit is prorated, based on your current base pay and average number of hours worked over the last six months. For example, if you have 7 full years of continuous service as a regular part time employee, averaged 24 hours of work per week over the last six months, and have a current rate of base pay of \$10/hour, you will receive 2 weeks of severance at 24 hours/ week at \$10/hour: 2 weeks X 24 hours/week X \$10/hr = \$480.00 Total Severance Pay.

Appendix C

(Salaried Executives)

Eligibility

The following Appendix C applies to Eligible Employees, who are **not** hourly employees, but who **are** employees classified by Vista Outdoor as Bands 6 to 10 or S6 to S9 (“Directors and Senior Directors”) or Bands 11 or S10 and above (“Vice Presidents”) and who otherwise satisfy all of the terms and conditions of the Plan in connection with a Covered Termination.

Two Weeks’ Notice of Termination

If you are eligible for a severance benefit, then you will also be provided with two weeks’ notice of the effective date of your employment termination. This notice may be working notice, pay in lieu of notice, or a combination thereof. Notice Pay will be paid at your regular base rate of pay at the time of termination.

Severance Payment

The amount of severance pay is equal to one week of base pay for each full year of continuous service with Vista Outdoor measured from your most recent hire date to the effective date of your Covered termination.

- Minimum severance payment is:
 - 16 weeks for Directors and Senior Directors
 - 26 weeks for Vice Presidents.
- Maximum severance payment for all eligible employees is:
 - 26 weeks for Directors and Senior Directors
 - 36 weeks for Vice Presidents

Years of Continuous Service	Weeks of Severance
0+ years	# of weeks equivalent to full years of continuous service; subject to applicable minimum and maximum described above

In addition to the severance described above, you will also receive the following amount to offset the cost of continuing health care coverage during your severance period: \$4,000 (Directors and Senior Directors); \$8,000 (Vice Presidents).

Calculating your Weeks of Severance

If an employee has 1.2 years of service as of the effective date of the Covered Termination, (s)he would have 1 full year of service for purposes of this Plan and receive the minimum severance payment of 16 or 26 weeks for Directors/Senior Directors and Vice Presidents, respectively.

If a Director or Senior Director has 27 years of service as of the effective date of the Covered Termination, (s)he would have 27 full years of continuous service for purposes of this Plan and receive the maximum severance benefit of 26 weeks.

If a Vice President has 37 or more years of service as of the effective date of the Covered Termination, (s)he would have 37 years of continuous service for purposes of this Plan and receive the maximum severance benefit of 36 weeks

[\(Back To Top\)](#)

Section 3: EX-31.1 (EXHIBIT 31.1)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher T. Metz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vista Outdoor 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 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 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 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: August 9, 2018

By: /s/ Christopher T. Metz
 Name: Christopher T. Metz
 Title: Chief Executive Officer

[\(Back To Top\)](#)

Section 4: EX-31.2 (EXHIBIT 31.2)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Miguel A. Lopez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vista Outdoor 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 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 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 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: August 9, 2018

By: /s/ Miguel A. Lopez

Name: Miguel A. Lopez

Title: *Senior Vice President and Chief Financial Officer*

[\(Back To Top\)](#)

Section 5: EX-32 (EXHIBIT 32)

Exhibit 32

**Certification by Principal Executive Officer and Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

We, Christopher T. Metz, Chief Executive Officer, and Miguel A. Lopez, Chief Financial Officer, of Vista Outdoor Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

- (1) the Quarterly Report on Form 10-Q for the period ended July 1, 2018 as filed with the Securities and Exchange Commission on the date hereof (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 as of the dates and for the periods expressed in the Report.

Dated: August 9, 2018

By: /s/ Christopher T. Metz

Name: Christopher T. Metz

Title: *Chief Executive Officer*

By: /s/ Miguel A. Lopez

Name: Miguel A. Lopez

Title: *Senior Vice President and Chief Financial Officer*

[\(Back To Top\)](#)