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 December 29, 2019

☐ **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	**47-1016855**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Vista Way	**Anoka**	**MN**	**55303**
(Address of Principal Executive Offices)			(Zip Code)

Registrant's telephone number, including area code: **(763) 433-1000**

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01	VSTO	New York Stock Exchange

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth 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 January 27, 2020, there were 57,876,765 shares of the registrant's voting common stock outstanding.

TABLE OF CONTENTS

PART I— FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

(Amounts in thousands except share data)	December 29, 2019	March 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,068	$ 21,935
Net receivables	319,990	344,249
Net inventories	334,729	344,491
Income tax receivable	564	—
Assets held for sale	—	207,607
Other current assets	18,075	21,180
Total current assets	705,426	939,462
Net property, plant, and equipment	191,945	215,592
Operating lease assets	67,934	—
Goodwill	204,496	204,496
Net intangible assets	345,615	360,520
Deferred charges and other non-current assets, net	33,517	17,953
Total assets	$ 1,548,933	$ 1,738,023
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ —	$ 19,335
Accounts payable	96,555	99,283
Accrued compensation	27,263	36,456
Accrued income taxes	—	436
Federal excise, use, and other taxes	18,707	18,482
Liabilities held for sale	—	46,030
Other current liabilities	100,984	97,175
Total current liabilities	243,509	317,197
Long-term debt	523,860	684,670
Deferred income tax liabilities	17,677	17,757
Long-term operating lease liabilities	72,347	—
Accrued pension and postemployment benefits	41,001	46,083
Other long-term liabilities	45,589	63,276
Total liabilities	943,983	1,128,983
Commitments and contingencies (Notes 3, 13, and 16)		
Common stock — $.01 par value:		
Authorized — 500,000,000 shares		
Issued and outstanding — 57,909,645 shares as of December 29, 2019 and 57,710,934 shares as of March 31, 2019	578	577
Additional paid-in capital	1,749,545	1,752,419
Accumulated deficit	(818,834)	(804,969)
Accumulated other comprehensive loss	(78,242)	(82,967)
Common stock in treasury, at cost — 6,054,794 shares held as of December 29, 2019 and 6,253,505 shares held as of March 31, 2019	(248,097)	(256,020)
Total stockholders' equity	604,950	609,040
Total liabilities and stockholders' equity	$ 1,548,933	$ 1,738,023

See Notes to the Condensed Consolidated Financial Statements.

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

	Three months ended		Nine months ended	
(Amounts in thousands except per share data)	**December 29, 2019**	**December 30, 2018**	**December 29, 2019**	**December 30, 2018**
Sales, net	$ 424,770	$ 467,771	$ 1,329,560	$ 1,543,192
Cost of sales	335,980	373,535	1,055,428	1,226,861
Gross profit	88,790	94,236	274,132	316,331
Operating expenses:				
Research and development	5,703	6,503	17,750	20,681
Selling, general, and administrative	64,418	86,418	231,298	284,754
Goodwill and intangibles impairment (Note 11)	—	432,612	—	456,023
Impairment of held-for-sale assets (Note 7)	—	83,854	9,429	128,775
Income (loss) before interest, income taxes, and other	18,669	(515,151)	15,655	(573,902)
Other income (expense), net (Note 7)	—	(1,871)	(433)	(6,796)
Interest expense, net	(8,373)	(16,003)	(31,811)	(46,340)
Earnings (loss) before income taxes	10,296	(533,025)	(16,589)	(627,038)
Income tax provision (benefit)	(4,352)	(18,383)	(2,724)	(27,230)
Net income (loss)	$ 14,648	$ (514,642)	$ (13,865)	$ (599,808)
Earnings (loss) per common share:				
Basic and Diluted	$ 0.25	$ (8.94)	$ (0.24)	$ (10.43)
Weighted-average number of common shares outstanding:				
Basic	57,878	57,572	57,812	57,525
Diluted	57,978	57,572	57,812	57,525
Net income (loss) (from above)	$ 14,648	$ (514,642)	$ (13,865)	$ (599,808)
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 $0 and $19 for the three months ended, respectively, and $0 and $57 for the nine months ended, respectively.	(79)	(60)	(235)	(180)
Reclassification of net actuarial loss for pension and postretirement benefit plans recorded to net income, net of tax expense of $0 and $(172) for the three months ended, respectively, and $0 and $(516) for the nine months ended, respectively.	812	543	2,435	1,629
Change in derivatives, net of tax benefit (expense) of $0 and $88 for the three months ended, respectively, and $0 and $235 for the nine months ended, respectively.	(725)	(279)	(1,175)	(743)
Currency translation gains reclassified from accumulated other comprehensive loss	—	—	3,150	—
Change in cumulative translation adjustment.	263	76	550	29,592
Total other comprehensive income (loss)	271	280	4,725	30,298
Comprehensive income (loss)	$ 14,919	$ (514,362)	$ (9,140)	$ (569,510)

See Notes to the Condensed Consolidated Financial Statements.

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

	Nine months ended	
(Amounts in thousands)	**December 29, 2019**	**December 30, 2018**
Operating Activities:		
Net income (loss)	$ (13,865)	$ (599,808)
Adjustments to net income (loss) to arrive at cash provided by operating activities:		
Depreciation	36,207	40,112
Amortization of intangible assets	14,996	19,284
Impairment of held-for-sale assets (Note 7)	9,429	128,775
Goodwill and intangibles impairment	—	456,023
Amortization of deferred financing costs	5,569	10,458
Deferred income taxes	348	(26,610)
(Gain) loss on disposal of property, plant, and equipment	(48)	8,098
Loss on divestitures (Note 7)	431	4,925
Share-based compensation	5,167	5,838
Changes in assets and liabilities:		
Net receivables	38,098	47,088
Net inventories	(7,510)	(88,657)
Accounts payable	(4,676)	36,961
Accrued compensation	(9,865)	(6,911)
Accrued income taxes	(3,744)	(4,872)
Federal excise, use, and other taxes	(2,243)	(3,630)
Pension and other postretirement benefits	(2,521)	(555)
Other assets and liabilities	(2,719)	34,429
Cash provided by operating activities	63,054	60,948
Investing Activities:		
Capital expenditures	(21,977)	(30,911)
Proceeds from sale of our Firearms business and Eyewear business (Note 7)	156,567	151,595
Proceeds from the disposition of property, plant, and equipment	270	365
Cash provided by investing activities	134,860	121,049
Financing Activities:		
Borrowings on lines of credit	272,321	440,000
Payments on lines of credit	(312,623)	(180,000)
Proceeds from issuance of long-term debt	—	149,343
Payments made on long-term debt	(144,509)	(576,000)
Payments made for debt issuance costs and prepayment premiums	(903)	(10,271)
Settlement from former parent	—	13,047
Deferred payments for acquisitions	(1,348)	(1,348)
Shares withheld for payroll taxes	(507)	(1,001)
Cash used for financing activities	(187,569)	(166,230)
Effect of foreign exchange rate fluctuations on cash	(212)	(1,013)
Increase in cash and cash equivalents	10,133	14,754
Cash and cash equivalents at beginning of period	21,935	22,870
Cash and cash equivalents at end of period	$ 32,068	$ 37,624
Supplemental Cash Flow Disclosures:		
Non-cash investing activity:		
Capital expenditures included in accounts payable	$ 1,331	$ 1,756

See Notes to the Condensed Consolidated Financial Statements.

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

	Common Stock $.01 Par Value						
(Amounts in thousands except share data)	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total Equity
Balance, September 29, 2019	**57,787,433**	**$ 578**	**$1,752,175**	**$ (833,482)**	**$ (78,513)**	**$ (252,257)**	**$ 588,501**
Comprehensive income (loss)	—	—	—	14,648	271	—	14,919
Share-based compensation	—	—	1,593	—	—	—	1,593
Restricted stock vested and shares withheld	55,385	—	(3,392)	—	—	3,191	(201)
Employee stock purchase plan	11,980	—	(419)	—	—	489	70
Other	54,847	—	(412)	—	—	480	68
Balance, December 29, 2019	**57,909,645**	**$ 578**	**$1,749,545**	**$ (818,834)**	**$ (78,242)**	**$ (248,097)**	**$ 604,950**
Balance September 30, 2018	**57,551,275**	**$ 576**	**$1,759,481**	**$ (241,692)**	**$ (74,278)**	**$ (264,888)**	**$ 1,179,199**
Comprehensive income (loss)	—	—	—	(514,642)	280	—	(514,362)
Share-based compensation	—	—	1,958	—	—	—	1,958
Restricted stock vested and shares withheld	23,234	—	(1,368)	—	—	1,212	(156)
Other	(796)	—	4	—	—	(17)	(13)
Balance, December 30, 2018	**57,573,713**	**$ 576**	**$1,760,075**	**$ (756,334)**	**$ (73,998)**	**$ (263,693)**	**$ 666,626**

	Common Stock $.01 Par Value						
(Amounts in thousands except share data)	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total Equity
Balance, March 31, 2019	**57,710,934**	**$ 577**	**$1,752,419**	**$ (804,969)**	**$ (82,967)**	**$ (256,020)**	**$ 609,040**
Comprehensive income (loss)	—	—	—	(13,865)	4,725	—	(9,140)
Share-based compensation	—	—	5,167	—	—	—	5,167
Restricted stock vested and shares withheld	91,110	—	(5,785)	—	—	5,437	(348)
Employee stock purchase plan	23,008	—	(777)	—	—	940	163
Other	84,593	1	(1,479)	—	—	1,546	68
Balance, December 29, 2019	**57,909,645**	**$ 578**	**$1,749,545**	**$ (818,834)**	**$ (78,242)**	**$ (248,097)**	**$ 604,950**
Balance, March 31, 2018	**57,431,299**	**$ 574**	**$1,746,182**	**$ (156,526)**	**$ (104,296)**	**$ (268,444)**	**$ 1,217,490**
Comprehensive income (loss)	—	—	—	(599,808)	30,298	—	(569,510)
Share-based compensation	—	—	5,940	—	—	(102)	5,838
Restricted stock vested and shares withheld	71,192	—	(3,577)	—	—	3,139	(438)
Employee stock purchase plan	13,083	—	(334)	—	—	540	206
Settlement from former parent	—	—	13,047	—	—	—	13,047
Other	58,139	2	(1,183)	—	—	1,174	(7)
Balance, December 30, 2018	**57,573,713**	**$ 576**	**$1,760,075**	**$ (756,334)**	**$ (73,998)**	**$ (263,693)**	**$ 666,626**

See Notes to the Condensed Consolidated Financial Statements.

VISTA OUTDOOR INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
Three and nine months ended December 29, 2019
(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 outdoor sports and recreation markets. We operate in two segments, Outdoor Products and Shooting Sports. Vista Outdoor is headquartered in Anoka, Minnesota and has manufacturing and distribution facilities in 15 U.S. States, Canada, Mexico, and Puerto Rico along with international customer service, sales and sourcing operations in Asia and Europe. Vista Outdoor was incorporated in Delaware in 2014. The condensed consolidated financial statements reflect our financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States.

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, 2019 (“fiscal 2019”).

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 have been condensed or omitted. Our accounting policies are described in the notes to the consolidated financial statements in our Annual Report on Form 10-K for fiscal 2019. 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 December 29, 2019 and March 31, 2019, our results of operations for the three and nine months ended December 29, 2019 and December 30, 2018, and our cash flows for the nine months ended December 29, 2019 and December 30, 2018.

New Accounting Pronouncements

Our accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements included in our fiscal year 2019 Annual Report on Form 10-K. Such significant accounting policies are applicable for periods prior to the following new accounting standards.

Accounting Standards Adopted During this Fiscal Year

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards update ("ASU") 2016-02, “Leases" (Topic 842), which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. We adopted ASU 2016-02 prospectively starting on April 1, 2019. As part of the adoption, we elected the package of practical expedients, which permits us under the new standard not to reassess historical lease classification, not to recognize short-term leases on our balance sheet, and not to separate lease and non-lease components for all our leases. In addition, we elected the use of hindsight to determine the lease term of our leases and applied our incremental borrowing rate based on the remaining term of our leases as of the adoption date. The impact upon adoption, on April 1, 2019, resulted in the recognition of right-of-use assets of approximately $75,749, and lease liabilities of approximately $91,604 on our unaudited condensed consolidated balance sheet. See Note 3, *Leases,* for additional information.

Accounting Standards Yet to Be Adopted

In August 2018, the FASB issued ASU 2018-15, “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” ASU 2018-15 clarifies the accounting treatment for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. ASU 2018-15 is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2019, with early adoption permitted. ASU 2018-15 may be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently assessing the impact that adoption of ASU 2018-15 will have on our consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes (“ASU 2019-12”), which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, Income Taxes, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021, although early adoption is permitted. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We are currently evaluating the impacts of the provisions of ASU 2019-12 on our consolidated financial statements.

2. Fair Value of Financial Instruments

The current authoritative guidance on fair value clarifies the definition of fair value, prescribes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and expands disclosures about the use of fair value measurements. Fair value is defined as 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.

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

Long-term Debt—The fair value of the 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 debt is based on market quotes for each issuance. 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 13, *Long-term Debt,* for additional information.

Commodity Price Hedging Instruments—We periodically enter into commodity forward contracts to hedge our exposure to price fluctuations on certain commodities we use for raw material components in our manufacturing process. When actual commodity prices exceed the fixed price provided by these contracts, we receive this difference from the counterparty, and when actual commodity prices are below the contractually provided fixed price, we pay this difference to the counterparty. We consider these to be Level 2 instruments. See Note 4, *Derivative Financial Instruments,* for additional information.

Note Receivable—In connection with the sale of our Firearms business in July 2019, we received a $12,000 interest-free, five-year pre-payable promissory note due June 2024. Based on the general market conditions and the credit quality of the buyer at the time of the sale, we discounted the Note Receivable at an effective interest rate of 10% and estimated fair value using a discounted cash flow approach. We consider this to be a Level 3 instrument. See Note 8, *Receivables,* 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 earned 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 after each milestone is achieved. The growth milestones for all three years have been met and therefore, we paid $3,371 during fiscal 2020, 2019, and 2018. The final installment was paid during the three months ended December 29, 2019.

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:

	December 29, 2019		March 31, 2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Fixed-rate debt	$ 350,000	$ 337,750	$ 350,000	$ 326,375
Variable-rate debt	179,699	179,699	364,509	364,509

3. Leases

We lease certain warehouse and distribution space, manufacturing space, office space, retail locations, equipment and vehicles. All of these leases are classified as operating leases. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. We use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. These rates are assessed on a quarterly basis. The operating lease assets also include any lease payments made less lease incentives. Leases with an initial term of twelve months or less are not recorded on the balance sheet. For operating leases, expense is recognized on a straight-line basis over the lease term. Variable lease payments associated with the Company's leases are recognized upon occurrence of the event, activity, or circumstance in the lease agreement on which those payments are assessed. Tenant improvement allowances were recorded as leasehold improvements with an offsetting adjustment included in the Company’s calculation of its right-of-use asset.

Many leases include one or more options to renew, with renewal terms that can extend the lease term for three years or more. The exercise of lease renewal options is at our sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

The amounts of assets and liabilities related to our operating leases follow.

	Balance Sheet Caption	**December 29, 2019**
Assets:		
Operating lease assets	Operating lease assets	$ 67,934
Liabilities:		
Current:		
Operating lease liabilities	Other current liabilities	$ 11,431
Long-term:		
Operating lease liabilities	Long-term operating lease liabilities	72,347
Total lease liabilities		$ 83,778

The components of lease expense are recorded to cost of sales and selling, general and administration expenses in the unaudited condensed consolidated statements of comprehensive income (loss). The components of lease expense were as follows:

	Three months ended December 29, 2019	Nine months ended December 29, 2019
Fixed operating lease costs (1)	$ 5,733	$ 15,349
Variable operating lease costs	846	2,085
Sublease income	—	(386)
Net Lease costs	$ 6,579	$ 17,048

(1) Includes short-term leases, which are immaterial.

	December 29, 2019
Weighted Average Remaining Lease Term (Years):	
Operating leases	9.74
Weighted Average Discount Rate:	
Operating leases	8.65%

The approximate future minimum lease payments under operating leases as of December 29, 2019 are as follows:

Remainder of fiscal 2020	$ 4,855
Fiscal 2021	17,157
Fiscal 2022	13,813
Fiscal 2023	12,061
Fiscal 2024	10,650
Thereafter	70,013
Total lease payments	128,549
Less imputed interest	(44,771)
Present value of lease liabilities	$ 83,778

Supplemental cash flow information related to leases is as follows:

	Nine months ended December 29, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows - operating leases	$ 15,111
Right of use assets obtained in exchange for lease liabilities:	
Operating leases	1,848

4. Derivative Financial Instruments

We are exposed to market risks arising from adverse changes in:

- commodity prices affecting the cost of raw materials,
- interest rates, and
- foreign exchange risks.

In the normal course of business, these risks are managed through a variety of strategies, including the use of derivative instruments. See Note 13, *Long-term Debt*, for additional information on our interest rate swaps.

We entered into various commodity forward contracts during fiscal 2020 and 2019. These contracts are used to hedge our exposure to price fluctuations on lead we purchase for raw material components in our ammunition manufacturing process and are designated and qualify as effective cash flow hedges. The effectiveness of cash flow hedge contracts is assessed quantitatively at inception and qualitatively thereafter considering transactions critical terms and counterparty credit quality.

The gains and losses on these hedges are included in accumulated other comprehensive income (loss) and are reclassified into earnings at the time the forecasted revenue or expense is recognized. The fair value of the lead forward contracts is recorded within other assets or liabilities, as appropriate. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the related change in fair value of the derivative instrument would be reclassified from accumulated other comprehensive income (loss) and recognized in earnings.

The gains or losses on the lead forward contracts are recorded in inventory as the commodities are purchased and in cost of sales when the related inventory is sold. As of December 29, 2019, we had outstanding lead forward contracts on 8.6 million pounds of lead.

The derivative gains or losses in the unaudited condensed consolidated statements of comprehensive income (loss) related to lead forward contracts during the nine months ended December 29, 2019 were immaterial. The liability related to the lead forward contracts is immaterial and is recorded as part of other current liabilities.

5. Revenue Recognition

The following tables disaggregate our net sales by major category:

	Three months ended December 29, 2019			Three months ended December 30, 2018		
	Outdoor Products	**Shooting Sports**	**Total**	**Outdoor Products**	**Shooting Sports**	**Total**
Ammunition	$ —	$ 202,316	$ 202,316	$ —	$ 197,554	$ 197,554
Firearms	—	—	—	—	43,775	43,775
Hunting and Shooting Accessories	101,674	—	101,674	109,287	—	109,287
Action Sports	75,661	—	75,661	73,682	—	73,682
Outdoor Recreation	45,119	—	45,119	43,473	—	43,473
Total	$ 222,454	$ 202,316	$ 424,770	$ 226,442	$ 241,329	$ 467,771
Geographic Region						
United States	$ 165,137	$ 179,864	$ 345,001	$ 160,582	$ 208,541	$ 369,123
Rest of the World	57,317	22,452	79,769	65,860	32,788	98,648
Total	$ 222,454	$ 202,316	$ 424,770	$ 226,442	$ 241,329	$ 467,771

	Nine months ended December 29, 2019			Nine months ended December 30, 2018		
	Outdoor Products	**Shooting Sports**	**Total**	**Outdoor Products**	**Shooting Sports**	**Total**
Ammunition	$ —	$ 626,298	$ 626,298	$ —	$ 639,158	$ 639,158
Firearms	—	24,577	24,577	—	134,347	134,347
Hunting and Shooting Accessories	303,484	—	303,484	327,211	—	327,211
Action Sports	227,531	—	227,531	230,117	—	230,117
Outdoor Recreation	147,670	—	147,670	160,500	—	160,500
Eyewear	—	—	—	51,859	—	51,859
Total	$ 678,685	$ 650,875	$ 1,329,560	$ 769,687	$ 773,505	$ 1,543,192
Geographic Region						
United States	$ 516,142	$ 582,483	$ 1,098,625	$ 541,646	$ 679,144	$ 1,220,790
Rest of the World	162,543	68,392	230,935	228,041	94,361	322,402
Total	$ 678,685	$ 650,875	$ 1,329,560	$ 769,687	$ 773,505	$ 1,543,192

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. Sales taxes, firearms and ammunition excise tax and other similar taxes are excluded from revenue.

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.

6. Earnings Per Share

The computation of basic earnings per share ("EPS") is based on the weighted average number of shares that were outstanding during the period. The computation of diluted EPS is based on the number of basic weighted average shares outstanding plus the number of common shares that would be issued assuming the exercise of all potentially dilutive common shares, such as common stock to be issued upon exercise of options, contingently issuable shares and restricted stock units, using the treasury stock method.

The following tables set forth the computation of basic and diluted earnings per share:

	Three months ended		Nine months ended	
(Amounts in thousands except per share data unless otherwise indicated)	**December 29, 2019**	**December 30, 2018**	**December 29, 2019**	**December 30, 2018**
Numerator:				
Net income (loss)	$ 14,648	$ (514,642)	$ (13,865)	$ (599,808)
Denominator:				
Weighted-average number of common shares outstanding basic:	57,878	57,572	57,812	57,525
Dilutive effect of share-based awards (1)	100	—	—	—
Diluted shares	57,978	57,572	57,812	57,525
Earnings (loss) per common share:				
Basic and Diluted	$ 0.25	$ (8.94)	$ (0.24)	$ (10.43)

(1) Due to the loss from continuing operations for the three months ended December 30, 2018 and for the nine months ended December 29, 2019 and December 30, 2018, there are no common shares added to calculate dilutive EPS because the effect would be antidilutive. Potentially dilutive securities, which were not included in the computation of diluted earnings per share, because either the effect would have been anti-dilutive or the options' exercise prices were greater than the average market price of the common stock, were 958 for the three months ended December 29, 2019.

7. Divestitures and Held for Sale

On July 5, 2019, Vista Outdoor Inc. and one of its subsidiaries, Vista Outdoor Operations LLC, sold our Firearms business, which was part of our Shooting Sports segment and comprised our Firearms reporting unit, for a total purchase price of $170,000. We received cash proceeds net of transactions costs of $154,123 and $12,000 in the form of a sellers note due on July 5, 2024. See Notes 2, *Fair Value of Financial Instruments* and 8, *Receivables* for additional information. The proceeds from this sale were used to pay off the balance of our Term Loan and reduce our ABL Revolving Credit Facility. See Note 13, *Long-term Debt*.

During the nine months ended December 29, 2019, we recognized a pretax loss on this divestiture of $433, which is included in other expense.

During the nine months ended December 29, 2019, we recognized an impairment of $9,429 related to the expected loss on the sale of our Firearms business when it was held for sale.

8. Receivables

Net receivables are summarized as follows:

	December 29, 2019	March 31, 2019
Trade receivables	$ 330,483	$ 356,035
Other receivables	4,102	7,106
Less: allowance for doubtful accounts and discounts	(14,595)	(18,892)
Net receivables	$ 319,990	$ 344,249

Walmart represented 12% and 14% of the total trade receivables balance as of December 29, 2019 and March 31, 2019, respectively. No other customer represented more than 10% of our total trade receivables balance as of December 29, 2019 and March 31, 2019.

Note Receivable is summarized as follows:

	December 29, 2019	March 31, 2019
Principal	$ 12,000	$ —
Less: unamortized discount	(4,176)	—
Note receivable, net, included within Deferred charges and other non-current assets	$ 7,824	$ —

9. Inventories

Net inventories consist of the following:

	December 29, 2019	March 31, 2019
Raw materials	$ 75,320	$ 65,240
Work in process	35,619	32,213
Finished goods	223,790	247,038
Net inventories	$ 334,729	$ 344,491

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 $24,595 and $16,227 as of December 29, 2019 and March 31, 2019, respectively.

10. Accumulated Other Comprehensive Loss (AOCL)

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

	December 29, 2019	March 31, 2019
Pension and other postretirement benefits	$ (72,470)	$ (74,670)
Derivatives	(440)	735
Cumulative translation adjustment	(5,332)	(9,032)
Total AOCL	$ (78,242)	$ (82,967)

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

	Three months ended December 29, 2019				Nine months ended December 29, 2019			
	Pension and other postretirement benefits	Derivatives	Cumulative translation adjustment	Total	Pension and other postretirement benefits	Derivatives	Cumulative translation adjustment	Total
Beginning balance in AOCL	$ (73,203)	$ 285	$ (5,595)	$ (78,513)	$ (74,670)	$ 735	$ (9,032)	$ (82,967)
Net actuarial losses reclassified from AOCL (1)	812	—	—	812	2,435	—	—	2,435
Prior service costs reclassified from AOCL (1)	(79)	—	—	(79)	(235)	—	—	(235)
Net change in fair value of derivatives	—	(725)	—	(725)	—	(1,175)	—	(1,175)
Currency translation gains reclassified from AOCL (2)	—	—	—	—	—	—	3,150	3,150
Net change in cumulative translation adjustment	—	—	263	263	—	—	550	550
Ending balance in AOCL	$ (72,470)	$ (440)	$ (5,332)	$ (78,242)	$ (72,470)	$ (440)	$ (5,332)	$ (78,242)

(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) Amounts related to the foreign currency translation gains realized upon the divestiture of our Firearms business in the three months ended September 29, 2019.

	Three months ended December 30, 2018				Nine months ended December 30, 2018			
	Pension and other postretirement benefits	Derivatives	Cumulative translation adjustment	Total	Pension and other postretirement benefits	Derivatives	Cumulative translation adjustment	Total
Beginning balance in AOCL	$ (65,690)	$ 1,440	$ (10,028)	$ (74,278)	$ (66,656)	$ 1,904	$ (39,544)	$ (104,296)
Net actuarial losses reclassified from AOCL (1)	543	—	—	543	1,629	—	—	1,629
Prior service costs reclassified from AOCL (1)	(60)	—	—	(60)	(180)	—	—	(180)
Net change in fair value of derivatives	—	(279)	—	(279)	—	(743)	—	(743)
Net change in cumulative translation adjustment	—	—	76	76	—	—	29,592	29,592
Ending balance in AOCL	$ (65,207)	$ 1,161	$ (9,952)	$ (73,998)	$ (65,207)	$ 1,161	$ (9,952)	$ (73,998)

(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.

11. Goodwill and Intangible Assets

There were no changes in the carrying amount of goodwill during the nine months ended December 29, 2019. The carrying amounts of goodwill for our Outdoor Products and Shooting Sports segments as of December 29, 2019 were $121,329 and $83,167, respectively, for a consolidated balance of $204,496.

Net intangible assets other than goodwill consisted of the following:

	December 29, 2019			March 31, 2019		
	Gross carrying amount	Accumulated amortization	Total	Gross carrying amount	Accumulated amortization	Total
Trade names	$ 48,360	$ (13,494)	$ 34,866	$ 48,360	$ (10,694)	$ 37,666
Patented technology	16,684	(10,273)	6,411	16,684	(9,604)	7,080
Customer relationships and other	238,742	(79,768)	158,974	238,595	(68,185)	170,410
Total	303,786	(103,535)	200,251	303,639	(88,483)	215,156
Non-amortizing trade names	145,364	—	145,364	145,364	—	145,364
Net intangible assets	$ 449,150	$ (103,535)	$ 345,615	$ 449,003	$ (88,483)	$ 360,520

Amortization expense for the three months ended December 29, 2019 and December 30, 2018 was $5,214 and $5,664, respectively, and for the nine months ended December 29, 2019 and December 30, 2018 was $14,996 and $19,284, respectively.

As of December 29, 2019, we expect amortization expense related to these assets to be as follows:

Remainder of fiscal 2020	$ 4,974
Fiscal 2021	19,886
Fiscal 2022	19,831
Fiscal 2023	19,715
Fiscal 2024	19,663
Thereafter	116,182
Total	$ 200,251

12. Other Current and Non-Current Liabilities

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

	December 29, 2019	March 31, 2019
Other current liabilities:		
Accrual for in-transit inventory	$ 10,374	$ 11,275
Rebate accrual	15,692	13,911
Other	74,918	71,989
Total other current liabilities	$ 100,984	$ 97,175
Other non-current liabilities:		
Non-current portion of accrued income tax liability	$ 31,402	$ 34,118
Other	14,187	29,158
Total other non-current liabilities	$ 45,589	$ 63,276

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 actual past experience, our current production environment as well as specific and identifiable warranties as applicable. 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, 2019	$ 8,144
Payments made	(2,786)
Warranties issued	3,753
Other adjustments	(100)
Changes related to pre-existing warranties	(79)
Balance, December 29, 2019	$ 8,932

13. Long-term Debt

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

	December 29, 2019	March 31, 2019
Credit Agreements:		
ABL Revolving Credit Facility	$ 179,699	$ 220,000
Term Loan	—	104,509
Junior Term Loan	—	40,000
Total principal amount of Credit Agreements	179,699	364,509
5.875% Senior Notes	350,000	350,000
Principal amount of long-term debt	529,699	714,509
Less: unamortized deferred financing costs	(5,839)	(10,504)
Carrying amount of long-term debt	523,860	704,005
Less: current portion	—	(19,335)
Carrying amount of long-term debt, excluding current portion	$ 523,860	$ 684,670

Credit Agreements—In fiscal 2019, we refinanced our Amended and Restated Credit Agreement dated April 1, 2016, by entering into the New Credit Facilities, which provide for (a) a $450,000 senior secured asset-based revolving credit facility (the “ABL Revolving Credit Facility”), comprised of $20,000 in first-in, last-out (“FILO”) revolving credit commitments and $430,000 in non-FILO revolving credit commitments, (b) a $109,343 senior secured asset-based term loan facility (the “Term Loan”) and (c) the $40,000 Junior Term Loan. The amount available under the ABL Revolving Credit Facility is the lesser of the total commitment of $450,000 or a borrowing base based on percentages of eligible receivables, inventory, and cash, minus certain reserves. As of December 29, 2019, based on the borrowing base less outstanding borrowings of $179,699 and outstanding letters of credit of $28,436, the amount available to us under the ABL Revolving Credit Facility was $150,072.

The New Credit Facilities each mature on November 19, 2023 (the “Maturity Date”), subject to a customary springing maturity in respect of the 5.875% Notes due 2023. The Term Loan was subject to quarterly principal repayments of $4,834 on the first business day of each January, April, July, and October, with the remaining balance due on the Maturity Date. During the nine months ended December 29, 2019, we used proceeds from the sale of our Firearms business to pay off the balance of the Term Loan and the Junior Term Loan, and have no future required principal payments.

The FILO commitments under the ABL Revolving Credit Facility are subject to reductions of $1,667 on the first business day of each fiscal quarter beginning on April 1, 2019. The balance of the FILO revolving credit commitment as of December 29, 2019 was $14,999. Any outstanding revolving loans under the ABL Revolving Credit Facility will be payable in full on the Maturity Date.

The payoff of Term Loan and the Junior Term Loan reduced our interest rate on the ABL revolving Credit Facility. As of December 29, 2019, borrowings under the ABL Revolving Credit Facility bear interest at a rate equal to, in the case of (a) non-FILO revolving credit loans, either the sum of a base rate plus a margin ranging from 0.25% to 0.75% or the sum of a LIBO rate plus a margin ranging from 1.25% to 1.75%, and (b) FILO revolving credit loans, a rate that is 1.00% higher than the rate paid on the non-FILO revolving credit loans. All such rates vary based on our Average Excess Availability under the ABL Revolving Credit Facility. As of December 29, 2019, the margin under the (1) ABL Revolving Credit Facility was, in the case of (a) non-FILO revolving credit loans, 0.50% for base rate loans and 1.50% for LIBO rate loans and (b) FILO revolving credit loans, 1.50% for base rate loans and 2.50% for LIBO rate loans. The weighted average interest rate for our borrowings under the New Credit Facilities as of December 29, 2019 was 3.51%, excluding the impact of the interest rate swaps that are discussed below. We pay a commitment fee on the unused commitments under the ABL Revolving Credit Facility of 0.25% per annum.

Substantially all domestic tangible and intangible assets of Vista Outdoor and our domestic 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 New Credit Facilities.

In connection with the repayment of the Term Loan and the Junior Term Loan, unamortized debt issuance costs of $3,428 were written off during the nine months ended December 29, 2019. This expense is included in interest expense in the condensed consolidated statements of comprehensive income (loss). The remaining debt issuance costs of approximately $6,300 are being amortized over the term of the New Credit Facilities.

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 at specified redemption prices. Debt issuance costs of approximately $4,300 are being amortized to interest expense over eight years, the term of the notes.

Rank and guarantees—The New Credit Facilities' 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 New Credit Facilities 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
- if such subsidiary guarantor has been released from its guarantees of indebtedness under the New Credit Facilities and all capital markets debt securities

Interest rate swaps—During fiscal 2018, 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 December 29, 2019, we had the following cash flow hedge interest rate swap in place:

	Notional	Fair Value	Pay Fixed	Receive Floating	Maturity Date
Non-amortizing swap	100,000	24	1.629%	1.691%	June 2020

The amount 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.

Covenants

New Credit Facilities— Our New Credit Facilities impose restrictions on us, including limitations on our ability to pay cash dividends, incur debt or liens, redeem or repurchase Vista Outdoor stock, enter into transactions with affiliates, make investments, merge or consolidate with others or dispose of assets. During the three months ending September 30, 2019, the Term Loan was paid in full, and during the three months ended December 29, 2019, the Junior Term Loan was paid in full, which triggered the financial covenants of the New Credit Facilities to be reduced. Our new requirement which is in effect beginning with the quarter ending December 29, 2019 is to maintain Excess Availability under the ABL Revolving Credit Facility of $42,500 at all times. If Excess Availability falls below $42,500 we must maintain a Consolidated Fixed Charge Coverage Ratio ("FCCR"), as defined below, of not less than 1.00:1.00. As noted above, the Excess Availability under the ABL Revolving Credit Facility was $150,072 at December 29, 2019. If we do not comply with the covenants in any of the New Credit Facilities, the lenders may, subject to customary cure rights, require the immediate payment of all amounts outstanding under each of the New Credit Facilities.

The FCCR is Covenant EBITDA ("earnings before interest, taxes, depreciation, and amortization"), (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 adjustments for acquired or divested business units on a *pro forma* basis) less capital expenditures (subject to certain adjustments) for the past four fiscal quarters, divided by fixed charges (which includes debt principal and interest payments made over the past four fiscal quarters; plus income tax payments and restricted payments over the past four fiscal quarters).

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 New Credit Facilities and the indenture governing the 5.875% Notes contain cross-default provisions so that noncompliance with the covenants within one debt agreement could also cause a default under the other debt agreements. As of December 29, 2019, we were in compliance with the covenants of all of the debt agreements. However, we cannot provide assurance that we will be able to comply with such financial covenants in the future because of various risks and uncertainties some of which may be beyond our control. Any failure to comply with the restrictions in the New Credit Facilities may prevent us from drawing under the ABL Revolving Credit Facility and may result in an event of default under the New Credit Facilities, 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.

Cash paid for interest on debt—Cash paid for interest on debt, including commitment fees and prepayment premium fees, for the three months ended December 29, 2019 and December 30, 2018 totaled $12,880 and $15,108, respectively. Cash paid for interest on debt, including commitment fees, for the nine months ended December 29, 2019 and December 30, 2018 totaled $32,912 and $29,646, respectively.

14. Employee Benefit Plans

During the three months ended December 29, 2019, we recognized an aggregate net benefit for employee defined benefit plans of $101 compared to $186 during the three months ended December 30, 2018. The decrease in income was primarily due to expected return on plan assets.

During the nine months ended December 29, 2019, we recognized an aggregate net benefit for employee defined benefit plans of $305 compared to $556 during the nine months ended December 30, 2018. The decrease in income was primarily due to expected return on plan assets.

Employer contributions and distributions—We made required contributions to the pension trust during the three and nine months ended December 29, 2019 and December 30, 2018 of $2,400 and $0, respectively. For those same periods, we made no contributions to our other postretirement benefit plans, and we made no distributions to retirees under the non-qualified supplemental executive retirement plan.

During the remainder of fiscal 2020, we expect to make additional contributions to the pension trust of $1,200. There are no expected contributions to our other postretirement benefit plans, or directly to retirees under our non-qualified supplemental executive retirement plans.

15. 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 both the current and prior year.

The income tax provisions for the three months ended December 29, 2019 and December 30, 2018 represent effective tax rates of (42.3)% and 3.4%, respectively. The decrease in the rate from the prior year quarter is primarily caused by release of uncertain tax positions in the current period. The effective tax rate for the three months ended December 29, 2019 was lower than the statutory rate primarily because of the release of uncertain tax positions. The effective tax rate for the three months ended December 30, 2018 was lower than the statutory rate primarily because of the recognition of nondeductible impairment charges.

The income tax provisions for the nine months ended December 29, 2019 and December 30, 2018 represent effective tax rates of 16.4% and 4.3%, respectively. The increase in the rate from the prior year period is primarily due to the release of tax reserves for uncertain tax positions in the current period. Because of losses in the current and prior period, favorable tax adjustments cause an increase in the rate. The effective tax rate for the nine months ended December 29, 2019 was lower than the statutory rate primarily because of the loss in the current period, which caused unfavorable tax adjustments such as interest expense on uncertain tax positions, to decrease the rate, partially offset by the release of uncertain tax positions. The effective tax rate for the nine months ended December 30, 2018 was lower than the statutory rate primarily because of the nondeductible impairment charges.

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 Outdoor $13,047 to settle this matter, which was reflected as an adjustment to the distribution from Vista Outdoor 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 2012. 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.

Income taxes paid, net of refunds, totaled $294 and $3,780 for the nine months ended December 29, 2019 and December 30, 2018, respectively.

Although the timing and outcome of income tax audit settlements are uncertain, it is reasonably possible that a $13,414 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 $12,286.

16. 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.

Certain of our former subsidiaries have been identified as potentially responsible parties ("PRP"), along with other parties, in regulatory agency actions associated with hazardous waste sites. As a PRP, those former subsidiaries may be required to pay a share of the costs of the investigation and clean-up of these sites. In that event, we would be obligated to indemnify those subsidiaries for those costs. 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 $710 and $729 as of December 29, 2019 and March 31, 2019, 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.

17. 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 and any subsidiaries of the parent company other than the subsidiary guarantors are minor. There are no significant restrictions on the Company's ability, or the ability of any guarantor, to obtain funds from its subsidiaries through dividends or loans, and there are no material restrictions on the ability of our consolidated and unconsolidated subsidiaries to transfer funds to the Company in the form of cash dividends, loans or advances. These guarantees are senior or senior subordinated obligations, as applicable, of the applicable subsidiary guarantors.

18. 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. Each segment is described below:

- Outdoor Products generated approximately 51% of our external sales in the nine months ended December 29, 2019. The Outdoor Products product lines are action sports, archery/hunting accessories, outdoor cooking, golf, hydration products, optics, shooting accessories, and tactical products. 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 decoys. 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.

- Shooting Sports generated approximately 49% of our external sales in the nine months ended December 29, 2019. Shooting Sports product lines include centerfire ammunition, rimfire ammunition, shotshell ammunition, reloading components, and firearms. Our Firearms business was divested early in the second quarter ending September 29, 2019.

Sales to Walmart represented 14% of our sales in the nine months ended December 29, 2019 and December 30, 2018. No other single customer contributed 10% or more of our sales in the nine months ended December 29, 2019 and December 30, 2018.

The following summarizes our results by segment:

	Three months ended		Nine months ended	
	December 29, 2019	December 30, 2018	December 29, 2019	December 30, 2018
Sales to external customers:				
Outdoor Products	$ 222,454	$ 226,442	$ 678,685	$ 769,687
Shooting Sports	202,316	241,329	650,875	773,505
Total sales to external customers	$ 424,770	$ 467,771	$ 1,329,560	$ 1,543,192
Gross Profit				
Outdoor Products	$ 56,035	$ 54,143	$ 173,190	$ 186,759
Shooting Sports	32,755	40,095	100,942	129,577
Corporate	—	(2)	—	(5)
Total gross profit	$ 88,790	$ 94,236	$ 274,132	$ 316,331

The sales above exclude intercompany sales between Outdoor Products and Shooting Sports of $118 and $1,749, and of$1,251 and $5,530 for the three and nine months ended December 29, 2019 and December 30, 2018, respectively.

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;
- others' use of social media to disseminate negative commentary about us and boycotts;
- reductions in or unexpected changes in or our inability to accurately forecast demand for ammunition, 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 diversification into new international and commercial markets, including regulatory compliance;
- 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 ammunition regulations;
- our ability to realize expected benefits from acquisitions and integrate acquired businesses;
- our ability to execute our strategic transformation plan, including our ability to realize expected benefits from the divestiture of non-core brands and profitability improvement initiatives;
- 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.

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 fiscal 2019 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.

Business Overview

We serve the outdoor sports and recreation markets through a diverse portfolio of nearly 40 well-recognized brands that provide consumers with a wide range of performance-driven, high-quality and innovative products, including sporting ammunition, golf rangefinders, hydration products, outdoor accessories, outdoor cooking solutions, and protection for certain action sports. 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, Sports South, Sportsman's Warehouse, Target, 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 consumer.

Organizational Structure

We conduct our operations through two operating segments which are defined based on the reporting and review process used by the chief operating decision maker, our Chief Executive Officer. As of December 29, 2019, our two operating segments were Outdoor Products and Shooting Sports:

- Outdoor Products generated approximately 51% of our external sales in the nine months ended December 29, 2019. The Outdoor Products product lines are action sports, archery/hunting accessories, outdoor cooking, golf, hydration products, optics, shooting accessories, and tactical products. 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 decoys. 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.

- Shooting Sports generated approximately 49% of our external sales in the nine months ended December 29, 2019. Shooting Sports product lines include centerfire ammunition, rimfire ammunition, shotshell ammunition, reloading components, and firearms. Our Firearms business was divested early in the second quarter ending September 29, 2019.

Business Strategy

Our current strategic business plan is designed to allow us to focus our resources on pursuing growth in our market-leading brands by serving our target consumer with new and innovative products; leveraging our channel relationships and the reputation of our brands with our end consumers; expanding our e-commerce capabilities; and continuously improving operations.

Financial Highlights and Notable Events

Certain notable events or activities affecting our third quarter fiscal 2020 financial results included the following:

- Quarterly sales were $424,770 and $467,771 for the three months ended December 29, 2019 and December 30, 2018, respectively. The decrease was largely due to the sale of our Firearm business, which accounted for $43,775 of the decrease in Shooting Sports, which was offset by an increase of $4,762 in our Ammunition business for the reasons described in the Results of Operations section below. Outdoor Products sales decreased $3,988 for the reasons described in the Results of Operations section below.

- Gross profit was $88,790 and $94,236 for the three months ended December 29, 2019 and December 30, 2018, respectively. The decrease in gross profit was primarily due to the sale of our Firearm business, which accounted for $11,458 of the decrease in Shooting Sports, which was offset by an increase in gross profit of $4,120 in our Ammunition business and an increase in Outdoor Products gross profit of $1,892 for the reasons described in the Results of Operations section below.

- Income (loss) before interest, income taxes, and other was $18,669 and $(515,151) for the three months ended December 29, 2019 and December 30, 2018, respectively. The increase was primarily due to the decrease in impairment charges and for the reasons described in the Results of Operations section below.

- During the three months ended December 29, 2019, we paid the remaining principal balance on the Junior Term Loan using cash generated from operations and advances from our ABL Revolving Credit Facility.

Outlook

Outdoor Recreation Industry

The outdoor recreation and accessories business currently represents approximately 51% of our sales. Examples of the sports and activities we target include archery, camping, cycling, golf, hiking, hunting, snow skiing, target shooting, and wildlife watching. Our consumers often participate in more than one of these activities.

Shooting Sports Industry

Shooting sports products currently represent approximately 49% of our sales. Examples of the shooting sports activities we target include target shooting, hunting, as well as ammunition for local law enforcement, the U.S. government and international markets. The shooting sports industry historically has been a cyclical business and can be impacted by the current political climate, the timing of national elections, and other market factors.

Results of Operations

The following is a discussion and analysis of the financial measures that management believes are the key performance indicators for managing and assessing the results of Vista Outdoor Inc.'s consolidated financial condition and results of operations. The discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and notes thereto.

Sales to Walmart represented 14% of our sales in the nine months ended December 29, 2019 and December 30, 2018. As a result of Walmart's announcement on September 3, 2019, we expect reduced ammunition and accessories sales to Walmart in the future. No other single customer contributed 10% or more of our sales in the nine months ended December 29, 2019 and December 30, 2018.

Net Sales

	Three months ended				Nine months ended			
	December 29, 2019	December 30, 2018	$ Change	% Change	December 29, 2019	December 30, 2018	$ Change	% Change
Outdoor Products	$ 222,454	$ 226,442	$ (3,988)	(1.8)%	$ 678,685	$ 769,687	$ (91,002)	(11.8)%
Shooting Sports	202,316	241,329	(39,013)	(16.2)%	650,875	773,505	(122,630)	(15.9)%
Total net sales	$ 424,770	$ 467,771	$ (43,001)	(9.2)%	$ 1,329,560	$ 1,543,192	$(213,632)	(13.8)%

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

<u>Three months ended</u>

Outdoor Products—The decrease in sales was primarily due to lower demand of our products in our hunt/shoot business, which was offset partially by increased sales in our tactical, hydration and bike products.

Shooting Sports—The decrease in sales was primarily due to the sale of our Firearms business which accounted for $43,775 of the decrease, which was partially offset by increased demand in the market for centerfire ammunition.

<u>Nine months ended</u>

Outdoor Products—The decrease in sales was primarily due to the sale of our Eyewear brands, which accounted for $51,859 of the decrease. In addition, the hunt/shoot business was impacted by lower demand as well as by increased tariffs. Additional decreases were caused by reduced demand for some products in our other businesses as a result of increased tariffs, as well as increased competition, which were offset partially by increased sales in tactical and bike products.

Shooting Sports—The decrease in sales was primarily due to the sale of our Firearms business and lower demand in the market for firearms, which together accounted for approximately $109,770 of the decrease. Additional decreases were due to continued weak demand in the rimfire market, which were partially offset by increased demand in the market for centerfire ammunition.

Gross Profit

	Three months ended				Nine months ended			
	December 29, 2019	December 30, 2018	$ Change	% Change	December 29, 2019	December 30, 2018	$ Change	% Change
Outdoor Products	$ 56,035	$ 54,143	$ 1,892	3.5 %	$ 173,190	$ 186,759	$ (13,569)	(7.3)%
Shooting Sports	32,755	40,095	(7,340)	(18.3)%	100,942	129,577	(28,635)	(22.1)%
Corporate	—	(2)	2	100.0 %	—	(5)	5	100.0 %
Total gross profit	$ 88,790	$ 94,236	$ (5,446)	(5.8)%	$ 274,132	$ 316,331	$ (42,199)	(13.3)%

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

Three months ended

Outdoor Products—The increase in gross profit was caused primarily by reduced business transformation consulting costs from the prior year quarter and increased sales volume in some of our brands as described above. Also contributing to the increase was operating efficiencies and benefits from restructuring activities. These increases were partially offset by lower sales volumes in our hunt/shoot business.

Shooting Sports—The decrease in gross profit was primarily due to the sale of our Firearms business, which accounted for $11,458 of the decrease. These decreases were partially offset by increased sales volume as described above and favorable raw material prices.

Nine months ended

Outdoor Products—The decrease in gross profit was caused primarily by the sale of our Eyewear brands, which accounted for $22,208 of the decrease and lower sales volumes as described above. These decreases were partially offset by reduced transformation costs from the prior year quarter and increased sales volume in our tactical business as described above along with savings driven by operating efficiencies and benefits from restructuring activities compared to the prior year to date.

Shooting Sports—The decrease in gross profit was primarily due to the sale of our Firearms business and lower demand in the market for firearms, which together accounted for $26,632 of the decrease. Additional decreases resulted from lower sales volumes as described above, partially offset by decreased raw material costs and production costs along with lower business transformation consulting costs compared to the prior year to date.

Operating Expenses

	Three months ended					Nine months ended				
	December 29, 2019	As a % of Sales	December 30, 2018	As a % of Sales	$ Change	December 29, 2019	As a % of Sales	December 30, 2018	As a % of Sales	$ Change
Research and development	$ 5,703	1.3%	$ 6,503	1.4%	$ (800)	$ 17,750	1.3%	$ 20,681	1.3%	$ (2,931)
Selling, general, and administrative	64,418	15.2%	86,418	18.5%	(22,000)	231,298	17.4%	284,754	18.5%	(53,456)
Goodwill and intangibles impairment	—	—%	432,612	92.5%	(432,612)	$ —	—%	456,023	29.6%	(456,023)
Impairment of held-for-sale assets	—	—%	83,854	17.9%	(83,854)	9,429	0.7%	128,775	8.3%	(119,346)
Total operating expenses	$ 70,121	16.5%	$ 609,387	130.3%	$(539,266)	$ 258,477	19.4%	$ 890,233	57.7%	$(631,756)

Three months ended

Operating expenses decreased $539,266 primarily due to a decrease in impairment charges related to intangibles, goodwill, held-for-sale assets and our corporate headquarters, reduced business transformation consulting costs and transaction costs from the prior year quarter and a decrease of approximately $5,362 from the sale of our Firearms business.

Nine months ended

Operating expenses decreased $631,756 primarily due to a decrease in impairment charges related to intangibles, goodwill, held-for-sale assets and our corporate headquarters, a decrease of approximately $27,707 from the sale of our Eyewear brands and Firearms business, and reduced business transformation consulting and transaction costs from the prior year which were offset partially by an increase in restructuring costs of during the current year.

Net Interest Expense

	Three months ended				Nine months ended			
	December 29, 2019	December 30, 2018	$ Change	% Change	December 29, 2019	December 30, 2018	$ Change	% Change
Interest expense, net	$ 8,373	$ 16,003	$ (7,630)	(47.7)%	$ 31,811	$ 46,340	$ (14,529)	(31.4)%

Three months ended

The decrease in interest expense was due to a reduction in debt amortization costs, a decrease in the write-off of debt issuance costs, and reduction in our average principal debt balance.

Nine months ended

The decrease in interest expense was due to a reduction in our average principal debt balance, a decrease in the write-off of debt issuance costs and a reduction in debt amortization costs.

Income Tax Provision

See Note 15, *Income Taxes*, to the unaudited condensed consolidated financial statements in Item 1 of Part I of this report for information regarding income taxes.

	Three months ended					Nine months ended				
	December 29, 2019	Effective Rate	December 30, 2018	Effective Rate	$ Change	December 29, 2019	Effective Rate	December 30, 2018	Effective Rate	$ Change
Income tax provision (benefit)	$ (4,352)	(42.3)%	$ (18,383)	3.4%	$ 14,031	$ (2,724)	16.4%	$ (27,230)	4.3%	$ 24,506

Three months ended

The decrease in the tax rate from the prior year quarter was primarily caused by the release of uncertain tax positions due to statute of limitation expirations.

Nine months ended

The increase in the tax rate from the prior year was primarily caused by the release of uncertain tax positions due to statute of limitation expirations. Because of the loss in the current period, favorable tax adjustments cause an increase to the tax rate.

Liquidity and Capital Resources

Liquidity

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 committed credit facilities and access to the public debt and equity markets. We use our cash primarily to fund investments in our existing businesses and for debt payments, acquisitions, and other activities.

Our cash flows from operating, investing and financing activities for the nine months ended December 29, 2019 and December 30, 2018 are summarized as follows:

	December 29, 2019	December 30, 2018
Cash provided by operating activities	$ 63,054	$ 60,948
Cash provided by investing activities	134,860	121,049
Cash used for financing activities	(187,569)	(166,230)
Effect of foreign exchange rate fluctuations on cash	(212)	(1,013)
Net cash flows	$ 10,133	$ 14,754

Operating Activities—Cash provided by operating activities was $63,054 in the nine months ended December 29, 2019 compared to cash provided of $60,948 in the prior year period, an increase of $2,106. The change from the prior-year period was primarily a result of decreased operating expense offset by unfavorable change in net working capital. The change in net working capital was driven primarily by timing of supplier payments, interest payments and inventory purchases.

Investing Activities—Cash provided by investing activities was $134,860 in the nine months ended December 29, 2019 compared to $121,049 in the prior-year period, an increase of $13,811. The change was driven by a decrease in capital expenditures in the current fiscal year and increased proceeds from our divestitures year over year.

Financing Activities—Cash used for financing activities was $187,569 in the nine months ended December 29, 2019 compared to cash used for financing activities of $166,230 in the prior year period, an increase of $21,339. The change was primarily driven by the timing of borrowings and payments on long-term debt and the ABL Revolving Credit Facility, a favorable settlement with our former parent in the prior year period and a decrease in payments for debt issuance costs year over year.

Capital Resources

In addition to our normal operating cash requirements, our principal future cash requirements will be to fund capital expenditures, debt repayments, employee benefit obligations 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 required interest payments due under the New Credit Facilities and our 5.875% Notes, as discussed further below.

Our business experiences a certain level of seasonality, which impacts our cash flow. Due to this seasonality, we expect to use cash during the first half of our fiscal year and generate cash during the second half of the year. 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 ABL Revolving Credit Facility, 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 and to service our currently anticipated long-term debt and pension obligations and make capital expenditures over the next 12 months. 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 our 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 15, *Income Taxes,* was settled on June 15, 2018. Orbital ATK paid Vista Outdoor $13,047 to settle this matter, which was reflected as an adjustment to the distribution from us to Orbital ATK at the time of the Spin-off.

Long-Term Debt and Credit Agreement

As of December 29, 2019, our indebtedness consisted of the following:

		December 29, 2019
ABL Revolving Credit Facility	$	179,699
5.875% Senior Notes		350,000
Principal amount of long-term debt		529,699
Less: Unamortized deferred financing costs		(5,839)
Carrying amount of long-term debt		523,860
Less: current portion		—
Carrying amount of long-term debt, excluding current portion	$	523,860

Our total debt as a percentage of total capitalization (total debt and stockholders' equity) was 46.7% as of December 29, 2019.

See Note 13, *Long-term Debt,* to the unaudited condensed consolidated financial statements in Part I, Item 1 of this report for additional discussion of the 5.875% Notes and the New Credit Facilities.

During fiscal 2019, we refinanced our Amended and Restated Credit Agreement dated April 1, 2016 by entering into new credit facilities (collectively, the “New Credit Facilities”) consisting of (a) a $450,000 senior secured asset-based revolving credit facility (the “ABL Revolving Credit Facility”), comprised of $20,000 in first-in, last-out (“FILO”) revolving credit commitments and $430,000 in non-FILO revolving credit commitments, (b) a $109,343 senior secured asset-based term loan facility (the “Term Loan”) and (c) a $40,000 junior secured term loan facility (the “Junior Term Loan”). The FILO commitments under the ABL Revolving Credit Facility are subject to reductions of $1,667 on the first business day of each fiscal quarter beginning on April 1, 2019. The balance of the FILO revolving credit commitment as of December 29, 2019 was $14,999.

During fiscal 2020, the Term Loan and the Junior Term Loan were paid in full, using proceeds from the sale of our Firearms business, cash generated from operations and advances from our ABL Revolving Credit Facility.

The payoff of Term Loan and the Junior Term Loan reduced our interest rate on the ABL revolving Credit Facility. As of December 29, 2019, borrowings under the ABL Revolving Credit Facility bear interest at a rate equal to, in the case of (a) non-FILO revolving credit loans, either the sum of a base rate plus a margin ranging from 0.25% to 0.75% or the sum of a LIBO rate plus a margin ranging from 1.25% to 1.75%, and (b) FILO revolving credit loans, a rate that is 1.00% higher than the rate paid on the non-FILO revolving credit loans. All such rates vary based on our Average Excess Availability under the ABL Revolving Credit Facility.

Covenants

New Credit Facilities—Our New Credit Facilities impose restrictions on us, including limitations on our ability to pay cash dividends, incur debt or liens, redeem or repurchase Vista Outdoor stock, enter into transactions with affiliates, make investments, merge or consolidate with others or dispose of assets. As noted above, during the three months ended December 29, 2019, the Junior Term Loan was paid in full which triggered the financial covenants of the New Credit Facilities to be reduced. Our new requirement in effect for the quarter ending December 29, 2019 is to maintain Excess Availability under the ABL Revolving Credit Facility of $42,500 at all times. If Excess Availability falls below $42,500 we must maintain a Consolidated Fixed Charge Coverage Ratio ("FCCR") of not less than 1.00:1.00. If we do not comply with the covenants in any of the New Credit Facilities, the lenders may, subject to customary cure rights, require the immediate payment of all amounts outstanding under each of the New Credit Facilities.

The FCCR is Covenant EBITDA ("earnings before interest, taxes, depreciation, and amortization"), 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 adjustments for acquired or divested business units on a *pro forma* basis) less capital expenditures (subject to certain adjustments) for the past four fiscal quarters, divided by fixed charges (which includes debt principal and interest payments paid since October 28, 2018, annualized; plus income tax payments and restricted payments over the past four fiscal quarters).

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. A failure to comply with the covenants in the indenture could result in an event of default, which could allow the holders of the 5.875% Notes to accelerate the 5.875% Notes. We may not have sufficient liquidity to repay the 5.875% Notes in such circumstances.

The New Credit Facilities and the indenture governing the 5.875% Notes contain cross-default provisions so that non-compliance with the covenants within one debt agreement could cause a default under other the debt agreements as well. As of December 29, 2019, we were in compliance with the covenants of all the debt agreements and expect to be in compliance for the foreseeable future. However, our business, financial position and results of operations are subject to various risks and uncertainties, including some that may be beyond our control, and we cannot provide any assurance that we will be able to comply with all such financial covenants in the future. For example, during periods in which we experience declines in sales or otherwise experience the adverse impact of seasonality, we may not be able to comply with such financial covenants.

Contractual Obligations and Commitments

The Company leases certain warehouse, distribution and office facilities, vehicles and office equipment under operating leases. The amounts presented in this line item represent commitments for minimum lease payments under non-cancelable operating leases. As of December 29, 2019, current and long-term operating lease liabilities of $11,431 and $72,347, respectively, were recorded in the accompanying unaudited condensed consolidated balance sheets. For further discussion, see Note 3, *Leases,* to the unaudited condensed consolidated financial statements in Part I, Item 1 of this report.

Other than the changes to debt and lease obligations noted above, 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 2019.

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.

Certain of our former subsidiaries have been identified as potentially responsible parties ("PRP"), along with other parties, in regulatory agency actions associated with hazardous waste sites. As a PRP, those former subsidiaries may be required to pay a share of the costs of the investigation and clean-up of these sites. In that event, we would be obligated to indemnify those subsidiaries for those costs. 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. Sales to Walmart represented 14% of our sales in the nine months ended December 29, 2019 and December 30, 2018. As a result of Walmart's announcement on September 3, 2019, we expect reduced ammunition and accessories sales to Walmart in the future. No other single customer contributed 10% or more of our sales in the nine months ended December 29, 2019 and December 30, 2018.

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. See Note 4, *Derivative Financial Instruments,* for additional information.

We have a strategic sourcing, pricing and hedging 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, commodity prices and foreign currency exchange rates. We manage these risks by entering into hedging transactions including interest rate swaps, commodity forward contracts and foreign currency forward contracts through derivative financial instruments that have been authorized pursuant to corporate policies. We do not use derivative financial instruments for trading or other speculative purposes. Additional information regarding these financial instruments is included in Note 2, *Fair Value of Financial Instruments,* to the unaudited condensed consolidated financial statements in Item 1 of Part I of this report.

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.

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. Our objective in managing the exposure to changes in interest rates is to limit the impact of such changes on earnings and cash flow.

Lead used for raw material components in our ammunition manufacturing process in the normal course of our operations is subject to price volatility. Depending on market conditions, we may enter into forward contracts in order to reduce the impact of commodity price fluctuations. Potential increases in our cost of inventory purchased, would be substantially offset by a corresponding increase in the value of related hedging instruments.

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), and the Canadian dollar, could cause fluctuations in the reported results of our businesses’ operations that could negatively affect our results of operations.

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. There have been no material changes to the market risks disclosed in our Annual Report on Form 10-K for fiscal 2019.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 29, 2019, 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 three months ended December 29, 2019, 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. 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.

Certain of our former subsidiaries have been identified as potentially responsible parties ("PRP"), along with other parties, in regulatory agency actions associated with hazardous waste sites. As a PRP, those former subsidiaries may be required to pay a share of the costs of the investigation and clean-up of these sites. In that event, we would be obligated to indemnify those subsidiaries for those costs. While uncertainties exist with respect to the amounts and timing of our 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, 2019 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, 2019.

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)
2.1*	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).
2.5*+	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).
2.6*+	Stock Purchase Agreement, dated as of July 5, 2019, by and among Vista Outdoor Operations LLC, Caliber Company, Long Range Acquisition LLC, and Vista Outdoor Inc. (Exhibit 2.1 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 8, 2019).
3.1*	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).
3.2*	Certificate of Amendment to Vista Outdoor Inc. Amended and Restated Certificate of Incorporation (Exhibit 3.1 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 10, 2018).
3.3*	Vista Outdoor Inc. Amended and Restated Bylaws (Exhibit 3.2 to Vista Outdoor Inc.'s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 10, 2018).
4.1*	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).
4.2*	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).
4.3*	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).
4.4*	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).
4.5*	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).
4.6*	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).
31.1	Certification of Principal Executive Officer.
31.2	Certification of Principal Financial Officer.
32	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.
101.INS	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in Inline XBRL.

* 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.

Table of Contents

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.

			VISTA OUTDOOR INC.
Date:	February 6, 2020	By:	/s/ Mark R. Kowalski
		Name:	Mark R. Kowalski
		Title:	*Controller and Chief Accounting Officer*

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

(Back To Top)

Section 2: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION OF CHIEF 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date:	February 6, 2020	By:	/s/ Christopher T. Metz
		Name:	Christopher T. Metz
		Title:	*Chief Executive Officer*

(Back To Top)

Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF CHIEF 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	February 6, 2020	By:	/s/ Miguel A. Lopez
		Name:	Miguel A. Lopez
		Title:	*Senior Vice President and Chief Financial Officer*

(Back To Top)

Section 4: EX-32 (EXHIBIT 32)

Exhibit 32

**Certification by Chief 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 December 29, 2019 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: February 6, 2020

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)