

**BRINGING THE WORLD OUTSIDE**



**VISTA OUTDOOR**

**FY21 Q2 RESULTS**

November 5, 2020

# FORWARD LOOKING STATEMENTS



Certain statements in this press release and other oral and written statements made by Vista Outdoor from time to time are forward-looking statements, including those that discuss, among other things: Vista Outdoor's plans, objectives, expectations, intentions, strategies, goals, outlook or other non-historical matters; projections with respect to future revenues, income, earnings per share or other financial measures for Vista Outdoor; and the assumptions that underlie these matters. The words 'believe', 'expect', 'anticipate', 'intend', 'aim', 'should' and similar expressions are intended to identify such forward-looking statements. To the extent that any such information is forward-looking, it is intended to fit within the safe harbor for forward-looking information provided by the Private Securities Litigation Reform Act of 1995. Numerous risks, uncertainties and other factors could cause Vista Outdoor's actual results to differ materially from expectations described in such forward-looking statements, including the following: impacts from the COVID-19 pandemic on Vista Outdoor's operations, the operations of our customers and suppliers and general economic conditions; general economic and business conditions in the United States and Vista Outdoor's other 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; Vista Outdoor's ability to attract and retain key personnel and maintain and grow its relationships with customers, suppliers and other business partners, including Vista Outdoor's ability to obtain acceptable third party licenses; Vista Outdoor's ability to adapt its products to changes in technology, the marketplace and customer preferences, including our ability to respond to shifting preferences of the end consumer from brick and mortar retail to online retail; Vista Outdoor's 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 Vista Outdoor's sales to significant retail customers, including unexpected cancellations, delays and other changes to purchase orders; supplier capacity constraints, production disruptions or quality or price issues affecting Vista Outdoor's operating costs; Vista Outdoor's competitive environment; risks associated with 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 Vista Outdoor's business, such as federal and state ammunition regulations; Vista Outdoor's ability to realize expected benefits from acquisitions and integrate acquired businesses; Vista Outdoor's ability to execute our strategic transformation plan, including our ability to realize expected benefits from the successful divestiture of non-core brands and profitability improvement initiatives; Vista Outdoor's ability to take advantage of growth opportunities in international and commercial markets; foreign currency exchange rates and fluctuations in those rates; the outcome of contingencies, including with respect to litigation and other proceedings relating to intellectual property, product liability, warranty liability, personal injury and environmental remediation; risks associated with cybersecurity and other industrial and physical security threats; capital market volatility and the availability of financing; changes to accounting standards or policies; and changes in tax rules or pronouncements. You are cautioned not to place undue reliance on any forward-looking statements we make. Vista Outdoor undertakes no obligation to update any forward-looking statements except as otherwise required by law. For further information on factors that could impact Vista Outdoor, and statements contained herein, please refer to Vista Outdoor's filings with the Securities and Exchange Commission.



**Christopher T. Metz**

**CEO**

## **Second Quarter FY21 Earnings Release**

**November 5, 2020**

# VISTA OUTDOOR RESPONSE TO COVID-19



## ***Safeguards in Place***

- COVID-19 response teams formed across enterprise ensure continuity and promote efficient resource allocation and response.
- Following Centers for Disease Control, local/state specific regulations, and OSHA guidelines for personal health and safety
- Increasing cleaning frequency and enhancing sanitization processes of all facilities
- Adjusted production schedules, operations and delivery schedules to promote social distancing
- Restricting external visitor access to facilities; instituted rigorous protocols for on-site, in-person employees
- Implemented work at home programs where possible
- Restricted all nonessential air travel

## ***Financial Flexibility***

- No scheduled debt payments required until maturity of Notes and Revolver due in Oct and Nov of 2023, respectively
- Continued reduction in capital expenditures
- Reductions in discretionary spending
- Optimized net working capital
- Strong near-term focus on preserving cash

***Employees, Communities and Customers are our Top Priority***

# FY21 Q2 KEY DRIVERS AND HIGHLIGHTS



## Strategy Execution - New Product Introductions - Brand Portfolio Strength - Outdoor Sports & Recreation Market

- 29% Organic growth fueled by new products and resurgence in outdoor activities
- 35% Organic growth delivered in Outdoor Products
- Strong free cash flow generation
- Acquisition of Remington brand, IP and ammunition assets
- Balance Sheet leverage ratio improved to 1.4x
- E-commerce business up 100%; now more than 20% of YTD total sales
- Shooting Sports \$380M, up 26% Y/Y; gross profit \$105M, up 110% Y/Y
- Outdoor Products \$196M, up 35% Y/Y; gross profit \$57M, up 39% Y/Y

***Business model driving organic growth and generating  
free cash flow to fuel next stage of growth***

# STRATEGIC PILLARS FOR GROWTH



## ***Organic Growth***

Drive organic growth through a combination of industry leading consumer centric product innovation, best in class powerhouse marketing, and channel flexibility.

## ***Centers of Excellence***

Investing in and scaling to further optimize our operations, simplify operations, provide resources and best practices to brands and business units, leverage commonality within e-commerce and procurement.

## ***Disciplined Capital Allocation***

- Maintain low leverage and strong balance sheet to navigate current period of uncertainty.
- Re-investing in strategic growth projects to drive margin improvement.
- Strategically allocate capital to support tuck-in acquisition growth.

## ***Impact***

Lead in advocacy, impact, talent and sustainable operations.

***Vista Outdoor shifts to next phase in transformation maturity in FY21 with a focus on driving organic growth. These strategies will create long term customer, consumer and shareholder value and place greater emphasis on our purpose and impact***

# CENTER OF EXCELLENCE: DIGITAL & E-COMMERCE



Best In Class Marketing

Frictionless Experiences

Commerce

Strategy

**Attract ~ Engage ~ Educate:** Welcoming new consumers *across all of our categories*

**Consumer Insights:** Fully understand our consumers

**Impact:** Reach consumers digitally in the moments that matter

**Cross-Sell:** Enable frictionless experiences that welcome consumers to shop and enjoy our portfolio of outdoor brands, unlocking synergies between our categories

## Q2 FY21 Highlights

- E-tail and DTC revenue grew by over 100% in the quarter compared with the prior year; now contributing over 20% of total company sales on a FY21 YTD basis
- Branded e-commerce website traffic grew by over 60%
- Conversion increased over 130% Y/Y
- Flexible platform enabled our brands to quickly pivot campaigns, allowing us to engage with a broader, more diverse audience

***Connect Our Purpose Driven Brands and Products  
in ways that Brings People Together Outdoors***



**Sudhanshu Priyadarshi**

**SVP, CFO**

## **Second Quarter FY21 Earnings Release**

**November 5, 2020**



# Q2 FY21 CONSOLIDATED RESULTS



*(\$ in millions, except per share data)*

	Q2 FY20	Q2 FY21	YoY %
<b>Sales</b>	\$445	<b>\$575</b>	29%
<i>Organic<sup>(1)</sup></i>	\$444	\$575	29%
<b>Adj. Gross Profit</b>	\$91	<b>\$162</b>	78%
<i>Organic<sup>(1)</sup></i>	\$91	\$162	78%
<b>Adj. Operating Expense<sup>(2)</sup></b>	\$81	<b>\$84</b>	4%
<i>Organic<sup>(1)</sup></i>	\$81	\$84	4%
<b>Adj. EBIT<sup>(2)</sup></b>	\$10	<b>\$78</b>	680%
<i>EBIT Margin %<sup>(2)</sup></i>	2%	13%	1126 bps
<b>Adj. EBITDA<sup>(2)</sup></b>	\$30	<b>\$93</b>	215%
<i>EBITDA Margin %<sup>(2)</sup></i>	7%	16%	957 bps
<b>Adj. Interest Expense</b>	\$9	<b>\$6</b>	(37%)
<b>Adj. Net Income (loss)<sup>(2)</sup></b>	(\$0)	<b>\$65</b>	--
<b>Adj. Tax Rate</b>	107%	<b>9.1%</b>	--
<b>Adj. Earnings per Share<sup>(2)</sup></b>	\$0.00	<b>\$1.10</b>	--
<b>Free Cash Flow<sup>(2)</sup></b>	\$21	<b>\$117</b>	445%

***Vista Outdoor recorded significant organic revenue and EPS growth driven by new product introductions and increased demand for outdoor activities and ammunition***

(1) Adjusted for divested businesses.

(2) Non-GAAP financial measure. See reconciliation table for details.

# STRENGTHENED BALANCE SHEET LIQUIDITY UPDATE



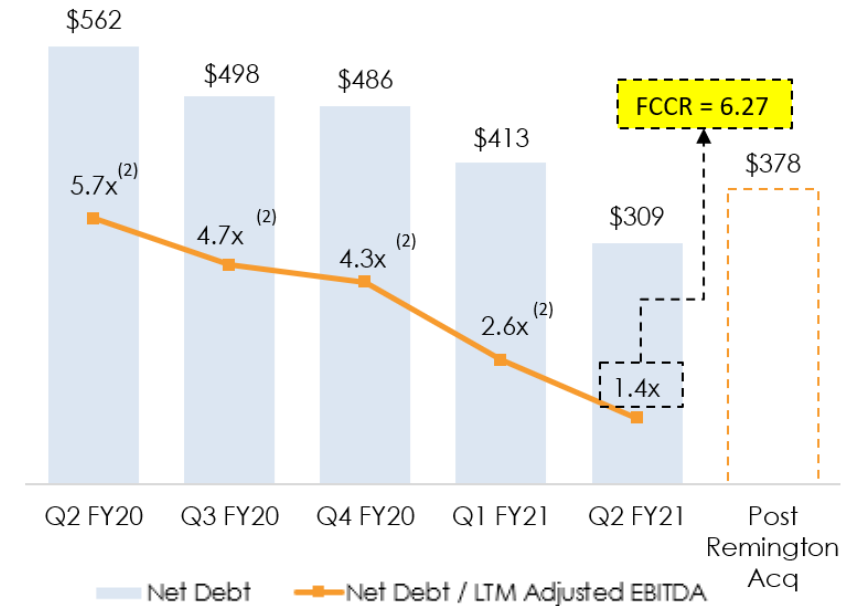
## Net Leverage

Total Debt Outstanding	\$350M
Less: Cash <sup>(1)</sup>	\$41M
Net Debt <sup>(2)</sup>	\$309M
LTM Adj EBITDA <sup>(3)</sup>	\$220M
Net Debt to Adj EBITDA	1.4x

## Liquidity Profile

Cash <sup>(1)</sup>	\$41M
Unused Credit Capacity	\$349M
Total Available Liquidity	\$390M
Senior Notes (Oct 2023)	\$350M
ABL Revolver (Nov 2023)	-
Total Debt Outstanding	\$350M

## Net Debt and Net Debt / LTM Adjusted EBITDA <sup>(1)</sup>



## Q2 FY21 Commentary

- Ended Q2 FY21 with \$309 million in Net Debt, down from \$413 million, due to strong cash generation during the quarter
- Cost Savings Initiatives and prioritized capital expenditures contributed to improved results

**Strong and flexible balance sheet positions Vista Outdoor to navigate uncertainty caused by the pandemic while continuing to fund organic growth**

(1) Cash includes restricted cash of \$12.2 million included on the consolidated balance related to the October 13, 2020 acquisition of certain assets related to Remington Outdoor Company Inc's ammunition and accessories businesses. These funds were deposited into an escrow account during the second quarter prior to closing, and is included in restricted cash on the consolidated balance sheet

(2) As of FY20, Net Debt / LTM Adjusted EBITDA ratio calculated as Vista's principal amount of long-term debt, less cash & cash equivalents, divided by LTM Adjusted EBITDA.

(3) Q2 FY20 through Q1 FY21 LTM Adjusted EBITDA excludes Firearms due to the divestiture of the business on July 5<sup>th</sup>, 2019.

# CAPITAL ALLOCATION PRIORITIES



1

## ***Internal Investment***

- Continue re-investing in strategic growth projects within our brands and business units to continue delivering margin improvement

2

## ***Debt Paydown / Reduce Leverage***

- Continue to paydown debt and further de-leverage our balance sheet, and maintain a strong balance sheet and conservative capital structure
- Affirm our long term target Net Debt to EBITDA ratio of 2x-3x

3

## ***Tuck-In Acquisitions***

- We look for smaller businesses that we can take to the next level in terms of sales and profitability through leveraging our Centers of Excellence

Criteria

Acquire in Adjacent Spaces

Acquire Great Brands that Resonate with Our Consumer

Acquire Smaller Businesses to Which Vista Outdoor Can Add Value

***Maintain low leverage and strong balance sheet to navigate current period of uncertainty***

# REMINGTON FITS WITH OUR VISION AND STRATEGY



***Vision:*** *The world's most talented and impactful outdoor company*

***Strategy:*** *Leading and consumer-adored brands in the outdoor sports and recreation markets. Our portfolio is stronger and better through our scale, culture and Centers of Excellence.*

## ***Rationale***

Optimize and enhance capacity

Manufacturing flexibility and synergies

Earnings accretive opportunity to revive industry iconic brand at attractive valuation

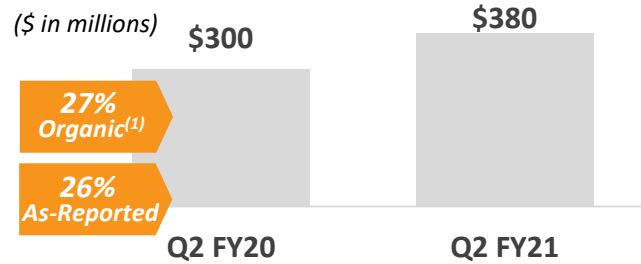
***Remington***

***Acquisition of the Remington brand, certain IP, and ammunition assets is a highly synergistic opportunity to quickly generate accretive earnings and ensure continued access to an iconic consumer brand***

# Q2 FY21 SHOOTING SPORTS UPDATE

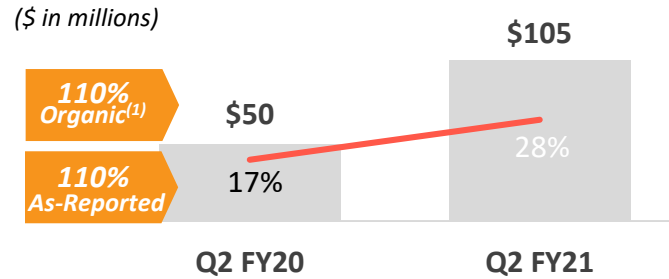


## Revenue



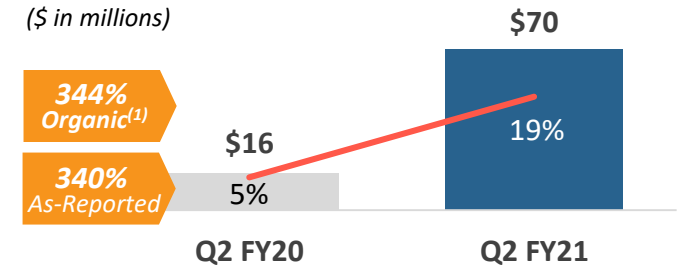
- Revenue increase driven by both Ammunition and Hunting and Shooting Accessories

## Gross Profit



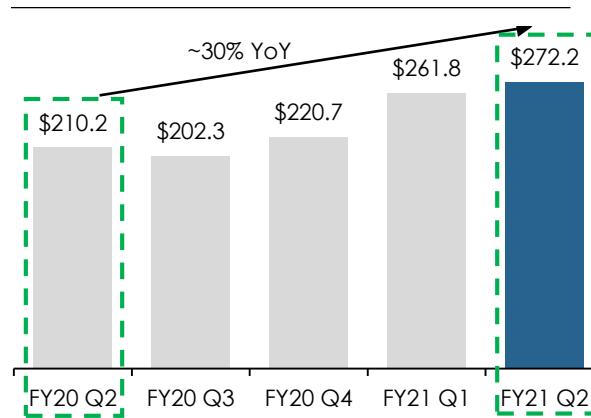
- Gross Profit increase driven by volume, pricing actions, and operating efficiencies

## EBIT

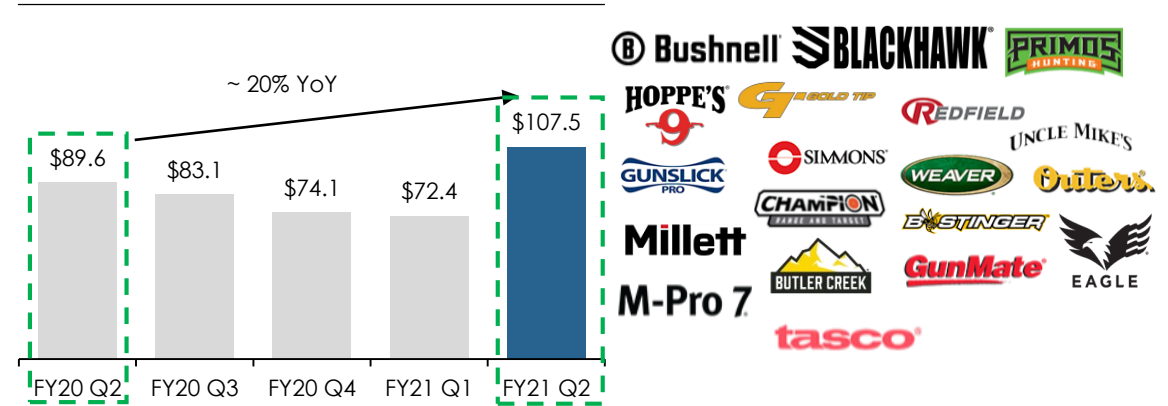


- EBIT increase driven by Gross Profit increase

## Ammunition

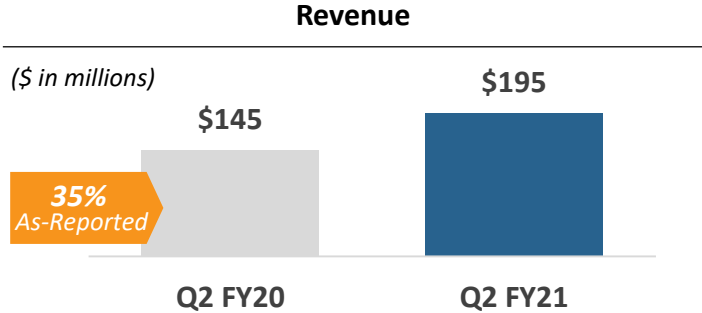


## Hunting and Shooting

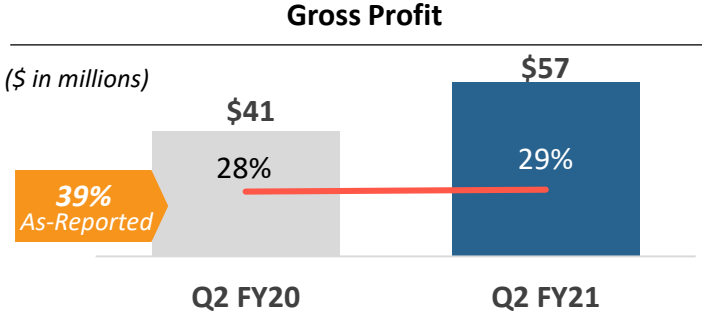


**Continuation of increased demand in Ammunition and outdoor recreation, industry pricing improvements, quality of sales mix, and operating efficiencies have all contributed to margin acceleration**

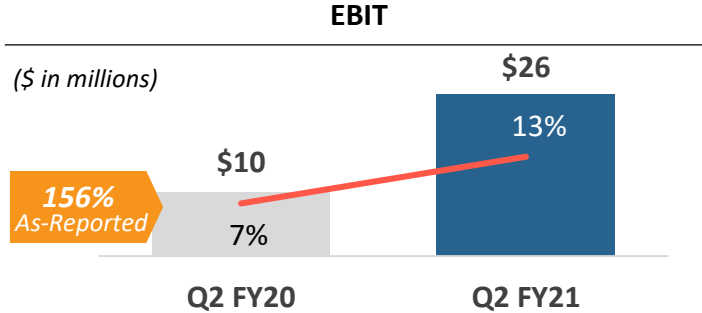
# Q2 FY21 OUTDOOR PRODUCTS UPDATE



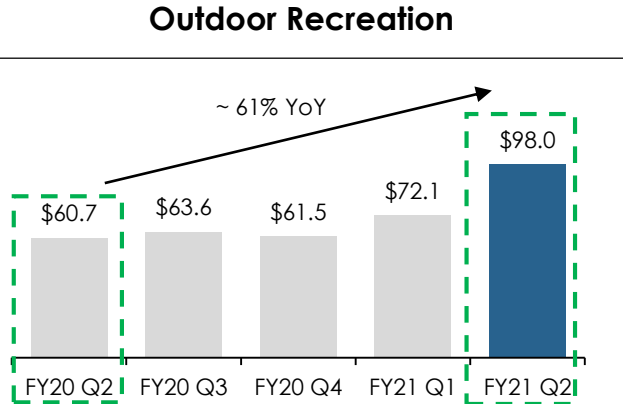
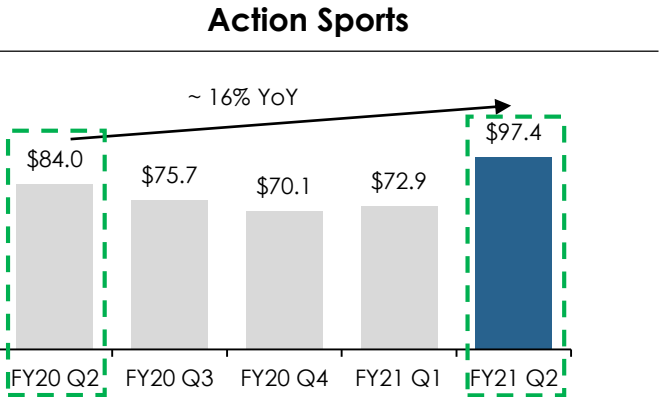
- Revenue increase driven by resurgence in outdoor recreation activities in all brands, with significant YoY increases in outdoor cooking and golf products



- Gross Profit increase driven by volume and strong DTC growth



- EBIT increase due to gross profit increase



**YoY increases driven by increased participation in Outdoor Recreation activities and e-commerce**

# FY21 Q3 OUTLOOK



## FY21 Q3 Guidance<sup>(1)</sup>

**Sales** **\$510M to \$530M**

**Earnings per share** **\$0.55 to \$0.65**

## Commentary

- Full year FY21 Capital Expenditures to be slightly above FY20
- Full year FY21 R&D to be relatively flat to FY20
- Full year FY21 Interest Expense to be in the annualized range of Q1 FY21 results
- Expect Q3 FY21 Tax rate to be mid-single digits
- Expect Q3 FY21 Free Cash Flow<sup>(1)</sup> results to be below Q3 FY20 FY21

***Profitability improvements combined with our significantly de-levered balance sheet puts us in a strong position moving forward***



# APPENDIX



# NON-GAAP FINANCIAL MEASURES



The adjusted gross profit, adjusted operating expenses, adjusted operating profit (earnings before interest, tax and other) (operating profit), adjusted other income/(expense), adjusted EBIT (earnings before interest and income tax), adjusted interest expense, adjusted taxes, adjusted tax rate, adjusted net income, and adjusted earnings per share (adjusted EPS) presented in the following are non-GAAP financial measures. Vista Outdoor defines these measures as gross profit, operating expenses, operating profit, other income / (expense), EBIT, interest expense, taxes, tax rate, net income, and EPS excluding, where applicable, the impact of costs incurred for contingent consideration, transaction costs, executive transition costs, restructuring and asset impairment costs, debt issuance costs, goodwill and intangibles impairment, impairment of held-for-sale assets, tax valuation allowance, and transformation costs. Vista Outdoor management is presenting these measures so a reader may compare gross profit, operating profit, tax rate, and EPS excluding these items, as the measures provide investors with an important perspective on the operating results of the Company. Vista Outdoor management uses these measures internally to assess business performance, and Vista Outdoor's definition may differ from those used by other companies.

EBITDA margin is defined as EBITDA (earnings before interest, taxation, depreciation and amortization) divided by net sales. Vista Outdoor management believes EBITDA margin provides investors with an important perspective on the Company's core profitability and helps investors analyze underlying trends in the Company's business and evaluate its performance on an absolute basis and relative to its peers. EBITDA margin should be considered in addition to, and not as a substitute for, GAAP net profit margin. Vista Outdoor's definition may differ from that used by other companies.

Vista Outdoor has not reconciled EBITDA margin guidance to GAAP net profit margin guidance because Vista Outdoor does not provide guidance for net income, which is a reconciling item between GAAP net profit margin and non-GAAP EBITDA margin. Accordingly, a reconciliation to net profit margin is not available without unreasonable effort.

Free cash flow is defined as cash provided by (used for) operating activities less capital expenditures, and excluding the following costs which have been adjusted for applicable tax amounts: contingent consideration, transaction costs paid to date, debt issuance costs, loss on Eyewear sale, business transformation costs paid to date, and restructuring costs paid to date. Vista Outdoor management believes free cash flow provides investors with an important perspective on the cash available for debt repayment, share repurchases and acquisitions after making the capital investments required to support ongoing business operations. Vista Outdoor management uses free cash flow internally to assess both business performance and overall liquidity.

# NON-GAAP FINANCIAL MEASURES



## Reconciliation of Non-GAAP Financial Measures

In addition to the results prepared in accordance with GAAP, we are providing the information below on a non-GAAP basis, including adjusted gross profit, adjusted operating expenses, adjusted other income (expense), adjusted earnings before interest and tax (EBIT), adjusted interest expense, adjusted taxes, adjusted tax rate, adjusted net income, and adjusted fully diluted earnings per share (EPS). Vista Outdoor defines these measures as, gross profit, operating expenses, other income (expense), EBIT, interest expense, taxes, tax rate, net income, and EPS excluding, where applicable, the impact of costs incurred for transaction costs, tax valuation allowance, contingent consideration, restructuring and asset impairment costs, debt issuance costs, and loss on divestiture. Vista Outdoor management is presenting these measures so a reader may compare gross profit, operating expenses, other income (expense), EBIT, interest expense, taxes, tax rate, net income, and EPS excluding these items, as the measures provide investors with an important perspective on the operating results of the company. Vista Outdoor management uses this measurement internally to assess business performance, and Vista Outdoor's definition may differ from those used by other companies.

<b>Three months ended September 27, 2020</b>								
<b>(in thousands)</b>								
	<b>Gross Profit</b>	<b>Operating Expenses</b>	<b>Other Income / (Expense)</b>	<b>EBIT</b>	<b>Interest Expense</b>	<b>Taxes</b>	<b>Net Income</b>	<b>EPS</b>
As reported	\$ 161,890	\$ 86,634	\$ —	\$ 75,256	\$ (5,715)	\$ (10,104)	\$ 79,645	\$ 1.34
Transaction costs	—	(2,356)	—	2,356	—	(565)	1,791	0.03
Release of tax valuation allowance	—	—	—	—	—	(16,063)	(16,063)	(0.27)
As adjusted	\$ 161,890	\$ 84,278	\$ —	\$ 77,612	\$ (5,715)	\$ (6,524)	\$ 65,373	\$ 1.10
<b>Three months ended September 29, 2019</b>								
<b>(in thousands)</b>								
	<b>Gross Profit</b>	<b>Operating Expenses</b>	<b>Other Income / (Expense)</b>	<b>EBIT</b>	<b>Interest Expense</b>	<b>Taxes</b>	<b>Net Income</b>	<b>EPS</b>
As reported	\$ 90,264	\$ 88,524	\$ (433)	\$ 1,307	\$ (12,314)	\$ 891	\$ (11,898)	\$ (0.21)
Contingent consideration	—	(843)	—	843	—	(202)	641	0.01
Transaction costs	—	(82)	—	82	—	(20)	62	—
Restructuring and asset impairment costs	723	(6,569)	—	7,292	—	(1,750)	5,542	0.10
Debt issuance costs	—	—	—	—	3,316	(796)	2,520	0.04
Loss on divestiture (Firearms)	—	—	433	433	—	—	433	0.01
Increase in tax valuation allowance	—	—	—	—	—	2,637	2,637	0.05
As adjusted	\$ 90,987	\$ 81,030	\$ —	\$ 9,957	\$ (8,998)	\$ (1,022)	\$ (63)	\$ —

# NON-GAAP FINANCIAL MEASURES



## Free Cash Flow

Free cash flow is defined as cash provided by (used for) operating activities less capital expenditures, and excluding transaction costs, debt issuance costs, and restructuring and asset impairment costs, which have been adjusted for applicable tax amounts. Vista Outdoor management believes free cash flow provides investors with an important perspective on the cash available for debt repayment and acquisitions after making the capital investments required to support ongoing business operations. Vista Outdoor management uses free cash flow internally to assess both business performance and overall liquidity.

<b>(in thousands)</b>	<b>Three months ended September 27, 2020</b>	<b>Six months ended September 27, 2020</b>	<b>Six months ended September 29, 2019</b>
Cash provided by (used for) operating activities	\$ 120,462	\$ 197,825	\$ (8,238)
Capital Expenditures	(5,193)	(9,665)	(17,720)
Transaction costs	1,791	1,791	367
Debt issuance costs	—	—	(396)
Restructuring and asset impairment costs	—	—	2,488
Free cash flow	<u>\$ 117,060</u>	<u>\$ 189,951</u>	<u>\$ (23,499)</u>

# NON-GAAP RECONCILIATION



## Quarterly Adjusted EBITDA

(in thousands)	Q3 FY2020	Q4 FY2020	Q1 FY2021	Q2 FY2021	LTM Q2 FY2021
Net income	\$14,648	(\$141,214)	\$40,476	\$79,645	(\$6,445)
Interest expense (income), net	8,373	6,980	6,418	5,715	27,486
Income tax provision (benefit)	(4,352)	(13,224)	1,149	(10,104)	(26,531)
Depreciation and amortization	15,171	16,655	16,486	15,681	63,993
EBITDA	\$33,840	(\$130,803)	\$64,529	\$90,937	\$58,503
Transaction and transition costs <sup>(1)</sup>	-	161	-	2,356	2,517
Restructuring and asset impairment costs <sup>(2)</sup>	479	1,439	-	-	1,918
Goodwill & Intangibles Impairment <sup>(3)</sup>	-	155,589	-	-	155,589
Executive Transition <sup>(4)</sup>	-	1,370	-	-	1,370
Adjusted EBITDA	\$34,319	\$27,756	\$64,529	\$93,293	\$219,897

Quarterly Adjusted EBITDA reflects Vista Outdoor's adjusted earnings before interest and tax, per the Company's quarterly disclosures, plus depreciation and amortization for the trailing four quarters.

**Notes:**

1. Represents transaction costs, including accounting, legal and advisor fees, and transition costs, in each case incurred in connection with possible and completed transactions.
2. Revaluation and recorded portion of contingent consideration related to Camp Chef.
3. In FY20, the Company incurred restructuring and asset impairment costs related to impairment on leased properties, impairment of internally developed software and operational realignments costs which were incurred to generate longer-term benefits.
4. During the quarter ended September 29, 2019, the Company completed the sale of its Firearms business for a total purchase price of \$170,000,000. As a result, the Company recorded a pretax loss of \$0.4 million which is included in other income (expense), net.
5. During the quarter and year ended March 31, 2020, we recognized a \$156 million impairment of goodwill and identifiable intangible assets.
6. During the quarter and year ended March 31, 2020, we recognized executive transition costs related to the appointment of a new Senior Vice President and Chief Financial Officer.