



Investor Presentation
September 2018

Legal

SAFE HARBOR

Certain statements contained in this presentation may be deemed to be forward-looking statements under federal securities laws, and we intend that such forward-looking statements be subject to the safe-harbor created thereby. Forward-looking statements include statements regarding our “expectations,” “anticipations,” “intentions,” “beliefs,” “projections,” “predictions,” or “strategies” regarding the future. Forward-looking statements also include, but are not limited to, statements regarding: our strategic focus, vision, mission, strategy and objectives across all businesses; our growth and acquisition strategy; the demand for our products and services; our new products and strategic product development across all businesses; our market position, expansion goals and opportunities; our long-term keys to success for the firearms and manufacturing services business; our target markets and target growth; our strategy and opportunities for the outdoor products and accessories business; our plans to position the Company for future growth; and our anticipated revenue, GAAP and non-GAAP earnings per share, tax rate, operating margins, net income and share count in future periods. We caution that these statements are qualified by important factors that could cause actual results to differ materially from those reflected by such forward-looking statements. Such factors include, among others, economic, social, political, legislative, and regulatory factors; the potential for increased

regulation of firearms and firearm-related products; actions of social activists that could have an adverse effect on our business; the impact of lawsuits; the demand for our products; the state of the U.S. economy in general and the firearm industry in particular; general economic conditions and consumer spending patterns; our competitive environment; the supply, availability and costs of raw materials and components; speculation surrounding fears of terrorism and crime; our anticipated growth and growth opportunities; our ability to increase demand for our products in various markets, including consumer, law enforcement, and military channels, domestically and internationally; our penetration rates in new and existing markets; our strategies; our ability to maintain and enhance brand recognition and reputation; risks associated with the establishment of our new 630,000 square foot national distribution center; our ability to introduce new products; the success of new products; our ability to expand our markets; our ability to integrate acquired businesses in a successful manner; the general growth of our outdoor products and accessories business; the potential for cancellation of orders from our backlog; and other risks detailed from time to time in our reports filed with the SEC, including our Annual Report on Form 10-K for the fiscal year ended April 30, 2018.

Our Vision is to be the
Leading provider of quality products for the
shooting, hunting, and rugged outdoor enthusiast

Firearms



Electro-Optics



Manufacturing Services



Outdoor Products & Accessories



ESTABLISHING CENTERS OF EXCELLENCE TO LEVERAGE OPEX AS WE GROW

AMERICAN OUTDOOR BRANDS LEADERSHIP

FIREARMS SEGMENT

Firearms Division

Manufacturing Services
Manufacturing Expertise
NPD Expertise

—NEW—
**LOGISTICS & CUSTOMER
SERVICES DIVISION**
Logistics Expertise

OUTDOOR PRODUCTS & ACCESSORIES SEGMENT

**Outdoor Products &
Accessories Division**
NPD Expertise
E-Commerce Expertise
Low Cost Sourcing
Expertise

**Electro-Optics
Division**

SHARED SERVICES ORGANIZATION

Source of Expertise in Support Functions like Finance, HR, IT, Legal, Compliance, EH&S

Multiple Paths to Market

GOAL: BE THE PREFERRED VENDOR



Two Step via Distributors

12,000+ Independent Retailers

Direct to Strategic Retailers

Large Strategic Retailers (e.g. Cabela's)

Direct to Buying Groups

Buying Groups: 700 Member Retailers

Direct to Internet Retailers

ORGANIC AND INORGANIC GROWTH

Organically: Building our business around the consumer we already know via product innovation, brand expansion, and new product introduction

Inorganically: Focusing on smaller low risk acquisition targets with relevant brands and innovative products in niche markets that can be expanded into adjacent spaces



**Management estimate*

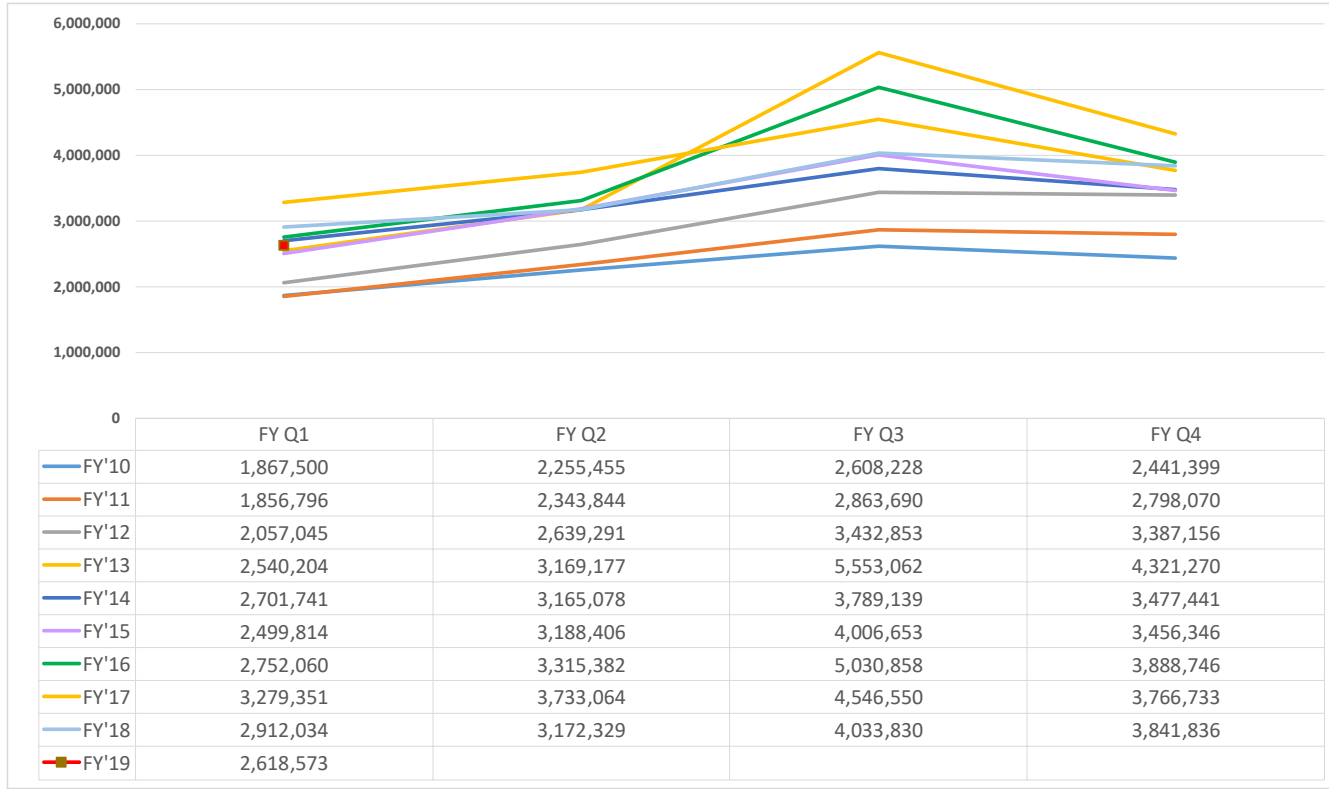




FIREARMS DIVISION



Adjusted NICS by AOB Fiscal Quarter



ELEMENTS IN CURRENT ENVIRONMENT – Q1FY19

- We are pleased with Q1 results which featured consumer adoption of new products and fewer promotions
- New products represented 28.5% of our firearms revenue:
 - Strong sales of M&P Shield 380EZ – launched in February 2018.
- Consumer demand, as measured by adjusted NICS, is down versus last 5 year average
 - Our recent comparison to NICS results reflects our extremely successful Shield promotion last year, which effectively cleared the channel of Shield 1.0 inventory to make way for Shield 2.0.
- Channel inventories and internal inventories are generally in good condition
 - Seasonal increase to prepare for fall hunting and holiday shopping seasons is underway.
 - Our internal inventory is increasing to support buffer stock in preparation for the new Logistics & Customer Services Facility which begins initial operations in November 2018.



Firearms Division

2018 NEW PRODUCTS



M&P380 Shield EZ

Built for personal protection and every-day carry, the M&P380 Shield EZ is designed to be easy to use, featuring an easy-to-rack slide, easy-to-load magazine, and easy-to-clean design.

M&P M2.0 Compact 3.6"

The M&P M2.0 Compact series has expanded to include a smaller frame size that features a 3.6" barrel and 15 round magazine capacity in 9mm.

M&P45 M2.0 with TRUGLO TFX Sights

The line of M&P M2.0 pistols equipped with TRUGLO TFX sights has been expanded to include an all-FDE, .45 AUTO configuration.

M&P45 Shield M2.0 with Integrated Crimson Trace Laser

The popular M&P Shield series is now available in .45 Auto with an integrated Crimson Trace laser.

Performance Center SW22 Victory

The Performance Center SW22 Victory Target pistols are chambered in .22LR and are designed specifically for target shooting competitions. These pistols feature 6-inch target barrels, muzzle brakes, and Tandemkross hive Grips.

Performance Center Model 19 Carry Comp/ Model 19 Classic

Returning to production after 20 years, the Model 19 is available in a Performance Center version designed for concealed carry and a Classic version that features a traditional look and feel.

Performance Center T/C Long Range Rifle

Built for the precision long-range shooter, the LRR is available in .243, .308, and 6.5 Creedmoor in both a Black and FDE finish.

Thompson/Center T/CR22

Expertly crafted for hunters, plinkers, and first-time shooters alike, the new T/CR22 rifle integrates a variety of high-end features into an innovative rimfire package.



PROTECTION IS THE KEY PURCHASE MOTIVATOR

Number of respondents who reported these reasons were important	
Handgun Respondents:	
Home Protection	94%
Personal Protection	91%
Vehicle Protection	60%
Long Gun Respondents:	
Home Protection	75%
Personal Protection	71%
Hunting	56%





OUTDOOR PRODUCTS & ACCESSORIES DIVISION

OVERVIEW

We are solely focused on the rugged outdoor enthusiast. Whether it's the Marksman, Hunter, Defender, or Adventurer, we offer a selection of products across shooting accessories, cutlery & tools, and survival categories. Our 15+ gear & accessory brands are complementary, each satisfying different needs for our core consumers. We hire and retain the best talent, leveraging our employees' capabilities and unique experiences to drive organic growth and differentiation across the portfolio.

	Shooting Accessories	Cutlery & Tools	Survival Products
"Marksman"  (Precision Shooting Supplies)  (Gun Cleaning Supplies)  (Gunsmithing Tools & Supplies)  (Reloading Tools & Equipment)			
"Hunter"  (Field Hunting Accessories)  (Hunting Preparation)  (Rifle & Muzzleloader Accessories)	 (Multi-Generational Knives / Tools)  (Hunting Knives)		
"Defender"  (S&W Accessories)  (M&P Accessories)  (Firearm Storage Solutions)	 (S&W Knives & Tools)  (M&P Knives & Tools)		
"Adventurer"		 (Recreational Tools)  (Fisherman Accessories)	 (Camping & Survival Products)



HISTORY OF STRATEGIC ACQUISITIONS

A disciplined strategy focused on leveraging our existing competencies, while targeting a familiar consumer, have led us to seek acquisitions that have: 1) provided successful entry into previously targeted categories (camping, fishing, etc.); 2) opened up new organic growth opportunities across our portfolio; and 3) set the scene for future margin opportunities (new DC, re-sourcing, etc.).

Segments Entered via Acquisitions

- ✓ Shooting
- ✓ Hunting
- ✓ Camping
- ✓ Hiking
- ✓ Fishing

Division Timeline (2014-Present)

Platform Acquisition: Battenfeld Technologies (2014)

- Established platform in accessories products
- Provided entry into shooting & hunting accessories (9 brands)

Tuck-in Acquisition: Taylor Brands (2016)

- Strategic entry into cutlery & tools (5 brands)
- Brought S&W and M&P cutlery licensee in-house

Tuck-in Acquisition: Ultimate Survival Technologies (2016)

- Strategic entry into camping and survival products
- Added high-value, complementary customer relationships

Tuck-in Acquisition: Bubba Blade (2017)

- Strategic entry into fishing accessories
- Ability to leverage Taylor Brands customer relationships to immediately expand distribution

Leveraging Competencies to Drive Post-Acquisition Organic Growth

- Freed platform of day-to-day managing of HR, Finance, IT, Legal, and EH&S through introduction of Shared Services
- Realigned management of all S&W, M&P, and Thompson Center accessories under Accessories Division from Firearms Division (previously S&W), enabling renewed focus and sales growth
- Ongoing leveraging of internal product development capabilities from original platform acquisition to drive new areas of innovation at tuck-ins
- New logistics facility will provide meaningful cost savings through warehouse consolidation, rapid shipping capabilities, and better service levels for customers

REPEATABLE INNOVATION DRIVES ORGANIC GROWTH

Our brands provide inspiration for product innovation. Each of our brands stands for something with consumers – each has a unique character that establishes its “permission to play” in defined product categories. This focus establishes clear direction for our creative product development and engineering teams, who are enthusiasts themselves. Our ideation, development process, and execution speaks for itself – this year, **we launched nearly 150 new products at SHOT Show 2018**, with additional products planned for rollout over the year.



MARKETING

Clear brand definition: For the “Range Rat” (the person who is always trying to get better) Caldwell is the **ONLY** brand that delivers the next-level of performance among all precision shooting accessories because our products help eliminate the variables that make you miss.

PRODUCT TEAMS

Clear brand definition establishes the “goal posts” for where the Caldwell brand has “permission to play” and gives inspiration and direction to the product team.

Result: precision turret shooting rest fully developed and commercialized in less than 12 months. Patent pending.



SALES

Engaged sales team provides quick feedback on product ideas and validates pre-commercialization success with reps and customers.

Total New Products at SHOT: **145**
Shooting Accessories: **75**
Cutlery & Tools: **45**
Survival Products: **25**

FUTURE EXPANSION OPPORTUNITIES FOR DIVISION

Opportunity to
build rich,
diverse product
and brand
platform across
rugged outdoor
enthusiast
markets

Example Market Product Categories & Items

Camping & Hiking

- Backpacks & Bags
- Camp Cooking
- Tents
- Camping Electronics
- Health & Safety
- Camp Furniture
- Sleeping Gear
- Hiking-Assist Gear
- Hydration

*Backpacking packs, day packs
Stoves, cookware, utensils, coolers
Backpacking tents, camping tents, shelters
GPS, portable power, lighting
First aid, emergency gear, insect protection
Chairs, tables, hammocks
Sleeping bags, pads, cots
Trekking Poles, compasses, tools
Bottles, hydration packs*

Fishing

- Rods & Reels
- Lures
- Storage
- Line
- Tools & Gear

*Casting, spinning, saltwater and fly-fishing
Hard, soft, and swimbaits; jigs and rigs
Tackle boxes, bags
Fishing line, leaders
Fillet knives, pliers/tools, nets, rulers/scales, finders*

Archery

- Bows
- Arrows / Broadheads
- Shooter-Assist
- Other

*Vertical bows, crossbows
Arrows, shafts, broadheads
Sights, releases, rests, stabilizers
Quivers, bow cases, targets, string*



ELECTRO-OPTICS DIVISION

Electro-Optics Division

BUSINESS STRATEGY

- **Organic:**

- Expand Electro-Optics product categories to address market opportunity
- Variable Cost reduction
 - Leverage intra-division sourcing model:
 - Introduce new product categories quickly and efficiently
 - Harvest cost reductions within core product offerings (lasers, lights)
 - Enable new product development across broader cost / price spectrum
- Protect and grow core laser business
 - Continue growing laser sight market by increasing attachment ratio of lasers on personal defense firearms
- Optimize sales execution strategies and resources
- Align talent and human capital structure to execute sourcing / operations, product development, sales and marketing evolution

- **Inorganic:**

- Opportunistically evaluate companies, technologies, and products which leverage existing strengths and/or accelerate current growth strategy



2018 INNOVATION: EXPANSION OF PRODUCT LINE

New Dual-Purpose Flashlight Line

- CTC's initial entry into large and diverse flashlight market
- Focused on tactical products for consumers already familiar with Crimson Trace brand
- Four SKUS, all feature M-LOK® / KEYMOD and Picatinny MSR / long gun mounts
- Detachable for hand-held use



FEATURES:

- > 500 - 900 Lumen LED White Light
- > High Output Cree® XPL LED
- > Modes:
 - High Power
 - Low Power (10%)
 - Strobe
 - Momentary & Constant On
- > Battery Life:
 - 1 Hour 10 Min - High Power
 - 3 Hour 55 Min - Low Power

MSRP: \$59 - \$79



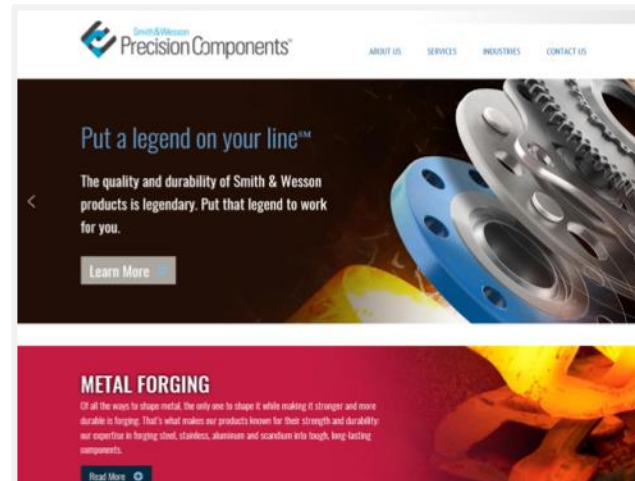


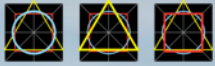
MANUFACTURING SERVICES DIVISION



NEW BRAND LAUNCH: JANUARY 2018

- New brand, logo, and website (www.swpc.com)
- Provides industrial B2B umbrella brand for existing services
- Simplifies go-to-market messaging for sales team, enabling cross-selling of services
- Leverages strength of the iconic Smith & Wesson name and brand identity of legendary manufacturing craftsmanship and quality
- Platform for growth into new markets / independent communication vehicle for division





HEITMAN ARCHITECTS



LOGISTICS & CUSTOMER SERVICES DIVISION



Logistics & Customer Services Division

NEW BUILDING – BOONE COUNTY, MO

Capital Investment of \$75 million

- \$47M construction, site prep, etc.
 - \$3.1M land (Included in above)
 - No cash outlay: Sale/Leaseback for this portions
- \$8.1M infrastructure
- \$10.5M FF&E
- \$9.4M start up costs and other costs

Facilities Overview

- Approx. 600,000 sq. ft. distribution facility
 - Expandable to 1,200,000+ sq. ft.
- Division office ~52,000 sq. ft.
- Long range expansion potential

SIGNIFICANT BENEFITS OF LOGISTICS FACILITY

Better Service to Customers

- Centralized distribution allows for consolidation of customer shipments
- Centralized order management team improves customer experience

Improved Acquisition Integration

- Timely harvesting of synergies adds significant value
- Allows AOBC to be more competitive in bidding process
- Consolidation of acquisitions reduces need for costly ERP conversions

Operational & Financial Efficiencies

- Centralized location allows for freight cost reduction
- Single location for all offshore finished goods allows for supply chain optimization
- Improved working capital through better finished goods inventory management
- State income tax reductions

LOGISTICS FACILITY – FINANCIAL IMPACT

Project Costs

- Non-cash capital lease of land & building (20 years)
- FY19 capital expenditures for equipment and IT
- Additional freight from Firearms Division to L&CS
- Other costs (utilities, maintenance, etc.)

Project Benefits

- OPEX reductions from closing UST facility
- Elimination of lease costs from current Columbia, MO facility
- Elimination of 3PL distribution costs
- State income tax benefits



Estimated Rate
of Return
>10%

Rate of Return Assumptions

>10% Return – low state tax savings from minimal revenue growth, minimal operating efficiencies, no synergies from future acquisitions

Higher returns based on robust state tax savings from revenue growing back to historic levels, and increased operating efficiencies



American Outdoor Brands Corporation

FINANCIAL REVIEW



Q1 CONDENSED INCOME STATEMENT – NON-GAAP

(U.S.\$ Thousands, except per share data)

	FOR THREE MONTHS ENDED	
	Q1 FY19	Q1 FY18
Net sales	\$138,833	\$129,021
Cost of sales	86,261	88,389
Gross profit	52,572	40,632
% of net sales (gross margin)	37.9%	31.5%
Total operating expenses	33,500	37,418
% of net sales	24.1%	29.0%
Operating income	19,072	3,214
% of net sales	13.7%	2.5%
Total other (expense)/income	(2,019)	(2,393)
Income taxes	5,362	-338
Net income	\$11,691	\$1,159
Net income per share – Diluted	\$0.21	\$0.02
Weighted average shares outstanding – Diluted	54,931	53,905
Non-GAAP Adjusted EBITDAS	\$28,371	\$12,942
% of net sales	20.4%	10.0%

Financial Review

BALANCE SHEET AND CASH FLOW INFORMATION (UNAUDITED)

CONDENSED BALANCE SHEET

As of:	(U.S.\$ Thousands)	
	July 31, 2018	April 30, 2018
Cash and cash equivalents	\$25,238	\$48,860
Accounts receivable	41,504	56,676
Inventories	166,891	153,353
Other current assets	10,284	11,475
Total current assets	243,917	270,364
Long-term assets	482,928	474,696
Total assets	\$726,845	\$745,060
Current liabilities	\$93,868	\$100,682
Other non-current liabilities	52,460	41,926
Notes & loans payable, net of current portion	153,837	180,304
Total liabilities	300,165	322,912
Total equity	426,680	422,148
Total liabilities & equity	\$726,845	\$745,060

CONDENSED CASH FLOWS

For the three months ending:	(U.S.\$ Thousands)	
	July 31, 2018	July 31, 2017
Net cash provided by/(used in) operating activities	\$10,639	(\$34,492)
Net cash used in investing activities	(7,108)	(4,788)
Net cash (used in)/provided by financing activities	(27,153)	21,103
Net decrease in cash	(\$23,622)	(\$18,177)

DEBT AS OF JULY 31, 2018

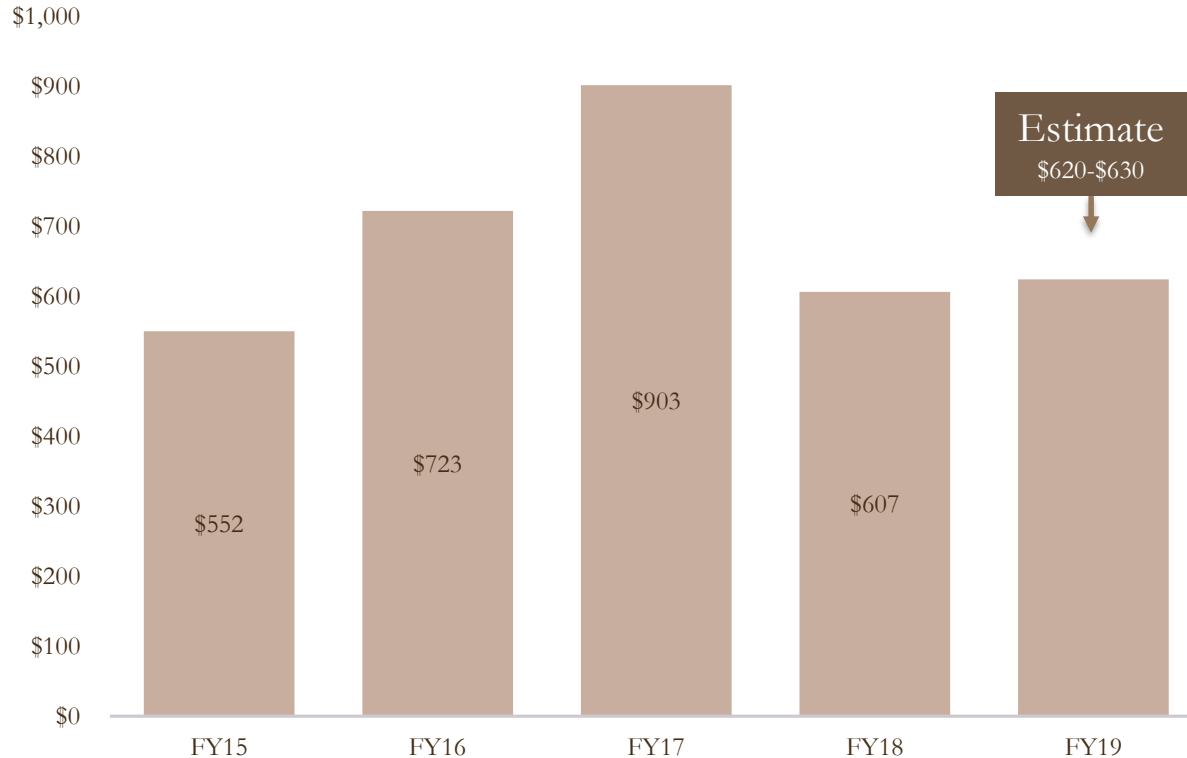
Bank Revolving Line of Credit	\$0
Bank Term Loan A	\$86,100
5.000% Senior Notes due 2020	\$75,000
TTM - EBITDAS to Debt Ratio	<2.0
Blended Borrowing Rate	4.64%

Reconciliation of Net Operating
FREE CASH FLOW (Unaudited)

FREE CASH FLOW		
	For the three months ending: (U.S. \$ Thousands)	
	July 31, 2018	July 31, 2017
Net cash provided by/(used in) operating activities	\$10,639	(\$34,492)
Net cash used in Capex and patent spending	(7,108)	(4,788)
Free cash flow	\$3,531	(39,280)

Financial Review

ANNUAL REVENUE (\$ In Millions)

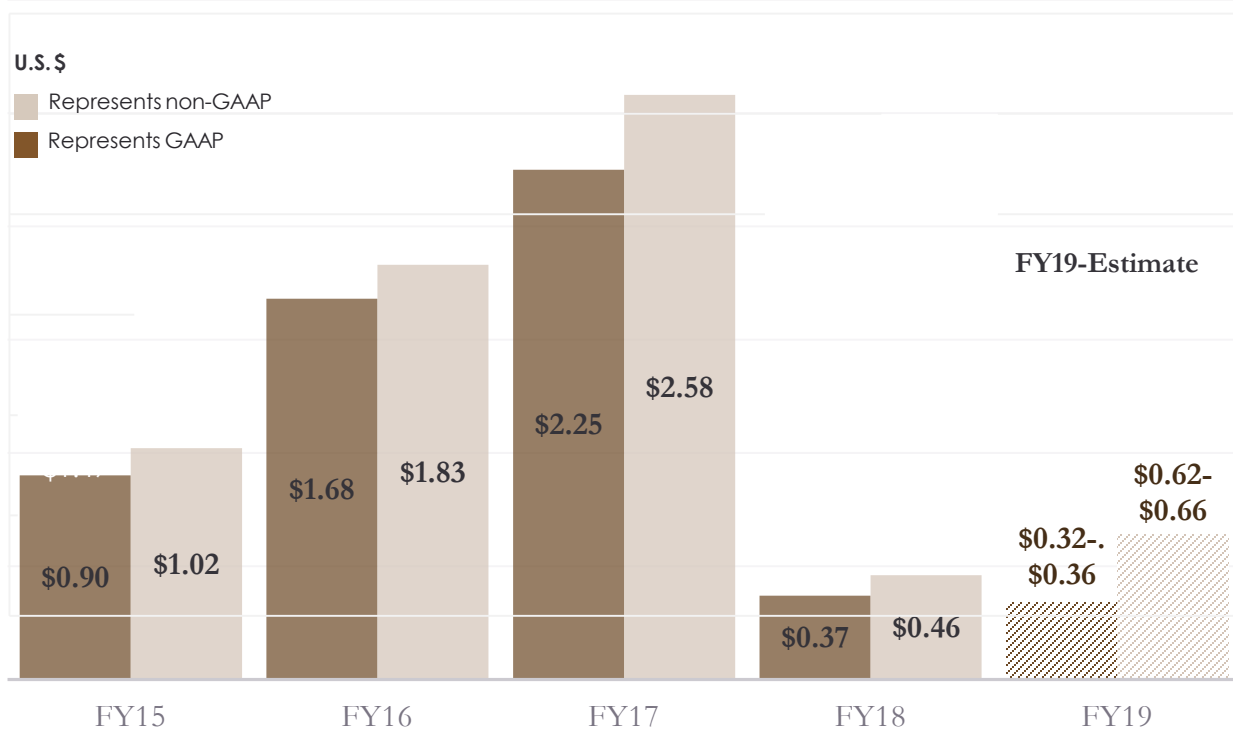


Note:

Guidance for revenue, GAAP earnings per share, non-GAAP earnings per share, tax rate, and share count reflects information as of August 30, 2018. The Company is not updating any of this guidance to the present date nor does its inclusion constitute a reiteration or modification of this information. **See Appendices for GAAP to non-GAAP reconciliations.*

Financial Review

DILUTED EARNINGS PER SHARE



Note:

Guidance for revenue, GAAP earnings per share, non-GAAP earnings per share, tax rate and share count reflects information as of August 30, 2018. The Company is not updating any of this guidance to the present date nor does its inclusion constitute a reiteration or modification of this information. **See Appendices for GAAP to non-GAAP reconciliations.*

Financial Review

FINANCIAL GUIDANCE

(Fiscal Year Ending April 30)

Fiscal Second Quarter	Estimate
Revenue	\$150M to \$160M
GAAP Earnings Per Share	\$0.04 to \$0.08
Non-GAAP Earnings Per Share*	\$0.11 to \$0.15

Fiscal Year 2019	Estimate
Revenue	\$620M to \$630M
GAAP Earnings Per Share	\$0.32 to \$0.36
Non-GAAP Earnings Per Share*	\$0.62 to \$0.66
Tax Rate	30%
Share Count	<u>55.0M</u>

Note: Guidance for revenue, GAAP earnings per share, non-GAAP earnings per share, tax rate, and share count reflects information as of August 30, 2018. The Company is not updating any of this guidance to the present date nor does its inclusion constitute a reiteration or modification of this information.

*See Appendices for GAAP to non-GAAP reconciliations.



FOCUS ON PROFITABILITY, CONTINUE TO INVEST

- Focus on profitability, reducing costs, and generating cash across the entire business to facilitate further investment in:
 - Startup and ramp of new Logistics & Customer Services facility in Missouri
 - Increased incentives and profit sharing to attract and retain top talent
 - Enhanced marketing initiatives
- Limit promotional activity to that which sustains market share, not gains market share, using product innovation to drive market share gains
- Firearms Segment: Focus manufacturing capacity on optimal flexibility and absorption of overhead expenses
- Outdoor Products & Accessories Segment: Focus on new product development and remain alert for inorganic opportunities
- Transition warehouse and logistics requirements to Logistics & Customer Services Division



Positioning Our Company For

FUTURE GROWTH

Our objective is to leverage our focused, multi-divisional structure to drive both organic and inorganic growth as well as value creation

With strong leadership teams operating each division, we can unlock further value, while we explore acquisitions that have the potential to add value and expand our addressable market:

- Focus on tuck-in opportunities for existing division
- Deliver strong brands and products that serve the needs, wants, and desires of our core consumers
- Meet strict criteria for return on investment (ROI) and have an acceptable level of risk
- Build upon our record of execution and long-term shareholder value creation

Long-term quarterly gross margin target range: 37-41%

- Margins vary among quarters due to absorption impacts of seasonality, factory shutdowns, and holidays

Long-term Adjusted EBITDAS margin target:
Above 20%



RESPONDING TO STOCKHOLDER ACTIVISTS

- Activists have called on us to issue a report related to gun safety measures and mitigation of harm associated with gun products, including:
 - Evidence of monitoring of violent events associated with our products.
 - Efforts we are undertaking to research and produce safer guns and gun products.
 - Assessment of corporate reputation and financial risks related to gun violence.
- The Board of Directors strongly recommends a vote “AGAINST” the proposal. Proponent mischaracterizes and misstates many facts. In addition:
 - Monitoring requested is unrealistic, not feasible, and would not prevent misuse of products
 - We sell legally to FFL’s, we do not transfer directly to consumers
 - Our products have been in the channel since 1852
 - More effective is our collaboration with enforcement agencies (e.g. ATF, police, etc.)
 - Such a report would in no way advance gun safety and is unnecessary as we have long undertaken numerous, readily apparent efforts and activities to advocate the safe and legal use of our products
 - Safety locks with every firearm, safety manuals, training programs, NSSF’s *Project Childsafe*, *Don’t Lie for the Other Guy*, *Operation Secure Store*, *Suicide Prevention*
 - “Smart gun” technology is not fully developed or available, has not been employed by law enforcement, would not be used by consumers, and requires expertise that is not in our domain
 - Corporate reputational and financial risks of being a firearm manufacturer are readily apparent and understood by most people. For those less familiar, these risks are detailed in our securities filings.





American Outdoor Brands Corporation

APPENDICES

Q1 CONDENSED INCOME STATEMENT - GAAP

(U.S.\$ Thousands, except per share data)

FOR THREE MONTHS ENDED

	Q1 FY19	Q1 FY18
Net sales	\$138,833	\$129,021
Cost of sales	86,411	88,389
Gross profit	52,422	40,632
Total operating expenses	38,946	43,832
Operating income/(loss)	13,476	(3,200)
Total other (expense)/income	(2,019)	(1,093)
Income taxes	3,812	(2,128)
Net income/(loss)	\$7,645	(\$2,165)
Net income/(loss) per share – Diluted	\$0.14	(\$0.04)
Weighted average shares outstanding – Diluted	54,931	53,905



American Outdoor Brands Corporation and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF INCOME/(LOSS)

	For the Three Months Ended	
	July 31, 2018	July 31, 2017
	(Unaudited)	(Unaudited)
	(In thousands, except per share data)	
Net sales	\$ 138,833	\$ 129,021
Cost of sales	86,411	88,389
Gross profit	52,422	40,632
Operating expenses:		
Research and development	2,810	2,786
Selling and marketing	11,615	11,718
General and administrative	24,521	29,328
Total operating expenses	38,946	43,832
Operating income/(loss)	13,476	(3,200)
Other (expense)/income, net:		
Other (expense)/income, net	(18)	1,298
Interest expense, net	(2,001)	(2,391)
Total other (expense)/income, net	(2,019)	(1,093)
Income from operations before income taxes	11,457	(4,293)
Income tax expense/(benefit)	3,812	(2,128)
Net income/(loss)	7,645	(2,165)
Net income/(loss) per share:		
Basic	\$ 0.14	\$ (0.04)
Diluted	\$ 0.14	\$ (0.04)
Weighted average number of common shares outstanding:		
Basic	54,345	53,905
Diluted	54,931	53,905

American Outdoor Brands Corporation
GAAP TO NON-GAAP RECONCILIATION(Unaudited)
(U.S. \$ thousands, except per share data)

	For the Three Months Ended			
	July 31, 2018		July 31, 2017	
	\$	% of Sales	\$	% of Sales
GAAP gross profit	\$ 52,422	37.8%	\$ 40,632	31.5%
Fair value inventory step-up	150	0.1%	—	—
Non-GAAP gross profit	<u>\$ 52,572</u>	<u>37.9%</u>	<u>\$ 40,632</u>	<u>31.5%</u>
GAAP operating expenses	\$ 38,946	28.1%	\$ 43,832	34.0%
Amortization of acquired intangible assets	(5,446)	-3.9%	(5,685)	-4.4%
Transition costs	—	—	(312)	-0.2%
Acquisition-related costs	—	—	(417)	-0.3%
Non-GAAP operating expenses	<u>\$ 33,500</u>	<u>24.1%</u>	<u>\$ 37,418</u>	<u>29.0%</u>
GAAP operating income/(loss)	\$ 13,476	9.7%	\$ (3,200)	-2.5%
Fair value inventory step-up	150	0.1%	—	—
Amortization of acquired intangible assets	5,446	3.9%	5,685	4.4%
Transition costs	—	—	312	0.2%
Acquisition-related costs	—	—	417	0.3%
Non-GAAP operating income	<u>\$ 19,072</u>	<u>13.7%</u>	<u>\$ 3,214</u>	<u>2.5%</u>
GAAP net income/(loss)	\$ 7,645	5.5%	\$ (2,165)	-1.7%
Fair value inventory step-up	150	0.1%	—	—
Amortization of acquired intangible assets	5,446	3.9%	5,685	4.4%
Transition costs	—	—	312	0.2%
Acquisition-related costs	—	—	417	0.3%
Change in contingent consideration	—	—	(1,300)	-1.0%
Tax effect of non-GAAP adjustments	(1,550)	-1.1%	(1,790)	-1.4%
Non-GAAP net income	<u>\$ 11,691</u>	<u>8.4%</u>	<u>\$ 1,159</u>	<u>0.9%</u>
GAAP net income/(loss) per share - diluted	\$ 0.14		\$ (0.04)	
Fair value inventory step-up	—		—	
Amortization of acquired intangible assets	0.10		0.10	
Transition costs	—		0.01	
Acquisition-related costs	—		0.01	
Change in contingent consideration	—		(0.02)	
Tax effect of non-GAAP adjustments	(0.03)		(0.03)	
Non-GAAP net income per share - diluted	<u>\$ 0.21</u>		<u>\$ 0.02</u>	(a)

(a) Non-GAAP net income per share does not foot due to rounding.

American Outdoor Brands Corporation

Net Sales and Earnings Per Share Guidance – GAAP to Non-GAAP Reconciliation (EPS) (Unaudited)

	Range for the Three Months Ending October 31, 2018		Range for the Year Ending April 30, 2019	
	\$	\$	\$	\$
Net sales (in thousands)	150,000	160,000	620,000	630,000
GAAP income per share - diluted	\$ 0.04	\$ 0.08	\$ 0.32	\$ 0.36
Amortization of acquired intangible assets	0.10	0.10	0.39	0.39
Inventory step-up expense	—	—	0.01	0.01
Transition costs	—	—	0.02	0.02
Tax effect of non-GAAP adjustments	(0.03)	(0.03)	(0.12)	(0.12)
Non-GAAP income per share - diluted	\$ 0.11	\$ 0.15	\$ 0.62	\$ 0.66



GAAP to NON-GAAP RECONCILIATION

In this presentation, certain non-GAAP financial measures, including “non-GAAP net income,” “Adjusted EBITDAS,” and “free cash flow” are presented. From time-to-time, the company considers and uses these supplemental measures of operating performance in order to provide the reader with an improved understanding of underlying performance trends. The company believes it is useful for itself and the reader to review, as applicable, both (1) GAAP measures that include (i) amortization of acquired intangible assets, (ii) transition costs, (iii) acquisition-related costs, (iv) fair value inventory step-up, (v) the tax effect of non-GAAP adjustments, (vi) net cash provided by operating activities, (vii) net cash used in investing activities, (viii) receipts from note receivable, (ix) interest expense (x) income tax expense, (xi) depreciation and amortization, (xii) stock-based compensation expenses, and (xiii) changes in contingent consideration; and (2) the non-GAAP measures that exclude such information. The company presents these non-GAAP measures because it considers them an important

supplemental measure of its performance. The company’s definition of these adjusted financial measures may differ from similarly named measures used by others. The company believes these measures facilitate operating performance comparisons from period to period by eliminating potential differences caused by the existence and timing of certain expense items that would not otherwise be apparent on a GAAP basis. These non-GAAP measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for the company’s GAAP measures. The principal limitations of these measures are that they do not reflect the company’s actual expenses and may thus have the effect of inflating its financial measures on a GAAP basis.



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