

# Smith & Wesson

**Mike Golden, President, CEO**  
**John Kelly, CFO**

**August 2005**



# Smith & Wesson Holding Corporation

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Certain statements contained in this presentation may be deemed to be forward-looking statements under federal securities laws, and the Company intends that such forward-looking statements be subject to the safe-harbor created thereby. Such forward-looking statements include statements regarding the Company's strategies, the demand for the Company's products, the opportunity for growth of the Company, anticipated sales and operating results, customer satisfaction and cost-reduction efforts. The Company cautions 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 the demand for the Company's products, the Company's growth opportunities, the ability of the Company to obtain operational enhancements, and other risks detailed from time to time in the Company's reports filed with the SEC.



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# Investment Highlights

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- **New Leadership Team**
- **A New Market Approach...Safety, Security, Protection, Sport**
- **A Strong, Untapped Legacy Brand**
- **Innovative New Products**
- **Growth Opportunities in Core Business & New Markets**
- **Significant Productivity Enhancement Opportunities**
- **Positive Litigation Trends**

**AMEX: SWB**

**Shares Outstanding: 31,507,000**

**Price: \$5.60 (at 8/5/05) Market Cap: \$176M**



# A New Leadership Team...

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...with World-Class Experience:

**Mike Golden, President, CEO**

**John Kelly, CFO**

**Tom Taylor, VP Marketing**

**Ken Chandler, VP Operations**

**Leland Nichols, VP Sales**

**Barbara Hunnicutt, VP Licensing**

**Ann Makkiya, Corporate Counsel**



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# Company Background

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- **153 Year Old American company**
- **Headquarters: Springfield, Massachusetts**
- **736 Employees**
- **Two Manufacturing Facilities (Non-Union):**
  - **Springfield, Massachusetts**
    - **Revolvers, Pistols**
  - **Houlton, Maine**
    - **Handcuffs, Pistols**



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# Company Background

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- **Largest U.S. Manufacturer of Handguns**
- **Largest U.S. Exporter of Handguns**
- **Largest U.S. Manufacturer of Handcuffs**
- **# 1 in U.S. Revolver Market Share**
- **# 3 in U.S. Pistol Market Share**
- **A Legacy Brand With 87% Brand Awareness With the General Public (Not Just Firearm Enthusiasts)**

Source: Federal Excise Tax Data – Q3, 2004  
American Sports Data - Nov, 2004



# S&W: 87% Brand Awareness

**Extremely high in our served markets, and in markets we do not serve today:**

**A company-sponsored, 2004 survey asked consumers about their purchase intent for the following products & services. S&W ranked as follows:**

<b>Revolvers</b>	<b>#1</b>	<b>(served)</b>
<b>Pistols</b>	<b>#1</b>	<b>(served)</b>
<b>Shotguns</b>	<b>#3</b>	<b>(not served)</b>
<b>Hunting Rifles</b>	<b>#3</b>	<b>(not served)</b>
<b>Tactical Rifles</b>	<b>#1</b>	<b>(not served)</b>
<b>Ammunition</b>	<b>#4</b>	<b>(not served)</b>
<b>Security Systems</b>	<b>#3</b>	<b>(not served)</b>

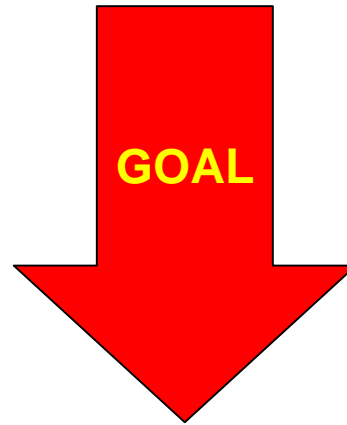
Source: American Sports Data - Nov, 2004



# A New Market Approach

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**Smith & Wesson Today: We Sell Handguns  
in the U.S. Sporting Goods Channel**



**Smith & Wesson Tomorrow: A Global Leader in  
Safety...Security...Protection...Sport**





# Growth Strategy

Use “Safety-Security-Protection-Sport” platform to enter new markets while driving CAGR of 10-12% in core business in 2006.

## Brand Development

- Re-invent the legacy
- Key to new market entry
- Licensing opportunities
- Marketing initiatives

## Existing Handgun Business

- Innovative New Products
- Sporting Goods
- Law Enforcement
- Military/Federal Government
- International

## New Market Possibilities

- Less Lethal
- Long Guns
- Ammunition
- Security Systems
- Training/Ranges
- Criminal Investigation
- Homeland Defense Products/Services



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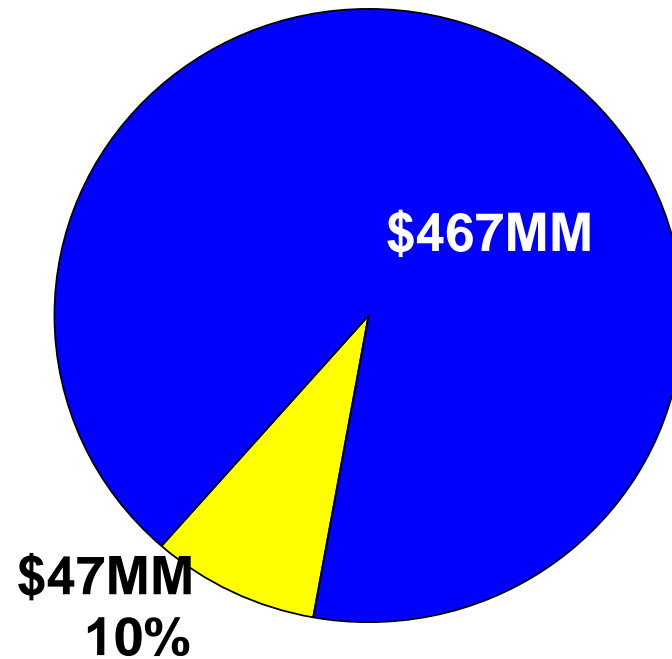
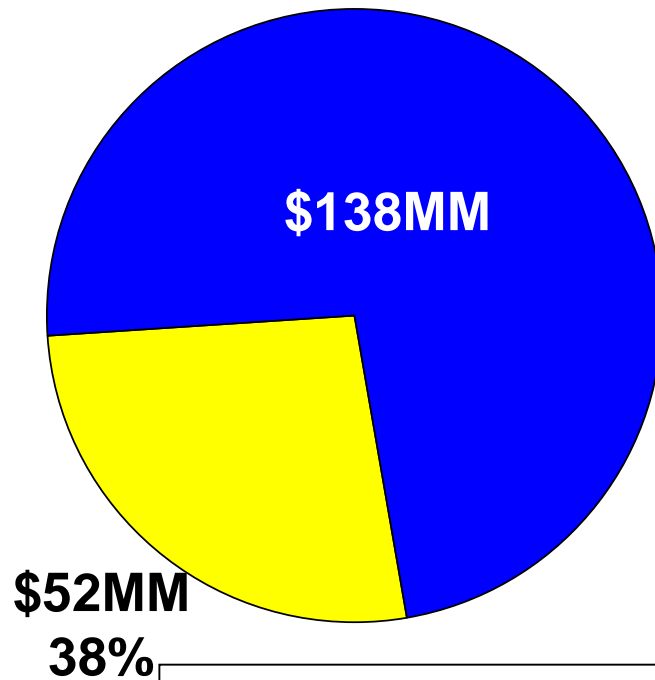


# Revolver / Pistol Market: \$605MM

2004 U.S. DOMESTIC NON-MILITARY MARKET – 2005 S&W SALES

REVOLVERS

PISTOLS



S&W 2005 (Includes Walther Products)



Market 2004

SOURCE: BATF 2004 Excise Tax Study & Smith & Wesson Management Estimates



# Innovative New Products

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## Revolvers



## Pistols



**New** Law Enforcement  
and Military Pistol:  
Late Fall 2005

# Military & Police Pistol Series

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# Handgun Growth Strategy

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## New Channel Strategy: Sporting Goods

- **New Sales Leadership**
  - Eoin B. Stafford, Director of Sporting Goods Sales  
Formerly General Manager with H&K, USA
- **Reorganized Sales Force**
- **Increase focus on high margin segments**
  - Engraving
  - Performance Center
  - Custom Guns
- **New Products: S&W 460, S&W 500, 1911's, etc.**
- **New Marketing Programs**
  - Event Marketing
  - Consumer Pull Marketing Promotions



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# Handgun Growth Strategy

## New Channel Strategy: Military/Federal Government

- **New Leadership**
  - Ernest Langdon, Director of Federal Law Enforcement & Military Sales
  - Formerly Operations Manager, Law Enforcement Sales with Beretta
  - Tactical training provider to law enforcement and military
  - Multiple national and world titles in competitive shooting sport
- **Lobbying efforts underway**
  - Hired major lobbying firm
  - Regular CEO visits to Washington
- **First contract secured**
  - April 2005: Pistols for Afghan Army via US Army
- **New M&P pistol to be launched in Fall 2005**



# Handgun Growth Strategy

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## New Channel Strategy: Law Enforcement

- **New Leadership In Place**
  - Two top sales executives from Glock
- **Expanding Sales Force**
- **New M&P pistol ready for launch**
  - Designed to support police/military needs
  - Previewed by a dozen law enforcement agencies
    - Very positive response
  - Launch Date: Fall 2005



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# Handgun Growth Strategy

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## New Channel Strategy: International

- **New Leadership: Amaro Goncalves, Director of International Sales**  
**Formerly Director International Sales, Colt Firearms**
- **New Products**
  - **Geared toward law enforcement & military**
- **Lobbying underway**
  - **Shorten/lessen federal export approval requirements**
- **Established sales channel and revenue base**
  - **Expanding international sales presence**
  - **Upgrading sales agents by country**
    - **Europe, Latin America, Asia, Middle East**



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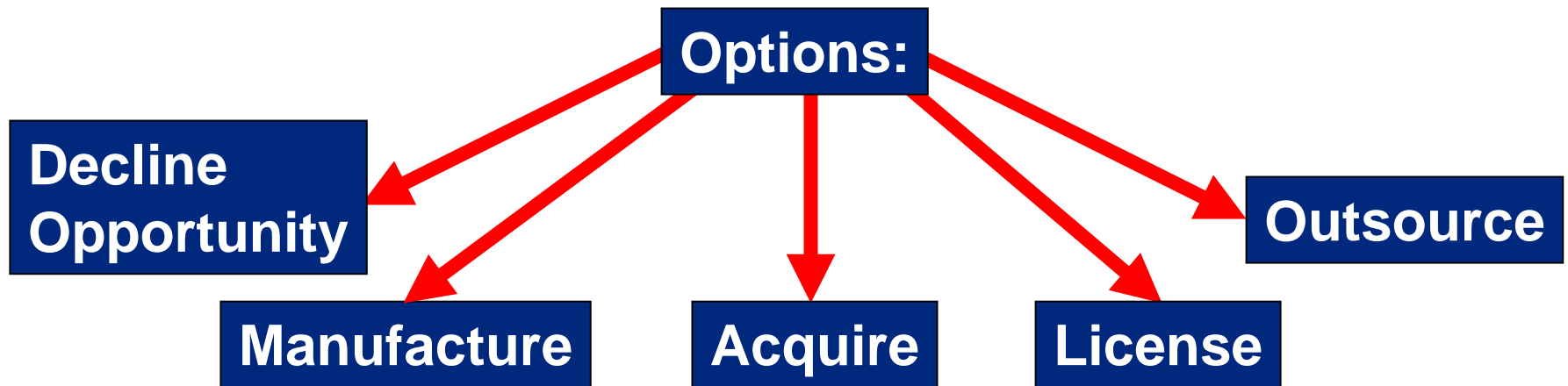




# New Market Opportunities & Options

## Safety...Security...Protection...Sport

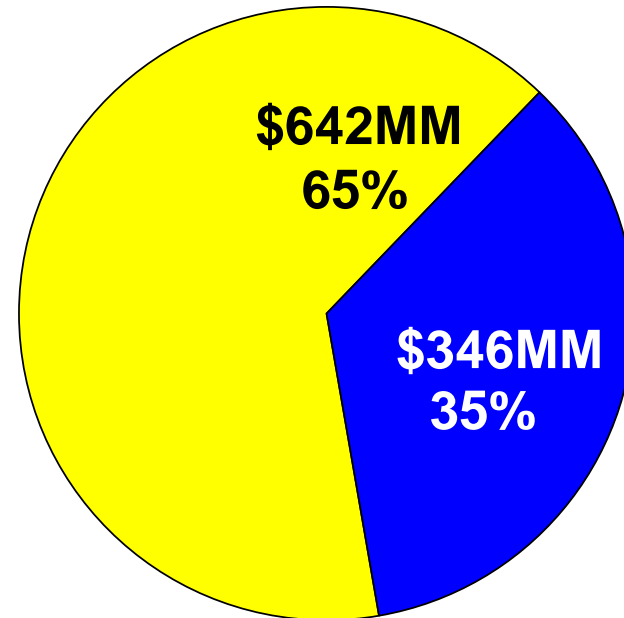
- Less Lethal
- Long Guns
  - Shotguns
  - Hunting Rifles
  - Tactical Rifles
- Ammunition
- Security Systems
- Training/Ranges
- Criminal Investigation
- Homeland Defense Products/Services
- Other...



# Long Gun Market: \$1B

2004 U.S. DOMESTIC NON-MILITARY MARKET – RIFLES & SHOTGUNS

Recently announced appointment of Steven Skrubis as Long Gun Product Manager to evaluate potential entry into the long gun market



SOURCE: BATF 2004 Excise Tax Study and Smith & Wesson Management Estimates



# The Brand: Licensing Opportunities

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- **New leadership in licensing: Bobbie Hunnicutt, VP Licensing**
- **2005 Licensing Revenue: \$1.8M**
  - **Hearing and Eye Protection, Body Armor, Knives, Safes, Soft Air Guns, etc.**
- **Target: Grow Licensing Revenue 3-5X by 2008**
  - **New Possibilities: Monitored Security Systems, Ammunition, Truck and Hunting Accessories**
- **Focus: Use licensing to serve brand loyalty opportunities, and aggressively pursue initiatives that fall within:**

**Safety...Security...Protection...Sport**



# The Brand: Re-Inventing a Legacy

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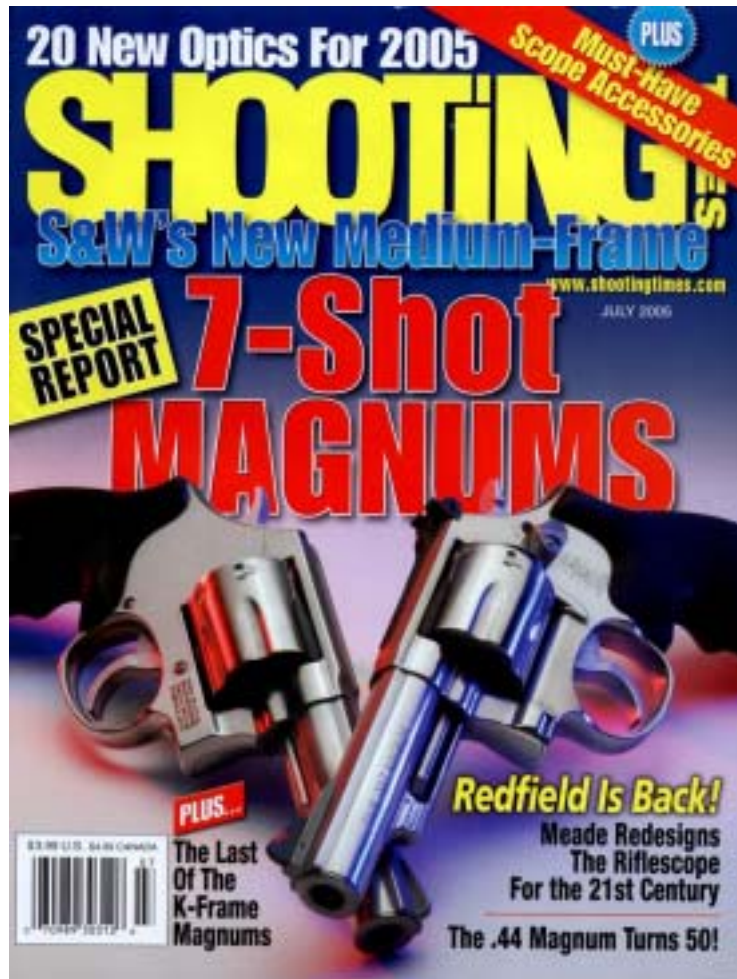
**Inconsistent Message to a Limited Audience**

**GOAL**

**“Loud” and Visible Brand With a  
Consistent Message to a Diverse Audience**



# Editorial Blitz: Dominating Trade Press



- Smith & Wesson has achieved 25 trade magazine covers in the past 8 months; an unprecedented accomplishment
- Smith & Wesson has consistently had more editorial coverage than its major competitors

# Marketing Initiatives

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- Continued New Product Innovation
- Editorial Blitz: Dominating the Trade Press
- Contemporary and Consistent Advertising: Print/Television
- TV Show: Smith & Wesson USA
- Entertainment Marketing
- Internet Marketing
- NASCAR
- Customer Affinity Programs: Club 1852



# Operations / Manufacturing

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- **New Leadership: Ken Chandler, VP Operations**
  - **New Equipment**
  - **Process Improvement**
  - **Supply Chain Management**
  - **Capacity Expansion**
  - **Lean Manufacturing**
  - **Strengthening Management Team**



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# Driving Gross Margin Improvement

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- **Production Rates up Significantly**
  - Revolvers — 755 per day vs. 526 per day in December 2004
  - Pistols — 550 per day vs. 244 per day in December 2004

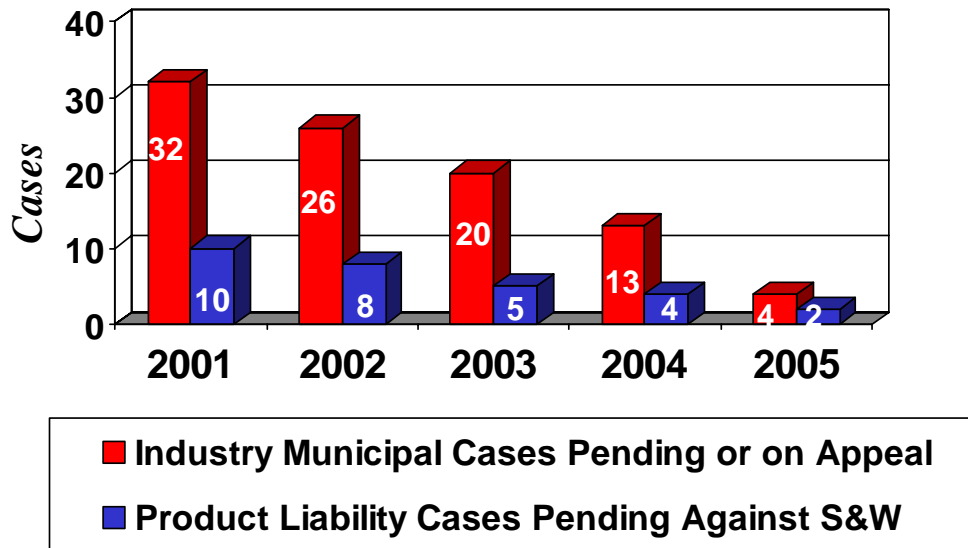
		Dec- May
<b>Revolvers</b>	Guns Per Day	44%
<b>Pistols</b>	Guns Per Day	125%

- **Objectives for 2006 include**
  - Sales Growth
  - Margin Expansion
  - On Time Delivery





# Litigation Trends



## Legislation

- The *Protection of Lawful Commerce in Arms Act* passed by the Senate on July 29, 2005 and currently under review by the House
- The *Class Action Fairness Act of 2005* signed into law February 2005



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# Balance Sheet Summary

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<b>April 30, 2005</b>	
Cash & Cash Equivalents	\$4.1
Accounts Receivable	\$18.4
Working Capital	\$23.0
Accounts Payable	\$12.0
Notes Payable	\$17.6
Equity	\$27.1
Total Shares Outstanding	32.0

\*In Millions



# Income Statement Summary

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Year Ended April 30, 2005		
	2004	2005
Revenue	\$117.9	\$124.0
Gross Profit	\$39.1	\$40.9
Operating Income	\$4.8	\$11.2
Net Income	\$0.8	\$5.2
EPS	\$0.02	\$0.14

\*In millions except for per share date



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# Annual Guidance

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	<u>2006 Guidance</u>	<u>2005 Actual</u>
<b>Net Product Sales:</b>	<b>+10 – 12 %</b>	<b>\$124.0m</b>
<b>Income:</b>	<b>\$6.3 - \$6.9M*</b>	<b>\$5.2 M*</b>
<b>Earnings Per</b>		
<b>Fully Diluted Share:</b>	<b>\$0.17- \$0.18*</b>	<b>\$.14*</b>

\*Guidance takes into account expected adjustments to reflect the early adoption of Statement of Financial Accounting Standard No. 123R, Share-Based Payment. That adoption is expected to result in approximately \$ 1.7 million in expense fiscal 2006 as compared to \$626 thousand in fiscal 2005. See full discussion in company's 10k filing.



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# Summary: Investment Highlights

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- **A Turnaround: New Management Team**
- **A New Market Approach...Safety, Security, Protection, Sport**
- **A Strong, Untapped Legacy Brand**
- **Growth Opportunities in Core Business & New Markets**
- **A Robust Pipeline of New Products**
- **Positive Litigation Trends**
- **Productivity Enhancement Opportunities Underway**

