

# Smith & Wesson

**Michael Golden, President/CEO**  
**John Kelly, CFO**

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# Smith & Wesson Holding Corporation

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

- **Coupling brand strength with innovation to deliver:**
  - **Growth in core firearms business**
  - **Diversification into new markets**

**NASDAQ: SWHC**

**Shares Outstanding: 40,026,711**

**Price: \$13.01 (at 9-13-06) Market**

**Cap: \$521MM**



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# Investment Highlights

- Seasoned Leadership Team with World Class Experience



- Delivering Solid Revenue & Earnings Growth
- Launching Innovative Products
- Enhancing Productivity to Fuel Margin Growth
- Driving Value Through Brand Licensing Strategy
- Getting attention in Washington



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# Company Profile

## 154 Year Old American Company

- Largest U.S. Manufacturer of Handguns & Handcuffs
- Market Share: #1 in Revolvers, #3 in Pistols
- New entrant in Tactical Rifle Market
- 854 Employees
- Two Union-Free, U.S. Factories:
  - Springfield, MA
  - Houlton, ME



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# **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>Tactical Rifles</b>	<b>#1</b>	<b>(entered 2006)</b>
<b>Hunting Rifles</b>	<b>#3</b>	<b>(not served)</b>
<b>Shotguns</b>	<b>#3</b>	<b>(not served)</b>
<b>Security Systems</b>	<b>#3</b>	<b>(not served)</b>
<b>Ammunition</b>	<b>#4</b>	<b>(not served)</b>

**Source: American Sports Data - Nov, 2004**



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# Executing on the Strategy

Vision: A Company in the Global Business of  
**Safety...Security...Protection...Sport**



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# Growth Strategy

Use “Safety-Security-Protection-Sport” platform  
to enter new markets while driving  
27% core business growth fiscal 2007

## Dominate Handgun Market

- Innovative Products
- Law Enforcement
- Military/Federal Gov't
- International
- Sporting Goods

## Diversify into SSPS

- Long Guns
- Homeland Security
- Criminal Investigation
- Law Enforcement
- Defense

## Build and Leverage Brand

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



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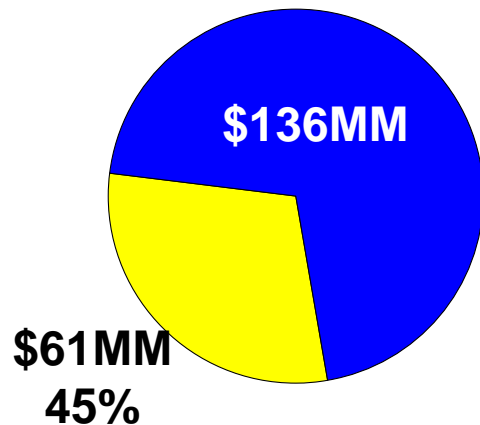




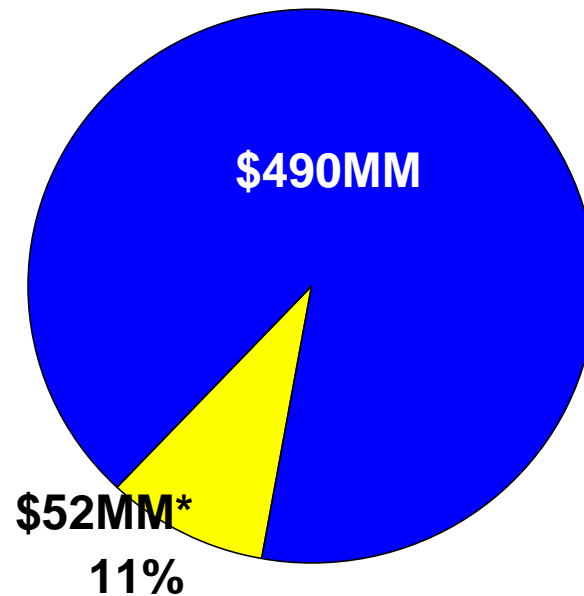
# Revolver / Pistol Market: \$626MM

2005 (CALENDAR) U.S. DOMESTIC NON-MILITARY MARKET – 2006 (FISCAL) S&W SALES

## Revolvers



## Pistols



S&W 2006 (Includes Walther Products)



Market 2005

\*Does not include \$10MM in Sigma Pistol Sales to U.S. Gov't for Afghan Military

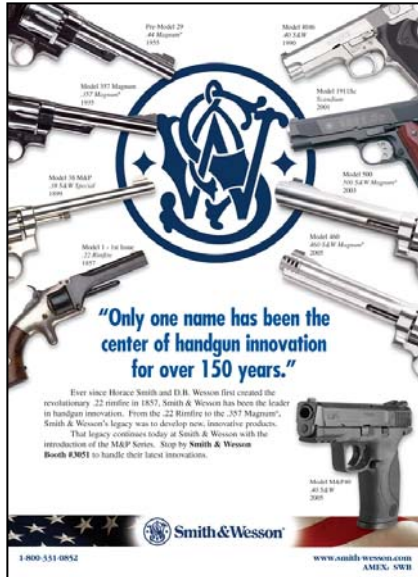
SOURCE: BATF 2005 Excise Tax Study & Smith & Wesson Management Estimates



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# 154 Years of Innovation



- Engineered with LE input to be the most feature rich duty firearm today



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# Channel Management Strategy

Local LE



Sporting Goods



Fed Gov't/Military



International



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# Strategy: Sporting Goods Channel

- **Growth in FY 2006: +19.4% (Q1: +36.7%)**
  - **Engraving/Performance Center & Commemoratives: +250%**
- **Sales Force Conversion: 30 U.S. Sales Employees**
- **New Product Support:**
  - **SW460, M&P40, M&P9, M&P15 Tactical Rifle Series**
- **Consumer “Pull” Promotions & Marketing**
  - **Shooting for Hawaii**
  - **NASCAR**
  - **Unrivalled editorial coverage**

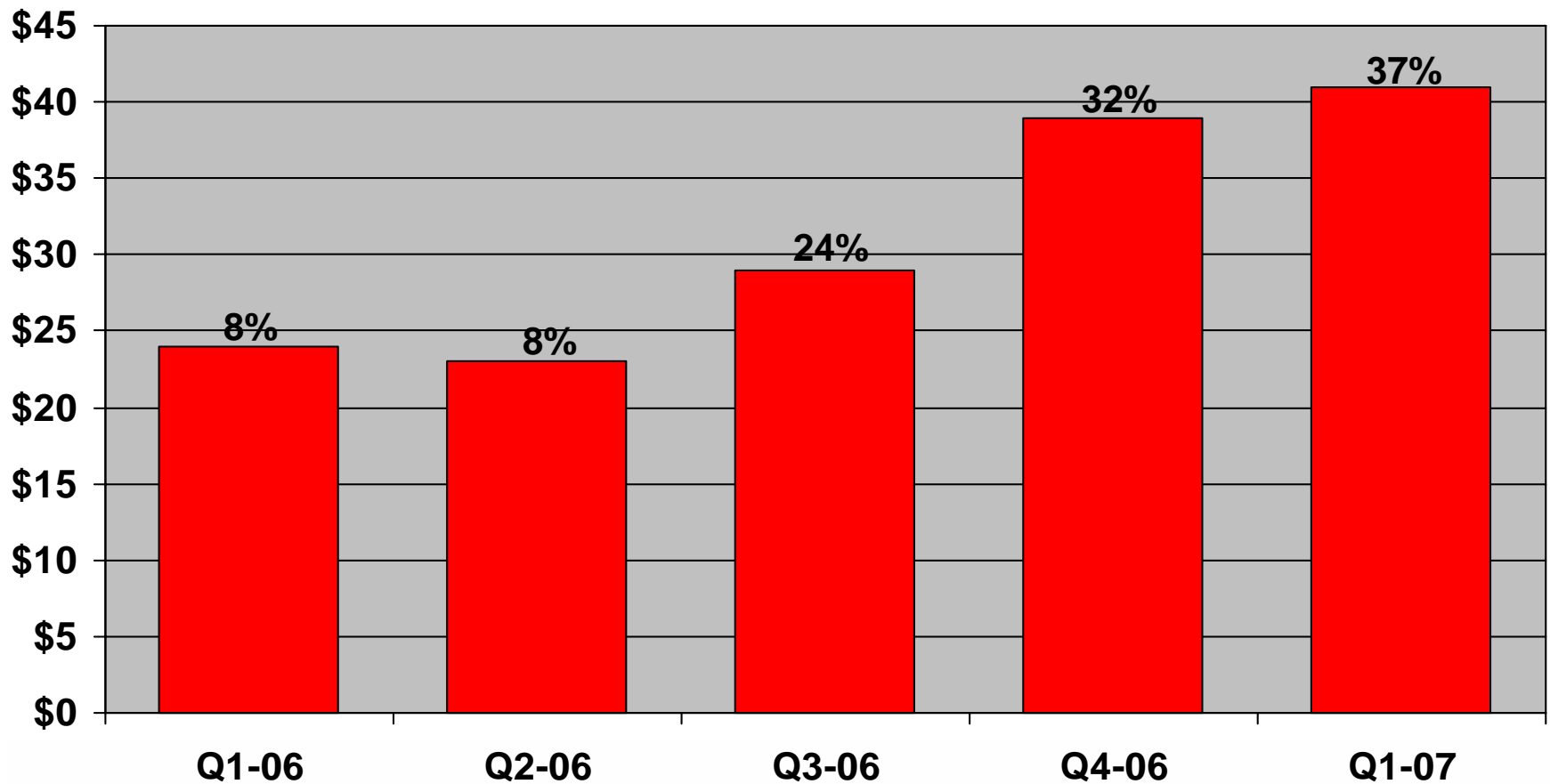


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# Sales Growth

## FY Sporting Goods Channel Sales (In Millions)



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# Strategy: Military/Federal Government

- **Growth in FY 2006: \$11MM vs \$0 in 2005. (Q1: 530%)**
  - **Won: Four orders / 75K Units – US Gov't to Afghanistan Military**
- **Regular Visits to Washington by CEO, COO, Lobby Firm**
  - **Increasing visibility on industry issues, potential orders**
  - **Quality products, made in America, by an American Company**
- **Robust M&P Product Portfolio: M&P40/9 Pistol, M&P15 Tactical Rifle;  
Next: M&P Compacts and M&P45 Pistol**
- **Several federal agencies testing M&P Pistol**



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# First U.S. Government Contract in 20 Years



- **75,000 Sigma Pistols** chosen by the U.S. Gov't for deployment with Afghan Military Police and Border Patrol
- **15,000 S&W Restraints** chosen by U.S. Gov't for use in Iraq



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# Strategy: Law Enforcement

- **Growth in Q1 FY 2007: 106.7%**
  - **Won: 106 LE Departments committed to M&P Pistol since Jan, 2006**
- **Smith & Wesson originally owned 98% of LE: today 10%**
  - **Market Size: 17,000 Departments and 800,000 Officers**
  - **Goal: Re-take leadership with M&P Pistols & Rifles**
- **Experienced Leadership:**
  - **Several sales posts held by former Glock sales leaders hired FY 2006**
- **New Product Support:**
  - **M&P40 – design with and for LE professionals**
  - **M&P9 Launched May, 2006 – preferred caliber internationally**
  - **M&P15 & M&P15T – Providing police with SWAT capability**
  - **M&P Compacts and M&P45 coming**



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# M&P Has Unprecedented Start



- M&P chosen in 106 LE Agencies
  - 15,000 Officers
  - 80% Win Rate
- Additional 140 LE Agencies currently testing



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# Strategy: International

- **Growth in FY 2006: 61.1%**
- **Established & expanding sales channel and revenue base**
  - **Upgrading sales agents to enhance contacts in police/military**
    - **Europe, Latin America, Asia, Middle East**
- **New Product Support:**
  - **M&P9: Domestic & international markets**
- **Lobbying focus:**
  - **Shorten Federal export approval timeline**
  - **Raise \$1MM Congressional approval export threshold**



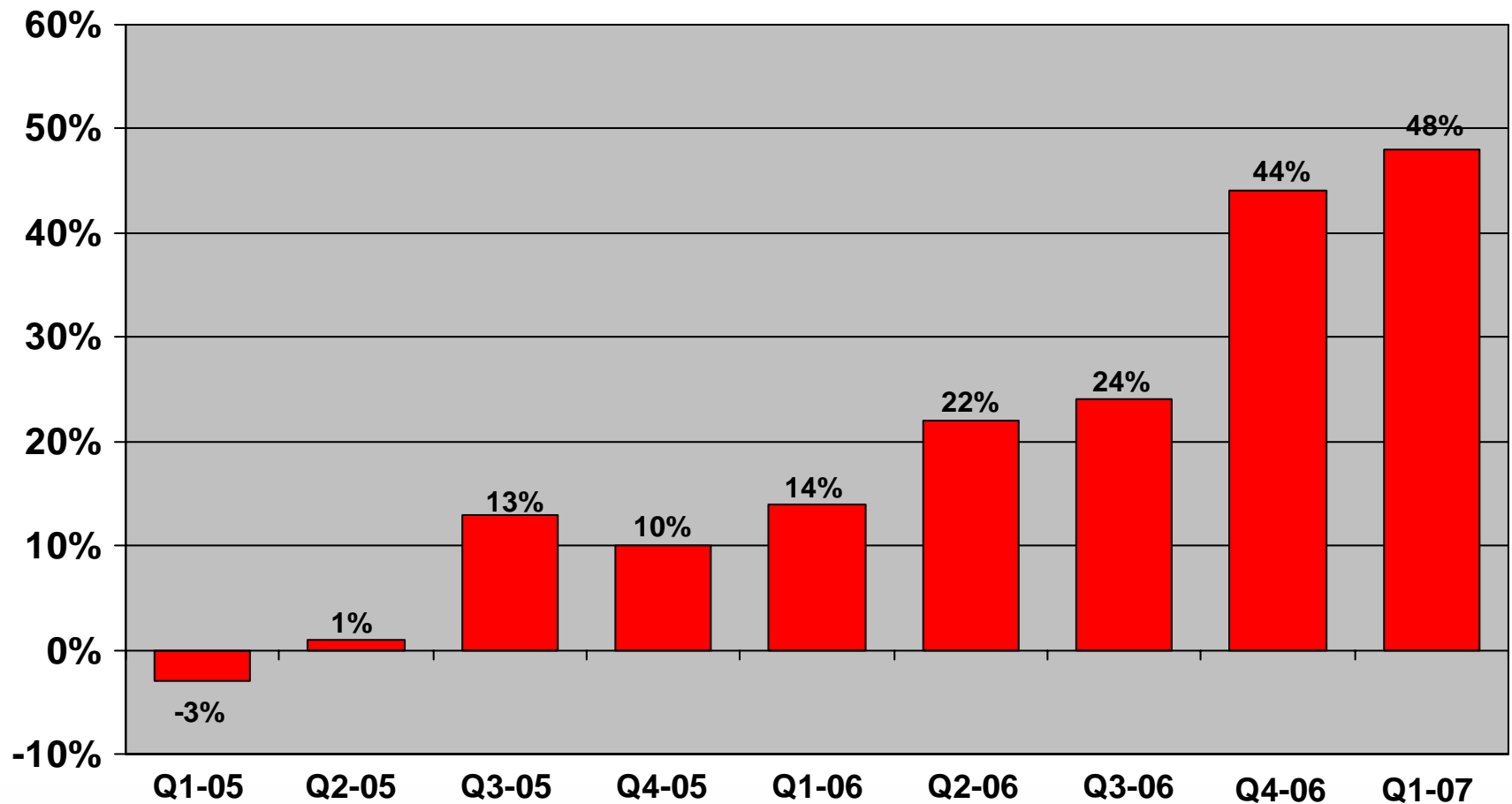
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# Smith & Wesson Handgun Sales

(Year over Year Growth %)



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# New Market Opportunities & Options

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

**Long Guns**

**Homeland  
Security**

**Criminal  
Investigation**

**Law  
Enforcement**

**Defense**

**Options:**

**Decline  
Opportunity**

**Outsource**

**Manufacture**

**Acquire**

**License**



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# Entering New Markets: Long Guns

## 2005 U.S. DOMESTIC NON-MILITARY MARKET

**Bolt Action Rifles**  
**\$506mm**  
**50% Share**

**Shotguns**  
**\$354MM**  
**35% Share**

**\$1 Billion**

**Tactical Rifles**  
**\$152MM**  
**15% Share**

SOURCE: BATF 2005 Excise Tax Study and Smith & Wesson  
Management Estimates

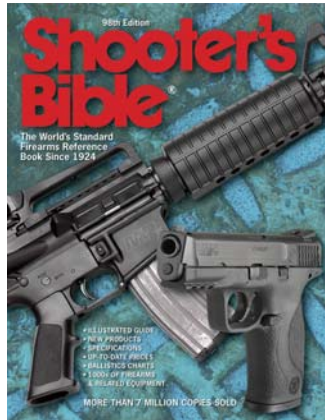
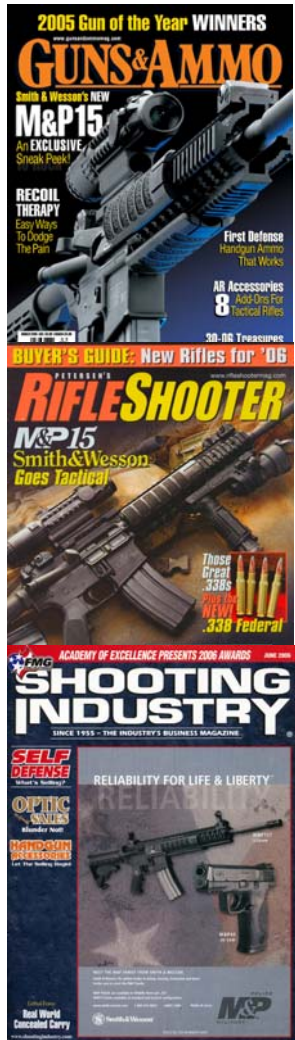
\*Based on top 3 distributors data (2005 vs. 2006)



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# M&P15 Tactical Rifle Series



- 6 Months: concept to shipments
- 28 LE commitments:
  - Including Las Vegas Metro P.D.
- Test & evaluation requests from 57 law enforcement agencies

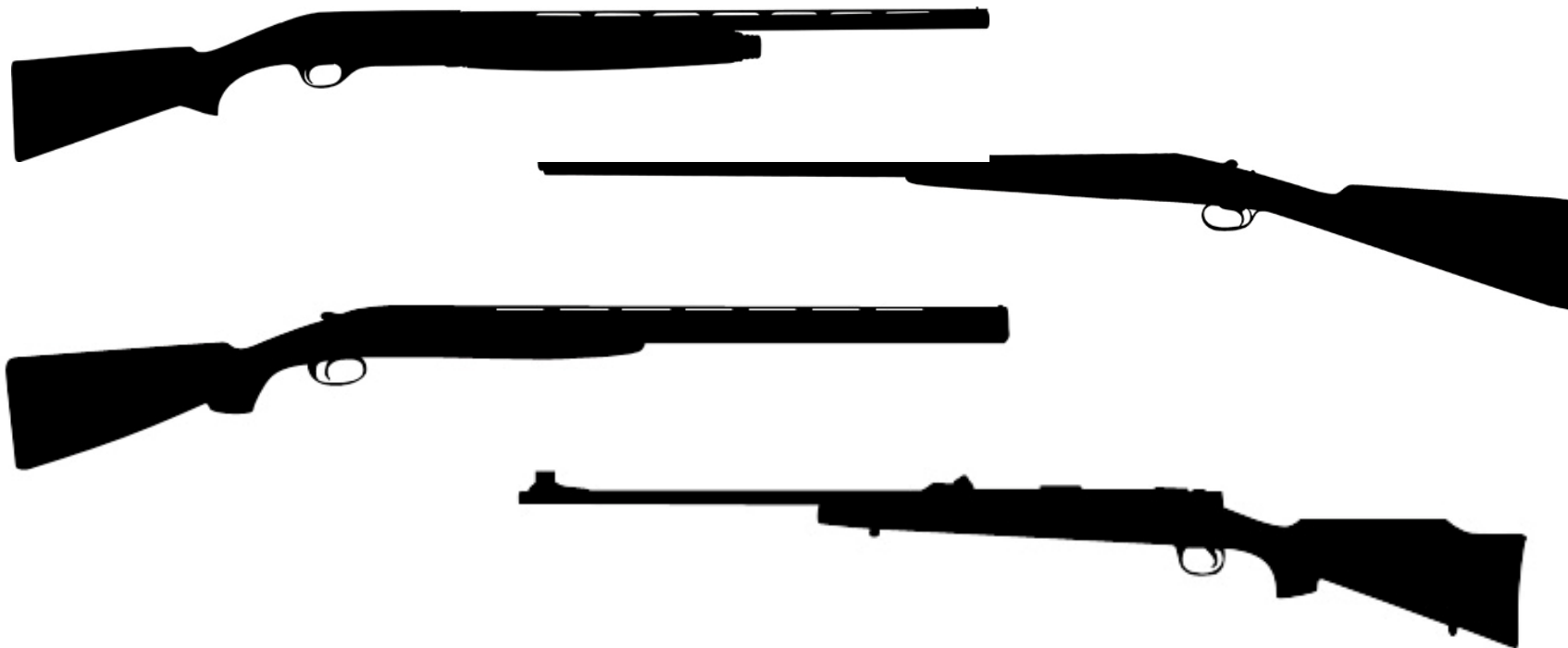
***"If you are a fan of the M4A1 Carbine, I can assure you that the new M&P Carbine is as good as it gets"***  
- Gary Paul Johnson, SWAT Magazine



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# New Markets: Long Guns



**Smith & Wesson Will Enter Additional Long Gun Markets by the 2007 Hunting Season**



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# Building the Brand: Licensing

- **Upgrading Retail Licensee Portfolio:**
  - **Gun Safes, Gun Cleaning Products, Hats/T-shirts, Automotive**

**Long Gun Accessories**

- **Establishing licensees in professional markets where Smith & Wesson can do business beyond licensing:**
  - **Explosive-detection equipment**
  - **New Possibilities:**

**Homeland  
Security**

**Criminal  
Investigation**

**Law  
Enforcement**

**Defense**

**Safety...Security...Protection...Sport  
& Brand Loyalty**



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# The Brand: Re-Energizing a Legacy



**Today: A “Loud” and Visible Brand with a Consistent Message to a Diverse Audience**



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[illegible]



# Enhancing Productivity

- **Achievements through FY 2006:**
  - Held inventory flat while growing sales +27%
  - On time delivery improved from 60% to 85%
  - Machine uptime improve from 60% to 80%
  - Guns/day output +40% vs Prior Yr
  - Guns/labor hour +20% vs Prior Yr

**New process  
reduced steps  
from 13 to 3**



- **Blending craftsmanship with technology:**
  - Implementing Smith & Wesson Operating System
  - Investing in Equipment and Technology
  - Technology Cell – Pistol Manufacturing
  - New machining / Equipment re-furbishing



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# Legislative Environment

## Protection of Lawful Commerce in Arms Act Signed into law October, 2005

- Pursuing Opportunities in Washington to:
  - Raise Export Approval Threshold
  - Secure U.S. Military Pistol Opportunity
  - Supply Iraq / Afghanistan Weapons & Restraints
  - Win Federal Agency Orders (FBI, NSA, DEA, etc.)



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# Income Statement Summary

Year Ended April 30			
	2004	2005	2006
Sales	\$117.9	\$124.0	\$157.9
Gross Profit	\$39.1	\$40.9	\$49.6
Operating Income	\$4.8	\$11.2	\$14.5
Net Income	\$0.8	\$5.2	\$8.7
EPS	2¢	14¢	22¢

**Sales: +27%**

**Net Income: +66%**

\*In millions except for per share data



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# Balance Sheet Summary

July 31, 2006	
Cash & Cash Equivalents	\$1.3
Accounts Receivable	\$27.0
Working Capital	\$23.7
Accounts Payable	\$13.5
Notes Payable	\$18.6
Equity	\$46.1
Total Shares Outstanding	39.5

\*In Millions



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# Income Statement Summary

Quarter Ended July 31		
	2005	2006
Net Product Sales	\$31.8	\$47.6
Gross Profit	\$9.6	\$16.7
Operating Income	\$4.8	\$5.9
Net Income	\$2.7	\$3.4
EPS	7¢	8¢

**Sales: +49%**

**Net Income: +26%**

\*In millions except for per share data



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# Annual Guidance

	FY2005 Actual	FY2006 Actual	FY2007 Guidance
Net Product Sales	\$124.0MM	\$157.9MM	\$200.0MM
% Increase	5%	27%	27%
Net Income	\$5.2MM	\$8.7MM	\$15.0MM
Earnings per Fully Diluted Share:	14¢	22¢	36¢



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