UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 30, 2021

OR

☐ **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 001-36401

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.
(Exact name of Registrant as specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**39-1975614** **(I.R.S. Employer Identification No.)**
1475 West 9000 South Suite A West Jordan, Utah **(Address of principal executive offices)**	**84088** **(Zip Code)**

Registrant's telephone number, including area code: **(801) 566-6681**

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 $0.01 per share	SPWH	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 August 1, 2020, the last business day of the registrant's most recently completed second quarter, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The Nasdaq Stock Market on such date, was $694,897,431. Shares held by each executive officer and director and by each other person or entity deemed to be an affiliate have been excluded in such calculation. The determination of affiliate status is not necessarily a conclusive determination for other purposes.
The number of shares of Registrant's Common Stock outstanding as of April 2, 2021 was 43,648,226.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the Registrant's Definitive Proxy Statement relating to the 2021 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of the 2020 fiscal year, are incorporated by reference into Part III of this Report.

Table of Contents

References throughout this document to "Sportsman's Warehouse," "we," "us," and "our" refer to Sportsman's Warehouse Holdings, Inc. and its subsidiaries, and references to "Holdings" refer to Sportsman's Warehouse Holdings, Inc. excluding its subsidiaries.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "10-K") contains statements that constitute forward-looking statements as that term is defined by the Private Securities Litigation Reform Act of 1995. These statements concern our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition, which are subject to risks and uncertainties. All statements other than statements of historical fact included in this 10-K are forward-looking statements. These statements may include words such as "aim," "anticipate," "assume," "believe," "can have," "could," "due," "estimate," "expect," "goal," "intend," "likely," "may," "objective," "plan," "positioned," "potential,""predict," "should," "target," "will," "would" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events or trends. For example, all statements we make relating to our plans and objectives for future operations, growth or initiatives and strategies are forward-looking statements. The forward-looking statements also include assumptions about our proposed merger with Great Outdoors Group, LLC ("Great Outdoors Group"), a subsidiary of Great American Outdoors, Inc..

These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management's beliefs and assumptions. We derive many of our forward-looking statements from our own operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that predicting the impact of known factors is very difficult, and we cannot anticipate all factors that could affect our actual results.

All of our forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from our expectations. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- *the potential impact of, and any potential developments related to, the proposed merger with Great Outdoors Group, including the risk that the conditions to the consummation of the merger are not satisfied or waived, litigation challenging the merger, the impact on our stock price, business, financial condition and results of operations if the merger is not consummated, and the potential negative impact to our business and employee relationships due to the merger;*
- *current and future government regulations, in particular regulations relating to the sale of firearms and ammunition, which may impact the supply and demand for our products and our ability to conduct our business; the COVID-19 pandemic and measures intended to reduce its spread; our retail-based business model which is impacted by general economic and market conditions and economic, market and financial uncertainties that may cause a decline in consumer spending;*
- *our concentration of stores in the Western United States which makes us susceptible to adverse conditions in this region, and could affect our sales and cause our operating results to suffer;*
- *the highly fragmented and competitive nature of our industry in which we may face increased competition;*
- *changes in consumer demands, including regional preferences, which we may not be able to identify and respond to in a timely manner; and*
- *entrance into new markets or operations in existing markets, which may not be successful.*

The above is not a complete list of factors or events that could cause actual results to differ from our expectations, and we cannot predict all of them. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements disclosed under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this 10-K, as such disclosures may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission (the "SEC"), including subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, and public communications. You should evaluate all forward-looking statements made in this 10-K and otherwise in the context of these risks and uncertainties.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on any forward-looking statements we make. These forward-looking statements speak only as of the date of this 10-K and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties and other factors that in many cases are beyond our control. Except as required by law, we undertake no obligation to update or revise any forward-looking statements publicly, whether as a result of new information, future developments or otherwise.

PART I

Item 1. BUSINESS

Overview

Sportsman’s Warehouse is an outdoor sporting goods retailer focused on meeting the everyday needs of the seasoned outdoor veteran, the first-time participant, and everyone in between. Our mission is to provide outstanding gear and exceptional service to inspire outdoor memories. We strive to accomplish this goal by tailoring our broad and deep merchandise assortment to meet local conditions and demand, offering everyday low prices, providing friendly support from our knowledgeable and highly trained staff, and offering a top-tier e-commerce experience, extensive in-store events and educational programming. These core strategies help position Sportsman’s Warehouse as the “local outdoor experts” and the preferred place to not only shop, but to also share outdoor-based experiences in the communities we serve. As a result, we are growing our loyal customer base in existing markets, expanding our footprint into new markets, and increasing our omni-channel presence in both new and existing markets, which we believe will further drive our growth and profitability.

Sportsman’s Warehouse was founded in 1986 as a single retail store in Midvale, Utah and has grown to 112 stores across 27 states. Today, we have the largest outdoor specialty store base in the Western United States and Alaska. Our stores range from 7,500 to 65,000 gross square feet, with an average size of approximately 40,000 gross square feet. Our store layout is adaptable to both standalone locations and strip centers. We believe it is less capital-intensive for us to open new stores compared to our principal competitors because our “no frills” store layout requires less initial cash investment to build out and our stores generally require less square footage than the stores of our competitors. We also have the largest offering of firearms available online for in-store purchase and buy-online-pickup-in-store when compared to the offerings of our major competitors. Together, these features and capabilities enable us to effectively serve markets of multiple sizes, from Metropolitan Statistical Areas (“MSAs”) with populations of less than 75,000 to major metropolitan areas with populations in excess of 1,000,000, while generating consistent four-wall adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA” see “—Non-GAAP Measures.”), margins and returns on invested capital across a range of store sales volumes. We may post information that is important to investors on our website from time to time. The information provided on our website is not part of this report and is, therefore, not incorporated herein by reference.

Proposed Merger with Great Outdoors Group, Inc.

On December 21, 2020, Sportsman’s Warehouse entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Great Outdoors Group, a Delaware limited liability company, and Phoenix Merger Sub I, Inc., a Delaware corporation and a wholly-owned subsidiary of Great Outdoors Group (“Merger Subsidiary”).

Pursuant to the terms and conditions set forth in the Merger Agreement, Merger Subsidiary will be merged with and into Sportsman’s Warehouse (the “Merger”), with Sportsman’s Warehouse continuing as the surviving corporation in the Merger and a wholly-owned subsidiary of Great Outdoors Group. Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the “Effective Time”), each share of Sportsman’s Warehouse common stock, par value $0.01 per share (the “Shares”), outstanding immediately prior to the Effective Time (other than such Shares held by (i) Great Outdoors Group, Merger Subsidiary, or any other subsidiary of Great Outdoors Group, (ii) Sportsman’s Warehouse or its subsidiaries, as treasury stock or (iii) stockholders of Sportsman’s Warehouse who properly exercised their appraisal rights for such Shares under the Delaware General Corporation Law) will automatically be cancelled and converted into the right to receive $18.00 per Share in cash, without interest and less any applicable withholding taxes (the “Per Share Merger Consideration”). In addition, at or immediately prior to the Effective Time, each award of restricted stock units with respect to Shares (each an “RSU Award”) that is outstanding immediately prior to the Effective Time will be cancelled and converted into the right to receive an amount in cash equal to product of (x) the number of Shares subject to such RSU Award immediately prior to the Effective Time (provided that (1) as to any such RSU Award that is subject to performance-based vesting conditions, such number of Shares will be determined in accordance with the change of control provision of the applicable award agreement for such RSU Award, and (2) as to any such RSU Award that is granted after the December 21, 2020 and provides for pro-rata vesting should the Effective Time occur within six months after the grant date of such award, such number of Shares will be determined based on such pro-rata vesting provision of the applicable award agreement for such RSU Award), multiplied by (y) the Per Share Merger Consideration.

The Merger Agreement has been unanimously adopted by the board of directors of Sportsman's Warehouse (the "Board"), and the stockholders of Sportsman's Warehouse approved the Merger at the special stockholders meeting held on March 23, 2021.

Completion of the Merger is subject to the satisfaction of several conditions, including: (i) the expiration or termination of any applicable waiting period (and any extensions thereof) relating to the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); (ii) the absence of any order, injunction, or other judgment by any governmental authority of competent jurisdiction that enjoins or otherwise prohibits the consummation of the Merger; (iii) the accuracy of each party's representations and warranties (subject to certain qualifications); (iv) each party's performance in all material respects of its obligations contained in the Merger Agreement; and (v) the absence of a material adverse effect on Sportsman's Warehouse.

As noted, the Merger is subject to the requirements of the HSR Act and the related rules and regulations, which provide that certain transactions may not be completed until required information has been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and the Federal Trade Commission ("FTC") and until certain waiting periods have been terminated or have expired. On January 6, 2021, Sportsman's Warehouse and Great Outdoors Group filed their respective notification and report forms under the HSR Act with the Antitrust Division and the FTC, which triggered the start of the HSR Act waiting period. On February 5, 2021, each of Sportsman's Warehouse and Great Outdoors Group received a request for additional information and documentary materials, commonly referred to as a "second request," from the FTC pursuant to the HSR Act in connection with the Merger. The FTC's "second request" extends the applicable waiting period relating to the Merger until 30 days after both Sportsman's Warehouse and Great Outdoors Group have complied with the "second request," unless the waiting period is terminated earlier by the FTC or voluntarily extended through an agreement between Sportsman's Warehouse and Great Outdoors Group and the FTC. Sportsman's Warehouse and Great Outdoors Group will continue to cooperate with the FTC staff in its review of the Merger.

Either Sportsman's Warehouse or Great Outdoors Group may terminate the Merger Agreement in certain circumstances, including if (i) the Merger has not been consummated by September 17, 2021, which date will be automatically extended until December 16, 2021 if any applicable waiting period (and any extensions thereof) under the HSR Act relating to the Merger has not expired or been terminated on or prior to September 17, 2021, (ii) any restraint is in effect permanently enjoining or otherwise permanently prohibiting the consummation of the Merger, and such restraint has become final and non-appealable, or (iii) the other party breaches, and does not timely cure, any of its representations or covenants in the Merger Agreement that would cause the related condition to such party's obligation to consummate the Merger to not be satisfied, in each case subject to the terms and conditions set forth in the Merger Agreement. Under specified circumstances, Great Outdoors Group may be required to pay Sportsman's Warehouse a termination fee of $55,000,000.

Assuming receipt of required clearance pursuant to the HSR Act and timely satisfaction of the other then-remaining conditions to closing, we currently expect the closing of the Merger to occur in the second half of calendar year 2021.

Our Competitive Strengths

We believe the following competitive strengths allow us to capitalize on the growth opportunity within the outdoor activities and sporting goods market:

Differentiated Shopping Experience for the Seasoned Outdoor Veteran, the First-Time Participant and Everyone in Between. We place great emphasis on creating an inviting and engaging store experience for customers of all experience levels. For the seasoned outdoor veteran, we offer a one-stop, convenient store layout that promotes "easy-in, easy-out" access to replenish supplies, learn about local conditions and test products. We also serve first-time participants and casual users who are interested in enjoying the outdoors but enter our store without a clear sense for the equipment needed for their chosen activity. Our highly trained employees, who often are local outdoor enthusiasts and users of the products we sell, engage and interact with our customers in order to educate them and equip them with the right gear. Our sales associates draw upon formal vendor sales training as well as first-hand experiences from using our products in local conditions. This selling approach allows us to offer a broad range of products and to deliver a shopping experience centered on the customer's needs, which we believe results in increased customer loyalty, repeat visits and frequent referrals to other potential customers.

A customer's shopping experience in our stores is further enhanced by a variety of helpful in-store offerings and features, including access to hunting and fishing licenses, local fishing reports, Sportsman's News (our proprietary in-store newspaper), the Braggin' Board (where customers can post photos of their outdoor adventures), indoor test ranges for archery equipment and displays of customer-owned taxidermy. In addition, we host a variety of in-store programs (such as ladies' night), contests (such as Bucks & Bulls, a free-to-enter big-game trophy contest) and a wide range of instructional seminars (such as turkey frying and firearm operation and safety). These programs are all designed to help our customers connect with the outdoors and build the skills necessary to maximize enjoyment of their chosen activities. As a result, we believe our stores often serve as gathering spots where local enthusiasts can share stories, product knowledge and advice on outdoor recreation activities, which drives traffic and fosters customer loyalty.

Our in-store experience is further complimented by our top-tier e-commerce experience available on our website, sportsmans.com. We also offer the ability for our customers to buy our product on-line and pick up their order in any of our stores.

Locally Relevant Merchandise Serving the Comprehensive Needs of Outdoor Enthusiasts at a Compelling Value. We offer our customers an extensive and carefully selected assortment of branded, high-quality outdoor products at competitive prices. We accomplish this primarily in three ways:

- *Locally Relevant Merchandise*: We carry over 30,000 SKUs on average in a single store, out of Sportsman's Warehouse's total of approximately 148,000 SKUs. Each store's merchandise is tailored to meet local conditions and consumer demand, which takes into account seasonal and weather requirements, regional game and fishing species and key demographic factors, so that our customers have access to the appropriate product at the right time for their geography.

- *Breadth and Mix of Product Assortment*: Our merchandise strategy is designed to serve a variety of purchasing occasions and user experience levels, from big-ticket items to consumables, and from first-time participants to seasoned outdoor veterans. We pride ourselves on carrying an extensive selection of branded good, better and best hard goods at everyday low prices. Approximately 40% of our unit sales and 19% of our dollar sales during fiscal year 2020 were consumables, such as ammunition, bait, cleaning supplies, food, certain lures, propane and reloading supplies. We believe our broad array of in-stock consumable goods appeals to a broad range of customers and drives repeat traffic as well as increased average ticket value.

- *Strong Vendor Relationships*: We believe our vendors find our brand-centric, high-service store concept to be unique among national specialty outdoor retailers. Our attractive store locations, consistent presentation of merchandise and thorough product training present a compelling opportunity for our vendors to offer their brands to local markets. As a result, we believe we are able to negotiate favorable terms with our vendors that are similar to those offered to our principal competitors that are larger in size. We share the benefits of these strategic vendor relationships with our customers through everyday low prices, enhanced access to certain products that are limited in production and special make-up products sold exclusively at Sportsman's Warehouse

Flexible and Adaptable Real Estate Strategy. We believe that our store model, combined with our rigorous site selection process, is a competitive advantage that enables us to better address the needs of markets of varying sizes and geographies. Our stores vary in size from approximately 7,500 to 65,000 gross square feet. We have had success with leasing existing sites, constructing new build-to-suit sites and purchasing existing stores and converting them to the Sportsman's Warehouse brand. Our flexible store model permits us to serve both large metropolitan areas, like Phoenix, Arizona, and smaller MSAs, like Soldotna, Alaska, while generating consistent four-wall Adjusted EBITDA margins and returns on invested capital across a range of store sales volumes. In small- to medium-sized markets, we are often able to establish ourselves as a standalone destination for our customers; in larger markets, we have successfully leveraged existing infrastructure to open stores in shopping plazas near complementary retailers, drawing upon existing foot traffic. We believe our low-cost, flexible model allows us to access both large and small markets more economically than many of our peers.

We maintain a disciplined approach to new store development and perform comprehensive market research before selecting a new site, including partnering with specialized, third-party local real estate firms. We select sites based on criteria such as local demographics, traffic patterns, density of hunting and fishing license holders in the area, abundance of hunting and fishing game and outdoor recreation activities, store visibility and accessibility, purchase data from our existing customer database and availability of attractive lease terms. We have established productive relationships with well-regarded commercial real estate firms and believe that we are a sought-after tenant, given the strength of the Sportsman's Warehouse brand, the high volume of customers that visit our stores and our strong financial performance since becoming a public company. As a result, we continue to have access to desirable retail sites on attractive terms.

Low Cost Operating Structure with Attractive and Replicable Store Economics. We strive to maintain a lower operating cost structure than many of our key competitors, which allows us to serve small- to medium-sized markets as well as larger MSAs. We achieve this through discipline and financial rigor around store-level expenses, real estate costs and corporate overhead. In addition, we utilize efficient, localized marketing campaigns and our "no frills" warehouse store layout helps us maintain comparatively low operating costs and provides us with the opportunity to achieve four-wall Adjusted EBITDA margins of 10% or more for stores in most new markets. Our typical new store requires an average net investment of approximately $2.0 million, which includes store build-out (net of contributions from landlords) and pre-opening cash expenditures. In addition, we stock each new store with initial inventory at an average cost of approximately $2.2 million. We target a pre-tax return on invested capital within one year after opening of over 50% excluding initial inventory cost (or over 20% including initial inventory cost), although our historical returns have often exceeded these thresholds. As of the end of fiscal year 2020, the majority of our stores that had been open for more than twelve months were profitable and those stores had an average four-wall Adjusted EBITDA margin of 17.0%. We believe this low-cost, capital-efficient approach also allows us to successfully serve markets that are not well-suited for the more capital-intensive store models of our key competitors. Approximately 59% of our markets currently lack another nationally recognized outdoor specialty retailer, which we believe is a result of these dynamics.

Significant New Store Growth Opportunity within Existing and New Markets. As of January 30, 2021, we operated 112 stores across 27 states, primarily in the Western United States and Alaska, with a presence in these markets that is nearly three times that of the next largest outdoor retailer. We believe our leadership position in the Western United States, combined with our existing scalable infrastructure, provides a strong foundation for continued expansion within our core markets as well as expanding into new geographies.

Passionate and Experienced Management Team with Proven Track Record. We are focused on delivering an unsurpassed shopping experience to anyone who enjoys the excitement of the outdoors. This passion and commitment is shared by team members throughout our entire organization, from senior management to the employees in our stores. Our senior management team has an average of over 20 years of retail experience, with extensive capabilities across a broad range of disciplines, including merchandising, real estate, finance, compliance, store operations, supply chain management and information technology. We also pride ourselves on the long tenure of our more than 300 store managers and corporate employees, who on average have worked at Sportsman's Warehouse for over seven years.

Our Growth Strategy

We are pursuing a number of strategies designed to continue our growth and strong financial performance, including the following:

Growing Our Omni-Channel Presence and Increasing Our Same Store Sales Growth. We are committed to growing our omni-channel presence and increasing same store sales through a number of ongoing and new initiatives, including (i) improving the user experience on our website through continuous category optimization and personalization and product recommendations for online shopping, (ii) expanding our product assortment online (with the assistance of our vendor partners through drop ship and our Federal Firearms License ("FFL") dealer partners), refining our buy online, pick-up in store capabilities, expanding our apparel offerings and private label program (such as our proprietary Rustic Ridge™ and Killik™ apparel lines) and (iii) expanding our online content and expertise through live Q&A and customer reviews and providing exclusive online content, including news, buyer's guide, how to's and wild game recipes. Each of these ongoing and new initiatives is designed to foster additional shopping convenience, add deeper merchandise selection and provide more product information to the customer. We believe these initiatives have driven and will continue to drive additional traffic, improved conversion and increased average ticket value.

Continuing to Enhance Our Operating Margins. We believe that our expansion of our store base and growth in net sales will result in improved Adjusted EBITDA margins as we take advantage of economies of scale in product sourcing and leverage our existing infrastructure, supply chain, corporate overhead and other fixed costs. Furthermore, we expect to increase our gross profit margin by improving vendor terms with key suppliers, increasing sales of used firearms, selling more firearm service plans, expanding product offerings in our private label program, including our proprietary Rustic Ridge™ and Killik™ apparel lines, and continuing marketing initiatives in our higher-margin apparel and footwear departments. However, the gross profit margin gains will likely be partially offset by a negative impact from product mix. Specifically, firearms and ammunition are lower gross profit margin products as compared to other categories in our stores.

Growing the Sportsman's Warehouse Brand. We are committed to supporting our stores, product offerings and brand through a variety of marketing programs, private label offerings and corporate partnerships. Our marketing and promotional strategy includes coordinated print, digital and social media platforms. In-store, we offer a wide range of outdoor-themed activities and seminars, from turkey frying to firearm operation and safety. In addition, we sponsor community outreach and charity programs to more broadly connect with our local communities with the aim of promoting our brand and educating consumers. Finally, we are committed to local chapters of national and regional wildlife federations and other outdoor-focused organizations, such as Ducks Unlimited and the Rocky Mountain Elk Foundation. Many of our store managers and employees serve in senior positions in these organizations, which further strengthens our place as leaders in the local outdoor community. We believe all of these programs promote our mission of engaging with our customers and serving outdoor enthusiasts.

Expanding Our Store Base. We believe that our compelling new store economics and our track record of opening and acquiring successful new stores provide a strong foundation for continued growth through new store openings in existing, adjacent and new markets. Over the last three fiscal years, we have opened an average of eight stores per year, including the twelve stores we acquired from Dick's Sporting Goods in fiscal 2019 and 2020. We currently plan to open eight to twelve new stores in fiscal year 2021. Our target is to grow our square footage at a rate of 6% to 10% percent annually. Our longer-term plans include expanding our store base to serve the outdoor needs of enthusiasts in markets across the United States. We believe our existing infrastructure, including distribution, information technology, loss prevention and employee training, is capable of sustaining 120 or more stores without significant additional capital investment.

Our Stores

We operate 112 stores across 27 states as of January 30, 2021. Most of our stores are located in power, neighborhood and lifestyle centers. Power centers are large, unenclosed shopping centers that are usually anchored by three or more national supercenters, such as Target, Walmart and Costco. Neighborhood centers are shopping centers anchored by a supermarket or drugstore that provide convenience goods and services to a neighborhood. Lifestyle centers are shopping centers that combine the traditional functions of a shopping mall with leisure amenities such as pedestrian friendly areas, open air seating and inviting meeting spaces. We also operate several single-unit, stand-alone locations. Our stores average approximately 40,000 gross square feet.

The following table lists the location by state of our 112 stores open as of January 30, 2021:

	Number of Stores		Number of Stores
Washington	12	North Carolina	3
California	12	South Carolina	3
Utah	10	New York	2
Oregon	8	Kentucky	2
Arizona	8	Tennessee	2
Colorado	7	Minnesota	1
Idaho	6	Iowa	1
Wyoming	6	Indiana	1
Pennsylvania	5	Louisiana	1
Alaska	5	Mississippi	1
Nevada	4	North Dakota	1
New Mexico	3	Virginia	1
Michigan	3	West Virginia	1
Montana	3		

Store Design and Layout

We present our broad and deep array of products in a convenient and engaging atmosphere to meet the everyday needs of all outdoor enthusiasts, from the seasoned veteran to the first-time participant. We maintain a consistent floor layout across our store base that we believe promotes an “easy-in, easy-out” shopping experience. All of our stores feature wide aisles, high ceilings, visible signage and central checkouts with multiple registers. Sportsman’s Warehouse stores, true to their name, are designed in a “no frills” warehouse format that welcomes customers directly from or on the way to an outdoor activity. All of our stores also feature “store-within-a-store” concepts for certain popular brand partners, such as Yeti, Carhartt, Columbia Sportswear and Under Armour, through which we dedicate a portion of our floor space to these brands to help increase visibility and drive additional sales.

Our stores include locally relevant features such as a large fishing board at the entrance that displays current fishing conditions in local lakes and rivers with coordinating gear in end-cap displays in the fishing aisles. We actively engage our customers through in-store features (such as the “Braggin’ Board”), various contests (such as Bucks & Bulls and Fish Alaska), and customer-owned taxidermy displays on the walls. We also host in-store programs (such as ladies’ night) and a wide range of instructional seminars (such as Dutch oven cooking and choosing the right binocular). Annually, we organize approximately 3,000 programs across our stores for the benefit of our customers. We believe these programs help us to connect with the communities in which we operate and encourage new participants to build the skills necessary to become outdoor enthusiasts and loyal customers.

The retail stores and the distribution center have loss prevention employees who monitor an average of 55 cameras at each store and 250 cameras at the distribution center. These cameras are connected to digital video recorders (“DVRs”) that record at least 30 days of video. Cameras are monitored locally during store hours. In addition, all cameras are monitored centrally at our headquarters in our dedicated surveillance room, which has the capacity to monitor over 120 stores. This room is staffed continuously and provides off-hours monitoring and backup for all stores. Digital recorded video can be searched by pixel movement, which can quickly identify any loss prevention issue. Our sophisticated systems are a key factor in our shrink rates of approximately 1% and an important component of our comprehensive compliance program.

Expansion Opportunities and Site Selection

We have developed a rigorous and flexible process for site selection. We select sites for new store openings based on criteria such as local demographics, traffic patterns, density of hunting and fishing license holders in the area, abundance of hunting and fishing game and outdoor recreation activities, store visibility and accessibility, purchase data from our existing customer database and availability of attractive lease terms. Our store model is adaptable to markets of multiple sizes, from MSAs with populations of less than 75,000 to major metropolitan areas with populations in excess of 1,000,000. We have been successful both in remodeling existing buildings and in constructing new build-to-suit locations.

Our store model is designed to be profitable in a variety of real estate venues, including power, neighborhood and lifestyle centers as well as single-unit, stand-alone locations. In small- to medium-sized markets, we generally seek anchor locations within high-traffic, easily accessible shopping centers. In larger metropolitan areas, we generally seek locations in retail areas with major discount retailers (such as Walmart), wholesale retailers (such as Costco), other specialty hardline retailers (such as The Home Depot) or supermarkets. As we continue to expand our store base, we believe that small- to medium-sized markets offer a significant opportunity. In these markets, we believe our store size, which is smaller than many of our national competitors but larger than many independent retailers, enables us to find convenient, easily accessible store locations while still offering the broad and deep selection of merchandise that our customers desire. In addition, our store format and size allow us to open multiple stores within major MSAs, which gives our customers convenient, easy access to our products without having to travel long distances.

Members of our real estate team spend considerable time and utilize sophisticated tools in evaluating prospective sites before bringing a proposal to our Real Estate Committee. Our Real Estate Committee, which is comprised of members of our senior management, including our Chief Executive Officer, Chief Financial Officer, Vice President of Real Estate, and Senior Vice President of Stores, approves all prospective locations before a lease is signed.

We opened or acquired ten new stores in fiscal year 2020. We currently plan to open an additional eight to twelve new stores in fiscal year 2021. Over the long-term our target is to grow our square footage at a rate of 6% to 10% percent annually. Our new store openings are planned in existing, adjacent and new markets.

Our new store growth plan is supported by our target new unit economics, which we believe to be compelling. A typical store location ranges in size from 7,500 to 65,000 gross square feet. Our net investment to open a new store is approximately $2.0 million, consisting of pre-opening expenses and capital investments, net of tenant allowances. In addition, we stock each new store with initial inventory at an average cost of approximately $2.2 million. After the first twelve to eighteen month period after opening a new store, we typically have a four-wall Adjusted EBITDA margin of more than 10% and a pre-tax return on invested capital of over 50% excluding initial inventory cost (or over 20% including initial inventory cost). Our new stores typically reach a mature sales growth rate within three to four years after opening, with net sales increasing approximately 25% in the aggregate during this time period.

Omni-Channel Strategy

We believe our website is an extension of our brand and our retail stores. Our website, *www.sportsmans.com*, serves as both a sales channel and a platform for marketing and product education, which allows us to engage more fully with the outdoor community across all of our localities. In 2018, we redeveloped our website to improve functionality and user experience. Our website features a similar merchandise assortment as offered in our stores plus certain products found exclusively online. Regulatory restrictions create certain structural barriers to the online sale of a portion of our revenue, such as firearms, ammunition, certain cutlery, propane and reloading powder. As a result, this portion of our business is currently more protected from competition from online-only retailers.

We also provide our online customers with convenient omni-channel services. To ensure that our customers have access to our entire assortment of products available on the e-commerce website, our retail stores feature kiosks that allow customers to place orders for items that are available only on our website, out of stock or not regularly stocked. We view our kiosk offering as an important complement to our larger format stores, as well as a key differentiator and extension of our smaller format stores. Our in-store pickup offering allows customers to order products through our e-commerce website and pick up the products in our retail stores without incurring shipping costs. We believe our ship-to-store is a valuable service offering to customers, as well as a means to generate additional foot traffic to our retail stores. Recently, we have introduced the ability for us to ship-from-store to fulfill customer orders. This feature has allowed us to turn a number of our stores into distribution centers, decreasing the time it takes to fulfill orders, and increasing our ability to leverage our inventory across the Company.

In addition, our website features local-area content, including fishing reports and event schedules, as well as online educational resources, including buyer's guides, how to's, tips, advice and links to video demonstrations on our dedicated YouTube channel. We have also rolled out our social media strategy through our Facebook page and Instagram feed. These platforms allow us to reach our customers more directly with targeted postings of advertisements and in-store events. We believe our online educational resources and community outreach drive traffic to our website and retail stores, while improving user engagement as shoppers move from single-purchase users to loyal customers. We provide online customer service support and fulfill orders through our in-house distribution center and through select partner drop ship integration. In fiscal year 2020, our website received more than 92.5 million visits, which we believe demonstrates our position as a leading resource for outdoor products and product education.

Our Products and Services

Merchandise Strategy

We offer a broad range of products at a variety of price points and carry a deep selection of branded merchandise from well-known manufacturers, such as Browning, Carhartt, Yeti, Coleman, Columbia Sportswear, Federal Premium Ammunition, Honda, Johnson Outdoors, Remington, Shakespeare, Shimano, Smith & Wesson and Under Armour. To reinforce our convenient shopping experience, we offer our products at everyday low prices. We believe our competitive pricing strategy supports our strong value proposition, instills price confidence in both our customers and our sales associates, and is a critical element of our competitive position.

We believe we offer a wider selection of hard goods than many of our key competitors. We employ a good, better, best merchandise strategy, with an emphasis on "better" products that meet the needs of customers of all experience levels. We strive to keep our merchandise mix fresh and exciting by continuously searching for new, innovative products and introducing them to our customers. Our hunting and shooting department, which is strategically located at the back of the store, is a key driver of store traffic and one of the reasons for our high frequency of customer visits. We carry a large array of consumable goods, which includes ammunition, bait, cleaning supplies, food, certain lures, propane and reloading supplies. During fiscal year 2020, sales of consumable goods accounted for approximately 40.0% of our unit sales and 19.0% of our dollar sales. We believe the sale of consumables and replenishment items drive repeat traffic, with the majority of our customers visiting our stores multiple times per year (according to our internal surveys). During such visits, our customers frequently browse and purchase other items, including additional gear and accessories.

We also carry a variety of private label and special make-up offerings under the Rustic Ridge™, Killik™, Vital Impact™, Yukon Gold, Lost Creek and Sportsman's Warehouse brands as well as special make-up items through vendors such as Tikka, Howa, Weatherby, Camp Chef and various others. These products are designed and priced to complement our branded assortment, by rounding out the offering and ensuring customer choices for good, better and best within key product categories. We believe the apparel, footwear and camping categories present a compelling near-term opportunity to expand our private label offering. In order to address these segments, we previously introduced our proprietary Rustic Ridge™ and Killik™ apparel lines. During fiscal year 2020, private label offerings accounted for approximately 3.0% of our total sales with special make-up offerings accounting for an additional 1.0% of our total sales. This combined total of 4.0% compares to more than 20% for many of our sporting goods retail peers. We believe our private label and special make-up products are an important opportunity to drive sales and increase margins alongside our branded merchandise.

In addition to outfitting our customers with the correct gear, we provide our customers with value-added, technical support services, such as gunsmithing and firearm service plans. Our stores offer full-service archery technician services, fishing-reel line winding, gun bore sighting and scope mounting, and cleaning services. We also help participants enjoy the outdoors responsibly by issuing hunting and fishing licenses. We believe the support services provided by our highly trained staff technicians differentiate us from our competitors, increase customer loyalty and drive repeat traffic to our stores.

Products

Our stores are organized into six departments. The table below summarizes the key product lines by department:

Department	Product Offerings
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools
Apparel	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, firearms safety and storage, reloading equipment, and shooting gear
Optics, Electronics, Accessories, and Other	Gift items, GPS devices, knives, lighting, optics (e.g. binoculars), two-way radios, and other license revenue, net of revenue discounts

Each department has buying and planning teams that are responsible for monitoring product availability from vendors and sales volume within the department and across all stores. We actively monitor the profitability of each product category within each department and adjust our assortment and floor space accordingly. This flexibility enables us to provide customers with more preferred product choices and to enhance the profit potential of each store.

Hunting and shooting have historically been the largest contributor to our sales. Hunting and shooting department products are generally sold at significantly higher price points than other merchandise but often have lower margins. Camping is our second largest department, and family-oriented camping equipment in particular continues to be a high growth product category. Apparel sales have grown as we have introduced new brands and styles, including increasing selections for women and children. We view apparel sales as an important opportunity, given its high gross margins and appeal to a broad, growing demographic.

The following table shows our sales during the past three fiscal years presented by department:

Department	Product Offerings	Fiscal Year Ended January 30, 2021	February 1, 2020	February 2, 2019
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools	12.7%	14.4%	14.2%
Apparel	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear	7.5%	9.3%	8.9%
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats	9.9%	11.1%	10.6%
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots	5.6%	7.5%	7.3%
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear	57.6%	49.1%	48.3%
Optics, Electronics, Accessories, and Other	Gift items, GPS devices, knives, lighting, optics, two-way radios, and other license revenue, net of revenue discounts	6.7%	8.6%	10.7%
Total		100.0%	100.0%	100.0%

Camping. Camping represented approximately 12.7% of our net sales during fiscal year 2020. Our camping assortment addresses both the technical requirements of the heavy-use camper, including gear for long-duration or deep-woods excursions, as well as the needs of the casual camper. We offer a broad selection of products for multi-day back country use and also for weekend outings, including tents and shelters, sleeping bags, backpacks and backpacking gear (including camouflaged styles for hunting), generators for home and camp use, cooking and food preparation equipment (including stoves and extended-use coolers), and dehydrated foods. Our camping department also includes canoes, kayaks and a selection of recreational camping equipment for the family, including basic automotive accessories, camp chairs and canopies. Our camping department includes brands such as Alps Mountaineering, Big Agnes, Camp Chef, Coleman, Honda, Teton Sports and Yeti Coolers.

Apparel. Apparel represented approximately 7.5% of our net sales during fiscal year 2020 and includes camouflage, outerwear, sportswear, technical gear, work-wear, jackets and hats. We primarily offer well-known brands in our apparel department, such as Carhartt, Columbia, Sitka, and Under Armour. We also intend to grow our private label apparel lines, including Rustic Ridge™ and Killik™. Our apparel selection offers technical performance capabilities for a variety of hunting activities, including upland game, waterfowl, archery, big game hunting, turkey hunting and shooting sports. Performance attributes include waterproofing, temperature control, scent control features and visual capabilities, such as blaze orange and camouflage in a wide range of patterns. Outerwear, particularly performance rainwear, is an important product category for customers who are fishing, hiking, hunting or marine enthusiasts. We further complement our technical apparel with an assortment of casual apparel that fits our customers' lifestyles, including a variety of branded graphic t-shirts, and private label motto t-shirts.

Fishing. Fishing represented approximately 9.9% of our net sales during fiscal year 2020 and includes products for fresh-water fishing, salt-water fishing, fly-fishing, ice-fishing and boating. Our broad assortment appeals to the beginning and weekend angler, as well as avid and tournament anglers. In addition to lures, rods and reels, our fishing assortment features a wide selection of products in tackle management and organization, electronics, fly-fishing, ice-fishing and marine accessories sub-categories. We also provide fishing-reel line winding services in all of our stores and live bait in most of our stores. We offer products for boat care and maintenance, as well as safety equipment and aquatic products such as float tubes and pontoons. All of our stores also sell fishing licenses. Our fishing department includes brands such as Johnson Outdoors, Normark, Plano, Pure Fishing, Rivers Wild Flies, and Shimano.

Footwear. Footwear represented approximately 5.6% of our net sales during fiscal year 2020 and includes work boots, technical footwear, hiking boots, trail shoes, socks, sport sandals and waders. As with apparel, our footwear selection offers a variety of technical performance features, such as different levels of support and types of tread, waterproofing, temperature control and visual attributes. Our footwear department includes brands such as Danner, Keen, Merrell, Red Wing and Under Armour.

Hunting and Shooting. Hunting and shooting is our largest merchandise department, representing approximately 57.6% of our net sales during fiscal year 2020. Products such as ammunition, firearms cleaning supplies, firearms, firearms safety and storage and reloading products are typically key drivers of traffic in our stores. Our hunting and shooting merchandise assortment provides equipment, accessories and consumable supplies for virtually every type of hunting and shooting sport. Our expert technicians allow us to effectively support our hunting assortments for the avid hunter, shooter and archery enthusiast. Our merchandise selection includes a wide variety of firearms designed for hunting, shooting sports and home and personal defense, including air guns, black powder muzzle loaders, handguns, rifles and shotguns. We carry a wide selection of ammunition, archery equipment, dog training products, hunting equipment, reloading equipment and shooting accessories. Our hunting and shooting department includes brands such as Federal Premium Ammunition, Hornady, Remington Arms, Ruger, Smith & Wesson and Winchester.

Optics, Electronics, Accessories and Other. Our optics, electronics, accessories and other department represented approximately 6.7% of our net sales during fiscal year 2020. This department supplements our other equipment departments with complementary products, such as optics (including binoculars, spotting scopes and rangefinders), GPS devices and other navigation gear, GoPro video cameras, two-way radios, specialized and basic cutlery and tools, including hunting knives, lighting, bear spray and other accessories. Our optics, electronics and accessories department includes brands such as Garmin, Leupold, Leica, Nikon, Swarovski Optik and Vortex Optics. Our other department includes miscellaneous products and services.

Loyalty Programs

We have a loyalty program through which our customers are able to earn “points” towards Sportsman’s Warehouse gift cards on most of their purchases. The program is free to join and accepted both online and in-stores for purchases and the use of redemption cards. As of January 30, 2021, we had approximately 2.7 million participants in our loyalty program and approximately 45% of our revenue is generated from our loyalty customers.

Customers may obtain a loyalty program card when making a purchase in-store or online. After obtaining a card, the customer must register on our website in order to redeem loyalty rewards. Customers earn one point for each dollar spent, with the exception of certain items, such as gift cards and fish and game licenses. For every 100 points accumulated, the customer is entitled to a $1.00 credit in loyalty rewards, which may be redeemed by logging into our website to request a redemption card for any whole dollar amount (subject to the customer’s available point balance). The redemption card is then mailed to the customer and operates as a gift card to be used for in-store and/or online purchasing. The rewards points expire after 12 months of dormancy.

In addition, we offer our customers the multi-use Explorewards VISA Credit Card and the Explorewards Credit Card issued by Comenity Bank. Comenity Bank extends credit directly to cardholders and provides all servicing for the credit card accounts, funds the rewards and bears all credit and fraud losses. The Explorewards Visa Card allows customers to earn points whenever and wherever they use their card while the Explorewards Credit Card can be used only in Sportsman’s Warehouse stores and at Sportsman.com. Customers may redeem earned points for products and services just as they would redeem loyalty card points.

Sourcing and Distribution

Sourcing

We maintain central purchasing, replenishment and distribution functions to manage inventory planning, allocate merchandise to stores and oversee the replenishment of basic merchandise to the distribution center. We have no long-term purchase commitments. During fiscal year 2020, we purchased merchandise from approximately 1,400 vendors with no vendor accounting for more than 10% of total merchandise purchased. We have established long-standing, continuous relationships with our largest vendors.

Our sourcing organization is currently managed by our merchant team in our corporate headquarters. We also have field merchants that coordinate certain merchandising functions at the store level to provide a more localized merchandising model. To ensure that our product offerings are tailored to local market conditions and demand, our merchant teams regularly meet one-on-one with our vendors, and attend trade shows, review trade periodicals and evaluate merchandise offered by other retail and online merchants. We also frequently gather feedback and new product reviews from our store management and employees, as well as from reviews submitted by our customers. We believe this feedback is valuable to our vendor-partners and improves our access to new models and technologies.

Distribution and Fulfillment

We currently distribute all of our merchandise from our 507,000 square foot distribution center in Salt Lake City, Utah. The distribution center supports replenishment for all stores and manages the fulfillment of direct-to-consumer e-commerce orders. We use preferred carriers for replenishment to our retail stores. We ship merchandise to our e-commerce customers via courier service. Our experienced distribution management team leads a staff of approximately 700 employees at peak inventory levels heading into the fourth quarter.

The distribution center has dynamic systems and processes that we believe can accommodate continued new store growth. We use the HighJump Warehouse Management System ("WMS") to manage all activities. The system is highly adaptable and can be easily changed to accommodate new business requirements. For example, our WMS enabled us to support full omni-channel distribution under one roof by allowing us to comingle inventory to optimize space requirements and labor. Additionally, we have developed customized radio frequency and voice-directed processes to handle the specific requirements of our operations. We have the capability to both case pick and item pick, which is designed to ensure that our stores have sufficient quantities of product while also allowing us to maintain appropriate in-stock levels. This balance allows us to effectively manage inventory and maximize sales in stores.

Marketing and Advertising

We believe, based on internal surveys, that the majority of our customers are male, between the ages of 35 and 65, and have an annual household income between $40,000 and $100,000. We also actively market to women and have expanded our product offerings of women's and children's outerwear, apparel and footwear to address rising participation rates in hunting and shooting sports, as well as overall outdoor activity.

Our primary marketing efforts are focused on driving additional consumers to the stores and increasing the frequency and profitability of visits by customers of all types. We employ a two-pronged marketing approach:

- regional advertising programs; and
- local grassroots efforts to build brand awareness and customer loyalty.

Our regional advertising programs emphasize seasonal requirements for hunting, fishing and camping in our various store geographies. Our advertising medium is typically newspaper inserts (primarily multi-page color inserts during key shopping periods such as the Christmas season and Father's Day), supplemented with modest amounts of direct mail, local and national television ads and out-of-home media buys. We proactively modify the timing and content of our message to match local and regional preferences, changing seasons, weather patterns and topography of a given region. In addition, the use of co-op funding with select vendors to supplement our out-of-pocket media expenses allows us to improve brand exposure through various advertising vehicles, while partnering with national brands in relevant media channels. This program also reinforces the general consumer's impression of Sportsman's Warehouse as a preferred retailer for those brands. Finally, we sponsor regional and national television programming, including the Angler's Channel, Fishful Thinking, Hooked on Utah and Eastman's Hunting TV. Our total marketing expense for fiscal year 2020 was approximately $16.8 million.

The second prong of our marketing effort involves fostering grassroots relationships in the local community. Each Sportsman's Warehouse store employs a variety of outreach tools to build local awareness. One key component to our local marketing strategy is hosting events throughout the year, targeting a variety of end-user customer profiles (such as hunters, campers, anglers and women). In total, our store base hosts or facilitates approximately 3,000 in-store and offsite seminars and events per year, such as ladies' night, Eastman's Deer Tour, Waterfowl Weekend, Conservation Days contest and Bucks & Bulls. We are also active in supporting a variety of conservation groups, such as Ducks

Unlimited, Rocky Mountain Elk Foundation, Mule Deer Foundation and the National Wild Turkey Federation, both at the corporate level and through store employee local memberships and participation. Company representatives attend more than 600 events annually to provide support for these organizations and to solidify ties between their members and the Sportsman's Warehouse brand. Furthermore, we believe that the Sportsman's News newspaper, offered in-store, provides a unique point of contact with our customers by offering outdoor stories, product reviews, how-to articles and new product introductions. Such grass roots marketing campaigns and local outreach enable us to reduce our initial marketing spend in connection with new store openings. We believe that these initiatives are highly cost-effective tools to create brand awareness and engender a loyal community of local customers, as well as differentiate Sportsman's Warehouse from its national competitors.

Information Technology

Business-critical information technology ("IT") systems include the following: supply chain, merchandise, point-of-sale ("POS"), WMS, e-commerce, loss prevention and financial and payroll. Our IT infrastructure is robustly designed to be able to access real-time data from any store or channel. The network infrastructure allows us to quickly and cost effectively add new stores to the wide area network ("WAN"). The private WAN is built on a CenturyLink backbone with all of its resources and support. Additionally, we have implemented a redundant wireless WAN on Verizon's infrastructure. All key systems will continue to run in the event of a power or network outage. All data is backed up daily from one storage array to another storage array.

We have implemented what we believe to be best-in-class software for all of our major business-critical systems. Key operating systems include Oracle Applications for ERP, SAP Commerce for our e-commerce channel, Retail.net and JPOS for in-store functionality, and HighJump for WMS. Our physical infrastructure is also built on products from premier vendors Cisco, Dell, Oracle Sun and VMWare. Originally designed with the goal of being able to run a significantly larger retail business, our IT systems are scalable to support our growth.

Furthermore, we have incorporated enhanced reporting tools that allow for more comprehensive and granular monitoring of business performance, which has been critical to management's ability to drive financial results. Management has access to a reporting dashboard that shows key performance indicators ("KPIs") on a company, store, department and category level. KPIs include multiple variables and are all available on a daily, weekly, monthly and yearly basis. All KPIs are compared to comparable prior year periods. District, store and department managers have access to the data relevant to their area of responsibility. Real-time, up to the second, sales data is available on demand. The system allows for custom-created reports as required.

Intellectual Property

Sportsman's Warehouse®, Sportsman's Warehouse America's Premier Outfitter®, Lost Creek®, LC Lost Creek Fishing Gear and Accessories®, Rustic Ridge™, Killik™, K Killik & Design™, LC & Design™, and Vital Impact™ are among our service marks or trademarks registered with the United States Patent and Trademark Office. In addition, we own several other registered and unregistered trademarks and service marks involving advertising slogans and other names and phrases used in our business. We also own numerous domain names, including *www.sportsmans.com*, among others. The information on, or that can be accessed through, our websites is not a part of this filing.

We believe that our trademarks are valid and valuable and intend to maintain our trademarks and any related registrations. We do not know of any material pending claims of infringement or other challenges to our right to use our marks in the United States or elsewhere. We have no franchises or other concessions that are material to our operations.

Our Market and Competition

Our Market

We compete in the large, growing and fragmented outdoor activities and sporting goods market, which we believe is currently underserved by full-line multi-activity retailers. We believe, based on 2018 reports by the Bureau of Economic analysis, that U.S. outdoor activities and sporting goods retail sales in our related product categories total over $90 billion. The U.S. outdoor activities and sporting goods sector is comprised of three primary categories—equipment, apparel and footwear—with each category containing distinct product sets to support a variety of activities, including hunting, fishing, camping and shooting, as well as other sporting goods activities.

We believe growth in the U.S. outdoor activities and sporting goods market is driven by several key trends, centered around enhancing performance and enjoyment while participating in sporting and outdoor activities, including new product introductions, and the resilience of consumer demand for purchases in these categories versus other discretionary categories. We believe these factors will continue to foster growth in the outdoor activities and sporting goods market in the future.

Within the retail sporting goods sector, we operate primarily in the outdoor equipment, apparel and footwear segment, which includes hunting and shooting, fishing, camping and boating. This segment is growing at a faster rate than the sporting goods industry at large. The 2016 U.S. Fish and Wildlife national survey, published once every five years, found that fishing participation increased 9% and participation in wildlife relation recreation increased 6%, for Americans aged 16 and older from 2011 to 2016. We believe that in response to COVID-19, the growth rate of the outdoor industry accelerated in 2020 due to people searching for different ways to safely recreate while social distancing.

Furthermore, we believe that specialty retailers have generated incremental sales volume by expanding their presence, especially in smaller communities, which has increased customers' access to products that formerly were less available. The nature of the outdoor activities to which we cater requires recurring purchases throughout the year, resulting in high rates of conversion among customers. For example, active anglers typically purchase various fishing tackle throughout the year based on seasons and changing conditions. Hunting with firearms typically is accompanied by recurring purchases of ammunition and cleaning supplies throughout the year and multiple firearm styles for different hunted game.

Competition

We believe that the principal competitive factors in our industry are product selection, including locally relevant offerings, value pricing, convenient locations, technical services and customer service. A few of our competitors have a larger number of stores, and some of them have a greater market presence, name recognition and financial, distribution, marketing and other resources than we have. We believe that we compete effectively with our competitors with our distinctive branded selection and superior customer service, as well as our commitment to understanding and providing merchandise that is relevant to our targeted customer base. We cater to the outdoor enthusiast and believe that we have both an in-depth knowledge of the technical outdoor customer and a "grab and go" store environment that is uniquely conducive to their need for value and convenience. We believe that our flexible box size, combined with our low-cost, high-service model, also allows us to enter into and serve smaller markets that our larger competitors cannot penetrate as effectively. Finally, certain barriers, including legal restrictions, exist on the sale of our product offerings that comprise a portion of our revenue, such as firearms, ammunition, certain cutlery, propane and reloading powder, create a structural barrier to competition from many online retailers.

Our principal competitors include the following:

- independent, local specialty stores, often referred to as "mom & pops";
- other specialty retailers that compete with us across a significant portion of our merchandising categories through retail store, catalog or e-commerce businesses;
- large-format sporting goods stores and chains; and
- mass merchandisers, warehouse clubs, discount stores, department stores and online retailers.

Independent, Local Specialty Stores. These stores generally range in size from approximately 2,000 to 10,000 square feet, and typically focus on one or two specific product categories, such as hunting, fishing or camping, and usually lack a broad selection of product.

Other Specialty Retailers. Some of the other specialty retailers that compete with us across a significant portion of our merchandising categories are large-format retailers that generally range in size from 40,000 to 250,000 square feet. These retailers seek to offer a broad selection of merchandise focused on hunting, fishing, camping and other outdoor product categories. Some of these stores combine the characteristics of an outdoor retailer with outdoor entertainment and theme attractions. We believe that the number of these stores that can be supported in any single market area is limited because of their large size and significant per-store buildout cost.

Other specialty retailers are smaller chains that typically focus on offering a broad selection of merchandise in one or more of the following product categories—hunting, fishing, camping or other outdoor product categories. We believe that these other outdoor-focused chains generally do not offer a similar depth and breadth of merchandise or specialized services in all of our product categories.

Large-Format Sporting Goods Stores and Chains. These stores generally range from 20,000 to 80,000 square feet and offer a broad selection of sporting goods merchandise covering a variety of sporting goods categories, including baseball, basketball, football and home gyms, as well as hunting, fishing and camping. However, we believe that the amount of space at these stores devoted to our outdoor product categories limits the extent of their offerings in these areas.

Mass Merchandisers, Warehouse Clubs, Discount Stores, Department Stores and Online Retailers. With respect to retailers in this category with physical locations, these stores generally range in size from approximately 50,000 to over 200,000 square feet and are primarily located in shopping centers, free-standing sites or regional malls. Hunting, fishing and camping merchandise and apparel represent a small portion of the stores' assortment and their total sales.

We believe the small independent retailers (or "mom & pop" shops) comprise approximately 65% of the market for outdoor specialty retail products. In addition, while there are over 60,000 Type 01 Federal Firearms Licenses, or FFLs, in the United States today, only 4,000 are currently held by national or regional specialty stores. Since FFLs are issued at the store level, these statistics imply that the remaining 95% of the market is fragmented among mom & pop shops. We believe this fragmentation within the total addressable market presents an attractive opportunity for us to continue to expand our market share, as customers increasingly prefer a broad and appealing selection of merchandise, competitive prices, high levels of service and one-stop shopping convenience.

Seasonality

We experience moderate seasonal fluctuations in our net sales and operating results as a result of holiday spending and the opening of hunting seasons. While our sales are more balanced throughout the year than many retailers, historically, our sales are moderately higher in the third and fourth fiscal quarters than in the other quarterly periods. On average, over the last three fiscal years, we have generated approximately 26.7% and 29.3% of our net sales in the third and fourth fiscal quarters, respectively, which includes the holiday selling season as well as the opening of the Fall hunting season. However, Spring hunting, Father's Day and the availability of hunting and fishing throughout the year in many of our markets counterbalance this seasonality to a certain degree. For additional information, see Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operation."

Regulation and Compliance

Regulation and Legislation

We operate in a highly regulated industry. There are a number of federal, state and local laws and regulations that affect our business. In every state in which we operate, we must obtain various licenses and/or permits in order to operate our business.

Because we sell firearms at all of our retail stores, we are subject to regulation by the Bureau of Alcohol, Tobacco, Firearms and Explosives (the "ATF"). Each store has an FFL permitting the sale of firearms, and our distribution center has obtained an FFL to store and distribute firearms. Certain states require a state license to sell firearms and we have obtained these licenses for the states in which we operate that have such a requirement.

We must comply with federal, state and local laws and regulations, including the National Firearms Act of 1934 (the "NFA"), the Gun Control Act of 1968 (the "GCA"), the Arms Export Control Act of 1976 and Internal Revenue Code provisions applicable to the Firearms and Ammunition Excise Tax, all of which have been amended from time to time. The NFA and GCA require our business to, among other things, maintain Federal Firearms Licenses for our locations and perform a pre-transfer background check in connection with firearms purchases. We perform this background check using either the FBI-managed National Instant Criminal Background Check System ("NICS"), or a comparable state government-managed system that relies on NICS and any additional information collected by the state. These background check systems either confirm that a transfer can be made, deny the transfer or require that the transfer be delayed for further review, and provide us with a transaction number for the proposed transfer. We are required to record the transaction number on an ATF Form 4473 and retain this form in our records for auditing purposes for 20 years for each approved transfer and five years for each denied or delayed transaction.

The federal categories of prohibited purchasers are the prevailing minimum for all states. States (and, in some cases, local governments) on occasion enact laws that further restrict permissible purchases of firearms. We are also subject to numerous other federal, state and local laws and regulations regarding firearm sale procedures, record keeping, inspection and reporting, including adhering to minimum age restrictions regarding the purchase or possession of firearms or ammunition, residency requirements, applicable waiting periods, importation regulations and regulations pertaining to the shipment and transportation of firearms.

In September 2004, Congress declined to renew the Assault Weapons Ban of 1994 (the "AWB"), which prohibited the manufacture of certain firearms defined as "assault weapons," restricted the sale or possession of "assault weapons," except those that were manufactured prior to the law's enactment, and placed restrictions on the sale of new high-capacity ammunition feeding devices. Various states and local jurisdictions, including California, Colorado, New York and Washington (states in which we operate), have adopted their own versions of the AWB or high capacity ammunition feeding device restrictions, some of which restrictions apply to the products we sell in other states. If a statute similar to the AWB were to be enacted or re-enacted at the federal level, it would impact our ability to sell certain products. Additionally, state and local governments have proposed laws and regulations that, if enacted, would place additional restrictions on the manufacture, transfer, sale, purchase, possession and use of firearms, ammunition and shooting-related products. For example, several states, such as California, Colorado, Connecticut, Florida, Maryland, Minnesota, New Jersey, New York and Washington have enacted laws and regulations that are more restrictive than federal laws and regulations that limit access to and sale of certain firearms and ammunition. California, Connecticut and New York impose mandatory screening of ammunition purchases; California has requirements for microstamping (that is, engraving the handgun's serial number on each cartridge) of new handguns; Washington recently passed legislation that, among other things, raises the minimum age to purchase certain firearms to 21 from 18 and imposes a multi-day waiting period on gun purchases. California also raised the minimum age to purchase certain firearms to 21 and enacted several restrictions, including background checks on ammunition sales. Some states prohibit the sale of guns without internal or external locking mechanisms. Other state or local governmental entities may also explore similar legislative or regulatory initiatives that may further restrict the manufacture, sale, purchase, possession or use of firearms, ammunition and shooting-related products.

The Protection of Lawful Commerce in Arms Act ("PLCAA"), which became effective in October 2005, prohibits civil liability actions from being brought or continued in any federal or state court against federally licensed manufacturers, distributors, dealers or importers of firearms or ammunition for damages, punitive damages, injunctive or declaratory relief, abatement, restitution, fines, penalties or other relief resulting from the criminal or unlawful misuse of a qualified product by third parties. The legislation does not preclude traditional product liability actions.

We are also subject to a variety of federal, state and local laws and regulations relating to, among other things, protection of the environment, human health and safety, advertising, pricing, weights and measures, product safety and other matters. Some of these laws affect or restrict the manner in which we can sell certain items, such as archery equipment, handguns, smokeless powder, black powder substitutes, ammunition, pepper spray, bows, knives and other products. State and local laws and regulations governing hunting, fishing, boating, all-terrain vehicles and other outdoor activities and equipment can also affect our business. We believe that we are in substantial compliance with the terms of such laws and that we have no liabilities under such laws that we expect could have a material adverse effect on our business, results of operations or financial condition.

In addition, many of our imported products are subject to existing or potential duties, tariffs or quotas that may limit the quantity of products that we may import into the United States from other countries or impact the cost of such products. To date, quotas in the operation of our business have not restricted us, and customs duties have not comprised a material portion of the total cost of our products.

Our e-commerce business is subject to the Mail or Telephone Order Merchandise Rule and related regulations promulgated by the FTC, which affect our catalog mail order operations. FTC regulations, in general, govern the solicitation of orders, the information provided to prospective customers and the timeliness of shipments and refunds. In addition, the FTC has established guidelines for advertising and labeling many of the products we sell.

Compliance

We are routinely inspected by the ATF and various state agencies to ensure compliance with federal and local regulations. While we view such inspections as a starting point, we employ more thorough internal compliance inspections to help ensure we are in compliance with all applicable laws. With the IT infrastructure systems we have in place, certain components of inspections can be done remotely.

We dedicate significant resources to ensure compliance with applicable federal, state and local regulations. Since we began operations in 1986, we have never had a license revoked.

We are also subject to a variety of state laws and regulations relating to, among other things, advertising and product restrictions. Some of these laws prohibit or limit the sale, in certain states and locations, of certain items, such as black powder firearms, ammunition, bows, knives and similar products. Our compliance department administers various restriction codes and other software tools to prevent the sale of such jurisdictionally-restricted items.

We have particular expertise in the California market and have passed several California Department of Justice (“CA DOJ”) firearm audits with zero or only minor violations. The CA DOJ communicates with us for policy discussion, recognizing the strength of our compliance infrastructure.

Human Capital

We appreciate the importance of retention, growth and development of our employees. We strive to provide competitive compensation and benefits packages, opportunities for advancement, and extensive training programs and learning opportunities for our employees.

As of January 30, 2021, we had approximately 7,000 total employees. Of our total employees, approximately 320 were based at our corporate headquarters in West Jordan, Utah, approximately 580 employees were located at our distribution center and approximately 6,100 were store employees. We had approximately 3,000 full-time employees and approximately 4,000 part-time employees, who are primarily store employees. None of our employees are represented by a labor union or are party to a collective bargaining agreement and we have had no labor-related work stoppages. We pride ourselves on the long tenure of our more than 300 store managers and corporate employees, who on average have worked at Sportsman’s Warehouse for over seven years.

We believe we offer competitive compensation and benefits packages. We strive to ensure pay equity between our female employees and male employees performing equal or substantially similar work. We are also focused on understanding our diversity and inclusion strengths and opportunities and executing on a strategy to support further progress. As our employees are often outdoor enthusiasts, we offer an industry best in-class discount program to our employees. We believe our level of employee store patronage and employee expertise are unique among our competitors in this industry and enhances our differentiated shopping experience.

We took early action regarding employee well-being in response to the COVID-19 pandemic, implementing comprehensive protocols to protect the health and safety of our employees and guests. During fiscal year 2020, we provided hero pay in the amount of $6.5 million in appreciation to our employees.

We believe that the recruitment, training and knowledge of our employees and the consistency and quality of the service they deliver are central to our success. We emphasize deep product knowledge for store managers and sales associates during both the hiring and training stages. We hire most of our sales associates for a specific department or product category. All of our managers and sales associates undergo focused sales training, consisting of both sales techniques and specialized product instruction, both immediately upon hiring (approximately 20 hours) and continuing throughout their career (approximately 16 hours annually). In addition, our sales associates receive loss prevention instruction and departmental training upon hiring. For example, in our hunting department, all employees receive an additional nine hours of training on ATF and company policies initially upon hire, with continuing education throughout the year. Our store managers complete two to six months of on-the-job training at another store with a Sportsman’s Warehouse district manager, as part of which they receive approximately 80 hours of dedicated managerial training and instruction. Our department heads receive extensive online training as well as on-site instruction, totaling approximately 40 hours. As a result of these programs, our employees are highly trained to provide friendly and non-intimidating education, guidance and support to address our customers’ needs.

One of our unique assets is a designated training room located at our headquarters. Our training room is used frequently for firm-wide training programs and by vendors to stage training demonstrations for new products. Training room sessions are broadcast real-time in high definition to each store location and are recorded for future viewing. Vendor training is particularly interactive, permitting vendor representatives to present a uniform message simultaneously to all employees, while allowing managers and sales staff in individual stores to ask questions and provide real-time feedback on products. This system increases vendors' product knowledge reach and provides more effective training to our employees. Training room sessions are especially important for technical products, with numerous design features and a high unit price, because they enable our sales associates to better educate customers and provide additional assurance that a given product fits the customer's needs.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available on our web site at *www.sportsmans.com*, free of charge, as soon as reasonably practicable after the electronic filing of these reports with, or furnishing of these reports to, the SEC. In addition, the SEC maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

ITEM 1A. RISK FACTORS

Our business faces significant risks and uncertainties. Certain important factors may have a material adverse effect on our business prospects, financial condition and results of operations, and you should carefully consider them. Accordingly, in evaluating our business, we encourage you to consider the following discussion of risk factors, in its entirety, in addition to other information contained in or incorporated by reference into this 10-K and our other public filings with the SEC. Other events that we do not currently anticipate or that we currently deem immaterial may also affect our business, prospects, financial condition and results of operations.

Risk Related to the Proposed Merger

The consummation of the Merger is subject to the satisfaction of closing conditions, including the expiration or termination of any applicable waiting period (and any extensions thereof) relating to the Merger under the HSR Act, some or all of which closing conditions may not be satisfied or waived in a timely manner or at all.

On December 21, 2020, we entered into the Merger Agreement with Great Outdoors Group and Merger Subsidiary. Consummation of the Merger is subject to customary closing conditions, including (i) the expiration or termination of any applicable waiting period (and any extensions thereof) relating to the Merger under the HSR Act; (ii) the absence of any order, injunction, or other judgment by any governmental authority of competent jurisdiction that enjoins or otherwise prohibits the consummation of the Merger; (iii) the accuracy of each party's representations and warranties (subject to certain qualifications); (iv) each party's performance in all material respects of its obligations contained in the Merger Agreement; and (v) the absence of a material adverse effect on Sportsman's Warehouse.

The Merger is subject to the requirements of the HSR Act and the related rules and regulations, which provide that certain transactions may not be completed until required information has been furnished to the Antitrust Division and the FTC and until certain waiting periods have been terminated or have expired. On January 6, 2021, Sportsman's Warehouse and Great Outdoors Group filed their respective notification and report forms under the HSR Act with the Antitrust Division and the FTC, which triggered the start of the HSR Act waiting period. On February 5, 2021, each of Sportsman's Warehouse and Great Outdoors Group received a request for additional information and documentary materials, commonly referred to as a "second request," from the FTC pursuant to the HSR Act in connection with the Merger. The FTC's "second request" extends the applicable waiting period relating to the Merger until 30 days after both Sportsman's Warehouse and Great Outdoors Group have complied with the "second request," unless the waiting period is terminated earlier by the FTC or voluntarily extended by an agreement between Sportsman's Warehouse and Great Outdoors Group and the FTC. Sportsman's Warehouse and Great Outdoors Group will continue to cooperate with the FTC staff in its review of the Merger.

We intend to pursue the satisfaction or waiver, as applicable, of each condition to the consummation of the Merger. However, no assurance can be given that such conditions to the consummation of the Merger will be satisfied or waived in a timely manner, or at all. We also cannot provide any assurance regarding whether Sportsman's Warehouse will have to comply with any terms or conditions imposed by third parties in order to satisfy or waive the conditions to the consummation of the Merger. Certain of the conditions to the consummation of the Merger are not within our control, and we cannot predict if or when these conditions will be satisfied or waived.

The failure to satisfy or obtain waiver of conditions to the consummation of the Merger in a timely manner could delay the consummation of the Merger and exacerbate the risks and uncertainties associated with the announcement and pendency of the Merger, which are discussed below under the headings "*The announcement of the Merger Agreement and pendency of the Merger could negatively impact our business, financial condition and results of operations*" and "*While the Merger remains pending, we will be required to comply with various interim operating covenants that may constrain our business operations and to take certain actions that may divert our management's focus from our ongoing business.*"

In addition, if all of the conditions to the consummation of the Merger are not satisfied or waived, we may be unable to consummate the Merger at all. The risks and uncertainties associated with a failure to consummate the Merger are discussed below under the heading "*Failure to consummate the Merger could adversely affect our stock price, business, financial condition and results of operation*."

Current and future litigation challenging the Merger could prevent the Merger from occurring or adversely affect our business, financial condition or results of operations.

In connection with the announcement of the Merger Agreement, as is common in the context of mergers and acquisitions of publicly-traded companies, Sportsman's Warehouse (along with our directors and officers) may attract lawsuits seeking to enjoin us from proceeding with or consummating the Merger, or seeking to have the Merger rescinded after its consummation. As of April 1, 2021, seven lawsuits had been filed on behalf of individuals purporting to be stockholders of Sportsman's Warehouse, alleging that the proxy statement we filed in connection with the stockholder vote to approve the Merger omits material information with respect to the Merger which renders the proxy statement false and misleading (which we refer to collectively as the "Stockholder Actions"). Three of those seven lawsuits have been subsequently dismissed by the plantiffs. See "Item 3. Legal Proceedings."

One of the conditions to the consummation of the Merger is the absence of any order issued by certain governmental authorities of competent jurisdiction prohibiting the Merger. If any current or future plaintiffs are successful in obtaining an injunction or other order prohibiting the Merger, we may be unable to consummate the Merger. The risks and uncertainties associated with a failure to consummate the Merger are discussed below under the heading "*Failure to consummate the Merger could adversely affect our stock price, business, financial condition and results of operation*."

In addition, responding to any litigation targeting the Merger, even those without merit, will cause us to incur legal costs and expenses, which may negatively impact our financial condition. Responding to lawsuits may also divert the time and attention of our management away from our ongoing business operations and adversely affect our business and results of operations.

Failure to consummate the Merger could adversely affect our stock price, business, financial condition and results of operations.

As noted above, the various conditions to the consummation of the Merger may not be satisfied or waived in a timely manner, or at all. Certain of these conditions are not within our control. We cannot provide assurance that any of the conditions to the consummation of the Merger will be satisfied or waived. Pursuant to the Merger Agreement, the Merger will not be consummated until all of the conditions to closing are satisfied or waived.

Either Sportsman's Warehouse or Great Outdoors Group may terminate the Merger Agreement in certain circumstances, including if (i) the Merger has not been consummated by September 17, 2021, which date will be automatically extended until December 16, 2021 if any applicable waiting period (and any extensions thereof) under the HSR Act relating to the Merger has not expired or been terminated on or prior to September 17, 2021, (ii) any restraint is in effect permanently enjoining or otherwise permanently prohibiting the consummation of the Merger, and such restraint has become final and non-appealable, or (iii) the other party breaches, and does not timely cure, any of its representations or covenants in the Merger Agreement that would cause the related condition to such party's obligation to consummate the Merger to not be satisfied, in each case subject to the terms and conditions set forth in the Merger Agreement. The terms and conditions and other circumstances under which the Merger Agreement may be terminated in accordance with its terms are described in more detail in the Merger Agreement, which is attached as Exhibit 2.1 to the Current Report on Form 8-K we filed with the SEC on December 21, 2020.

If the Merger is not consummated for any reason, holders of our common stock will not receive the Per Share Merger Consideration for their shares in connection with the Merger. Instead, our common stock will continue to be listed and traded on the Nasdaq Stock Market and registered under the Exchange Act, and we will continue to file periodic reports with the SEC on account of our common stock. In addition, the termination of the Merger would subject us to a number of risks and uncertainties, including but not limited to, potential harm to our reputation, disruption to our business and implementation of our strategy, and potential adverse reactions or changes to our business and employee relationships.

The announcement of the Merger Agreement and pendency of the Merger could negatively impact our business, financial condition and results of operations.

Our business could experience material disruptions due to the announcement of our entry into the Merger Agreement and during the pendency of the Merger. Our current and prospective employees, including certain key personnel, may experience uncertainty regarding their future roles with Sportsman's Warehouse or desire different employment in anticipation of the consummation of the Merger. As a result, we may not be able to retain such employees, find adequate replacements for any employees we are unable to retain, or otherwise recruit new employees to join Sportsman's Warehouse. The uncertainty caused by the pendency of the Merger could also negatively impact our employees' performance. If the announcement or pendency of the Merger causes us to lose and be unable to replace our employees, impairs our ability to attract new employees, or negatively affects the performance of our employees, our business, financial condition and results of operations could suffer.

In addition, third parties, including our lenders, vendors and customers, may experience uncertainty regarding our business relationships due to the announcement of our entry into the Merger Agreement and during the pendency of the Merger. As a result, such third parties may seek to terminate or renegotiate our existing business relationships in connection with the potential Merger. Such disruptions to our business relationships could negatively impact our business, financial condition and results of operations.

The announcement of the Merger Agreement may also cause regulators to apply additional scrutiny to our business, potentially increasing our regulatory burden, including costs of compliance. If we are required to expend additional employee time or other resources to address such additional scrutiny or increased regulatory burden, our business, financial condition and results of operations could be negatively impacted.

While the Merger remains pending, we will be required to comply with various interim operating covenants that may constrain our business operations and to take certain actions that may divert our management's focus from our ongoing business.

Pursuant to the Merger Agreement, during the period between December 21, 2021 and until the earlier of the Effective Time and the valid termination of the Merger Agreement in accordance with its terms (the "Interim Operating Period"), we agreed to conduct our business in the ordinary course of business and to not engage in certain types of actions, subject to certain terms, limitations and exceptions. The terms of these interim operating covenants are described in more detail in the Merger Agreement, which is attached as Exhibit 2.1 to the Current Report on Form 8-K we filed with the SEC on December 21, 2020. Complying with these obligations could limit our ability to operate our business as previously conducted, to pursue strategic transactions, or to otherwise exploit business opportunities as they arise. Our management will be primarily responsible for ensuring that Sportsman's Warehouse complies with such obligations during the Interim Operating Period, and this additional responsibility may divert the focus of our management away from our ongoing business operations.

Risks Related to the Firearms Business

Current and future government regulations, in particular regulations relating to the sale of firearms and ammunition, may negatively impact the demand for our products and our ability to conduct our business.

We operate in a complex regulatory and legal environment that could negatively impact the demand for our products and expose us to compliance and litigation risks, which could materially affect our operations and financial results. These laws may change, sometimes significantly, as a result of political, economic or social events. For instance, Washington recently passed legislation that, among other things, raises the minimum age to purchase certain firearms to 21 from 18 and imposes a five to ten day waiting period on gun purchases. Some of the federal, state or local laws and regulations that affect our business and demand for our products include:

- federal, state or local laws and regulations or executive orders that prohibit or limit the sale of certain items we offer, such as firearms, black powder firearms, ammunition, bows, knives and similar products;
- the ATF, regulations, audit and regulatory policies that impact the process by which we sell firearms and ammunition and similar policies of state agencies that have concurrent jurisdiction, such as the CA DOJ;
- laws and regulations governing hunting and fishing;
- laws and regulations relating to the collecting and sharing of non-public customer information;
- laws and regulations relating to consumer products, product liability or consumer protection, including regulation by the Consumer Product Safety Commission and similar state regulatory agencies;
- laws and regulations relating to the manner in which we advertise, market or sell our products;
- labor and employment laws, including wage and hour laws;
- U.S. customs laws and regulations pertaining to proper item classification, quotas and the payment of duties and tariffs; and
- FTC regulations governing the manner in which orders may be solicited and prescribing other obligations in fulfilling orders and consummating sales.

Over the past several years, bills have been introduced in the United States Congress that would restrict or prohibit the manufacture, transfer, importation or sale of certain calibers of handgun ammunition, impose a tax and import controls on bullets designed to penetrate bullet-proof vests, impose a special occupational tax and registration requirements on manufacturers of handgun ammunition and increase the tax on handgun ammunition in certain calibers. Because we carry these products, such legislation could, depending on its scope, materially harm our sales.

Additionally, state and local governments have proposed laws and regulations that, if enacted, would place additional restrictions on the manufacture, transfer, sale, purchase, possession and use of firearms, ammunition and shooting-related products. For example, in response to mass shootings and other incidents in the United States, several states, such as Colorado, Connecticut, Maryland, Minnesota, New Jersey, and New York, have enacted laws and regulations that limit access to and sale of certain firearms in ways more restrictive than federal laws. Other state or local governmental entities may continue to explore similar legislative or regulatory restrictions that could prohibit the manufacture, sale, purchase, possession or use of firearms and ammunition. In New York and Connecticut, mandatory screening of ammunition purchases is now required. In addition, California has adopted requirements for micro-stamping (that is, engraving the handgun's serial number on the firing pin of new handguns), and at least seven other states and the United States Congress have introduced microstamping legislation for certain firearms. Lastly, some states prohibit the sale of firearms without internal or external locking mechanisms, and several states are considering mandating certain design features on safety grounds, most of which would be applicable only to handguns. Other state or local governmental entities may also explore similar legislative or regulatory initiatives that may further restrict the manufacture, sale, purchase, possession or use of firearms, ammunition and shooting-related products.

The regulation of firearms, ammunition and shooting-related products may become more restrictive in the future. Changes in these laws and regulations or additional regulation, particularly new laws or increased regulations regarding sales and ownership of firearms and ammunition, could cause the demand for and sales of our products to decrease and could materially adversely impact our net sales and profitability. Sales of firearms represent a significant percentage of our net sales and are critical in drawing customers to our stores. A substantial reduction in our sales or margins on sales of firearms and firearm related products due to the establishment of new regulations could harm our operating results. Moreover, complying with increased or changed regulations could cause our operating expenses to increase.

We may incur costs from litigation relating to products that we sell, particularly firearms and ammunition, which could adversely affect our net sales and profitability.

We may incur damages due to lawsuits relating to products we sell, including lawsuits relating to firearms, ammunition, tree stands and archery equipment. We may incur losses due to lawsuits, including potential class actions, relating to our performance of background checks on firearms purchases and compliance with other sales laws as mandated by state and federal law. We may also incur losses from lawsuits relating to the improper use of firearms or ammunition sold by us, including lawsuits by municipalities or other organizations attempting to recover costs from manufacturers and retailers of firearms and ammunition. For instance, in July 2019, the estate and family of a victim of the Route 91 Harvest Festival shooting filed litigation against 16 defendants, including us, for wrongful death and negligence. See Note 16 to our Consolidated Financial Statements for additional information. Our insurance coverage and the insurance provided by our vendors for certain products they sell to us may be inadequate to cover claims and liabilities related to products that we sell. In addition, claims or lawsuits related to products that we sell, or the unavailability of insurance for product liability claims, could result in the elimination of these products from our product line, thereby reducing net sales. If one or more successful claims against us are not covered by or exceed our insurance coverage, or if insurance coverage is no longer available, our available working capital may be impaired and our operating results could be materially adversely affected. Even unsuccessful claims could result in the expenditure of funds and management time and could have a negative impact on our profitability and on future premiums we would be required to pay on our insurance policies.

Our net sales and profitability could be impacted if the strength of our brand is not maintained, and our sales of firearm-related products could present reputational risks and negative publicity.

Our success depends on the value and strength of the Sportsman’s Warehouse brand. The Sportsman’s Warehouse name is integral to our business as well as to the implementation of our strategies for expanding our business. Maintaining, promoting and positioning our brand will depend largely on the success of our marketing and merchandising efforts and our ability to provide high quality merchandise and a consistent, high quality customer experience both in-store and online. Our brand could be adversely affected if we fail to achieve these objectives or if our public image or reputation were to be tarnished by negative publicity, any of which could result in decreases in net sales. In addition, the sale of firearm-related products also may present reputational risks and negative publicity that could affect consumers’ perception of us or willingness to shop with us, which could harm our results of operations and financial condition.

Risks Related to Our Retail Operations

The novel coronavirus (COVID-19) pandemic, efforts to mitigate or disrupt the pandemic and the related weak, or weakening of, economic or other negative conditions, have impacted our business, and could result in a material adverse effect on our operations, liquidity, financial condition and financial results.

During March 2020, the World Health Organization declared the rapidly growing coronavirus outbreak to be a global pandemic. While certain of our stores had restrictions on operations during the early period of the pandemic, as of the filing of this 10-K, all of our 112 stores are open with no significant restrictions or limitations on their operations. We may decide to restrict the operations of our stores and our distribution facility again if we deem this necessary or if recommended or mandated by authorities. In addition, we believe we are an “essential” business under relevant federal, state and local mandates. If the classification of what is an “essential” business changes or other government regulations are adopted, we may be required to close more, if not all, of our stores, which would significantly and adversely impact our sales and profits. Also, if we do not respond appropriately to the pandemic, or if customers do not perceive our response to be adequate for a particular region or our company as a whole, we could suffer damage to our reputation and our brand, which could adversely affect our business in the future.

With respect to our supply chain, we continue to see some interruption with various vendors as a result of restrictions or limitations on their operations due to the pandemic. We have experienced an increase in sales during the pandemic and the interruption in our supply chain has strained our inventory levels and we believe the current demand for firearms and ammunition is outpacing supply.

We cannot predict the future impact on us of the COVID-19 outbreak. For instance, our financial results and operations would be significantly impacted if we were required or we deemed it appropriate to temporarily suspend or restrict the operations of a significant number of our stores. In addition, if we are required to close a large portion of our stores or we experience an acceleration of reduced store traffic, we may need additional liquidity to maintain our operations depending on how long these events impact to our operations. The impact of the pandemic on the general economy could also impact consumer behavior and dampen discretionary spending. The future impact of the COVID-19 pandemic will depend on a number of future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread and severity of the COVID-19 outbreak, the resurgence of COVID-19, the effects of the outbreak on our customers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, including the potential temporary closing or restrictions on the operations of our stores.

Our retail-based business model is impacted by general economic and market conditions, and ongoing economic, market and financial uncertainties, including uncertainties surrounding the impact of COVID-19, may cause a decline in consumer spending that may adversely affect our business, operations, liquidity, financial results and stock price.

As a retail business that depends on consumer discretionary spending, we may be adversely affected if our customers reduce, delay or forego their purchases of our products as a result of job losses, bankruptcies, higher consumer debt and interest rates, increases in inflation, higher energy and fuel costs, reduced access to credit, falling home prices and other adverse conditions in the mortgage and housing markets, lower consumer confidence, uncertainty or changes in tax policies and tax rates, uncertainty due to potential national or international security concerns and adverse or unseasonal weather conditions. In addition, COVID-19 could cause customers and employees to avoid our stores, which could adversely affect foot traffic to our stores and our stores' ability to be adequately staffed. Such events could adversely impact our sales and/or cause the temporary closure of our stores. Decreases in same store sales, customer traffic to our stores and e-commerce site or average ticket sales negatively affect our financial performance, and a prolonged period of depressed consumer spending could have a material adverse effect on our business. Promotional activities, vendor incentives, and decreased demand for consumer products could affect profitability and margins. In addition, adverse economic conditions may result in an increase in our operating expenses due to, among other things, higher costs of labor, energy, equipment and facilities. Due to fluctuations in the U.S. economy, our sales, operating and financial results for a particular period are difficult to predict, making it difficult to forecast results to be expected in future periods. Any of the foregoing factors could have a material adverse effect on our business, results of operations and financial condition and could adversely affect our stock price.

Our concentration of stores in the Western United States makes us susceptible to adverse conditions in this region.

The majority of our stores are currently located in the Western United States, comprising Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. As a result, our operations are more susceptible to regional factors than the operations of more geographically diversified competitors. These factors include regional economic and weather conditions, natural disasters, demographic and population changes and governmental regulations in the states in which we operate. Environmental changes and disease epidemics affecting fish or game populations in any concentrated region may also affect our sales. In addition, adverse weather conditions and the impacts of climate change in any concentrated region may temporarily reduce the demand for some of our products and could have a negative effect on our sales, earnings or cash flows. If a region with a concentration of our stores were to suffer an economic downturn or other adverse event, our operating results could suffer.

Competition in the outdoor activities and sporting goods market could reduce our net sales and profitability.

The outdoor activities and sporting goods market is highly fragmented and competitive. Some of our competitors have a larger number of stores, and greater market presence (both brick and mortar and online), name recognition and financial, distribution, marketing and other resources than we have. As a result of this competition, we may need to spend more on advertising and promotion than we anticipate. In addition, the ability of consumers to compare prices on a real-time basis through the use of smartphones and digital technology puts additional pressure on us to maintain competitive pricing. If our competitors reduce their prices, we may have to reduce our prices in order to compete, which could harm our margins. Furthermore, some of our competitors may build new stores in or near our existing locations or in locations with high concentrations of our e-commerce business customers. As a result of this competition, we may need to spend more on advertising and promotion. Some of our mass merchandising competitors, such as Walmart, do not currently compete in many of the product lines we offer. However, if these competitors were to begin offering a broader array of competing products, or if any of the other factors listed above occurred, our net sales could be reduced or our costs could be increased, resulting in reduced profitability.

If we fail to anticipate changes in consumer demands, including regional preferences, in a timely manner, our operating results could suffer.

Our products appeal to consumers who regularly hunt, camp, fish and participate in various shooting sports. The preferences of these consumers cannot be predicted with certainty and are subject to change. In addition, due to different game and fishing species and varied weather conditions found in different markets, it is critical that our stores stock products appropriate for their markets. Our success depends on our ability to identify product trends in a variety of markets as well as to anticipate, gauge and quickly react to changing consumer demands in these markets. We usually must order merchandise well in advance of the applicable selling season. The extended lead times for many of our purchases may make it difficult for us to respond rapidly to new or changing product trends or changes in prices. If we misjudge either the market for our products or our customers’ purchasing habits, our net sales may decline significantly and we may not have sufficient quantities of merchandise to satisfy customer demand or we may be required to mark down excess inventory, either of which would result in lower profit margins and harm our operating results.

Our same store sales may fluctuate and may not be a meaningful indicator of future performance.

Our same store sales may vary from quarter to quarter, and an unanticipated decline in net sales or same store sales may cause the price of our common stock to fluctuate significantly. A number of factors have historically affected, and will continue to affect, our same store sales results, including:

- changes or anticipated changes to regulations related to some of the products we sell;
- consumer preferences, buying trends, including a shift of consumer spending from brick-and-mortar to online, and overall economic trends;
- our ability to identify and respond effectively to local and regional trends and customer preferences;
- our ability to provide quality customer service that will increase our conversion of shoppers into paying customers;
- the success of our omni-channel strategy and our e-commerce platform;
- competition in the regional market of a store;
- atypical weather;
- new product introductions and changes in our product mix; and
- changes in pricing and average ticket sales.

Our operating results are subject to seasonal fluctuations.

We experience moderate seasonal fluctuations in our net sales and operating results. On average over the last three fiscal years, we have generated 26.7% and 29.3% of our annual net sales in the third and fourth fiscal quarters, respectively, which includes the holiday selling season as well as the opening of the fall hunting season. We incur additional expenses in the third and fourth fiscal quarters due to higher purchase volumes and increased staffing in our stores. If, for any reason, we miscalculate the demand for our products or our product mix during the third or fourth fiscal quarters, our sales in these quarters could decline, resulting in higher labor costs as a percentage of sales, lower margins and excess inventory, which could cause our annual operating results to suffer and our stock price to decline. Due to our seasonality, the possible adverse impact from other risks associated with our business, including atypical weather, consumer spending levels and general economic and business conditions, is potentially greater if any such risks occur during our peak sales seasons.

We currently rely on a single distribution center for our business, and if there is a natural disaster or other serious disruption at such facility, we may be unable to deliver merchandise effectively to our stores or customers.

We currently rely on a single distribution center in Salt Lake City, Utah for our business. Any natural disaster or other serious disruption at such facility due to fire, tornado, earthquake, flood or any other cause could damage our on-site inventory or impair our ability to use such distribution center. While we maintain business interruption insurance, as well as general property insurance, the amount of insurance coverage may not be sufficient to cover our losses in such an event. Any of these occurrences could impair our ability to adequately stock our stores or fulfill customer orders and harm our operating results.

Any delay or disruption of the supply of products from our vendors could have an adverse impact on our net sales and profitability.

We cannot predict when, or the extent to which, we will experience any delay or disruption in the supply of products from our vendors. Any such delay or disruption could negatively impact our ability to market and sell our products and serve our customers, which could adversely impact our net sales and profitability. In addition, to the extent one or more of our key vendors is negatively impacted by COVID-19, including due to the closure of its distribution centers or manufacturing facilities, we may be unable to maintain adequate inventory in our stores and maintain delivery schedules. Further, if any of our significant vendors were to become subject to bankruptcy, receivership or similar proceedings, we may be unable to arrange for alternate or replacement products, transactions or business relationships on favorable terms, or at all, which could adversely affect our sales and operating results.

We depend on merchandise purchased from our vendors to obtain products for our stores. We have no contractual arrangements providing for continued supply from our key vendors, and our vendors may discontinue selling to us at any time. Changes in commercial practices of our key vendors or manufacturers, such as changes in vendor support and incentives or changes in credit or payment terms, could also negatively impact our results. If we lose one or more key vendors or are unable to promptly replace a vendor that is unwilling or unable to satisfy our requirements with a vendor providing equally appealing products at comparable prices, we may not be able to offer products that are important to our merchandise assortment.

We also are subject to risks, such as the price and availability of raw materials and fabrics, labor disputes, union organizing activity, strikes, inclement weather, natural disasters, war and terrorism and adverse general economic and political conditions, that might limit our vendors’ ability to provide us with quality merchandise on a timely and cost-efficient basis. We may not be able to develop relationships with new vendors, and products from alternative sources, if any, may be of a lesser quality and more expensive than those we currently purchase. Any delay or failure in offering products to our customers could have a material adverse impact on our net sales and profitability.

Political and economic uncertainty and unrest in foreign countries where our merchandise vendors are located and trade restrictions upon imports from these foreign countries could adversely affect our ability to source merchandise and operating results.

In fiscal year 2020, approximately 2.0% of our merchandise was imported directly from vendors located in foreign countries, with a substantial portion of the imported merchandise being obtained directly from vendors in China and El Salvador. In addition, we believe that a significant portion of our domestic vendors obtain their products from foreign countries that may also be subject to political and economic uncertainty. We are subject to risks and uncertainties associated with changing economic, political, market and other conditions in foreign countries where our vendors are located, such as, increased import duties, tariffs, border-adjusted taxes, trade restrictions and quotas and adverse fluctuations of foreign currencies. Any event causing a disruption or delay of imports from foreign locations would likely increase the cost or reduce the supply of merchandise available to us and would adversely affect our operating results.

Finally, potential changes in federal restrictions on the importation of firearms and ammunition products could affect our ability to acquire certain popular brands of firearms and ammunition products from importers and wholesalers, which could negatively impact our net sales until replacements in the United States can be obtained, if at all.

Unauthorized disclosure of sensitive or confidential customer information could harm our business and standing with our customers.

The protection of our customer, employee and company data is critical to us. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as payment card and personally identifiable information. Despite the security measures we have in place, our facilities and systems, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by us or our third party service providers, could damage our reputation, expose us to risk of litigation and liability, disrupt our operations and harm our business.

In addition, privacy laws, rules, and regulations are constantly evolving in the United States. For example, in June 2018, the State of California enacted the California Consumer Privacy Act, or CCPA, which became effective on January 1, 2020, and will create new individual privacy rights for California consumers and place increased privacy and security obligations on entities handling certain personal data. Complying with these evolving obligations is costly, and any failure to comply could give rise to unwanted media attention and other negative publicity, damage our customer and consumer relationships and reputation, and result in lost sales, fines, or lawsuits, and may harm our business and results of operations.

Our business depends on our ability to meet our labor needs.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees, including district managers, store managers, department managers and sales associates, who understand and appreciate our outdoor culture and are able to adequately represent this culture to our customers. Qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply, especially during times of low unemployment rates like we are currently experiencing, and the turnover rate in the retail industry is high. If we are unable to hire and retain sales associates capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for our culture and knowledge of our merchandise, our business could be materially adversely affected. Although none of our employees are currently covered by collective bargaining agreements, our employees may elect to be represented by labor unions in the future, which could increase our labor costs. Additionally, competition for qualified employees could require us to pay higher wages to attract a sufficient number of employees. An inability to recruit and retain a sufficient number of qualified individuals in the future may delay the planned openings of new stores. Any such delays, any material increases in employee turnover rates at existing stores or any increases in labor costs could have a material adverse effect on our business, financial condition or operating results.

Increases in the minimum wage have recently adversely affected our financial results.

Recently, several states in which we operate have enacted minimum wage increases and it is possible that other states or the federal government could also enact minimum wage increases. In fiscal year 2019 and 2020, 44 and 62 of our stores, respectively, were impacted by minimum wage increases, which increased our selling, general and administrative expenses. Base wage rates for some of our employees are at or slightly above the minimum wage. As more state minimum wage rates increase or if the federal government enacts a minimum wage increase, we may need to increase not only the wage rates of our minimum wage employees, but also the wages paid to our other hourly employees as well. Further, should we fail to increase our wages competitively in response to increasing wage rates, the quality of our workforce could decline, causing our customer service to suffer. Any increase in the cost of our labor could have an adverse effect on our operating costs, financial condition and results of operations.

Risks Related to Our Business Strategy

Our expansion into new, unfamiliar markets presents increased risks that may prevent us from being profitable in these new markets.

We intend to continue to expand by opening or acquiring stores in new markets, which may include small- to medium-sized markets and which may not have existing national outdoor sports retailers. As a result, we may have less familiarity with local customer preferences and encounter difficulties in attracting customers due to a reduced level of customer familiarity with our brand. Other factors that may impact our ability to open or acquire stores in new markets and operate them profitably, many of which are beyond our control, include:

- our ability to identify suitable locations, including our ability to gather and assess demographic and marketing data to determine consumer demand for our products in the locations we select;
- our ability to obtain financing on favorable terms or negotiate favorable lease agreements;
- our ability to properly assess the profitability of potential new retail store locations;
- our ability to successfully rebrand any new stores we acquire and integrate such stores into our existing operations;
- our ability to secure required governmental permits and approvals;
- our ability to attract, hire and train skilled store operating personnel, especially management personnel;
- the availability of construction materials and labor and the absence of significant construction delays or cost overruns;
- our ability to provide a satisfactory mix of merchandise that is responsive to the needs of our customers living in the areas where new retail stores are built;
- our ability to supply new retail stores with inventory in a timely manner;
- our competitors building or leasing stores near our retail stores or in locations we have identified as targets for a new retail store;
- consumer demand for our products, particularly firearms and ammunition, which drives traffic to our retail stores;
- regional economic and other factors in the geographies in which we expand; and
- general economic, political, and business conditions affecting consumer confidence and spending and the overall strength of our business.

Once we decide on a new market and find a suitable location, any delays in opening or acquiring new stores could impact our financial results. It is possible that events, such as delays in the entitlements process or construction delays caused by permitting or licensing issues, material shortages, labor issues, weather delays or other acts of god, discovery of contaminants, accidents, deaths or injunctions, could delay planned new store openings beyond their expected dates or force us to abandon planned openings altogether. In addition, new retail stores typically generate lower operating margins because pre-opening expenses are expensed as they are incurred and because fixed costs, as a percentage of net sales, are higher. Furthermore, the substantial management time and resources which our retail store expansion strategy requires may result in disruption to our existing business operations, which may decrease our profitability.

As a result of the above factors, we cannot assure you that we will be successful in operating our stores in new markets on a profitable basis.

If we are unable to successfully develop and maintain our omni-channel strategy, we may not be able to compete effectively and our sales and profitability may be adversely affected.

Our e-commerce business is an important element of our brand and relationship with our customers, and we expect it to continue to grow. In 2018, we launched a redesign of our website and significantly enhanced the online shopping experience for our customers. While e-commerce has been a rapidly growing sales channel and an increasing source of competition in our industry, sales from our e-commerce channel are not yet material to our operations. If we are unable to continue to successfully develop and maintain our omni-channel platform, we may not be able to compete effectively and our sales and profitability may be adversely affected. Our future success could also be adversely affected if we are unable to identify and capitalize on retail trends, including technology, e-commerce and other process efficiencies to gain market share and better service our customers.

In addition, many of our competitors already have e-commerce businesses that are substantially larger and more developed than ours, which places us at a competitive disadvantage. There are also regulatory restrictions on the sale of a portion of our product offerings, such as ammunition, certain cutlery, firearms, propane and reloading powder. If we are unable to expand our e-commerce business, our growth plans will suffer and the price of our common stock could decline.

We are also vulnerable to additional risks and uncertainties associated with e-commerce sales, including rapid changes in technology, website downtime and other technical failures, security breaches, cyber-attacks, consumer privacy concerns, changes in state tax regimes and government regulation of internet activities. Our failure to successfully respond to these risks and uncertainties could reduce our e-commerce same store sales, increase our costs, diminish our growth prospects and damage our brand, which could negatively impact our results of operations and stock price.

Our planned growth may strain our business infrastructure, which could adversely affect our operations and financial condition.

Over time, we expect to expand the size of our retail store network in new and existing markets. As we grow, we will face the risk that our existing resources and systems, including management resources, accounting and finance personnel and operating systems, may be inadequate to support our growth. We cannot assure you that we will be able to retain the personnel or make the changes in our systems that may be required to support our growth. Failure to secure these resources and implement these systems on a timely basis could have a material adverse effect on our operating results. In addition, hiring additional personnel and implementing changes and enhancements to our systems will require capital expenditures and other increased costs that could also have a material adverse impact on our operating results.

Our expansion in new markets may also create new distribution and merchandising challenges, including strain on our distribution facility, an increase in information to be processed by our management information systems and diversion of management attention from existing operations towards the opening of new stores and markets. To the extent that we are not able to meet these additional challenges, our sales could decrease and our operating expenses could increase.

Our private label brand offerings expose us to various risks.

We expect to continue to grow our exclusive private label brand offerings through a combination of brands that we own and brands that we license from third parties. We have invested in our development and procurement resources and marketing efforts relating to these private brand offerings. Although we believe that our private brand products offer value to our customers at each price point and provide us with higher gross margins than comparable third-party branded products we sell, the expansion of our private brand offerings also subjects us to certain specific risks in addition to those discussed elsewhere in this section, such as:

- potential mandatory or voluntary product recalls;

- our ability to successfully protect our proprietary rights (including defending against counterfeit, knock offs, grey-market, infringing or otherwise unauthorized goods);
- our ability to successfully navigate and avoid claims related to the proprietary rights of third parties;
- our ability to successfully administer and comply with obligations under license agreements that we have with the licensors of brands, including, in some instances, certain minimum sales requirements that, if not met, could cause us to lose the licensing rights or pay damages; and
- other risks generally encountered by entities that source, sell and market exclusive branded offerings for retail.

An increase in sales of our private brands may also adversely affect sales of our vendors' products, which may, in turn, adversely affect our relationship with our vendors. Our failure to adequately address some or all of these risks could have a material adverse effect on our business, results of operations and financial condition.

We may pursue strategic acquisitions or investments, and the failure of an acquisition or investment to produce the anticipated results or the inability to fully integrate the acquired companies could have an adverse impact on our business.

We may from time to time acquire or invest in complementary companies, businesses or assets. The success of such acquisitions or investments will be based on our ability to make accurate assumptions regarding the valuation, operations, growth potential, integration and other factors relating to the respective business or assets. Our acquisitions or investments may not produce the results that we expect at the time we enter into or complete the transaction. For example, we may not be able to capitalize on previously anticipated synergies. Furthermore, acquisitions may result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses or write-offs of goodwill or other intangibles, any of which could harm our financial condition or results of operations. We also may not be able to successfully integrate operations that we acquire, including their personnel, financial systems, supply chain and other operations, which could adversely affect our business. Acquisitions may also result in the diversion of our capital and our management's attention from other business issues and opportunities.

Risks Related to Liquidity and Capital Resources

Our ability to operate and expand our business and to respond to changing business and economic conditions will depend on the availability of adequate capital.

The operation of our business, the rate of our expansion and our ability to respond to changing business and economic conditions depend on the availability of adequate capital, which in turn depends on cash flow generated by our business and, if necessary, the availability of equity or debt capital. We will also need sufficient cash flow to meet our obligations under our existing debt agreements.

The amount that we are able to borrow and have outstanding under our revolving credit facility at any given time is subject to a borrowing base calculation. As a result, our ability to borrow is subject to certain risks and uncertainties, such as a deterioration in the quality of our inventory (which is the largest asset in our borrowing base), a decline in sales activity and the collection of our receivables, which could reduce the funds available to us under our revolving credit facility.

We cannot assure you that our cash flow from operations or cash available under our revolving credit facility will be sufficient to meet our needs. If we are unable to generate sufficient cash flows from operations in the future, and if availability under our revolving credit facility is not sufficient, we may have to obtain additional financing. If we obtain additional capital by issuing equity, the interests of our existing stockholders will be diluted. If we incur additional indebtedness, that indebtedness may contain significant financial and other covenants that may significantly restrict our operations, and our ability to fund expansion or take advantage of future opportunities. We cannot assure you that we could obtain refinancing or additional financing on favorable terms or at all.

Our revolving credit facility and term loan contain restrictive covenants that may impair our ability to access sufficient capital and operate our business.

Our revolving credit facility and term loan contain various provisions that limit our ability to, among other things, incur, create or assume certain indebtedness; create, incur or assume certain liens; make certain investments; make sales, transfers and dispositions of certain property; undergo certain fundamental changes, including certain mergers, liquidations and consolidations; purchase, hold or acquire certain investments; and declare or make certain dividends and distributions. These covenants may affect our ability to operate and finance our business as we deem appropriate. If we are unable to meet our obligations as they become due or to comply with various financial covenants contained in the instruments governing our current or future indebtedness, this could constitute an event of default under the instruments governing our indebtedness.

If there were an event of default under the instruments governing our indebtedness, the holders of the affected indebtedness could declare all of that indebtedness immediately due and payable, which, in turn, could cause the acceleration of the maturity of all of our other indebtedness. We may not have sufficient funds available, or we may not have access to sufficient capital from other sources, to repay any accelerated debt. Even if we could obtain additional financing, the terms of the financing may not be favorable to us. In addition, substantially all of our assets are subject to liens securing our revolving credit facility and term loan. If amounts outstanding under the revolving credit facility or term loans were accelerated, our lenders could foreclose on these liens and we could lose substantially all of our assets. Any event of default under the instruments governing our indebtedness could have a material adverse effect on our business, financial condition and results of operations.

An increase in market interest rates, including from any impact of the discontinuation of LIBOR, could increase our interest costs on existing and future debt and could adversely affect our stock price.

Our existing debt obligations are variable rate obligations with interest and related payments that vary with the movement of certain indices, and in the future, we may incur additional indebtedness in connection with the entry into new credit facilities or the financing of any acquisition. If interest rates increase, so could our interest costs for any new debt and our variable rate debt obligations under our revolving credit facility and term loan. This increased cost could make the financing of any acquisition more costly, as well as lower our current period earnings. Rising interest rates could limit our ability to refinance existing debt when it matures or cause us to pay higher interest rates upon refinancing.

All of our debt outstanding under our credit agreement as of January 30, 2021 bears interest at a floating rate that uses LIBOR as the applicable reference rate to calculate the interest. In July 2017, the U. K.'s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. However, for U.S dollar LIBOR, it now appears that the relevant date may be deferred to June 30, 2023 for certain tenors (including overnight and one, three, six and 12 months), at which time the LIBOR administrator has indicated that it intends to cease publication of U.S. dollar LIBOR. Despite this potential deferral, the LIBOR administrator has advised that no new contracts using U.S. dollar LIBOR should be entered into after December 31, 2021. The U.S. Federal Reserve has begun publishing a Secured Overnight Funding Rate ("SOFR"), which is intended to replace U.S. dollar LIBOR, and has proposed a paced market transition plan to SOFR from LIBOR. Organizations are currently working on industry wide and company specific transition plans as it relates to financial and other derivative contracts exposed to LIBOR. Additionally, plans for alternative reference rates for other currencies have also been announced. At this time, we cannot predict how markets will respond to these proposed alternative rates or the effect of any changes to LIBOR or the discontinuation of LIBOR. If LIBOR is no longer available, our credit agreement provides that, if the administrative agent has determined that adequate means do not exist for ascertaining LIBOR or that LIBOR does not adequately and fairly reflect the cost to lenders for making, funding or maintaining their loans, then all of our outstanding loans under the credit agreement will be converted into loans that accrue interest at the alternative base rate on the last day of such interest period that determination is made. Further, the lenders under our credit agreement will no longer be obligated to make loans using LIBOR as the applicable reference rate. If future rates based upon a successor reference rate such as SOFR (or a new method of calculating LIBOR) are higher than LIBOR rates as currently determined or if our lenders have increased costs due to changes in LIBOR, we may experience potential increases in interest rates on our variable rate debt, which could adversely impact our interest expense, results of operations and cash flows.

Risks Related to Our Common Stock

Our bylaws, our certificate of incorporation and Delaware law contain provisions that could discourage another company from acquiring us and may prevent attempts by our stockholders to replace or remove our current management.

Provisions of our bylaws, our certificate of incorporation and Delaware law may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which our stockholders might otherwise receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our board of directors. These provisions include:

- establishing a classified board of directors;
- providing that directors may be removed only for cause;
- not providing for cumulative voting in the election of directors;
- requiring at least a supermajority vote of our stockholders to amend our bylaws or certain provisions of our certificate of incorporation;
- eliminating the ability of stockholders to call special meetings of stockholders;
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings;
- authorizing the issuance of “blank check” preferred stock without any need for action by stockholders.

In addition, we are subject to Section 203 of the Delaware General Corporation Law. In general, subject to some exceptions, Section 203 prohibits a Delaware corporation from engaging in any “business combination” with any “interested stockholder” (which is generally defined as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation), for a three-year period following the date that the stockholder became an interested stockholder. Section 203 could have the effect of delaying, deferring or preventing a change in control that our stockholders might consider to be in their best interests.

Further, our certificate of incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be, to the fullest extent permitted by law, the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law; or any action asserting a claim against us that is governed by the internal affairs doctrine. This exclusive forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees and agents, which may discourage such lawsuits against us and our directors, officers, employees and agents.

Together, these charter and statutory provisions could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock. The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby potentially reducing the likelihood that our stockholders could receive a premium for their common stock in an acquisition.

We expect that the price of our common stock will fluctuate.

The price of our common stock is volatile and may fluctuate significantly. During our fiscal year ended January 30, 2021, the closing price of our stock ranged from a high of $17.95 per share to a low of $4.30 per share. Volatility in the market price of our common stock may prevent our stockholders from being able to sell their common stock at or above the prices they paid for their common stock. The market price for our common stock could fluctuate significantly for various reasons, including, among other things, our operating and financial performance; conditions that impact demand for our products; the public's reaction to our press releases or other public announcements; changes in earnings estimates or recommendations by securities analysts; market and industry perception of our success, or lack thereof, in pursuing our growth strategy; strategic actions by us or our competitors, such as acquisitions, store closures, or restructurings; actual or anticipated changes in federal and state government regulation, including regulations related to the sale of firearms and ammunition; sales of common stock by us or members of our management team; and changes in general market, economic and political conditions in the United States, including those resulting from natural disasters, health crises or pandemics (including COVID-19), terrorist attacks, acts of war and responses to such events.

In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and distract our management.

Corporate responsibility, specifically related to environmental, social and governance ("ESG") matters, may impose additional costs and expose us to new risks.

Public ESG and sustainability reporting is becoming more broadly expected by investors, shareholders and other third parties. Certain organizations that provide corporate governance and other corporate risk information to investors and shareholders have developed, and others may in the future develop, scores and ratings to evaluate companies and investment funds based upon ESG or "sustainability" metrics. Many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company's ESG or sustainability scores as a reputational or other factor in making an investment decision. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with such company to improve ESG disclosure or performance and may also make voting decisions, or take other actions, to hold these companies and their boards of directors accountable. Board diversity is an ESG topic that is, in particular, receiving heightened attention by investors, shareholders, lawmakers and listing exchanges. Certain states have passed laws requiring companies to meet certain gender and ethnic diversity requirements on their boards of directors. We may face reputational damage in the event our corporate responsibility initiatives or objectives, including with respect to board diversity, do not meet the standards set by our investors, shareholders, lawmakers, listing exchanges or other constituencies, or if we are unable to achieve an acceptable ESG or sustainability rating from third party rating services. A low ESG or sustainability rating by a third-party rating service could also result in the exclusion of our common stock from consideration by certain investors who may elect to invest with our competition instead. Ongoing focus on corporate responsibility matters by investors and other parties as described above may impose additional costs or expose us to new risks.

General Risks

Any material disruption or breach of our information technology systems or those of third-party partners could materially damage our customer and business partner relationships and subject us to significant reputational, financial, legal, and operational consequences.

We rely on commercially available systems, software, tools and monitoring to provide security for the processing, transmission and storage of confidential tenant and customer data, including individually identifiable information relating to financial accounts. We have taken steps to protect the security of our information systems and the data maintained in those systems. Our safety and security measures have failed in the past, and may fail in the future, to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including those caused by physical or electronic break-ins, computer viruses, malware, worms, attacks by hackers or foreign governments, disruptions from unauthorized access and tampering (including through social engineering such as phishing attacks), coordinated denial-of-service attacks and similar breaches, could create system disruptions, shutdowns or unauthorized disclosure of confidential information. The risk of security breaches has generally increased as the number, intensity and sophistication of attacks and intrusions from around the world have increased. In some cases, it may be difficult to anticipate or immediately detect such incidents and the damage they cause. In addition, due to the fast pace and unpredictability of cyber threats, long-term implementation plans designed to address cybersecurity risks become obsolete quickly. Any failure to maintain proper function, security and availability of our information systems and the data maintained in those systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a materially adverse effect on our business, financial condition and results of operations.

Our inability or failure to protect our intellectual property could have a negative impact on our operating results.

Our trademarks, service marks, copyrights, patents, trade secrets, domain names and other intellectual property are valuable assets that are critical to our success. The unauthorized reproduction or other misappropriation of our intellectual property could diminish the value of our brands or goodwill and cause a decline in our net sales. Any infringement or other intellectual property claim made against us, whether or not it has merit, could be time-consuming, result in costly litigation, cause product delays or require us to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse effect on our operating results.

Our computer hardware and software systems are vulnerable to damage that could harm our business.

Our success, in particular our ability to successfully manage inventory levels, largely depends upon the efficient operation of our computer hardware and software systems. We use management information systems to track inventory information at the store level, communicate customer information and aggregate daily sales, margin and promotional information. These systems are vulnerable to damage or interruption from natural disasters, power loss, computer system failures, telecommunications failures, security breaches, misappropriation, hacking by third parties and computer viruses, and similar events.

Any failure that causes an interruption in our systems processing could disrupt our operations and result in reduced sales. We have centralized the majority of our computer systems in our corporate office. It is possible that an event or disaster at our corporate office could materially and adversely affect the performance of our company and the ability of each of our stores to operate efficiently.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We do not own any material real property nor do we plan to do so. Instead, we lease all of our store locations and expect to lease our future store locations. From time to time we will self-develop one of our properties with the intention to enter into a sale-leaseback transaction with a third party. Depending upon where we are in the process of completing the sale-leaseback transaction, we may legally own real property at any particular balance sheet date. Our corporate headquarters is located in an approximately 70,000 square foot building in West Jordan, Utah. The building is leased under an agreement expiring on March 31, 2035.

Our distribution center is located in a 507,000 square foot facility in Salt Lake City, Utah. The building is leased under an agreement expiring on December 31, 2023, with three options that each allow us to extend for an additional five years. We believe that our distribution center is of sufficient scale to support a network of 120 or more stores.

We currently operate 112 retail stores in 27 states. See above under “Business – Our Stores” for a breakdown of our stores by state. In total we have approximately 4.5 million gross square feet across all of our stores. All of our stores are leased from third parties with lease terms typically ranging from five to fifteen years, and many of our lease agreements have additional five-year renewal options. All of our leases provide for additional payments associated with common area maintenance, real estate, taxes and insurance. In addition, many of our lease agreements have defined escalating rent provisions over the initial term and extensions.

ITEM 3. LEGAL PROCEEDINGS

As of April 1, 2021, seven lawsuits have been filed on behalf of individuals purporting to be stockholders of Sportsman’s Warehouse, alleging that the proxy statement we filed in connection with the stockholder vote to approve the Merger omits material information with respect to the Merger which renders the proxy statement false and misleading (which we refer to collectively as the “Stockholder Actions”). The first complaint was filed on February 24, 2021 by Anthony Morgan, on behalf of himself and all others similarly situated, in the United States District Court for the Northern District of California and is captioned *Morgan v. Sportsman’s Warehouse Holdings, Inc.*, *et al.*, 3:21-cv-01315. The second complaint was filed on February 26, 2021 by Bryan Kubicek, on behalf of himself and all others similarly situated, in the United States District Court for the District of Delaware and is captioned *Kubicek v. Sportsman’s Warehouse Holdings, Inc.*, *et al.*, 1:21-cv-00302. The third complaint was filed on March 1, 2021 by Arian Ray in the United States District Court for the Eastern District of Pennsylvania and is captioned Ray v. Sportsman’s Warehouse Holdings, Inc., et al., 2:21-cv-00967. The Ray action was subsequently dismissed by Arian Ray on March 31, 2021. The fourth complaint was filed on March 4, 2021 by Michael Huff in the United States District Court for the District of Delaware and is captioned Huff v. Sportsman’s Warehouse Holdings, Inc., et al., 1:21-cv-00337. The Huff action was subsequently dismissed by Michael Huff on March 31, 2021. The fifth complaint was filed on March 6, 2021 by Robert Waldron in the United States District Court for the District of Colorado and is captioned Waldron v. Sportsman’s Warehouse Holdings, Inc., et al., 1:21-cv-00682. The sixth complaint was filed on March 9, 2021 by Anthony Pitruzzello in the United States District Court for the Southern District of New York and is captioned Pitruzzello v. Sportsman’s Warehouse Holdings, Inc., et al., 1:21-cv-02040. The Pitruzzello action was subsequently dismissed by Anthony Pitruzzello on April 1, 2021. The seventh complaint was filed on March 11, 2021 by Mike Collawn in the United States District Court for the Southern District of New York and is captioned *Collawn v. Sportsman’s Warehouse Holdings, Inc.*, *et al.*, 1:21-cv-02117. Each of the Stockholder Actions names Sportsman’s Warehouse and each member of the Board as defendants

The Stockholder Actions purport to state claims for violations of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated under the Exchange Act (“Rule 14a-9”). The *Pitruzzello* complaint also purports to state a claim that members of the Board violated their fiduciary duty of candor. The plaintiffs in the Stockholder Actions generally allege that the proxy statement omits material information with respect to the Merger which renders the proxy statement false and misleading. The plaintiffs in the Stockholder Actions seek, among other things, an injunction preventing the consummation of the Merger, or if the Merger is consummated, rescission of the Merger or an award of rescissory damages, a declaration that the defendants violated Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9, and an award of the costs of the action, including reasonable allowance for attorneys’ and experts’ fees. The *Morgan*, *Kubicek* and *Waldron* complaints also seek an injunction preventing any vote on the Merger, including those contemplated at the special meeting. Sportsman’s Warehouse believes each of these lawsuits is without merit.

Sportsman’s Warehouse has vigorously denied, and continues vigorously to deny, that it has committed or aided and abetted in the commission of any violation of law or duties or engaged in any of the wrongful acts that were alleged in the Stockholder Actions.

When we become aware of a claim or potential claim, we assess the likelihood of any loss or exposure. If a loss contingency is probable and the amount of the loss can be reasonably estimated, we record an accrual for the loss. In such cases, there may be an exposure to potential loss in excess of the amount accrued. Where a loss is not probable but is reasonably possible or where a loss in excess of the amount accrued is reasonably possible, we disclose an estimate of the amount of the loss or range of possible losses for the claim if a reasonable estimate can be made, unless the amount of such reasonably possible losses is not material to our financial position, results of operations or cash flows. The ability to predict the ultimate outcome of such matter involves judgments and inherent uncertainties. The actual outcome could differ.

We are subject to various legal proceedings and claims, including employment claims, wage and hour claims, intellectual property claims, contractual and commercial disputes and other matters that arise in the ordinary course of our business. While the outcome of these and other claims cannot be predicted with certainty, we do not believe that the outcome of these matters individually or in the aggregate will have a material adverse effect on our business, results of operations or financial condition. See Note 16, “Commitments and Contingencies” to the Consolidated Financial Statements included in this 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Registrant’s Common Equity

Our common stock is listed on the Nasdaq under the symbol “SPWH.” As of March 1, 2021, there were 167 holders of record of our common stock. This number does not include persons who hold our common stock in nominee or “street name” accounts through brokers or banks.

Dividend Policy

We did not pay any dividends in fiscal year 2020 or fiscal year 2019. We currently expect to retain all available funds and future earnings, if any, for use in the operation and growth of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors, subject to compliance with applicable law and any applicable contractual provisions.

Pursuant to the Merger Agreement, we agreed to refrain from declaring or paying any dividends during the Interim Operating Period, subject to the terms, limitations and exceptions set forth in the Merger Agreement. In addition, to the extent the Merger is consummated, subject to the terms and conditions set forth in the Merger Agreement, each share of our common stock will be converted into the right to receive the Per Share Merger Consideration, and the holders of such common stock will not be entitled to receive any dividend payments or other distributions with respect to such common stock after the Effective Time.

ITEM 6. SELECTED FINANCIAL DATA

For the fiscal year 2020, we were a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, and are not required to provide the information under this item.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion below contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those which are discussed in the “Risk Factors” section in Part I, Item 1A of this 10-K. Also see “Statement Regarding Forward-Looking Statements” preceding Part I.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto included in this 10-K.

Overview

We are an outdoor sporting goods retailer focused on meeting the everyday needs of the seasoned outdoor veteran, the first-time participant and everyone in between. Our mission is to provide outstanding gear and exceptional service to inspire outdoor memories.

Our business was founded in 1986 as a single retail store in Midvale, Utah. Today, we operate 112 stores in 27 states, totaling approximately 4.5 million gross square feet. During fiscal year 2020, we increased our gross square footage by 8.7% through the opening and acquisition of an aggregate of ten store locations.

Our stores and our e-commerce platform are aggregated into one operating and reportable segment.

Proposed Merger with Great Outdoors Group, Inc.

On December 21, 2020, Sportsman’s Warehouse entered into the Merger Agreement with Great Outdoors Group and Merger Subsidiary. Pursuant to the terms and conditions set forth in the Merger Agreement, Merger Subsidiary will be merged with and into Sportsman’s Warehouse, with Sportsman’s Warehouse continuing as the surviving corporation in the Merger and a wholly-owned subsidiary of Great Outdoors Group. Subject to the terms and conditions set forth in the Merger Agreement, at the Effective Time, each share of Sportsman's Warehouse common stock, par value $0.01 per share outstanding immediately prior to the Effective Time (other than such Shares held by (i) Great Outdoors Group, Merger Subsidiary, or any other subsidiary of Great Outdoors Group, (ii) Sportsman's Warehouse or its subsidiaries, as treasury stock or (iii) stockholders of Sportsman's Warehouse who properly exercised their appraisal rights for such Shares under the Delaware General Corporation Law) will automatically be cancelled and converted into the right to receive $18.00 per Share in cash, without interest and less any applicable withholding taxes.

The Merger Agreement has been unanimously adopted by the board of directors of Sportsman's Warehouse, and the stockholders of Sportsman's Warehouse approved the Merger at the special stockholders meeting held on March 23, 2021. Completion of the Merger is subject to the satisfaction of several conditions, including: (i) the expiration or termination of any applicable waiting period (and any extensions thereof) relating to the Merger under the HSR Act; (ii) the absence of any order, injunction, or other judgment by any governmental authority of competent jurisdiction that enjoins or otherwise prohibits the consummation of the Merger; (iii) the accuracy of each party's representations and warranties (subject to certain qualifications); (iv) each party's performance in all material respects of its obligations contained in the Merger Agreement; and (v) the absence of a material adverse effect on Sportsman's Warehouse.

Assuming receipt of required clearance pursuant to the HSR Act and timely satisfaction of other conditions to closing, we currently expect the closing of the Merger to occur in the second half of calendar year 2021. For more information on the Merger, see *"Part I. Item 1. Business—Proposed Merger with Great Outdoor Groups, Inc."* and *"Part I. Item 1A. Risk Factors—Risks Related to the Proposed Merger."*

COVID-19 Pandemic

Since mid-March through the end of fiscal year 2020, the Company has experienced a significant increase in sales. A larger than normal portion of those sales has come from certain product categories, particularly firearms and ammunition. As a result of the higher proportion of firearms and ammunition sales, our product mix during fiscal year 2020 has been impacted, which had a negative effect on our gross margin.

The increased demand we have experienced since mid-March 2020 resulted in our net sales increasing by 63.8% to $1,451.8 million during fiscal year 2020 compared to fiscal year 2019. Within our net sales, our Hunting and Shooting category increased by 91.1% to $832.6 million for fiscal year 2020 compared to fiscal year 2019. Further, our same store sales increased 48.3% during fiscal 2020 compared to fiscal 2019, with our hunting and shooting same store sales increasing 70.0%. Gross profit increased to $476.4 million during fiscal year 2020 compared to $296.6 million for the corresponding period of fiscal year 2019. As a percentage of net sales, gross profit decreased to 32.8% for fiscal year 2020 compared to 33.5% for the corresponding period of fiscal year 2019 due in part to an increase in lower margin products, such as firearms and ammunition, in our product mix. As of the filing of this 10-K, all of our 112 stores are open with no significant restrictions or limitations on their operations. In early fiscal year 2020, we were required to temporarily close four of our stores and significantly limit operations at eight other locations as a result of local and state regulations related to the COVID-19 pandemic. We have taken many actions and made numerous policy changes to adjust our operations in an effort to limit the spread of COVID-19, including requiring masks to be worn at our facilities, installing plastic barriers in stores, additional store and distribution center cleanings and implementing social distancing requirements, among others. Despite our efforts, we may be required to further restrict the operations of our stores and our distribution center if we deem this necessary or if recommended or mandated by authorities.

In addition, with respect to our supply chain, we continue to see some interruption with various vendors as a result of restrictions or limitations on their operations due to the pandemic. While our increase in sales shows a significant demand for firearms and ammunition during the pandemic that we believe is outpacing supply, we do not believe supply chain disruptions resulting from restrictions and limitations on supplier operations caused by the pandemic are resulting in significantly less supply and we are working closely with our vendors to limit such disruption.

While we have experienced increased sales, especially in our hunting and shooting category, since the beginning of the COVID-19 pandemic, we cannot predict the future impact on us of the COVID-19 outbreak. For instance, our financial results and operations would be significantly impacted if we were required or we deemed it appropriate to temporarily suspend or restrict the operations of a significant number of our stores. Further, the impact of the pandemic on the general economy could impact consumer behavior and dampen discretionary spending. The future impact of the COVID-19 pandemic will depend on a number of future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread and severity of the COVID-19 outbreak, the resurgence of COVID-19, the effects of the outbreak on our customers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, including the potential temporary closing or restrictions on the operations of our stores.

Fiscal Year

We operate using a 52/53 week fiscal year ending on the Saturday closest to January 31. Fiscal years 2020, 2019 and 2018 ended on January 30, 2021, February 1, 2020, and February 2, 2019, respectively. Fiscal years 2020, 2019, and 2018 contained 52 weeks of operations.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures for determining how our business is performing are net sales, same store sales, gross margin, selling, general and administrative expenses, income from operations and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA").

Net Sales and Same Store Sales

Our net sales are primarily received from revenue generated in our stores and also include sales generated through our e-commerce platform. When measuring revenue generated from our stores, we review our same store sales as well as the performance of our stores that have not operated for a sufficient amount of time to be included in same store sales. We include net sales from a store in same store sales on the first day of the 13th full fiscal month following the store's opening or acquisition by us. We exclude sales from stores that were closed during the period from our same store sales calculation. We include net sales from e-commerce in our calculation of same store sales. For fiscal years consisting of 53 weeks, we exclude net sales during the 53rd week from our calculation of same store sales. Some of our competitors and other retailers may calculate same store sales differently than we do. As a result, data regarding our same store sales may not be comparable to similar data made available by other retailers.

Measuring the change in year-over-year same store sales allows us to evaluate our retail store base performance. Various factors affect same store sales, including:

- the impact of the COVID-19 pandemic;
- changes or anticipated changes to regulations related to some of the products we sell;
- consumer preferences, buying trends and overall economic trends;
- our ability to identify and respond effectively to local and regional trends and customer preferences;
- our ability to provide quality customer service that will increase our conversion of shoppers into paying customers;
- the success of our omni-channel strategy and our e-commerce platform;
- competition in the regional market of a store;
- atypical weather;
- changes in our product mix; and
- changes in pricing and average ticket sales.

Opening new stores and acquiring store locations is also an important part of our growth strategy. For fiscal year 2020 we opened or acquired 10 stores and plan to add 8 to 12 locations in fiscal year 2021. While our target is to grow square footage at a rate of 8% to 10% annually, we may deviate from this target if attractive opportunities are presented to open stores or acquire new store locations outside of our target growth rate.

We also have been scaling our e-commerce platform and increasing sales through our website, *www.sportsmans.com*.

We believe the key drivers to increasing our total net sales include:

- increasing our total gross square footage by opening or acquiring new stores;
- continuing to increase and improve same store sales in our existing markets;
- increasing customer visits to our stores and improving our conversion rate through focused marketing efforts and continually high standards of customer service;
- increasing the average ticket sale per customer; and
- expanding our omni channel capabilities.

Gross Margin

Gross profit is our net sales less cost of goods sold. Gross margin measures our gross profit as a percentage of net sales. Our cost of goods sold primarily consists of merchandise acquisition costs, including freight-in costs, shipping costs, payment term discounts received from the vendor and vendor allowances and rebates associated directly with merchandise and shipping costs related to e-commerce sales.

We believe the key drivers to improving our gross margin are increasing the product mix to higher margin products, particularly apparel and footwear, increasing foot traffic within our stores and traffic to our website, improving buying opportunities with our vendor partners and coordinating pricing strategies among our stores and our merchandise group. Our ability to properly manage our inventory can also impact our gross margin. Successful inventory management ensures we have sufficient high margin products in stock at all times to meet customer demand, while overstocking of items could lead to markdowns in order to help a product sell. We believe that the overall growth of our business will allow us to generally maintain or increase our gross margins, because increased merchandise volumes will enable us to maintain our strong relationships with our vendors.

Selling, General and Administrative Expenses

We closely manage our selling, general and administrative expenses. Our selling, general and administrative expenses are comprised of payroll, rent and occupancy, depreciation and amortization, acquisition expenses, pre-opening expenses and other operating expenses, including stock-based compensation expense. Pre-opening expenses include expenses incurred in the preparation and opening of a new store location, such as payroll, travel and supplies, but do not include the cost of the initial inventory or capital expenditures required to open a location.

Our selling, general and administrative expenses are primarily influenced by the volume of net sales of our locations, except for our corporate payroll, rent and occupancy and depreciation and amortization, which are generally fixed in nature. We control our selling, general and administrative expenses through a budgeting and reporting process that allows our personnel to adjust our expenses as trends in net sales activity are identified.

We expect that our selling, general and administrative expenses will increase in future periods due to our continuing growth. Furthermore, 62 of our current stores were impacted by minimum wage increases in fiscal year 2020 that have and will continue to increase our selling, general and administrative expenses during fiscal year 2021.

Income from Operations

Income from operations is gross profit less selling, general and administrative expenses. We use income from operations as an indicator of the productivity of our business and our ability to manage selling, general and administrative expenses.

Adjusted EBITDA

We define Adjusted EBITDA as net income plus interest expense, income tax expense, depreciation and amortization, stock-based compensation expense, pre-opening expenses, and other gains, losses, and expenses that we do not believe are indicative of our ongoing expenses. In evaluating our business, we use Adjusted EBITDA and Adjusted EBITDA margin as an additional measurement tool for purposes of business decision-making, including evaluating store performance, developing budgets and managing expenditures. See "Non-GAAP Measures."

Results of Operations

The following table summarizes key components of our results of operations as a percentage of net sales for the periods indicated:

	Fiscal Year Ended		
	January 30, 2021	February 1, 2020	February 2, 2019
Percentage of net sales:			
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	67.2	66.5	66.4
Gross profit	32.8	33.5	33.6
Selling, general, and administrative expenses	24.3	29.7	28.4
Income from operations	8.5	3.8	5.2
Gain on bargain purchase	(0.2)	-	-
Interest expense	0.3	0.9	1.6
Income before income taxes	8.4	2.9	3.6
Income tax expense	2.1	0.6	0.8
Net income	6.3%	2.3%	2.8%
Adjusted EBITDA	11.3%	6.7%	8.1%

The following table shows our sales during the periods presented by department:

		Fiscal Year Ended		
Department	Product Offerings	January 30, 2021	February 1, 2020	February 2, 2019
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools	12.7%	14.4%	14.2%
Apparel	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear	7.5%	9.3%	8.9%
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats	9.9%	11.1%	10.6%
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots	5.6%	7.5%	7.3%
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear	57.6%	49.1%	48.3%
Optics, Electronics, Accessories, and Other	Gift items, GPS devices, knives, lighting, optics, two-way radios, and other license revenue, net of revenue discounts	6.7%	8.6%	10.7%
Total		100.0%	100.0%	100.0%

Fiscal Year 2020 Compared to Fiscal Year 2019

Net Sales. Net sales increased by $565.4 million, or 63.8%, to $1,451.8 million in fiscal year 2020 compared to $886.4 million in fiscal year 2019. Our net sales increased due to a variety of reasons including; increased outdoor activity participation, demand driven by the change in consumer behavior associated with the COVID-19 pandemic, increased demand due to the presidential election and social unrest, increased demand driven by the exit of competitors and market share gains due to increased participation in outdoor activities, and strong growth in our e-commerce platform. Stores that were opened in fiscal year 2020 and stores that have been open for less than 12 months and were, therefore, not included in our same store sales, contributed $155.3 million to net sales. Same store sales increased by 48.3% for fiscal year 2020 compared to fiscal year 2019, primarily driven by increases in our hunting and shooting department due to the drivers of increased demand discussed above. Existing stores that were included in same store sales generated $408.6 million in additional net sales in fiscal year 2020 over fiscal year 2019.

All of our departments had increases in net sales for fiscal year 2020 compared to fiscal year 2019, led by our hunting and shooting department with an increase in net sales of $397.1 million, or 91.1%. Our camping, fishing, apparel, footwear, and optics, electronics, and accessories departments also had increases in net sales of $57.4 million, $44.8 million, $25.7 million, $14.6 million and $27.7 million, respectively, for fiscal year 2020 compared to fiscal year 2019 due to increased traffic within our stores and higher online sales. Within hunting, our firearm and ammunition categories saw increases of $194.8 million, or 115.5%, and $122.6 million, or 93.7%, respectively, for fiscal year 2020 compared to fiscal year 2019, which increases resulted from the drivers of increased demand discussed above.

Each of our departments had increases in same store sales for fiscal year 2020 compared to fiscal year 2019, led by our hunting and shooting department with an increase in same store sales of 70.0%. Our camping, fishing, optics, electronics and accessories, footwear, and apparel departments had increases in same store sales of 34.0%, 30.8%, 28.9%, 18.5%, and 13.0% respectively, for fiscal year 2020 compared to fiscal year 2019. As of January 30, 2021, we had 102 stores included in our same store sales calculation.

Gross Profit. Gross profit increased by $179.8 million, or 60.6%, to $476.4 million for fiscal year 2020 from $296.6 million for fiscal year 2019. As a percentage of net sales, gross profit decreased to 32.8% for fiscal year 2020 compared to 33.5% for fiscal year 2019 due to the change in product mix as a result of the majority of revenue being generated from lower margin categories such as firearms and ammunition and a channel mix shift to higher e-commerce driven sales causing increased freight costs. The gross margin decline was partially offset by higher product margins, volume incentives, and other adjustments, which positively impacted gross margin.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $90.5 million, or 34.4%, to $353.7 million for fiscal year 2020 from $263.2 million for fiscal year 2019. This increase was primarily due to an increase in our payroll expense of $51.9 million, which mostly resulted from the opening of 10 new or acquired store locations during fiscal year 2020, minimum wage increases impacting 62 of our stores in fiscal year 2020 and the payment of $6.5 million in hazard pay. We also had increases in other selling, general, and administration expenses, rent, and depreciation of $24.8 million, $8.2 million, and $3.3 million, respectively, each primarily related to the opening or acquiring of 10 new store locations during fiscal year 2020. The increase in other selling, general and administrative expenses was primarily due to increased credit card fees. Additionally, we incurred increased acquisitions costs of $3.0 million with respect to our merger with the Great Outdoors Group, which was announced on December 21, 2020. Selling, general and administrative expenses decreased to 24.3% of net sales in fiscal year 2020 compared to 29.7% of net sales in fiscal year 2019, primarily because of the significant increase in net sales we experienced in fiscal year 2020 compared to fiscal year 2019.

Interest Expense. Interest expense decreased by $4.5 million, or 56.2%, to $3.5 million in fiscal year 2020 from $8.0 million for fiscal year 2019. Interest expense decreased primarily as a result of our lower debt balances during fiscal year 2020 compared to fiscal year 2019, including our repayment of our term loan and all outstanding amounts under our revolving credit facility during fiscal year 2020.

Income Taxes. We recorded an income tax expense of $30.1 million for fiscal year 2020 compared to income tax expense of $5.3 million for fiscal year 2019. Our effective tax rate changed from fiscal year 2019 of 20.6% to 24.8% in 2020 primarily due to discrete items recognized in 2019 relating to prior year tax credits and changes in our estimated deferred state tax rate which did not repeat in 2020.

Fiscal Year 2019 Compared to Fiscal Year 2018

Net Sales. Net sales increased by $37.3 million, or 4.4%, to $886.4 million in fiscal year 2019 compared to $849.1 million in fiscal year 2018. Net sales increased due to $46.9 million in incremental sales from new stores opened or acquired since the beginning of fiscal 2018, which stores are not yet included in same store sales, partially offset by a $9.6 million decrease in same store sales or a decrease of 0.9%. Our eleven new stores that opened in fiscal 2019 generated net sales of $36.2 million during this period. Existing stores that were not included in same store sales generated $10.7 million in additional net sales in fiscal year 2019 over fiscal year 2018. Our net sales were negatively impacted by the shorter and more competitive holiday selling season, in which we noticed key competitors discounting their firearm and ammunition inventory as they continue to de-emphasize or completely exit these categories. Our same store sales were also adversely impacted by legislative changes in Washington and California.

With respect to same store sales, our fishing department realized an increase in same store sales of 2.3%. Our camping, gift bar, apparel, and hunting departments incurred decreases in same store sales of 1.8%, 1.6%, 1.1%, and 1.0%, respectively. Firearms same store sales decreased by 3.0% and ammunition same store sales decreased by 0.5% during fiscal year 2019 compared to fiscal year 2018. As of February 1, 2020, we had 92 stores included in our same store sales calculation.

Gross Profit. Gross profit increased by $11.7 million, or 4.1%, to $296.6 million for fiscal year 2019 from $284.9 million for fiscal year 2018. As a percentage of net sales, gross profit decreased to 33.5% compared to gross profit of 33.6% in the prior year. Gross margin in fiscal 2019 was negatively impacted by increased freight charges and a reduction in vendor incentives.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $22.3 million, or 9.2%, to $263.2 million for fiscal year 2019 from $240.9 million for fiscal year 2018. Selling, general and administrative expenses were 29.7% of net sales in fiscal year 2019 compared to 28.4% of net sales in fiscal year 2018. We incurred additional payroll, rent, depreciation and amortization, pre-opening and other operating expenses of $8.3 million, $5.8 million, $1.1 million, $0.9 million, and $5.6 million, respectively, during fiscal year 2019 compared to fiscal year 2018, which were caused by the opening and acquisition of 11 new stores, our investment in our employees, and the impact of minimum wage increases across 44 of our stores in fiscal 2019 and 58 of our stores in fiscal 2018.

Interest Expense. Interest expense decreased by $5.2 million, or 39.4%, to $8.0 million in fiscal year 2019 from $13.2 million for fiscal year 2018. Interest expense decreased primarily as a result of the refinancing of our credit facility in May 2018, which resulted in lower interest rates than our prior term loan, combined with a reduction in our total debt balance during the year.

Income Taxes. We recorded an income tax expense of $5.3 million for fiscal year 2019 compared to income tax expense of $7.1 million for fiscal year 2018. Our effective tax rate changed from fiscal year 2018 of 22.9% to 20.6% in 2019 primarily due to discrete items recognized in 2019 relating to prior year tax credits and changes in our estimated deferred state tax rate.

Seasonality

Due to the openings of hunting season across the country and consumer holiday buying patterns, net sales are typically higher in the third and fourth fiscal quarters than in the first and second fiscal quarters. We also incur additional expenses in the third and fourth fiscal quarters due to higher sales volume and increased staffing in our stores. We anticipate our net sales will continue to reflect this seasonal pattern.

The timing of our new retail store openings also may have an impact on our quarterly results. First, we incur certain non-recurring expenses related to opening each new retail store, which are expensed as they are incurred. Second, most store expenses generally vary proportionately with net sales, but there is also a fixed cost component, which includes occupancy costs. These fixed costs typically result in lower store profitability during the initial period after a new retail store opens. Due to both of these factors, new retail store openings may result in a temporary decline in operating profit, in dollars and/or as a percentage of net sales.

Weather conditions affect outdoor activities and the demand for related apparel and equipment. Customers' demand for our products, and, therefore, our net sales, can be significantly impacted by weather patterns on a local, regional and national basis.

Quarterly Results of Operations

The following table sets forth unaudited financial and operating data for each fiscal quarter of fiscal years 2020 and 2019. This quarterly information has been prepared on a basis consistent with our audited financial statements and includes all normal recurring adjustments that we consider necessary for a fair presentation of the information shown. This information should be read in conjunction with "Part II, Item 8. Financial Statements and Supplementary Data" of this 10-K. Our quarterly operating results may fluctuate significantly as a result of the factors described above and a variety of other factors, and operating results for any fiscal quarter are not necessarily indicative of results for a full fiscal year.

	Fiscal Year 2020				Fiscal Year 2019			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(unaudited) (in thousands, except per share data, percentages and number of stores)							
Net sales	$ 438,195	$ 385,748	$ 380,989	$ 246,835	$ 258,152	$ 242,466	$ 211,766	$ 174,017
Gross profit	142,005	130,582	129,093	74,744	85,027	84,210	73,222	54,173
Income (loss) from operations	39,375	38,330	45,487	(445)	13,186	15,874	9,762	(5,357)
Net income (loss)	29,567	30,482	32,461	(1,130)	9,684	10,493	5,498	(5,459)
Diluted earnings (loss) per share	0.66	0.68	0.73	(0.03)	0.22	0.24	0.13	(0.13)
As a percentage of full year results:								
Net sales	30.2%	26.6%	26.2%	17.0%	29.1%	27.4%	23.9%	19.6%
Gross profit	9.8%	9.0%	8.9%	5.1%	9.6%	9.5%	8.3%	6.1%
Income (loss) from operations	2.7%	2.6%	3.1%	0.0%	1.5%	1.8%	1.1%	(0.6)%
Net income (loss)	2.0%	2.1%	2.2%	(0.1)%	1.1%	1.2%	0.6%	(0.6)%
Operating data:								
Number of stores open at end of period	112	112	106	105	103	103	94	92

Liquidity and Capital Resources

Our primary capital requirements are for seasonal working capital needs and capital expenditures related to opening and acquiring new store locations. Our sources of liquidity to meet these needs have primarily been operating cash flows, borrowings under our revolving credit facility, and short and long-term debt financings from banks and financial institutions. We believe that our cash on hand, cash generated by operating activities and funds available under our revolving credit facility will be sufficient to finance our operating activities for at least the next twelve months.

For fiscal year 2020, we incurred approximately $19.2 million in capital expenditures primarily related to the opening of new stores during the period. We expect capital expenditures between $42 million and $52 million for fiscal year 2021 primarily to refurbish many of our existing stores and to open eight to twelve new stores in fiscal year 2021. We intend to fund these capital expenditures with our operating cash flows and funds available under our revolving credit facility. Other investment opportunities, such as potential strategic acquisitions or store expansion rates in excess of those presently planned, may require additional funding.

Cash flows from operating, investing and financing activities are shown in the following table:

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
	(in thousands)	
Cash flows provided by operating activities	$ 238,816	$ 77,866
Cash flows used in investing activities	(26,227)	(49,064)
Cash used in financing activities	(148,749)	(28,664)
Cash at end of period	65,525	1,685

Net cash provided by operating activities was $238.8 million for fiscal year 2020, compared to $77.9 million for fiscal year 2019. The increase in our cash flows from operating activities was primarily the result of our increase in net income, which was generated from a significant increase in net sales during fiscal year 2020 compared to fiscal year 2019, and decreased inventory and higher accounts payable at the end of fiscal year 2020 compared to fiscal year 2019.

Net cash used in investing activities was $26.2 million for fiscal year 2020 compared to $49.1 million for fiscal year 2019. For fiscal year 2020, we incurred capital expenditures with respect to opening new stores and the acquisition of four new store locations. Our cash flows used in investing activities in fiscal year 2019 primarily related to costs incurred in connection with constructing our new corporate office and the acquisition of eight store locations.

Net cash used in financing activities was $148.7 million for fiscal year 2020 compared to net cash used in financing activities of $28.7 million for fiscal year 2019. The increase in net cash used in financing in fiscal year 2020 compared to fiscal year 2019 was primarily due to our repayment of our term loan and all outstanding borrowings under our revolving credit facility.

Amended and Restated Credit Facility. We had no outstanding indebtedness as of January 30, 2021. We repaid in full our prior $40.0 million term loan during fiscal year 2020. We continue to maintain a $250.0 million revolving credit facility. Borrowings under our revolving credit facility are subject to a borrowing base calculation. Our revolving credit facility is governed by an amended and restated credit agreement with a consortium of banks led by Wells Fargo Bank, National Association (“Wells Fargo”). The revolving credit facility matures on May 23, 2023. As of January 30, 2021, we had no outstanding borrowings under our revolving credit facility, with $154.6 million available for borrowing and $2.0 million in stand-by commercial letters of credit.

Borrowings under our revolving credit facility bear interest based on either, at our option, the base rate or LIBOR, in each case plus an applicable margin. The base rate is the higher of (1) Wells Fargo’s prime rate, (2) the federal funds rate (as defined in the credit agreement) plus 0.50% and (3) the one-month LIBOR (as defined in the credit agreement) plus 1.00%. The applicable margin for loans under the revolving credit facility, which varies based on the average daily availability, ranges from 0.25% to 0.75% per year for base rate loans and from 1.25% to 1.75% per year for LIBOR loans.

Interest on base rate loans is payable monthly in arrears and interest on LIBOR loans is payable based on the LIBOR interest period selected by us, which can be 7, 30, 60 or 90 days. All amounts that are not paid when due under our revolving credit facility will accrue interest at the rate otherwise applicable plus 2.00% until such amounts are paid in full.

Each of the subsidiaries of Holdings is a borrower under the revolving credit facility and Holdings guarantees all obligations under the revolving credit facility. All obligations under the revolving credit facility are secured by a lien on substantially all of Holdings' tangible and intangible assets and the tangible and intangible assets of all of Holdings' subsidiaries, including a pledge of all capital stock of each of the Holdings' subsidiaries. The lien securing the obligations under the revolving credit facility is a first priority lien as to certain liquid assets, including cash, accounts receivable, deposit accounts and inventory. In addition, our credit agreement contains provisions that enable Wells Fargo to require us to maintain a lock-box, or similar arrangement, for the collection of all receipts.

We may be required to make mandatory prepayments under the revolving credit facility in the event of a disposition of certain property or assets, in the event of receipt of certain insurance or condemnation proceeds, upon the issuance of certain debt or equity securities, upon the incurrence of certain indebtedness for borrowed money or upon the receipt of certain payments not received in the ordinary course of business.

Our revolving credit facility requires us to maintain a minimum availability at all times of not less than 10% of the gross borrowing base. In addition, the credit agreement governing our revolving credit facility contains customary affirmative and negative covenants, including covenants that limit our ability to incur, create or assume certain indebtedness, to create, incur or assume certain liens, to make certain investments, to make sales, transfers and dispositions of certain property and to undergo certain fundamental changes, including certain mergers, liquidations and consolidations. The credit agreement also contains customary events of default. As of January 30, 2021, we were in compliance with all covenants under the revolving credit facility.

We repaid our term loan in full during fiscal year 2020. Our term loan was issued at a price of 100% of the $40.0 million aggregate principal amount and had a maturity date of May 23, 2023. The term loan accrued interest at a rate of LIBOR plus 5.75%.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In connection with the preparation of the financial statements, we are required to make assumptions, make estimates and apply judgment that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that we believe to be relevant at the time the consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2 to our Consolidated Financial Statements elsewhere in this 10-K. We believe that the following accounting policies are the most critical to aid in fully understanding and evaluating our reported financial results.

Revenue Recognition

We adopted Accounting Standard Codification ("ASC") Topic 606 ("Topic 606") in February 2018. Topic 606 required changes to how our revenue is recognized and resulted in updates to our accounting policies. The changes to our accounting policies and procedures under Topic 606 most significantly impacted the method that we use to record breakage for gift cards and loyalty reward points associated with our gift card and loyalty reward programs. Prior to the adoption of Topic 606, breakage was recorded when it was determined that the gift cards or loyalty rewards points were not probable to be redeemed, which was after two years for gift cards and 12 months for loyalty reward points. Under Topic 606, the breakage calculations for these items now apply assumptions allowable under Topic 606, which require significant judgments relating to the estimated breakage for our outstanding gift cards and loyalty reward liabilities.

Revenue recognition accounting policy

We operate solely as an outdoor retailer, which includes both retail stores and an e-commerce platform, that offers a broad range of products in the United States and online. Generally, all revenues are recognized when control of the promised goods is transferred to customers, in an amount that reflects the consideration in exchange for those goods. Accordingly, we implicitly enter into a contract with customers to deliver merchandise inventory at the point of sale. Collectability is reasonably assured since we only extend immaterial credit purchases to certain municipalities.

Substantially all of our revenue is for single performance obligations for the following distinct items:

- Retail store sales
- e-commerce sales
- Gift cards and loyalty reward program

For performance obligations related to retail store and e-commerce sales contracts, we typically transfer control, for retail stores, upon consummation of the sale when the product is paid for and taken by the customer and, for e-commerce sales, when the products are tendered for delivery to the common carrier.

The transaction price for each contract is the stated price on the product, reduced by any stated discounts at that point in time. We do not engage in sales of products that attach a future material right which could result in a separate performance obligation for the purchase of goods in the future at a material discount. The implicit point-of-sale contract with the customer, as reflected in the transaction receipt, states the final terms of the sale, including the description, quantity, and price of each product purchased. Payment for our contracts is due in full upon delivery. The customer agrees to a stated price implicit in the contract that does not vary over the contract.

The transaction price relative to sales subject to a right of return reflects the amount of estimated consideration to which we expect to be entitled. This amount of variable consideration included in the transaction price, and measurement of net sales, is included in net sales only to the extent that it is probable that there will be no significant reversal in a future period. Actual amounts of consideration ultimately received may differ from our estimates. The allowance for sales returns is estimated based upon historical experience and a provision for estimated returns is recorded as a reduction in sales in the relevant period. The estimated merchandise inventory cost related to the sales returns is recorded in prepaid expenses and other. If actual results in the future vary from our estimates, we adjust these estimates, which would affect net sales and earnings in the period such variances become known.

Contract liabilities are recognized primarily for gift card sales and our loyalty reward program. Cash received from the sale of gift cards is recorded as a contract liability in accrued expenses, and we recognize revenue upon the customer’s redemption of the gift card. Gift card breakage is recognized as revenue in proportion to the pattern of customer redemptions by applying a historical breakage rate of 3.5% when no escheat liability to relevant jurisdictions exists. We do not sell or provide gift cards that carry expiration dates. We recognized revenue for the breakage of loyalty reward points as revenue in proportion to the pattern of customer redemption of the points by applying a historical breakage rate of 50% when no escheat liability to relevant jurisdictions exists.

We offer promotional financing and credit cards issued by a third-party bank that manages and directly extends credit to our customers. We provide a license to our brand and marketing services, and we facilitate credit applications in our stores and online. The banks are the sole owners of the accounts receivable generated under the program and, accordingly, we do not hold any customer receivables related to these programs and act as an agent in the financing transactions with customers. We are eligible to receive a profit share from certain of our banking partners based on the annual performance of their corresponding portfolio, and we receive monthly payments based on forecasts of full-year performance. This is a form of variable consideration. We record such profit share as revenue over time using the most likely amount method, which reflects the amount earned each month when it is determined that the likelihood of a significant revenue reversal is not probable, which is typically monthly. Profit-share payments occur monthly, shortly after the end of each program month.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by us from a customer, are excluded from revenue.

Sales returns

We estimate a reserve for sales returns and record the respective reserve amounts, including a right to return asset when a product is expected to be returned and resold. Historical experience of actual returns, and customer return rights are the key factors used in determining the estimated sales returns.

Inventory Valuation

Inventory is measured at the lower of cost or net realizable value. Cost is determined using the weighted average cost method. We estimate a provision for inventory shrinkage based on our historical inventory accuracy rates as determined by periodic cycle counts. The allowance for damaged goods from returns is based upon our historical experience. We also adjust inventory for obsolete or slow moving inventory based on inventory productivity reports and by specific identification of obsolete or slow moving inventory. Had our estimated inventory reserves been lower or higher by 10% as of January 30, 2021, our cost of sales would have been correspondingly lower or higher by approximately $0.3 million.

Valuation of Long-Lived Assets

We review our long-lived assets with definite lives for impairment whenever events or changes in circumstances may indicate that the carrying value of an asset may not be recoverable. We use an estimate of the future undiscounted net cash flows of the related asset or group of assets over their remaining useful lives in measuring whether the assets are recoverable. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the estimated fair value of the asset. Impairment of long-lived assets is assessed at the lowest levels for which there are identifiable cash flows that are independent of other groups of assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less the estimated costs to sell. During the year ended January 30, 2021 the Company recorded an impairment charge of $1.0 million relating to the closure of one store. No impairment charge to long-lived assets was recorded during the fiscal year ended February 1, 2020.

Leases

We have operating leases for the Company's retail stores facilities, distribution center, and corporate office. In accordance with ASC 842, which we adopted on February 3, 2019, we determine if an arrangement is a lease at inception. Operating lease liabilities are calculated using the present value of future payments and recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As our leases generally do not provide an implicit rate, we used an estimated incremental borrowing rate ("IBR") to determine the present value of lease payments. The IBR is determined by using our credit rating to develop a yield curve that approximates our market risk profile.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, see Note 2 to our Consolidated Financial Statements included elsewhere in this report.

Off Balance Sheet Arrangements

We are not party to any off balance sheet arrangements.

Non-GAAP Measures

In evaluating our business, we use Adjusted EBITDA and Adjusted EBITDA margin as supplemental measures of our operating performance. We define Adjusted EBITDA as net income plus interest expense, income tax expense, depreciation and amortization, stock-based compensation expense, pre-opening expenses, and other gains/losses, and expenses that we do not believe are indicative of our ongoing expenses. Adjusted EBITDA excludes pre-opening expenses because we do not believe these expenses are indicative of the underlying operating performance of our stores. The amount and timing of pre-opening expenses are dependent on, among other things, the size of new stores opened and the number of new stores opened during any given period. Adjusted EBITDA margin means, for any period, the Adjusted EBITDA for that period divided by the net sales for that period. We consider Adjusted EBITDA and Adjusted EBITDA margin important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Other companies in our industry, however, may calculate Adjusted EBITDA and Adjusted EBITDA margin differently than we do. Management also uses Adjusted EBITDA and Adjusted EBITDA margin as additional measurement tools for purposes of business decision-making, including evaluating store performance, developing budgets and managing expenditures. Management believes Adjusted EBITDA and Adjusted EBITDA margin allow investors to evaluate our operating performance and compare our results of operations from period to period on a consistent basis by excluding items that management does not believe are indicative of our core operating performance.

Adjusted EBITDA is not defined under GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with GAAP. Adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, you should not consider Adjusted EBITDA in isolation or as a substitute for net income or other consolidated income statement data prepared in accordance with GAAP. Some of these limitations include, but are not limited to:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA may be defined differently by other companies, and, therefore, it may not be directly comparable to the results of other companies in our industry;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; and
- Adjusted EBITDA does not reflect income taxes or the cash requirements for any tax payments.

A reconciliation of net income to Adjusted EBITDA is set forth below.

	Fifty-Two Weeks Ended		
	January 30, 2021	February 1, 2020	February 2, 2019
Net income	$ 91,380	$ 20,215	$ 23,750
Interest expense	3,506	7,995	13,206
Income tax expense	30,080	5,254	7,063
Depreciation and amortization	21,830	19,321	18,250
Stock-based compensation expense (1)	3,302	2,104	1,742
Pre-opening expenses (2)	1,942	2,695	1,838
Hazard pay and CEO retirement (3)	6,526	—	2,647
Acquisition costs (4)	3,710	662	—
Bargain purchase (5)	(2,218)	—	—
Legal accrual (6)	2,125	—	—
Store closure (7)	1,039	—	—
Executive transition costs (8)	—	770	—
Adjusted EBITDA	$ 163,222	$ 59,016	$ 68,496
Net sales	$ 1,451,767	$ 886,401	$ 849,129
Net income margin (9)	6.3%	2.3%	2.8%
Adjusted EBITDA margin (9)	11.2%	6.7%	8.1%

(1) Stock-based compensation expense represents non-cash expenses related to equity instruments granted to employees under our 2019 Performance Incentive Plan and Employee Stock Purchase Plan.
(2) Pre-opening expenses include expenses incurred in the preparation and opening of a new store location, such as payroll, travel and supplies, but do not include the cost of the initial inventory or capital expenditures required to open a location.
(3) Expense relating to bonuses and increased wages paid to front-line and back office associates due to the COVID-19 pandemic for the fiscal year ended January 30, 2021 and payroll and stock-based compensation expenses incurred in conjunction with the retirement of our former CEO during the first quarter of fiscal 2018, for the fiscal year ended Ferbuary 2, 2019.
(4) Includes $237 of expenses incurred relating to the acquisition of cash, inventory, furniture, fixtures, and equipment, and certain other assets related to Field & Stream stores operated by DICK'S in fiscal year 2020. Also includes $3,473 of expenses incurred relating to the announced merger with Great Outdoors Group on December 21, 2020.
(5) Excess of the fair value over the purchase price of tangible assets acquired in connection with the Field & Stream stores acquired during fiscal year 2020. See Note 3 to the financial statements for additional information.
(6) Accrual relating to pending labor litigation in the state of California.
(7) Costs and impairments recorded relating to the closure of one store during the first quarter of 2020. These costs were recorded as a component of selling, general, and administration expenses on the condensed consolidated statement of operations.
(8) Costs incurred for the recruitment and hiring of key executive officers.
(9) We calculate net income margin as net income divided by net sales and we define adjusted EBITDA margin as adjusted EBITDA divided by net sales

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For fiscal year 2020, we were a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, and are not required to provide the information under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Sportsman's Warehouse Holdings, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Sportsman's Warehouse Holdings, Inc. and subsidiaries (the "Company") as of January 30, 2021, the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 30, 2021, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of January 30, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated April 2, 2021 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical audit matter

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2020.

Salt Lake City, Utah
April 2, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Sportsman's Warehouse Holdings, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Sportsman's Warehouse Holdings, Inc. and subsidiaries (the Company) as of February 1, 2020, the related consolidated statements of income, stockholders' equity, and cash flows for each of the fiscal years in the two-year period ended February 1, 2020 and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 1, 2020, and the results of its operations and its cash flows for each of the fiscal years in the two-year period ended February 1, 2020, in conformity with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases as of February 3, 2019 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-02 – *Leases (Topic 842)*, and related amendments.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 2002 to 2020.

Salt Lake City, Utah
April 9, 2020

SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
Amounts in Thousands, Except Per Share Data

	January 30, 2021	February 1, 2020
Assets		
Current assets:		
Cash	$ 65,525	$ 1,685
Accounts receivable, net	581	904
Merchandise inventories	243,434	275,505
Income tax receivable	—	812
Prepaid expenses and other	15,113	12,732
Total current assets	324,653	291,638
Operating lease right of use asset	235,262	224,520
Property and equipment, net	99,118	98,767
Goodwill	1,496	1,496
Definite lived intangibles, net	289	220
Total assets	$ 660,818	$ 616,641
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 77,441	$ 38,157
Accrued expenses	109,056	70,118
Income taxes payable	4,917	—
Operating lease liability, current	36,014	34,487
Revolving line of credit	—	116,078
Current portion of long-term debt, net of discount and debt issuance costs	—	5,936
Total current liabilities	227,428	264,776
Long-term liabilities:		
Long-term debt, net of discount, debt issuance costs, and current portion	—	23,781
Deferred income taxes	434	562
Operating lease liability, noncurrent	228,296	217,254
Total long-term liabilities	228,730	241,597
Total liabilities	456,158	506,373
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 20,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock, $.01 par value; 100,000 shares authorized; 43,623 and 43,296 shares issued and outstanding, respectively	436	433
Additional paid-in capital	89,815	86,806
Accumulated earnings	114,409	23,029
Total stockholders' equity	204,660	110,268
Total liabilities and stockholders' equity	$ 660,818	$ 616,641

See accompanying notes to the consolidated financial statements

SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
Amounts in Thousands, Except Per Share Data

	Fiscal Year Ended		
	January 30, 2021	February 1, 2020	February 2, 2019
Net sales	$ 1,451,767	$ 886,401	$ 849,129
Cost of goods sold	975,313	589,768	564,199
Gross profit	476,454	296,633	284,930
Selling, general, and administrative expenses	353,706	263,169	240,911
Income from operations	122,748	33,464	44,019
Bargain purchase gain	(2,218)	—	—
Interest expense	3,506	7,995	13,206
Income before income taxes	121,460	25,469	30,813
Income tax expense	30,080	5,254	7,063
Net income	$ 91,380	$ 20,215	$ 23,750
Income per share:			
Basic	$ 2.10	$ 0.47	$ 0.55
Diluted	$ 2.06	$ 0.46	$ 0.55
Weighted average shares outstanding:			
Basic	43,525	43,166	42,878
Diluted	44,430	43,588	42,979

See accompanying notes to the consolidated financial statements

SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Amounts in Thousands

	Common Stock		Restricted nonvoting common stock		Additional paid-in-capital	Accumulated Earnings(deficit)	Total stockholders' equity
	Shares	Amount	Shares	Amount	Amount	Amount	Amount
Balance at February 3, 2018	42,617	$ 426	—	$ —	$ 82,197	$ (32,825)	$ 49,798
Impact of change for ASC 606 adoption	-	—	—	—	—	2,634	2,634
Vesting of restricted stock units	275	3	—	—	(3)	—	—
Payment of withholdings on restricted stock units	—	—	—	—	(703)	—	(703)
Issuance of common stock for cash per employee stock purchase plan	86	1	—	—	351	—	352
Stock based compensation	—	—	—	—	2,829	—	2,829
Net income	—	—	—	—	—	23,750	23,750
Balance at February 2, 2019	42,978	$ 430	—	$ —	$ 84,671	$ (6,441)	$ 78,660
Impact of change for ASC 842 adoption	—	—	—	—	—	9,255	9,255
Vesting of restricted stock units	198	2	—	—	(2)	—	—
Payment of withholdings on restricted stock units	—	—	—	—	(369)	—	(369)
Issuance of common stock for cash per employee stock purchase plan	120	1	—	—	402	—	403
Stock based compensation	—	—	—	—	2,104	—	2,104
Net income	—	—	—	—	—	20,215	20,215
Balance at February 1, 2020	43,296	$ 433	—	$ —	$ 86,806	$ 23,029	$ 110,268
Vesting of restricted stock units	255	3	—	—	(3)	—	—
Payment of withholdings on restricted stock units	—	—	—	—	(870)	—	(870)
Issuance of common stock for cash per employee stock purchase plan	72	—	—	—	580	—	580
Stock based compensation	—	—	—	—	3,302	—	3,302
Net income	—	—	—	—	—	91,380	91,380
Balance at January 30, 2021	43,623	$ 436	—	$ —	$ 89,815	$ 114,409	$ 204,660

See accompanying notes to the consolidated financial statements

SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Amounts in Thousands

	Fiscal Year Ended January 30, 2021	February 1, 2020	February 2 2019
Cash flows from operating activities:			
Net income	$ 91,380	$ 20,215	$ 23,750
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment	21,801	19,294	17,961
Amortization and write-off of discount on debt and deferred financing fees	535	339	2,043
Amortization of definite lived intangible	28	26	289
Change in deferred rent	—	—	568
Loss (gain) on asset dispositions	804	(311)	30
Gain on bargain purchase	(2,218)	—	—
Noncash lease expense	25,307	27,009	—
Deferred income taxes	(919)	710	714
Stock-based compensation	3,302	2,104	2,829
Change in operating assets and liabilities, net of amounts acquired:			
Accounts receivable, net	323	(655)	70
Operating lease liabilities	(24,390)	(28,374)	—
Merchandise inventories	39,938	20,247	(6,006)
Prepaid expenses and other	(2,633)	(1,571)	(5,339)
Accounts payable	37,812	12,709	(11,726)
Accrued expenses	42,017	8,774	7,739
Income taxes payable and receivable	5,729	(2,650)	(749)
Net cash provided by operating activities	238,816	77,866	32,173
Cash flows from investing activities:			
Purchase of property and equipment, net of amounts acquired	(19,754)	(30,372)	(17,936)
Purchase of intangible asset	—	—	(259)
Acquisition of Field and Stream stores, net of cash acquired	(6,473)	(28,536)	—
Proceeds from deemed sale-leaseback transactions	—	9,533	1,717
Proceeds from sale of property and equipment	—	311	226
Net cash used in investing activities	(26,227)	(49,064)	(16,252)
Cash flows from financing activities:			
Net payments on line of credit	(116,078)	(28,228)	84,314
(Decrease) increase in book overdraft, net	(2,381)	5,530	353
Proceeds from issuance of common stock per employee stock purchase plan	580	403	351
Payment of withholdings on restricted stock units	(870)	(369)	(703)
Borrowings on term loan	—	—	40,000
Payment of deferred financing costs	—	—	(1,331)
Principal payments on long-term debt	(30,000)	(6,000)	(139,127)
Net cash used in financing activities	(148,749)	(28,664)	(16,143)
Net change in cash	63,840	138	(222)
Cash at beginning of period	1,685	1,547	1,769
Cash at end of period	$ 65,525	$ 1,685	$ 1,547
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest, net of amounts capitalized	$ 3,506	$ 7,945	$ 13,240
Income taxes, net of refunds	25,304	7,292	7,094
Supplemental schedule of noncash activities:			
Noncash change in operating lease right of use asset and operating lease liabilities from remeasurement of existing leases and addition of new leases	$ 39,119	$ 66,095	$ —
Purchases of property and equipment included in accounts payable and accrued expenses	$ 1,887	$ 1,112	$ 1,189

See accompanying notes to the consolidated financial statements

SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Dollars in Thousands, except per share amounts

(1) Nature of Business

Description of Business

Sportsman's Warehouse Holdings, Inc. ("Holdings"), a Delaware Corporation, and subsidiaries (collectively, the "Company") operate retail sporting goods stores. As of January 30, 2021, the Company operated 112 stores in 27 states.

Impact of COVID-19 Pandemic

During March 2020, the World Health Organization declared the rapidly growing coronavirus outbreak to be a global pandemic. The COVID-19 pandemic has significantly impacted health and economic conditions throughout the United States. Beginning in March 2020, the Company reduced store hours to allow sufficient time to restock its shelves and perform additional cleaning, and the Company was also limited the number of customers in its stores at any one time. During the second quarter of fiscal 2020, the Company returned to normal operating hours in each of its stores. The Company may again restrict the operations of its stores and its distribution facility if it deems this appropriate or if recommended or mandated by authorities.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts of its four wholly owned subsidiaries, Sportsman's Warehouse, Inc. ("Sportsman's Warehouse"), Pacific Flyway Wholesale, LLC ("Pacific Flyway"), Sportsman's Warehouse Southwest, Inc., and Minnesota Merchandising Corporation. All intercompany transactions and accounts have been eliminated in consolidation.

Fiscal Year

The Company operates using a 52/53 week fiscal year ending on the Saturday closest to January 31. Fiscal year 2020 ended January 30, 2021 and contained 52 weeks of operation. Fiscal year 2019 ended February 1, 2020 and contained 52 weeks of operations. Fiscal year 2018 ended February 2, 2019 and contained 52 weeks of operations.

Seasonality

The Company's business is generally seasonal, with a significant portion of total sales occurring during the third and fourth quarters of the fiscal year.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting

The Company operates solely as a sporting goods retailer whose Chief Operating Decision Maker ("CODM") is the Chief Executive Officer. The CODM reviews financial information presented on a consolidated and individual store and cost center basis, for purposes of allocating resources and evaluating financial performance. The Company's stores typically have similar square footage and offer essentially the same general product mix. The Company's core customer demographic remains similar chainwide, as does the Company's process for the procurement and marketing of its product mix. Furthermore, the Company distributes its product mix chainwide from a single distribution center. Given that the stores have the same economic characteristics, the individual stores are aggregated into one single operating and reportable segment.

Cash

The Company considers cash on hand in stores and operating accounts as cash. Checks issued pending bank clearance that result in overdraft balances for accounting purposes are classified as accrued expenses in the accompanying consolidated balance sheets.

In accordance with the terms of a financing agreement (Note 8), the Company maintains depository accounts with two banks in a lock-box or similar arrangement. Deposits into these accounts are used to reduce the outstanding balance on the line of credit as soon as the respective bank allows the funds to be transferred to the financing company. At January 30, 2021 and February 1, 2020, the combined balance in these accounts was $13,553 and $7,400, respectively. Accordingly, for 2019 these amounts have been classified as a reduction in the line of credit as if the transfers had occurred on February 1, 2020. For 2020, there was no remaining balance on the line of credit so these amounts were included in Cash as of January 30, 2021.

Accounts Receivable

The Company offers credit terms on the sale of products to certain government and corporate retail customers and requires no collateral from these customers. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for doubtful accounts receivable based upon historical experience and a specific review of accounts receivable at the end of each period. Actual bad debts may differ from these estimates and the difference could be significant. At January 30, 2021 and February 1, 2020, the Company had no allowance for doubtful accounts receivable.

Merchandise Inventories

The Company measures its inventory at the lower of cost or net realizable value. Cost is determined using the weighted average cost method. The Company estimates a provision for inventory shrinkage based on its historical inventory accuracy rates as determined by periodic cycle counts. The Company also adjusts inventory for obsolete, slow moving, or damaged inventory based on inventory activity thresholds and by specific identification of certain slow moving or obsolete inventory. The inventory write downs for shrinkage, damage, or obsolescence totaled $4,745 and $5,761 at January 30, 2021 and February 1, 2020, respectively.

Property and Equipment

Property and equipment are recorded at cost. Leasehold improvements primarily include the cost of improvements funded by landlord incentives or allowances. Maintenance, repairs, minor renewals, and betterments are expensed as incurred. Major renewals and betterments are capitalized. Upon retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the related gains or losses are credited or charged to earnings.

Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the useful lives of the improvements or the term of the lease. Furniture, fixtures, and equipment, are depreciated over useful lives ranging from 3 to 10 years.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets with definite lives for impairment whenever events or changes in circumstances may indicate that the carrying value of an asset may not be recoverable. The Company uses an estimate of the future undiscounted net cash flows of the related asset or group of assets over their remaining useful lives in measuring whether the assets are recoverable. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the estimated fair value of the asset. Impairment of long-lived assets is assessed at the lowest levels for which there are identifiable cash flows that are independent of other groups of assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less the estimated costs to sell. An impairment charge of $1,039 relating to long-lived assets of a closed store was recorded during the fiscal year ended January 30, 2021. There were no impairment charges relating to long-lived assets that were recorded during the fiscal years ended February 1, 2020 and February 2, 2019.

Goodwill

At least annually, during the fourth quarter, or when events and circumstances warrant an evaluation, the Company performs its impairment assessment of goodwill. This assessment permits an entity to initially perform a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the quantitative goodwill impairment test. If an entity concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not need to perform the impairment test for the reporting unit.

If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the impairment analysis is performed, which incorporates a fair-value based approach. The Company determines the fair value of its reporting units based on discounted cash flows and market approach analyses as considered necessary. The Company considers factors such as the economy, reduced expectations for future cash flows coupled with a decline in the market price of its stock and market capitalization for a sustained period as indicators for potential goodwill impairment. If the reporting unit's carrying amount exceeds its fair value, the Company will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. No impairment charge to goodwill was recorded during the fiscal years ended January 30, 2021 and February 1, 2020.

Prepaid Expenses and Other

Prepaid expenses and other primarily consists of prepaid expenses, vendor rebates receivable, vendor advertising receivables, right of return assets, and miscellaneous deposits.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. Consistent with prior GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or operating lease. However, unlike prior GAAP—which required only finance (formerly capital) leases to be recognized on the balance sheet—the new ASU requires both types of leases to be recognized on the balance sheet. The ASU took effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This standard could be applied at the beginning of the earliest period presented using the modified retrospective approach, which includes certain practical expedients that an entity may elect to apply, including an election to use certain transition relief. In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, *Leases* and ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, which made improvements to Accounting Standards Codification ("ASC") 842 and allow entities to not restate comparative periods in transition to ASC 842 and instead report the comparative periods under ASC 840.

The Company adopted ASC 842 using the modified retrospective approach on February 3, 2019, coinciding with the standard's effective date. In accordance with ASC 842, the Company did not restate prior comparative periods in transition to ASC 842 and instead reported prior comparative periods under ASC 840. Adoption of the standard resulted in the initial recognition of operating lease right-of-use ("ROU") assets of $183,000 and operating lease liabilities of $214,000 as of February 3, 2019. These amounts were based on the present value of such commitments as of February 3, 2019 using the Company's incremental borrowing rate ("IBR"), which was determined through use of the Company's credit rating to develop a rate curve that approximates the Company's market risk profile. The adoption of this standard had a material impact on the Company's consolidated statement of income, balance sheet, stockholders' equity and cash flows, with a $9,300 net adjustment recorded to beginning retained earnings on February 3, 2019 due to the acceleration of recognition of a deferred gain and derecognition of the related deferred tax asset the Company was amortizing relating to the historical sale and lease back of owned properties. In addition, the Company completed its evaluation of the practical expedients offered and enhanced disclosures required in ASC 842, as well as reviewed arrangements to identify embedded leases, among other activities, to account for the adoption of this standard.

The Company elected the following practical expedients:

- A package of practical expedients allowing the Company to:
    1. Carry forward its historical lease classification (i.e. it was not necessary to reclassify any existing leases at the adoption date of ASC 842),
    2. Avoid reassessing whether any expired or existing contracts are or contain leases, and
    3. Avoid reassessing initial indirect costs for any existing lease.
- A practical expedient allowing the Company to not separate lease components (e.g. fixed payments including, rent, real estate taxes, and insurance costs) from nonlease components (e.g. common area maintenance costs), primarily impacting the Company's real estate leases. The election of this practical expedient eliminates the burden of separately estimating the real estate lease and nonlease costs on a relative stand-alone basis.
- A practical expedient related to land easements, allowing the Company to carry forward the accounting treatment for land easements on existing agreements and eliminated the need to reassess existing lease contracts to determine if land easements are separate leases under ASC 842.

The Company did not elect a practical expedient which would allow the Company to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and to assess impairment of the entity's ROU assets, since election of this expedient could make adoption of ASC 842 more complex given that re-evaluation of the lease term and impairment consideration affect other aspects of lease accounting.

In accordance with ASC 842, the Company determines if an arrangement is a lease at inception. The Company has operating leases for the Company's retail stores, distribution center, and corporate office. Operating leases are included in operating lease ROU assets and operating lease liabilities, current and noncurrent, on the consolidated balance sheet. Lease liabilities are initially recorded at the present value of the lease payments by discounting the lease payments by the IBR and then recording accretion over the lease term using the effective interest method. Operating lease classification results in a straight-line expense recognition pattern over the lease term and recognized lease expense as a single expense component, which results in amortization of the ROU asset that equals the difference between lease expense and interest expense. Operating lease expense is included in selling, general and administrative expense, based on the use of the leased asset, on the consolidated statement of income. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are not material; the Company recognizes lease expense for these leases on a straight-line basis over the remaining lease term.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As the Company's leases generally do not provide an implicit rental rate, the Company uses an IBR to determine the present value of future rental payments. The IBR is determined by using the Company's credit rating to develop a yield curve that approximates the Company's market risk profile. The operating lease ROU asset also includes any prepaid lease payments made by the tenant and is reduced by lease incentives such as tenant improvement allowances. The operating lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

For fiscal 2018, the Company evaluated and classified its leases as operating leases for financial reporting purposes, in accordance with ASC 840.

In accordance with ASC 840, deferred rent represents the difference between rent paid and amounts expensed for operating leases. Certain leases have scheduled rent increases, and certain leases include an initial period of free or reduced rent as an inducement to enter into the lease agreement ("rent holidays"). The Company recognized rent expense for rent increases and rent holidays on a straight-line basis over the term of the underlying leases, without regard to when rent payments are made. The calculation of straight-line rent begins on the possession date and extends through the "reasonably assured" lease term as defined in ASC 840.

Additionally, in accordance with ASC 840, landlord allowances for tenant improvements, or lease incentives, were recorded as deferred rent and amortized on a straight-line basis over the “reasonably assured” lease term as a component of rent expense.

See Note 6 for a further discussion on leases.

Revenue Recognition

Revenue recognition accounting policy

The Company operates solely as an outdoor retailer, which includes both retail stores and an e-commerce platform, that offers a broad range of products in the United States and online. Generally, all revenues are recognized when control of the promised goods is transferred to customers, in an amount that reflects the consideration in exchange for those goods. Accordingly, the Company implicitly enters into a contract with customers to deliver merchandise inventory at the point of sale. Collectability is reasonably assured since the Company only extends immaterial credit purchases to certain municipalities.

Substantially all of the Company’s revenue is for single performance obligations for the following distinct items:

- Retail store sales
- E-commerce sales
- Gift cards and loyalty rewards program

For performance obligations related to retail store and e-commerce sales contracts, the Company typically transfers control, for retail stores, upon consummation of the sale when the product is paid for and taken by the customer and, for e-commerce sales, when the products are tendered for delivery to the common carrier.

The transaction price for each contract is the stated price on the product, reduced by any stated discounts at that point in time. The Company does not engage in sales of products that attach a future material right which could result in a separate performance obligation for the purchase of goods in the future at a material discount. The implicit point-of-sale contract with the customer, as reflected in the transaction receipt, states the final terms of the sale, including the description, quantity, and price of each product purchased. Payment for the Company’s contracts is due in full upon delivery. The customer agrees to a stated price implicit in the contract that does not vary over the contract.

The transaction price relative to sales subject to a right of return reflects the amount of estimated consideration to which the Company expects to be entitled. This amount of variable consideration included in the transaction price, and measurement of net sales, is included in net sales only to the extent that it is probable that there will be no significant reversal in a future period. Actual amounts of consideration ultimately received may differ from the Company’s estimates. The allowance for sales returns is estimated based upon historical experience and a provision for estimated returns is recorded as a reduction in sales in the relevant period. The estimated merchandise inventory cost related to the sales returns is recorded in prepaid expenses and other. The estimated refund liabilities are recorded in accrued expenses. If actual results in the future vary from the Company’s estimates, the Company adjusts these estimates, which would affect net sales and earnings in the period such variances become known.

Contract liabilities are recognized primarily for gift card sales and our loyalty reward program. Cash received from the sale of gift cards is recorded as a contract liability in accrued expenses, and the Company recognizes revenue upon the customer’s redemption of the gift card. Gift card breakage is recognized as revenue in proportion to the pattern of customer redemptions by applying a historical breakage rate of 3.5% when no escheat liability to relevant jurisdictions exists. Based upon historical experience, gift cards are predominantly redeemed in the first two years following their issuance date. The Company does not sell or provide gift cards that carry expiration dates. ASC 606 requires the Company to allocate the transaction price between the goods and the loyalty reward points based on the relative stand alone selling price. The Company recognized revenue for the breakage of loyalty reward points as revenue in proportion to the pattern of customer redemption of the points by applying a historical breakage rate of 50% when no escheat liability to relevant jurisdictions exists.

We offer promotional financing and credit cards issued by a third-party bank that manages and directly extends credit to our customers. We provide a license to our brand and marketing services, and we facilitate credit applications in our stores and online. The banks are the sole owners of the accounts receivable generated under the program and, accordingly, we do not hold any customer receivables related to these programs and act as an agent in the financing transactions with customers. We are eligible to receive a profit share from certain of our banking partners based on the annual performance of their corresponding portfolio, and we receive monthly payments based on forecasts of full-year performance. This is a form of variable consideration. We record such profit share as revenue over time using the most likely amount method, which reflects the amount earned each month when it is determined that the likelihood of a significant revenue reversal is not probable, which is typically monthly. Profit-share payments occur monthly, shortly after the end of each program month.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

Sales returns

The Company allows customers to return items purchased within 30 days provided the merchandise is in resaleable condition with original packaging and the original sales/gift receipt is presented. We estimate a reserve for sales returns and record the respective reserve amounts, including a right to return asset when a product is expected to be returned and resold. Historical experience of actual returns and customer return rights are the key factors used in determining the estimated sales returns.

Contract Balances

The following table provides information about right of return assets, contract liabilities, and sales return liabilities with customers as of fiscal year ended January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
Right of return assets, which are included in prepaid expenses and other	$ 2,940	$ 1,683
Estimated gift card contract liability, net of breakage	(22,069)	(13,575)
Estimated loyalty contract liability, net of breakage	(12,131)	(9,621)
Sales return liabilities, which are included in accrued expenses	(4,388)	(2,512)

For the fiscal years ended January 30, 2021, February 1, 2020, and February 2, 2019, the Company recognized $1,167, $1,430, and $1,007 in gift card breakage, respectively. For the fiscal years ended January 30, 2021, February 1, 2020, and February 2, 2019, the Company recognized $4,730, $2,480, and $1,439, in loyalty reward breakage, respectively. The impact of these adjustments on the statement of cash flow for the year ended February 1, 2020 were recorded in cash provided by operating activities. For the fiscal years ended January 30, 2021, February 1, 2020 and February 2, 2019 the Company recognized $8,110, $8,219, and $8,802 of revenue related to the beginning gift card liability from the previous year.

The current balance of the right of return assets is the expected amount of inventory to be returned that is expected to be resold. The current balance of the contract liabilities primarily relates to the gift card and loyalty reward program liabilities. The Company expects the revenue associated with these liabilities to be recognized in proportion to the pattern of customer redemptions over the next two years. The current balance of sales return liabilities is the expected amount of sales returns from sales that have occurred.

Practical expedients and policy elections

The Company applied the following practical expedients in its application for Topic 606:

- The Company elected to apply the practical expedient, relative to e-commerce sales, which allows an entity to account for shipping and handling as fulfillment activities, and not a separate performance obligation. Accordingly, the Company recognizes revenue for only one performance obligation, the sale of the product, at the shipping point (when the customer gains control). Revenue associated with shipping and handling is not material. The costs associated with fulfillment are recorded in costs of goods sold.

- The Company elected to apply the practical expedient, relative to sales tax collected, which allows an entity to exclude from its transaction price any amounts collected from customers for all sales (and other similar) taxes.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by department. The percentage of net sales related to our departments for the fiscal years ended January 30, 2021, February 1, 2020, and February 2, 2019, were as follows:

		Fiscal Year Ended		
Department	**Product Offerings**	**January 30, 2021**	**February 1, 2020**	**Feb 2**
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools	12.7%	14.4%	1
Apparel	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear	7.5%	9.3%	
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats	9.9%	11.1%	1
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots	5.6%	7.5%	
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear	57.6%	49.1%	4
Optics, Electronics, Accessories, and Other	Gift items, GPS devices, knives, lighting, optics, two-way radios, and other license revenue, net of revenue discounts	6.7%	8.6%	1
Total		100.0%	100.0%	10

The Company adopted Accounting Standards Codification ("ASC") *Topic 606* on February 4, 2018, using the modified retrospective approach to all open contracts, with the cumulative effect of adopting the new standard being recognized in retained earnings at February 4, 2018.The adoption of Topic 606 resulted in an increase in prepaid expenses and other assets of $1,054 for the recognition of the right of return assets; an increase in accrued expenses relating to the sales return liability of $1,054 for the recognition of the sales return liability on a gross basis; a decrease in accrued expenses of $3,521 relating to the breakage of loyalty rewards and gift cards in order to adjust the breakage pattern of the loyalty program and gift cards to match the usage; a decrease of $884 in deferred tax assets relating to the tax impact of the entries recorded for the gift card and loyalty program liabilities; and a decrease in accumulated deficit of $2,634 as a cumulative effect of the adoption.

The largest driver of changes for the adoption of Topic 606 was the change in the method of estimating breakage for the Company's outstanding gift cards and loyalty reward liabilities. Under Topic 605, this breakage was historically recorded when it was determined that the gift cards or loyalty reward points were not probable to be redeemed, which was after two years for gift cards and 18 months for loyalty reward points. Topic 606, the breakage lrecognized for the loyalty reward program and gift cards is now estimated based off of historical breakage percentages, and is recognized in-line with the expected usage of the loyalty points and gift cards.

Cost of Goods Sold

Cost of goods sold primarily consists of merchandise acquisition costs, including freight-in costs, shipping costs, terms discounts received from the vendor and vendor allowances and rebates associated directly with merchandise. Vendor allowances include allowances and rebates received from vendors. The Company records an estimate of earned allowances based on purchase volumes. These funds are determined for each fiscal year, and the majority is based on various quantitative contract terms. Amounts expected to be received from vendors relating to purchase of merchandise inventories are recognized as a reduction of cost of goods sold as the merchandise is sold. Historical program results and current purchase volumes are reviewed when establishing the estimate for earned allowances.

Shipping and Handling Fees and Costs

All shipping and handling fees billed to customers are recorded as a component of net sales. All costs incurred related to the shipping and handling of products are recorded in cost of sales.

Vendor Allowances

Vendor allowances include price allowances, volume rebates, store opening costs reimbursements, marketing participation and advertising reimbursements received from vendors under the terms of specific arrangements with certain vendors. Vendor allowances related to merchandise are recognized as a reduction of the costs of merchandise as sold. Vendor reimbursements of costs are recorded as a reduction to expense in the period the related cost is incurred based on actual costs incurred. Any cost reimbursements exceeding expenses incurred are recognized as a reduction of the cost of merchandise sold. Volume allowances may be estimated based on historical purchases and estimates of projected purchases.

Health Insurance

The Company maintains for its employees a partially self-funded health insurance plan. The Company maintains stop-loss insurance through an insurance company with a $100 per person deductible and aggregate claims limit above a predetermined threshold. The Company intends to maintain this plan indefinitely. However, the plan may be terminated, modified, suspended, or discontinued at any time for any reason specified by the Company.

The Company has established reserve amounts based upon claims history and estimates of claims that have been incurred but not reported ("IBNR") for this plan. As of January 30, 2021, and February 1, 2020, the Company estimated the IBNR for this plan to be $1,070 and $945, respectively. Actual claims may differ from the estimate and such difference could be significant. These reserves are included in accrued expenses in the accompanying consolidated balance sheets.

Workers Compensation Insurance

The Company maintains for its employees a high-deductible workers compensation plan. The Company maintains stop-loss insurance through an insurance company with a $150 per claim deductible and aggregate claims limit above a predetermined threshold. The Company intends to maintain this plan indefinitely. However, the plan may be terminated, modified, suspended, or discontinued at any time for any reason specified by the Company.

The Company has established reserve amounts based upon claims history and estimates of IBNR for this plan. As of January 30, 2021, and February 1, 2020, the Company estimated the IBNR for this plan to be $1,079 and $902, respectively, related to the workers compensation plan. Actual claims may differ from the estimate and such difference could be significant. These reserves are included in accrued expenses in the accompanying consolidated balance sheets.

Advertising

Costs for newspaper, television, radio, and other advertising are expensed in the period in which the advertising occurs. The Company participates in various advertising and marketing cooperative programs with its vendors, who, under these programs, reimburse the Company for certain costs incurred. Payments received under these cooperative programs are recorded as a decrease to expense in the period that the advertising occurred. For the fiscal years ended January 30, 2021, February 1, 2020, and February 2, 2019, net advertising expenses totaled $15,663, $11,493, and $8,437, respectively. These amounts are included in selling, general and administrative expenses in the accompanying consolidated statements of income.

Stock-Based Compensation

Compensation expense is estimated based on grant date fair value on a straight-line basis over the requisite service or offering period. Costs associated with awards are included in compensation expense as a component of selling, general, and administrative expenses.

Income Taxes

The Company recognizes a deferred income tax liability or deferred income tax asset for the future tax consequences attributable to differences between the financial statement basis of existing assets and liabilities and their respective tax basis. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided against deferred income tax assets when it is more likely than not that all or some portion of the deferred income tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the relevant tax authorities, based on the technical merits of the position. Interest and potential penalties are accrued related to unrecognized tax benefits in the provision for income taxes.

Fair Value of Financial Instruments

As of January 30, 2021, and February 1, 2020, the carrying amounts of financial instruments except for long-term debt approximate fair value because of the general short-term nature of these instruments. The carrying amounts of long-term variable rate debt approximate fair value as the terms are consistent with market terms for similar debt instruments.

Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted-average shares of common stock outstanding, reduced by shares repurchased and held in treasury, during the period. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of outstanding share option awards, nonvested share awards and nonvested share unit awards.

Comprehensive Income

The Company has no components of income that would require classification as other comprehensive income for the fiscal years ended January 30, 2021, February 1, 2020, and February 2, 2019.

Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes ("Topic 740")-Simplifying the Accounting for Income Taxes*, which removes certain exception to the general principles in Topic 740 and amends existing guidance to improve consistent application. For public entities, ASU 2019-12 is required to be adopted for annual periods beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company plans to adopt this ASU on January 30, 2021. Management expects the adoption of this ASU on the Company's consolidated financial statements and related disclosures to be immaterial.

(3) Acquisition of Field & Stream Stores

2020 Acquisitions

On February 14, 2020, Sportsman's Warehouse, Inc. ("SWI"), a wholly owned subsidiary of Holdings, entered into an Asset Purchase Agreement (the "2020-I Purchase Agreement") with DICK's Sporting Goods ("DICK'S"). Pursuant to the 2020-I Purchase Agreement, SWI agreed, subject to certain conditions, to acquire from DICK'S all cash, inventory, furniture, fixtures, and equipment, and certain other assets related to one Field & Stream store located in Kentucky and operated by DICK'S (the "2020-I Acquisition"). The acquisition of the 2020-I Acquisition closed on March 12, 2020 (the "2020-I Closing Date"). On the 2020-I Closing Date, SWI entered into a sublease with DICK's with respect to the 2020-I Acquisition location. Pursuant to the 2020-I Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement pursuant to which DICK'S provided transition services to the Company for a period of up to 120 days after the 2020-I Closing Date.

The aggregate consideration paid to DICK’S under the 2020-I Purchase Agreement was $2,139 (the “2020-I Purchase Price”), subject to certain post-closing adjustments set forth in the 2020-I Purchase Agreement. On the 2020-I Closing Date, SWI drew $1,100 under the Revolving Line of Credit to fund a portion of the 2020-I Purchase Price. The remaining approximately $1,000 of consideration owed to DICK’S in connection with the acquisition was paid in June 2020.

On March 6, 2020, SWI, entered into an Asset Purchase Agreement (the “2020-II Purchase Agreement”) with DICK’S. Pursuant to the 2020-II Purchase Agreement, SWI agreed, subject to certain conditions, to acquire from DICK’S all cash, inventory, furniture, fixtures, and equipment, and certain other assets related to one Field & Stream store located in Michigan and operated by DICK’S (the “2020-II Acquisition”). The 2020-II Acquisition closed on May 14, 2020 (the “2020-II Closing Date”). On the 2020-II Closing Date, SWI entered into a sublease with DICK’s with respect to the 2020-II Acquisition. Pursuant to the 2020-II Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement related to the 2020-II Acquisition pursuant to which DICK’S provided transition services to the Company for a period of up to 120 days after the 2020-II Closing Date.

The aggregate consideration paid to DICK’S under the 2020-II Purchase Agreement was $2,411 (the “2020-II Purchase Price”), subject to certain post-closing adjustments set forth in the 2020-II Purchase Agreement. On the 2020-II Closing Date, SWI drew $1,317 under the Revolving Line of Credit to fund a portion of the 2020-II Purchase Price. The remaining approximately $1,100 of consideration owed to DICK’S in connection with the acquisition was paid in August 2020.

On September 16, 2020, SWI, entered into an Asset Purchase Agreement (the “2020-III Purchase Agreement”) with DICK’S. Pursuant to the 2020-III Purchase Agreement, SWI agreed, subject to certain conditions, to acquire from DICK’S all cash, inventory, furniture, fixtures, and equipment, and certain other assets related to two Field & Stream stores located in South Carolina and Pennsylvania and operated by DICK’S (the “2020-III Acquisition”). The 2020-III Acquisition closed on October 8, 2020 (the “2020-III Closing Date”). On the 2020-III Closing Date, SWI entered into a sublease with DICK’s with respect to the locations. Pursuant to the 2020-III Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement pursuant to which DICK’S will provide transition services to the Company for a period of up to 120 days after the 2020-III Closing Date.

The aggregate consideration to be paid to DICK’S under the 2020-III Purchase Agreement is $2,001, net of rent concessions and deferrals of $2,597 (the “2020-III Purchase Price”), and subject to certain post-closing adjustments set forth in the 2020-III Purchase Agreement. On the 2020-III Closing Date, SWI drew $226 under the Revolving Line of Credit (as defined in Note 8) to fund a portion of the 2020-III Purchase Price. The remaining approximately $1,774 of consideration owed to DICK’S in connection with the acquisition was paid in cash in January 2021.

As part of the acquisitions that closed in 2020, the Company incurred legal, accounting, and other due diligence fees that were expensed as incurred. Total fees incurred for the fiscal year 2020 was $237 which were included as a component of selling, general, and administrative expenses.

The acquired locations were in line with the seller’s intention to reduce its footprint in the hunting and firearms business, which resulted in a below fair value purchase price consideration shown in the tables below.

The following table summarizes the 2020-I Purchase Price consideration and related cash outflow at the 2020-I Closing Date:

	March 12, 2020
Cash paid to seller	$ 1,075
Payable to seller	1,064
Total purchase price	$ 2,139

The net 2020-I Purchase Price of $2,139 has been allocated to identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the 2020-I Acquired Stores other than the lease obligation. The excess of the fair value over the 2020-I Purchase price of the tangible and intangible assets acquired is recorded as a bargain purchase. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the Closing Date:

	March 12, 2020
Cash	$ 10
Inventory	2,133
Property, plant, and equipment	892
Operating lease right of use asset	2,070
Operating lease right of use liability	(1,794)
Deferred tax liability	(314)
Bargain purchase	(858)
Total	$ 2,139

The following table summarizes the 2020-II Purchase Price consideration and related cash outflow at the 2020-II Closing Date:

	May 14, 2020
Cash paid to seller	$ 1,317
Payable to seller	1,094
Total purchase price	$ 2,411

The net 2020-II Purchase Price of $2,411 has been allocated to identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the 2020-II Acquired Stores other than the lease obligation. The excess of the fair value over the 2020-II Purchase Price of the tangible and intangible assets acquired is recorded as a bargain purchase. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the Closing Date:

	May 14, 2020
Cash	$ 18
Inventory	2,218
Property, plant, and equipment	375
Operating lease right of use asset	5,605
Operating lease right of use liability	(5,605)
Deferred tax liability	(53)
Bargain purchase	(147)
Total	$ 2,411

The following table summarizes the 2020-III Purchase Price consideration and related cash outflow at the 2020-III Closing Date:

	October 8, 2020
Cash paid to seller	$ 227
Payable to seller	1,774
Total purchase price	$ 2,001

The net 2020-III Purchase Price of $2,001 has been allocated to identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the 2020-III Acquired Stores other than the lease obligation. The excess of the fair value over the 2020-III Purchase Price of the tangible and intangible assets acquired is recorded as a bargain purchase. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the Closing Date:

	October 8, 2020
Cash	$ 50
Inventory	3,515
Property, plant, and equipment	1,046
Operating lease right of use asset	9,534
Operating lease right of use liability	(10,508)
Deferred tax liability	(423)
Bargain purchase	(1,213)
Total	$ 2,001

As of January 30, 2021, all purchase price allocations of 2020 acquisitions were finalized and the Company does not expect any further adjustments to the allocation in future periods.

2019 Acquisition

On September 28, 2019, SWI entered into an Asset Purchase Agreement (the “Purchase Agreement”) with DICK’S Sporting Goods, Inc. (“DICK’S”). Pursuant to the Purchase Agreement, Sportsman’s Warehouse agreed, subject to certain conditions, to acquire from DICK’S all cash, inventory, furniture, fixtures, and equipment, and certain other assets related to up to eight Field & Stream stores operated by DICK’S (the “Acquired Stores”). The Acquired Stores are located in New York (2), Pennsylvania (3), North Carolina (2) and Michigan (1). The acquisition of the eight Acquired Stores closed on October 11, 2019 (the “Closing Date”). On or prior to the Closing Date, SWI entered into a sublease with DICK’s with respect to each Acquired Store location. Pursuant to the Purchase Agreement and in connection with closing of the acquisition, the parties also entered into a transition services agreement related to the Acquired Stores by which DICK’S provided transition services to the Company for a period of up to 120 days of the Closing Date.

The aggregate consideration paid to DICK’S under the Purchase Agreement was $28.7 million (the “Purchase Price”). On the Closing Date, Sportsman’s Warehouse drew $19.8 million under the Revolving Line of Credit (as defined below) to fund a portion of the Purchase Price. The remaining approximately $9 million of consideration owed to DICK’S was paid in January 2020.

As part of the acquisition, the Company incurred legal, accounting, and other due diligence fees that were expensed as incurred. Total fees incurred for the year ended February 1, 2020 were $662 which were included as a component of Selling, general, and administrative expenses.

The following table summarizes the Purchase Price consideration and related cash outflow at the Closing Date:

		October 11, 2019
Cash paid to seller	$	19,241
Payable to seller		9,462
Total purchase price	$	28,703

The net Purchase Price of $28,703 has been allocated to the identifiable assets acquired based on their respective estimated fair values. No liabilities were assumed as part of the acquisition of the Acquired Stores other than the lease obligation. The excess of the Purchase Price over the fair value of the tangible and intangible assets acquired is recorded as goodwill. The following table summarizes the estimated fair value of the identifiable assets acquired and assumed liabilities as of the Closing Date:

		October 11, 2019
Cash	$	167
Inventory		19,152
Property, plant, and equipment		5,250
Operating lease right of use asset		33,436
Operating lease right of use liability		(31,051)
Deferred tax asset		253
Goodwill		1,496
Total	$	28,703

The allocation of the purchase price for the 2019 stores that were acquired was finalized as of February 1, 2020 and the Company does not expect any further adjustments to the allocation in future periods.

Right of Use Asset and Liability for 2019 and 2020 Acquisitions

The right of use asset and liability were determined by taking the present value of the future minimum lease payments associated with the Acquired stores. The Company utilized discount rates for the leases similar to the rates used to present value its other leases. The difference between the asset and the liability noted above for the 2019 acquisitions is attributable to net favorable lease rates in the acquired store leases. The difference between the asset and the liability noted above for the 2020 acquisitions is attributable to net unfavorable lease rates in the acquired store leases.

Goodwill for 2019 Acquisition

Goodwill represents the excess of the Purchase price over the fair value of the assets acquired. The Company believes that the primary factors supporting the amount of goodwill is the workforce acquired in the store locations. The amount of goodwill that is amortizable for tax purposes is $4,134.

Results of Operations for 2019 and 2020 Acquisition

The results of operations of the 2019 Acquired Stores were included in the Company's results of operations beginning on October 11, 2019. From October 11, 2019 through February 1, 2020 the Acquired stores generated net sales of $24,345 and net income of approximately $2,246.

The results of operations of the 2020 Acquired Stores were included in the Company's results of operations beginning on the dates of acquisition noted above. From the dates of acquisition, the 2020 Acquired stores generated net sales of $34,555 and net income of approximately $4,659.

Pro Forma Results for 2020 Acquisitions (unaudited)

The following pro forma results are based on the individual historical results of the 2020 acquired stores with adjustments to give effect to the combined operations as if the acquisitions had been consummated at the beginning of fiscal year 2019. The pro forma results are intended for informational purposes only and do not purport to represent what the combined results of operations would actually have been had the acquisitions in fact occurred at the beginning of the earliest period presented. The pro forma information includes the following adjustments (i) depreciation based on the fair value of acquired property, plant, and equipment; (ii) cost of goods sold based on the step-up in fair value of the acquired inventory; (iii) interest expense incurred in connection with the borrowings on the Revolving Line of Credit used to finance the acquisitions; and (iv) elimination of acquisition expenses.

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
Net sales	1,464,406	909,113
Net income	91,475	19,775
Earnings per share:		
Basic	2.10	0.46
Diluted	2.07	0.45

(4) Property and Equipment

Property and equipment as of January 30, 2021 and February 1, 2020 was as follows:

	January 30, 2021	February 1, 2020
Furniture, fixtures, and equipment	$ 96,085	$ 84,059
Leasehold improvements	112,338	103,791
Construction in progress	2,614	1,571
Total property and equipment, gross	211,037	189,421
Less accumulated depreciation and amortization	(111,919)	(90,654)
Total property and equipment, net	$ 99,118	$ 98,767

Depreciation expense was $21,801, $19,294, and $17,961, for the fiscal years ended January 30, 2021, February 1, 2020, and February 2, 2019, respectively.

(5) Definite Lived Intangible Assets

The following table summarizes the definite lived intangible assets:

	January 30, 2021			
	Amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizing intangible assets:				
Domain Name	10 years	257	(65)	192
Intellectual Property	8 Years	100	(3)	97
Total		$ 357	(68)	289

	February 1, 2020			
	Amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizing intangible assets:				
Domain Name	10 Years	$ 257	(37)	220
Total		$ 257	(37)	220

Amortization expense for definite lived intangible asset was $28, $26, and $289, for the fiscal years ended January 30, 2021, February 1, 2020, and February 2, 2019, respectively.

(6) Leases

At the inception of the lease, the Company’s operating leases have remaining certain lease terms of up to 10 years, which typically includes multiple options for the Company to extend the lease which are not reasonably certain.

The adoption of ASC 842 resulted in recording a non-cash transitional adjustment to ROU assets and operating lease liabilities of $183,000 and $214,000, respectively, as of February 3, 2019. The difference between the ROU assets and operating lease liabilities at transition primarily represented existing deferred rent, tenant improvement allowances and prepaid rent of $14,200, $20,600 and $3,800, respectively, which were recorded as a component of the ROU asset in connection with the non-cash transitional adjustment. As a result of the adoption of ASC 842, the Company also recorded an increase to retained earnings of $9,300, net of tax, as of February 3, 2019, in relation to the accelerated recognition of a deferred lease gain, and derecognition of the related deferred tax asset, which the Company was amortizing relating to the historical sales of owned properties it currently leases.

In the fiscal year ended January 30, 2021, the Company recorded a non-cash increase of $39,119, to ROU assets and operating lease liabilities resulting from lease remeasurements from the exercise of lease extension options, acquired leases, and new leases added.

The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In accordance with ASC 842, total lease expense, including common area maintenance (CAM), recorded during the fiscal year ended January 30, 2021, and February 1, 2020 was $68,012 and $59,846, respectively.

In accordance with ASC 842, other information related to leases was as follows:

	Fiscal Year Ended	
	January 30, 2021	February 1, 2020
Operating cash flows from operating leases	$ (55,765)	$ (49,713)
Cash paid for amounts included in the measurement of lease liabilities - operating leases	(55,765)	(49,713)

	As of January 30, 2021	As of February 1 2020
Right-of-use assets obtained in exchange for new or remeasured operating lease liabilities	$ 39,119	$ 66,095
Terminated right-of-use assets and liabilities	$ (2,947)	$ —
Weighted-average remaining lease term - operating leases	6.09	6.26
Weighted-average discount rate - operating leases	8.35%	8.00%

In accordance with ASC 842, maturities of operating lease liabilities as of January 30, 2021 were as follows:

Year Endings:	Operating Leases
2021	$ 57,782
2022	55,506
2023	50,555
2024	42,138
2025	35,578
Thereafter	138,093
Undiscounted cash flows	$ 379,652
Reconciliation of lease liabilities:	
Present values	$ 264,310
Lease liabilities - current	36,014
Lease liabilities - noncurrent	228,296
Lease liabilities - total	$ 264,310
Difference between undiscounted and discounted cash flows	$ 115,342

The Company has excluded in the table above approximately $2.2 million of leases (undiscounted basis) that have not yet commenced. These leases will commence in 2021 with lease terms of ten years.

(7) Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following at January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
Book overdraft	$ 13,445	$ 15,827
Unearned revenue	38,454	25,705
Accrued payroll and related expenses	28,453	11,436
Sales and use tax payable	7,317	5,169
Accrued construction costs	339	1,112
Other	21,048	10,869
Total accrued expenses	$ 109,056	$ 70,118

(8) Revolving Line of Credit

On May 23, 2018, SWI, as lead borrower, and Wells Fargo Bank, National Association (“Wells Fargo”), with a consortium of banks led by Wells Fargo, entered into an Amended and Restated Credit Agreement (as amended, restated, supplemented or otherwise modified, the “Amended Credit Agreement”). The Amended Credit Agreement governs the Company’s senior secured revolving credit facility (“Revolving Line of Credit”) and a $40,000 term loan (the “Term Loan”). The Revolving Line of Credit provides a borrowing capacity of up to $250,000, subject to a borrowing base calculation. Information on the Term Loan is provided in Note 9.

In conjunction with the Amended Credit Agreement, the Company incurred $1,331 of fees paid to various parties which were capitalized. Fees associated with the Revolving Line of Credit were recorded in prepaid and other assets. Fees associated with the Term Loan offset the loan balance on the consolidated balance sheet of the Company.

As of January 30, 2021, and February 1, 2020, the Company had $0 and $123,478, respectively, in outstanding revolving loans under the Revolving Line of Credit. Amounts outstanding are offset on the consolidated balance sheets by amounts in depository accounts under lock-box type arrangements, which were $13,553 and $7,400 as of January 30, 2021 and February 1, 2020, respectively. As of January 30, 2021, the Company had stand-by commercial letters of credit of $1,955 under the terms of the Revolving Line of Credit.

Borrowings under the Revolving Line of Credit bear interest based on either, at the Company’s option, the base rate or LIBOR, in each case plus an applicable margin. The base rate is the higher of (1) Wells Fargo’s prime rate, (2) the federal funds rate (as defined in the credit agreement) plus 0.50% and (3) the one-month LIBOR (as defined in the Amended Credit Agreement) plus 1.00%. The applicable margin for loans under the Revolving Line of Credit, which varies based on the average daily availability, ranges from 0.25% to 0.75% per year for base rate loans and from 1.25% to 1.75% per year for LIBOR loans.

The Company may be required to make mandatory prepayments under the Revolving Line of Credit in the event of a disposition of certain property or assets, in the event of receipt of certain insurance or condemnation proceeds, upon the issuance of certain debt or equity securities, upon the incurrence of certain indebtedness for borrowed money or upon the receipt of certain payments not received in the ordinary course of business.

The Amended Credit Agreement contains customary affirmative and negative covenants, including covenants that limit the Company’s ability to incur, create or assume certain indebtedness, to create, incur or assume certain liens, to make certain investments, to make sales, transfers and dispositions of certain property and to undergo certain fundamental changes, including certain mergers, liquidations and consolidations. The Amended Credit Agreement also requires us to maintain a minimum availability at all times of not less than 10% of the gross borrowing base. The Amended Credit Agreement also contains customary events of default. The Revolving Line of Credit matures on May 23, 2023.

Each of the subsidiaries of Holdings is a borrower under the Revolving Line of Credit, and all obligations under the Revolving Line of Credit are guaranteed by Holdings. All of the obligations under the Revolving Line of Credit are secured by a lien on substantially all of the Holdings’ tangible and intangible assets and the tangible and intangible assets of all of Holdings’ subsidiaries, including a pledge of all capital stock of each of Holdings’ subsidiaries. The lien securing the obligations under the Revolving Line of Credit is a first priority lien as to certain liquid assets, including cash, accounts receivable, deposit accounts and inventory.

As of January 30, 2021, and February 1, 2020 the Amended Credit Agreement had $583 and $834, respectively in outstanding deferred financing fees. During the fiscal year ended January 30, 2021, February 1, 2020, and February 2, 2019 the Company recognized $251, $251, and $195 respectively, of non-cash interest expense with respect to the amortization of deferred financing fees.

As of January 30, 2021, February 1, 2020, and February 2, 2019, gross borrowings under the Revolving Line of Credit were $1,443,172, $958,869, and $1,023,983, respectively. As of January 30, 2021, February 1, 2020, and February 2, 2019, gross paydowns under the Revolving Line of Credit were $1,599,611, $994,666, and $950,143, respectively.

(9) Long-Term Debt

Long-term debt consisted of the following as of January 30, 2021 and February 1, 2020:

	January 30, 2021	February 1, 2020
Term loan	$ —	30,000
Less debt issuance costs	—	(283)
	—	29,717
Less current portion, net of discount and debt issuance costs	—	(5,936)
Long-term portion	$ —	$ 23,781

Term Loan

On May 23, 2018, SWI, as lead borrower, and Wells Fargo, with a consortium of banks led by Wells Fargo, entered into the Amended Credit Agreement. The Amended Credit Agreement governs the Revolving Line of Credit and the Term Loan. The Term Loan was issued at a price of 100% of the aggregate principal amount of $40,000 and has a maturity date of May 23, 2023. The Term Loan was paid in full during fiscal year 2020 and is no longer outstanding. Information on the Revolving Credit Facility is provided in Note 8.

The Term Loan bore interest at a rate of LIBOR plus 5.75%.

Each of the subsidiaries of Holdings was a borrower under the Term Loan, and all obligations under the Term Loan were guaranteed by Holdings. All of the obligations under the Term Loan were secured by a lien on substantially all of the Holdings' tangible and intangible assets and the tangible and intangible assets of all of Holdings' subsidiaries, including a pledge of all capital stock of each of Holdings' subsidiaries. The lien securing the obligations under the Term Loan was a first priority lien as to certain liquid assets, including cash, accounts receivable, deposit accounts and inventory.

The Term Loan required quarterly principal payments of $2,000 which began November 1, 2018 and continued until the balance is $24,000 at which time no further payments were needed until May 23, 2023, at which time the remaining balance was due in full.

The Term Loan contained customary affirmative and negative covenants, including covenants that limited the Company's ability to incur, create or assume certain indebtedness, to incur or assume certain liens, to purchase, hold or acquire certain investments, to declare or make certain dividends and distributions and to engage in certain mergers, consolidations and asset sales.

As of January 30, 2021, and February 1, 2020, the Term Loan had an outstanding balance of $0 and $30,000. The outstanding amounts as of February 1, 2020 were offset on the consolidated balance sheets by debt issuance costs of $283.

Restricted Net Assets

The provisions of the Term Loan and the Revolving Line of Credit restrict all of the net assets of the Company's consolidated subsidiaries, which constitute all of the net assets on the Company's consolidated balance sheet as of January 30, 2021, from being used to pay any dividends without prior written consent from the financial institutions party to the Company's Term Loan and Revolving Line of Credit.

(10) Sale Leaseback Transactions

During the fiscal year ended January 30, 2021 the Company did not complete any deemed sale-leaseback or sale leaseback transactions. During the fiscal years ended February 1, 2020 and February 2, 2019 the Company completed deemed sale-leaseback and sale-leaseback transactions of the land and buildings associated with one and one store or corporate office locations, respectively. In each of the related lease agreements for the deemed sale leaseback locations, the Company was required to pay all construction costs directly with the right of reimbursement up to a pre-determined tenant allowance. Also, the Company indemnified the landlords with respect to costs arising from third-party damage arising from the acts or omission of employees, sub-lessees, assignees, agent, and/or contractors arising during construction. As a result, and, based on appropriate accounting guidance, the Company was the owner of the land and building during the construction period. The sale occurred when the construction of the assets was substantially complete and the lease terms began. At the time of sale, any assets, up to the value of each pre-determined tenant allowance, were written off the Company's books, and any remaining assets were considered leasehold improvements. For the sale leaseback transaction, the Company was the owner of the building and paid all construction costs directly. Once construction was deemed complete and occupancy permits were obtained, the Company sold the building and rights to the constructed assets to the landlord for a predetermined amount and were written off the Company's books. Any remaining assets were considered leasehold improvements or property and equipment. The total value of tenant allowances received under these transactions during fiscal years 2019 and 2018, was $9,533 and $1,717, respectively.

(11) Common Stock

Holders of common stock are entitled to one vote per share, and to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders on a proportional basis with the restricted nonvoting common stockholders. The holders have no preemptive or other subscription rights, and there are no redemption or sinking fund provisions with respect to such shares.

(12) Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding, during the period. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of nonvested share awards and nonvested share unit awards.

The following table sets forth the computation of basic and diluted earnings per common share:

	January 30, 2021	Feburary 1, 2020	February 2, 2019
Net income	91,380	$ 20,215	$ 23,750
Weighted-average shares of common stock outstanding:			
Basic	43,525	43,166	42,878
Dilutive effect of common stock equivalents	905	422	101
Diluted	44,430	43,588	42,979
Basic earnings per share	2.10	$ 0.47	$ 0.55
Diluted earnings per share	2.06	$ 0.46	$ 0.55
Restricted stock units considered anti-dilutive and excluded in the calculation	15	4	56

(13) Stock-Based Compensation

Stock-Based Compensation

The Company recognized total stock-based compensation expense, including expense relating to the employee stock purchase plan, of $3,302, $2,104, and $2,829, during fiscal years 2020, 2019, and 2018, respectively. Compensation expense related to the Company's stock-based payment awards is recognized in selling, general, and administrative expenses in the consolidated statements of income. As of January 30, 2021, and February 1, 2020, respectively, the Company had $7,275 and $3,966 remaining in unrecognized compensation costs, respectively.

Employee Stock Plans

As of January 30, 2021, the number of shares available for awards under the 2019 Performance Incentive Plan (the "2019 Plan") was 2,371. As of January 30, 2021, there were 1,404 awards outstanding under the 2019 Plan. All shares granted during the current year were newly issued shares. All subsequent awards were, and all future awards are expected to be, granted under the 2019 Plan.

Nonvested Performance-Based Stock Awards

During fiscal year 2020, the Company issued 206 nonvested performance-based stock awards to employees at a weighted average grant date fair value of $5.95 per share. The nonvested performance-based stock awards issued to employees vest at the end of three years. The number of shares issued is contingent on management achieving a fiscal year 2020 performance target for same store sales and gross margin. Based on the performance conditions met for 2020, the finalized granted awards were 412 as presented in the table below.

During fiscal year 2019, the Company issued 289 nonvested performance-based stock awards to employees at a weighted average grant date fair value of $3.53 per share. The nonvested performance-based stock awards issued to employees vest at the end of three years. The number of shares issued is contingent on management achieving a fiscal year 2019 performance target for same store sales and gross margin. Based on the performance conditions met for 2019, the finalized granted awards were 226 as presented in the table below.

The following table sets forth the rollforward of outstanding nonvested performance-based stock awards (per share amounts are not in thousands):

	Shares	Weighted average grant-date fair value
Balance at February 1, 2020	250	$ 3.66
Grants	412	5.95
Forfeitures	(38)	4.33
Vested	—	—
Balance at January 30, 2021	624	$ 5.13

	Shares	Weighted average grant-date fair value
Balance at February 2, 2019	34	$ 6.07
Grants	226	3.53
Forfeitures	(3)	4.91
Vested	(7)	11.25
Balance at February 1, 2020	250	$ 3.66

Nonvested Stock Unit Awards

During the fiscal year 2020, the Company issued 431 nonvested stock units to employees of the Company and independent members of the Board of Directors at a weighted average grant date fair value of $6.38 per share. The shares issued to the independent members of the Board of Directors vest over 12 months with one twelfth vesting each month from the grant date. The shares issued to employees of the Company vest over a three year period with one third of the shares vesting on each grant date anniversary.

During the fiscal year 2019, the Company issued 638 nonvested stock units to employees of the Company and independent members of the Board of Directors at a weighted average grant date fair value of $4.13 per share. The shares issued to the independent members of the Board of Directors vest over 12 months with one twelfth vesting each month from the grant date. The shares issued to employees of the Company vest over a three year period with one third of the shares vesting on each grant date anniversary.

The following table sets forth the rollforward of outstanding nonvested stock units:

	Shares	Weighted average grant-date fair value
Balance at February 1, 2020	744	$ 4.32
Grants	431	6.38
Forfeitures	(65)	4.73
Vested	(331)	4.86
Balance at January 30, 2021	779	$ 5.19

	Shares	Weighted average grant-date fair value
Balance at February 2, 2019	441	$ 4.92
Grants	638	4.13
Forfeitures	(66)	5.08
Vested	(269)	4.67
Balance at February 1, 2020	744	$ 4.32

As of February 1, 2020, and February 2, 2019, the weighted average grant date fair value of the outstanding shares was $4.32 and $4.92, respectively.

(14) Employee Stock Purchase Plan

In June 2015, the Company's stockholders approved the Sportsman's Warehouse Holdings, Inc. Employee Stock Purchase Plan ("ESPP"), which provides for the granting of up to 800 shares of the Company's common stock to eligible employees. The ESPP period is semi-annual and allows participants to purchase the Company's stock at 85% of the lower of (i) the market value per share of the common stock on the first day of the offering period or (ii) the market value per share of the common stock on the purchase date. The first plan period began on January 1, 2016. Stock-based compensation expense related to the ESPP in fiscal year 2020, 2019, and 2018 was $212, $133, and $143, respectively. As of January 30, 2021, due to the pending merger with the Great Outdoors Group, the Company has discontinued the ESPP program in accordance with the plan document.

(15) Income Taxes

For the fiscal years ended January 30, 2021, February 1, 2020, and February 2, 2019, the income tax provision consisted of the following:

	January 30, 2021	February 1, 2020	February 2, 2019
Current:			
Federal	$ 24,023	$ 4,004	$ 4,630
State	6,991	540	1,719
Total current	31,014	4,544	6,349
Deferred:			
Federal	(390)	1,246	598
State	(544)	(536)	116
Total deferred	(934)	710	714
Total income tax provision	$ 30,080	$ 5,254	$ 7,063

The provision for income taxes differs from the amounts computed by applying the federal statutory rate as follows for the following periods:

	January 30, 2021	February 1, 2020	February 2, 2019
Federal statutory rate	21.0 %	21.0 %	21.0 %
State tax, net of federal benefit	4.1	1.5	4.1
Permanent items	(0.3)	1.1	2.5
Tax credits	(0.4)	(2.8)	—
Other	0.4	(0.2)	(0.4)
Tax reform adjustment	—	—	(4.3)
Effective income tax rate	24.8 %	20.6 %	22.9 %

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at January 30, 2021 and February 1, 2020, respectively, are presented below:

	January 30, 2021	February 1, 2020
Deferred tax assets:		
Accrued liabilities	$ 2,746	$ 558
Operating lease liability	66,341	63,187
Gift card liability	862	289
Goodwill	752	835
Intangible asset	1,075	1,224
Inventories	1,052	1,452
Sales return reserve	363	208
Capital loss carryforward	—	39
Stock-based compensation	768	403
Loyalty program	3,045	2,415
Total gross deferred tax assets	$ 77,004	$ 70,610
Deferred tax liabilities:		
Depreciation	$ (17,533)	$ (15,020)
ROU asset	(59,044)	(55,272)
Prepaid expenses	(861)	(836)
Gift card escheatment	—	(44)
Total gross deferred tax liabilities	$ (77,438)	$ (71,172)
Net deferred tax liability	$ (434)	$ (562)

On December 22, 2017 the U.S. Government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act made broad and complex changes to existing U.S. tax laws that impact the Company. Most notably, the Tax Act reduced the U.S. Federal corporate tax rate from 35 percent to 21 percent effective January 1, 2018. The Tax Act also provides for the acceleration of depreciation for certain assets placed in service after September 27, 2017. The Tax Act also established prospective changes beginning in 2018 including the limitations on the deductibility of certain executive compensation and interest expense. The Company does not expect these limitations to have a significant impact on our consolidated financial statements.

As a result of the Tax Act, the Company recorded a discrete net tax expense of $2,153 in the period ending February 3, 2018. The primary components of this tax expense include $2,600 for the revaluation of U.S. deferred tax assets and liabilities at the new corporate tax rate of 21 percent, offset by a tax benefit of $447 due to the reduction in effective rate based on the time of enactment of the tax law and our fiscal year-end.

On March 27, 2020, in response to the COVID-19 pandemic, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) which provided economic relief to protect American people from the public health and economic impacts of COVID-19. The CARES Act included various changes to existing U.S. tax laws including a payroll tax deferral, employee retention credits, “retail glitch” fix related to qualified improvement property (QIP), NOL deductions, and expanded business interest expense deductions. Two of these provisions impacted the Company’s 2020 financial statements. First, the Company implemented processes to take advantage of the payroll tax deferral. The total amount of payroll taxes that were deferred in the fiscal year 2020 was $6,000 which will be paid in two equal installments on December 31, 2021 and December 31, 2022. A Deferred Tax Asset totaling $1,500 was recorded at year end for this payroll tax deferral. In addition, the "retail glitch" fix related to QIP also impacted the 2020 financial statements. Before the enactment of the CARES Act, QIP placed in service subsequent to December 31, 2017 was required to use a 39-year tax life and was not eligible for bonus depreciation. The CARES Act retroactively changed the recovery period for QIP to 15 years, which also made QIP eligible for bonus depreciation. The Company recorded a balance sheet reclassification in the first quarter of 2020 to account for this change in tax law by reducing the current income tax payable and increasing the deferred tax liability for depreciation by $2,400.

Deferred tax assets have resulted primarily from the Company's future deductible temporary differences. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company's ability to realize its deferred tax assets depends upon the generation of sufficient future taxable income as well as the ability to use historical taxable income to allow for the utilization of its deductible temporary differences.

Management evaluates the realizability of the deferred tax assets and the need for additional valuation allowances quarterly. At January 30, 2021, based on current facts and circumstances, management believes that it is more likely than not that the Company will realize benefit for its deferred tax assets.

As of January 30, 2021, the Company had no unrecognized tax benefits. The Company does not anticipate that unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date. Federal and state tax years that remain subject to examination are periods ended January 30, 2016 through February 1, 2020.

The Company's policy is to accrue interest expense, and penalties as appropriate, on estimated unrecognized tax benefits as a charge to interest expense in the consolidated statements of income. No interest or penalties were accrued for fiscal year 2020 or fiscal year 2019.

(16) Commitments and Contingencies

Legal Matters

The Company is involved in various legal matters generally incidental to its business. After discussion with legal counsel, management is not aware of any matters for which the likelihood of a loss is probable and reasonably estimable and which could have a material impact on its consolidated financial condition, liquidity, or results of operations.

Parsons v. Colt's Manufacturing Company, 2:19-cv-01189-APG-EJY – On July 2, 2019 the estate and family of a victim of the Route 91 Harvest Festival shooting filed litigation against 16 defendants, one of which being a subsidiary of Sportsman's Warehouse Holdings, Inc., for wrongful death and negligence. The Company believes the plaintiffs' attempts to re-interpret the federal National Firearms Act and Gun Control Act are improper and intend to vigorously defend ourselves in the matter. No reasonable estimate of the amount of any potential losses or range of potential losses relating to this matter can be determined at this time.

TMS McCarthy, LP, Etc., Pltf. v. Sportsman's Warehouse Southwest, Inc. Etc. Et Al., Dfts.- On June 23, 2020 TMS McCarthy, LP filed a complaint against Sportsman's Warehouse Southwest, Inc., a wholly owned subsidiary of Sportsman's Warehouse Holdings Inc., claiming the Company wrongfully terminated the lease relating to one of its stores. The Company believes the plaintiffs' complaint is without merit based on the plain language of the lease at issue and on August 14, 2020 filed a counterclaim for declaratory relief. No reasonable estimate of the amount of any potential losses or range of potential losses relating to this matter can be determined at this time.

(17) Retirement Plan

The Company sponsors a profit sharing plan (the "Plan") for which Company contributions are based upon wages paid. As approved by the Board of Directors, the Company makes discretionary contributions to the Plan at rates determined by management. The Company made contributions of $1,532, $835, and $572, for the fiscal years ended January 30, 2021, February 1, 2020, and February 2, 2019, respectively.

(18) Merger with Great Outdoors Group

On December 21, 2020, Sportsman's Warehouse entered into an Agreement and Plan of Merger (the "Merger Agreement") with Great Outdoors Group, LLC, ("Great Outdoors Group") and Phoenix Merger Sub I. Inc., ("Merger Subsidiary"). Pursuant to the terms and conditions set forth in the Merger Agreement, Merger Subsidiary will be merged with and into Sportsman's Warehouse (the "Merger"), with Sportsman's Warehouse continuing as the surviving corporation in the Merger and a wholly-owned subsidiary of Great Outdoors Group. Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of Sportsman's Warehouse common stock, par value $0.01 per share (the "Shares") outstanding immediately prior to the Effective Time (other than such Shares held by (i) Great Outdoors Group, Merger Subsidiary, or any other subsidiary of Great Outdoors Group, (ii) Sportsman's Warehouse or its subsidiaries, as treasury stock or (iii) stockholders of Sportsman's Warehouse who properly exercised their appraisal rights for such Shares under the Delaware General Corporation Law) will automatically be cancelled and converted into the right to receive $18.00 per Share in cash, without interest and less any applicable withholding taxes.

The Merger Agreement has been unanimously adopted by the board of directors of Sportsman's Warehouse, and the stockholders of Sportsman's Warehouse approved the Merger at the special stockholders meeting held on March 23, 2021. Completion of the Merger is subject to the satisfaction of several conditions, including: (i) the expiration or termination of any applicable waiting period (and any extensions thereof) relating to the Merger under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); (ii) the absence of any order, injunction, or other judgment by any governmental authority of competent jurisdiction that enjoins or otherwise prohibits the consummation of the Merger; (iii) the accuracy of each party's representations and warranties (subject to certain qualifications); (iv) each party's performance in all material respects of its obligations contained in the Merger Agreement; and (v) the absence of a material adverse effect on Sportsman's Warehouse.

Assuming receipt of required clearance pursuant to the HSR Act and timely satisfaction of other conditions to closing, we currently expect the closing of the Merger to occur in the second half of calendar year 2021.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

1. Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures. Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of January 30, 2021.

Inherent Limitations in Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures, or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake or fraud. Additionally, controls can be circumvented by individuals or groups of persons or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements in our public reports due to error or fraud may occur and not be detected.

2. Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act for us. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP;
- provide reasonable assurance that receipts and expenditures are being made only in accordance with management and director authorization; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

With the participation of our Chief Executive Officer and our Chief Financial Officer, management evaluated the effectiveness of our internal control over financial reporting as of January 30, 2021, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation management concluded that our internal controls over financial reporting were effective as of January 30, 2021. Management's assessment of the effectiveness of internal control over financial reporting excluded the four Field & Stream stores we acquired from DICK's during fiscal 2020. The total assets and total revenues of the acquired stores represent 4.5% of total assets and 2.4% of total revenues of the related consolidated financial statement amounts as of and for the year ended January 30, 2021.

Our independent registered public accounting firm, Grant Thornton LLP, has audited our internal controls over financial reporting. Their opinion on the effectiveness of our internal controls over financial reporting as of January 30, 2021 appears in item 4 below.

3. Changes in Internal Control Over Financial Reporting

Remediation of Previously Reported Material Weakness

As previously disclosed in Part II Item 9A Controls and Procedures in our Annual Report on Form 10-K for the fiscal year ended February 1, 2020, during the preparation of our consolidated financial statements for the year ended February 1, 2020, we identified a material weakness in our internal control over financial reporting related to ineffective information technology general controls ("ITGCs") in the areas of user access and change management over certain information technology ("IT") systems that support the Company's financial reporting processes. Our business process controls (automated and manual) that are dependent on the affected ITGCs were also deemed ineffective because they could be adversely impacted. We believe that these control deficiencies were a result of: insufficient control documentation of key IT processes; insufficient number and training of IT resources; and inadequate risk-assessment processes to identify and assess changes in the IT environment that could impact internal controls over financial reporting.

During 2020, we implemented our previously disclosed remediation plan that included: (i) enhancing the documentation of our IT controls key to our financial reporting process; (ii) the hiring of additional IT resources and the development of training relating to the importance of internal control over financial reporting, and (iii) developing enhanced risk assessment procedures and controls related to the provisioning of user access in key systems that support financial reporting.

During the fourth quarter ended January 30, 2021, we completed the necessary testing to conclude that the material weakness has been remediated as of January 30, 2021.

Except for the material weakness remediation described above, there were no changes in our internal control over financial reporting during the 13 weeks ended January 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

4. Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Sportsman's Warehouse Holdings, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited the internal control over financial reporting of Sportsman's Warehouse Holdings, Inc. and subsidiaries (the "Company") as of January 30, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 30, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended January 30, 2021, and our report dated April 2, 2021 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company's internal control over financial reporting does not include the internal control over financial reporting of the four Field & Stream stores acquired during 2020, whose financial statement results reflect total assets and revenues constituting 4.5 and 2.4 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended January 30, 2021. Management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of the four Field & Stream stores acquired in 2020.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Salt Lake City, Utah
April 2, 2021

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company has adopted a Code of Conduct and Ethics applicable to our employees, directors, and officers. This Code of Conduct and Ethics is applicable to our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions. The code is available on the Company's website at investors.sportsmanswarehouse.com. To the extent required by rules adopted by the SEC and Nasdaq, we intend to promptly disclose future amendments to certain provisions of the code, or waivers of such provisions granted to executive officers and directors on our website at investors.sportsmanswarehouse.com.

The remaining information required by this Item 10 will be included in our proxy statement for our 2021 annual meeting of stockholders (the "Proxy Statement") and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 will be included in our Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT RELATED STOCKHOLDER MATTERS

The information required by this Item 12 will be included in our Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 will be included in our Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 will be included in our Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements: The following financial statements are included in Part II, Item 8 of this Annual Report on Form 10-K.

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets – January 30, 2021 and February 1, 2020
- Consolidated Statements of Income – Years ended January 30, 2021, February 1, 2020, and February 2, 2019
- Consolidated Statements of Stockholders' Equity (Deficit) – Years ended January 30, 2021, February 1, 2020, and February 2, 2019
- Consolidated Statements of Cash Flows – Years ended January 30, 2021, February 1, 2020, and February 2, 2019
- Notes to Consolidated Financial Statements

2. Exhibits: See Item 15(b) below.

(b) Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of December 21, 2020, amoung Sportsman's Warehouse Holdings, Inc. Great Outdoors Group, LLC and Phoenix Merger Sub I, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on December 21, 2020).
3.1	Amended and Restated Certificate of Incorporation of Sportsman's Warehouse Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on June 11, 2014).
3.2	Amended and Restated Bylaws of Sportsman's Warehouse Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 8-K filed on April 3, 2020).
4.1	Form of Specimen Common Stock of Sportsman's Warehouse Holdings, Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (Registration No. 333.1944421) filed on March 24, 2014).
4.2	Description of Sportsman's Warehouse Holdings, Inc. Common Stock (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K filed on April 9, 2020)
10.1	Amended and Restated Credit Agreement, dated as of May 23, 2018, Sportsman's Warehouse, Inc., as Lead Borrower, Wells Fargo Bank, National Association, as Administrative Agents, Collateral Agent, and Swing Line Lender, and the other parties listed on the signature pages thereto. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 25, 2018).
10.2	Guaranty, dated as of May 23, 2018, by Sportsman's Warehouse Holdings, Inc., as Guarantor, in favor of Wells Fargo Retail Finance, LLC, as Administrative Agent and Collateral Agent, and the Credit Parties (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 25, 2018).
10.3	Security Agreement, dated as of May 23, 2018, by Sportsman's Warehouse, Inc., Minnesota Merchandising Corp., Sportsman's Warehouse Southwest, Inc. and Pacific Flyway, LLC, as Borrowers, and Sportsman's Warehouse Holdings, Inc., as Guarantor, in favor of Wells Fargo Retail Finance, LLC, as Collateral Agent (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (Registration No. 333-1944421) filed on May 25, 2018).

Exhibit Number	Description
10.4	Form of Agreement between holders of restricted nonvoting common stock and Sportsman's Warehouse Holdings, Inc. (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (Registration No. 333-1944421) filed on March 7, 2014).
10.5*	Sportsman's Warehouse Holdings, Inc. 2013 Performance Incentive Plan. (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (Registration No. 333-1944421) filed on March 7, 2014).
10.6	Sportsman's Warehouse Holdings, Inc. 2019 Performance Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 30, 2019).
10.7	Sportsman's Warehouse Holdings, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 28, 2015).
10.8*	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (Registration No. 333-1944421) filed on March 7, 2014).
10.9*	Form of Director Restricted Stock Unit Award Agreement (2020) (incorporate by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed on April 9, 2020)
10.10*	Form of Indemnification Agreement for Directors and Executive Officers (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 8, 2019).
10.13*	Employment Agreement, May 11, 2018, between Sportsman's Warehouse Holdings, Inc. and Jon Barker (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 17, 2018).
10.14	Severance Agreement, dated April 2, 2019, between Sportsman's Warehouse Holdings, Inc. and Robert Julian (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 8, 2019).
10.15+*	280G Best-Net Agreement dated January 28, 2021 between Sportsman's Warehouse Holdings, Inc. and Jon Barker.
10.16+*	280G Best-Net Agreement dated January 28, 2021 between Sportsman's Warehouse Holdings, Inc. and Robert Julian.
21.1+	Subsidiaries of Sportsman's Warehouse Holdings, Inc.
23.1+	Consent of Grant Thornton LLP.
23.2+	Consent of KPMG LLP
31.1+	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	Description
101	The following financial statements from the Company’s Annual Report on Form 10-K for the fiscal year ended January 30, 2021, formatted in Inline XBRL: (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets (iv) Consolidated Statements of Stockholders’ Equity, (v) Consolidated Statements of Cash Flow and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags
104	The cover page from the Company’s Annual Report on Form 10-K for the fiscal year ended January 30, 2021, formatted in Inline XBRL (included as Exhibit 101)

* Management contract or compensatory plan or arrangement
+ Filed herewith
*** Furnished herewith

ITEM 16. FORM 10-K SUMMARY

Not Applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

Date: April 2, 2021	By:	/s/ Jon Barker
		Jon Barker
		President and Chief Executive Officer
		(Principal Executive Officer)
Date: April 2, 2021	By:	/s/ Robert K. Julian
		Robert K. Julian
		Chief Financial Officer and Secretary
		(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/Jon Barker Jon Barker	Chief Executive Officer and Director (Principal Executive Officer)	April 2, 2021
/s/ Robert K. Julian Robert K. Julian	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	April 2, 2021
/s/ Christopher Eastland Christopher Eastland	Director	April 2, 2021
/s/ Gregory P. Hickey Gregory P. Hickey	Director	April 2, 2021
/s/ Joseph P. Schneider Joseph P. Schneider	Director	April 2, 2021
/s/ Richard McBee Richard McBee	Director	April 2, 2021
/s/ Martha Bejar Martha Bejar	Director	April 2, 2021
/s/ Phillip Williamson Phillip Williamson	Director	April 2, 2021

January 28, 2021

Jon Barker

Re: ***280G Best-Net Agreement***

Dear Jon:

As you know, Sportsman's Warehouse Holding, Inc. (the "**Company**") has entered into that certain definitive Agreement and Plan of Merger, dated December 21, 2020 ("**Transaction Agreement**"), by and between the Company, Great Outdoors Group, LLC (the "**Buyer**") and Phoenix Merger Sub I, Inc., pursuant to which the Company will be acquired by Buyer (the "**Transaction**"). You are a party to an Employment Agreement with the Company dated May 11, 2018 (your "**Employment Agreement**"). Should the Transaction close, it (and certain other transactions in connection with, or deemed in connection with, the Transaction) could cause the Company to make certain payments to you that, depending on the circumstances, could constitute "parachute payments" under Section 280G of the U.S. Internal Revenue Code (the "**Code**"). In that event, such payments could trigger certain negative tax consequences for you.

By executing this letter agreement, you and the Company agree as follows:

Possible Cut-Back. Notwithstanding anything to the contrary contained in your Employment Agreement or any other agreement between you and the Company or any other document or agreement (whether written or oral), to the extent that any payments and benefits provided to you, or for your benefit, under your Employment Agreement or any other Company plan or agreement (such payments or benefits are collectively referred to as the "**Benefits**") would be subject to the excise tax (the "**Excise Tax**") imposed under Section 4999 of the Internal Revenue Code of 1986 (the "**Code**"), the Benefits shall be reduced (but not below zero) if and to the extent that a reduction in the Benefits would result in you retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than if you received all of the Benefits (such reduced amount is referred to hereinafter as the "**Limited Benefit Amount**"). Unless you have given prior written notice specifying a different order to the Company to effectuate the Limited Benefit Amount, any such notice consistent with the requirements of Section 409A of the Code to avoid the imputation of any tax, penalty or interest thereunder, to the extent that a reduction in Benefits is required pursuant to the foregoing the Company shall reduce or eliminate amounts which are payable first from any cash severance, then from any payment in respect of an equity award that is not covered by Treas. Reg. Section 1.280G-1 Q/A-24(b) or (c), then from any payment in respect of an equity award that is covered

1.800.286.3076 | 1475 West 9000 South Ste. A West Jordan, UT 84088 | SPORTSMANS.com

by Treas. Reg. Section 1.280G-1 Q/A-24(c), in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the Determination (as defined below). Any notice given by you pursuant to the preceding sentence shall take precedence over the provisions of any other plan, arrangement or agreement governing your rights and entitlements to any benefits or compensation. Any determination as to whether the Benefits shall be reduced to the Limited Benefit Amount pursuant to this letter agreement and the amount of such Limited Benefit Amount shall be made by the Company's independent public accountants or another certified public accounting firm or consulting firm of national reputation designated by the Company at the Company's expense (the "**Determination**").

This letter agreement does not modify any other terms of any agreement between you and the Company or any of its affiliates except as expressly set forth above. The validity, interpretation, construction and performance of this letter agreement shall be governed by the laws of the State of Utah without regard to the conflicts of laws principles thereof. This letter agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

If this letter agreement accurately sets forth our agreement with respect to the foregoing matters, please sign the enclosed copy of this letter agreement and return it to me.

We appreciate your dedication to the Company.

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

/s/ Robert Julian

By: Robert Julian

Title: Chief Financial Officer

Accepted and Agreed:

By: /s/ Jon Barker

Jon Barker

January 28, 2021

Robert Julian

Re: ***280G Best-Net Agreement***

Dear Robert:

As you know, Sportsman's Warehouse Holding, Inc. (the "**Company**") has entered into that certain definitive Agreement and Plan of Merger, dated December 21, 2020 ("**Transaction Agreement**"), by and between the Company, Great Outdoors Group, LLC (the "**Buyer**") and Phoenix Merger Sub I, Inc., pursuant to which the Company will be acquired by Buyer (the "**Transaction**"). You are a party to a Severance Agreement with the Company dated April 2, 2019 (your "**Severance Agreement**"). Should the Transaction close, it (and certain other transactions in connection with, or deemed in connection with, the Transaction) could cause the Company to make certain payments to you that, depending on the circumstances, could constitute "parachute payments" under Section 280G of the U.S. Internal Revenue Code (the "**Code**"). In that event, such payments could trigger certain negative tax consequences for you.

By executing this letter agreement, you and the Company agree as follows:

Possible Cut-Back. Notwithstanding anything to the contrary contained in your Severance Agreement or any other agreement between you and the Company or any other document or agreement (whether written or oral), to the extent that any payments and benefits provided to you, or for your benefit, under your Severance Agreement or any other Company plan or agreement (such payments or benefits are collectively referred to as the "**Benefits**") would be subject to the excise tax (the "**Excise Tax**") imposed under Section 4999 of the Internal Revenue Code of 1986 (the "**Code**"), the Benefits shall be reduced (but not below zero) if and to the extent that a reduction in the Benefits would result in you retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than if you received all of the Benefits (such reduced amount is referred to hereinafter as the "**Limited Benefit Amount**"). Unless you have given prior written notice specifying a different order to the Company to effectuate the Limited Benefit Amount, any such notice consistent with the requirements of Section 409A of the Code to avoid the imputation of any tax, penalty or interest thereunder, to the extent that a reduction in Benefits is required pursuant to the foregoing the Company shall reduce or eliminate amounts which are payable first from any cash severance, then from any payment in respect of an equity award that is not covered by Treas. Reg. Section 1.280G-1 Q/A-24(b) or (c), then from any payment in respect of an equity award that is covered by Treas. Reg. Section 1.280G-1 Q/A-24(c), in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the Determination (as defined below). Any notice given by you pursuant to the preceding sentence shall take precedence over the provisions of any other plan, arrangement or agreement governing your rights and entitlements to any benefits or compensation. Any determination as to whether the Benefits shall be reduced to the Limited Benefit Amount pursuant to this letter agreement and the amount of such Limited Benefit Amount shall be made by the Company's independent public accountants or another certified public accounting firm or consulting firm of national reputation designated by the Company at the Company's expense (the "**Determination**").

This letter agreement does not modify any other terms of any agreement between you and the Company or any of its affiliates except as expressly set forth above. The validity, interpretation, construction and performance of this letter agreement shall be governed by the laws of the State of Utah without regard to the conflicts of laws principles thereof. This letter agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

If this letter agreement accurately sets forth our agreement with respect to the foregoing matters, please sign the enclosed copy of this letter agreement and return it to me.

We appreciate your dedication to the Company.

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

/s/ Jon Barker

By: Jon Barker

Title: Chief Executive Officer

Accepted and Agreed:

By: /s/ Robert Julian

Robert Julian

Exhibit 21.1

Subsidiaries

	Jurisdiction of Incorporation
Sportsman’s Warehouse Holdings, Inc.	Delaware
Sportsman’s Warehouse, Inc.	Utah
Sportsman’s Warehouse Southwest, Inc.	California
Pacific Flyway Wholesale, LLC	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Sportsman's Warehouse Holdings, Inc.

We have issued our reports dated April 2, 2021, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Sportsman's Warehouse Holdings, Inc. and subsidiaries on Form 10-K for the year ended January 30, 2021. We consent to the incorporation by reference of said reports in the Registration Statements of Sportsman's Warehouse Holdings, Inc. and subsidiaries on Forms S-8 (File Nos. 333-206632, 333-195338, and 333-233569) and Forms S-3 (File No. 333-224421).

(signed) GRANT THORNTON LLP

Salt Lake City, Utah
April 2, 2021

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Sportsman's Warehouse Holdings, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-206632, 333-195338, and 333-233569) on Form S-8 and (No. 333-224421) on Form S-3 of Sportsman's Warehouse Holdings, Inc. of our report dated April 9, 2020, with respect to the consolidated balance sheet of Sportsman's Warehouse Holdings, Inc. and subsidiaries as of February 1, 2020, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the fiscal years in the two-year period ended February 1, 2020, and the related notes, which report appears in the January 30, 2021 annual report on Form 10-K of Sportsman's Warehouse Holdings, Inc.

Our report on the consolidated financial statements refers to a change in the method of accounting for leases as of February 3, 2019 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-02 – *Leases (Topic 842)*, and related amendments.

/s/ KPMG LLP

Salt Lake City, Utah
April 2, 2021

Exhibit 31.1

**Certification of Chief Executive Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jon Barker, certify that:

1. I have reviewed this annual report on Form 10-K of Sportsman's Warehouse Holdings, 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 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 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: April 2, 2021

/s/ Jon Barker

Jon Barker

President and Chief Executive Officer

Certification of Chief Financial Officer pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert K. Julian, certify that:

1. I have reviewed this annual report on Form 10-K of Sportsman's Warehouse Holdings, 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 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 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: April 2, 2021

/s/ Robert K. Julian
Robert K. Julian
Chief Financial Officer and Secretary

Exhibit 32.1

Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Sportsman's Warehouse Holdings, Inc. (the "Registrant") for the fiscal year ended January 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jon Barker, as President and Chief Executive Officer of the Registrant, and Robert K. Julian, the Chief Financial Officer and Secretary of the Registrant, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

1. 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 Registrant.

Date: April 2, 2021

/s/ Jon Barker
Jon Barker
President and Chief Executive Officer

Date: April 2, 2021

/s/ Robert K. Julian
Robert K. Julian
Chief Financial Officer and Secretary

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.