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VSTO.N - Q1 2022 Vista Outdoor Inc Earnings Call

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PRESENTATION

Operator

Good day, and welcome to the Vista Outdoor Inc. First Quarter Fiscal Year 2022 Earnings Conference Call. Today's conference is being recorded. And at this time, I would like to turn the conference over to Vice President, Investor Relations, Shelly Hubbard. Please go ahead, ma'am.

Shelly Hubbard - *Vista Outdoor Inc. - VP of IR*

Good morning, and thank you for joining us for our first quarter fiscal year 2022 earnings call. With me this morning is Chris Metz, Vista Outdoor, Chief Executive Officer; Sudhanshu Priyadarshi, Senior Vice President and Chief Financial Officer; and Vishak Sankaran, President of Hunt, Shoot & Tactical Accessories and Bushnell Golf.

Before we begin, I'd like to remind everyone that during today's call, we will be making several forward-looking statements, and we make these statements under the safe harbor provisions of the Private Securities Litigation Reform Act. These forward-looking statements reflect our best estimates and assumptions based on our understanding of information known to us today. These forward-looking statements are subject to the risks and uncertainties that face Vista Outdoor and the industries in which we operate.

We encourage you to review today's press release and Vista Outdoor's SEC filings for more information on these risk factors and uncertainties. Please note that we have posted presentation materials on our website at investors.vistaoutdoor.com, which supplement our comments this morning and include a reconciliation of non-GAAP financial measures. With that said, I'll turn it over to you, Chris.

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Thank you, Shelly. Good morning, everyone, and welcome to our fiscal Year 2022 first quarter earnings call. We are excited to share details about our results and the growth potential of our brands. Our management team spent a great deal of time together at the beginning of the quarter as part of our Investor Day in May. We hope you felt the energy and passion of our leadership team like I did.

As part of the value creation framework, we introduced new 3-year financial targets, and I can tell you that our teams are already well on their way to delivering results. Thank you, again, to those who joined the Investor Day. Now let's get started with our first quarter results.

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We began our fiscal year with another record quarter and strong performance across the entire portfolio, including sales growth of nearly $184 million, up 38% to $663 million compared with the prior year quarter. Record gross profit of $241 million, up 93%. Record EBIT of $144 million, up 200%; and record adjusted EPS of $1.74 compared with $0.51 in the prior year quarter. In Q1, we delivered 38% sales growth, which translated to 24% EBITDA margins due to growth and operational changes we made over the past 2 years of our strategic transformation stage. As a result, our business is running more effectively and efficiently than ever, generating tremendous leverage.

Taking a look at our segments growth in Q1 was evenly balanced, with shooting sports up 39% and outdoor products, up 38%, driven by innovation and heightened demand for all of our products. E-commerce posted another quarter of double-digit sales growth, up 19% year-over-year on top of the previous year's 40% growth rate despite physical doors reopening. Our DTC channel grew significantly higher. We also maintained a strong balance sheet with over $200 million in cash and an unchanged leverage ratio at 0.7x, while adding 4 acquisitions in the past 9 months.

Outdoor recreational activity also continues to show highly favorable trends across camping, outdoor cooking, hiking, biking, fishing, hunting and more. One area of high-growth within biking is e bikes. During the quarter, we added a premium electric bike brand to our portfolio, QuietKat. We are very excited about the opportunities within this category and particularly with this brand. We also added a female hunt inspired apparel brand, Venor. We see great potential in both brands and look forward to seeing them flourish. I am pleased to report that Venor and QuietKat have been fully integrated in under 60 days. Welcome to the Vista Outdoor team.

The safety of our employees is paramount. As the pandemic continues, we are providing resources for employees, including localized updates based on current conditions, on-site safety protocol and vaccine information. We've had minimal disruption within our facilities, and we want to thank our employees for their diligence in keeping themselves and others healthy. As you can see, our people are the driving force behind our success. Our teams have continued to rise to the occasion and to find new ways to make operations more efficient, which is paying off in new records.

Our throughput and absorption rates are at record levels and overhead has remained steady, allowing strong leverage. I'm proud to lead this organization as we empower people to achieve their goals and live their best outdoor lives.

Across our portfolio, consumer trends and participation reports demonstrate that outdoor resurgence of 2020 has not slowed. According to the latest study by people for bikes, the total year-to-date 2021 market continues to accelerate, outperforming even last year and growing by 12% compared to January through May 2020.

The RV industry posted another record month in June, with RV sales up 25% compared with the prior year and nearly 39% versus 2019. Southwick Associates released data in May 2021 showing that ammunition demand is not slowing. The research found that 2/3 of ammunition consumers said current inventory was lower than preferred and that over 80% would like to add more. Kampgrounds of America's June research report predicted that 53 million Americans would camp in 2021. This figure is up over 480,000 from its May projections. Our national and state parks, while they're surging with national parks in Utah, seeing 15% increases and state parks in Minnesota, which also happens to be in our backyard, up 60%, just to name a couple. And just last weekend, this 30-second Olympics Games kicked off in Tokyo, many of our brands will be along for the ride, and we wish all the athletes the best of luck.

We also believe that demand in the ammunition market will have a longer run in this cycle than in past demand surges. The influx of over 10 million new gun owners into shooting sports has fundamentally changed demand dynamics. NICS is no longer a good leading indicator of demand for ammunition. In forecasting our business, we have instead shifted our focus to the unprecedented level of ammunition consumption, low retail and consumer inventories and our own multibillion-dollar order backlog. All of which indicate that demand is very strong and will be for the foreseeable future regardless of NICS checks.

By now, we are all well versed in the supply chain disruption that continues to provide challenges in meeting demand. Across the business, our teams are stretching their supply chains and ramping production to source, build and bring more product to the market. Consumer demand for our product has not slowed during the summer. In fact, it's accelerated. Simply put, we cannot meet the current level of consumer demand. We are fortunate to have a world-class supply chain center of excellence supporting our businesses. It has been a collaborative, all hands on deck moment for our company, pooling resources and leveraging our scale to overcome many of the challenges.

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And despite the headwinds, we got more than our fair share and delivered a strong quarter, and our outlook is bright. We will continue to find ways to outperform and focus on what we can control. Our strong underlying fundamentals, combined with continued growth in outdoor trends, new product innovation and meticulous execution enabled us to navigate the headwinds and position our company for continued growth. Our forward-looking guidance contemplates the continued supply chain challenges and shortages that we and all others are currently experiencing.

Now for an update on our business units. New products cement brand loyalty, attract new customers and drive organic sales growth, leading to higher profitability and returns to shareholders. This cycle is a fundamental part of our business model and is why we continue to grow our R&D investment at a faster rate. I'm pleased to share with you our progress.

I'll begin with an update on our ammunition business. If you follow consumer media or trade publications, you likely saw the statement that Vic Green is back recently. This campaign updated consumers about Remington's production progress and where they can find their favorite Remington loads. This campaign has translated into ahead of schedule progress for the Remington brand. Combined with strong sales for our legacy ammunition brands, I am pleased with the overall positioning of our ammunition platform and around the clock production of our dedicated teams in this heightened demand market.

During the quarter, we successfully launched a category first loyalty program and have seen great response from members looking to get gear from their favorite ammunition brand. Loyalty membership has grown 400% since the first week, and we've seen a strong percentage of members coming back to our site to make repeat purchases. We also announced our ammunition subscription program. Our planned subscription service is on track for a fall 2021 launch and will further bolster our DTC capability, allowing us to better connect with our consumers. Both the loyalty and subscription programs are critical to allowing us to communicate directly with consumers, which in turn enables us to better share trends with our customers.

Federal and CCI brands continue to thrive with recent contract wins and retailer awards showing that the brands are in high demand across many categories. Federal Ammunition was awarded a 3-year contract to partner with a Defense Ordnance Technology Consortium to design, develop and demonstrate technological superiority in small arms ammunition. Shooting Sports retailer and tactical retailer magazines named their 2020 independent retailer Choice awards. CCI was honored with a gold award in the rimfire category of both publications. And lastly, Federal Ammunition has already reached the podium in Tokyo. Earlier this week, team USA won gold in the men's and Women's Olympic Ski Competition. Using Federal's gold metal paper shot shells, congrats to team USA. All in, our ammunition team has delivered not only industry-leading growth, which gets more products onto our customer shelves, but also industry-leading margins.

Now let's turn to outdoor products, where each of our brands had a terrific quarter with all of them growing sales double digits year-over-year.

Let's start with Bell, Giro and Blackburn. The Olympic Games will give many action sports an international audience where the best of the best compete for gold. This stage will drive interest in the underlying sport while also featuring our products. Giro will be represented by 3 from 16 different countries at the Olympic Games in Tokyo across road racing, mountain bike racing, track racing, time trial and triathlon. Giro is also generating brand awareness in sales through its Flashpoint MVMNT marketing program. This is a collection of riders and brands with 1 shared goal, breaking down barriers to change the image of cycling. Our Action Sports brand will also be represented in DICK'S Sporting Goods new line of retail stores, public lands. We'll be assorting Giro helmets, shoes, gloves and Bell helmets as part of this new endeavor.

Blackburn is launching new -- several new products in the lighting category, and we expect their updated e-commerce platform to be live next month. Combined with positive momentum in Canada and Europe, Bell, Giro and Blackburn are in a strong position heading into the remainder of the fiscal year.

CamelBak had an outstanding quarter as well, growing over 80% year-over-year. The sales tailwind, combined with their best-in-class marketing and customer loyalty, positions CamelBak well for the future. During the quarter, CamelBak spotlight deal for Prime Day was 1 of the top sports and outdoor deals. The Tritan Renew water bottle, which is made from 50% recycled materials drove strong retail sales, while the Eddy+ kids bottle was the #2 selling style for the Amazon water bottle category.

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Outside Magazine recognized MultiBev in their best women's travel gear of 2021 and the Mule pack in their best men cycling gear of 2021. The podium bike and sport bottle franchise continue to set records with sales up triple digits over the prior year quarter. And lastly, the Horizon Drinkware line which was new in 2020 is up over 500% versus the prior year quarter, driven by an increase in key retail listings, strong marketing focus and a new customization feature on DICK'S Sporting Goods website.

Camp Chef is not only benefiting from strong outdoor trends but also new innovative products. The Camp Chef Sidekick program added another attachment with the introduction of the SideKick sear. The SideKick sear is part of the Camp Chef 14-inch interchangeable cook system and will give new and existing pellet grill owners another reason to come back to Camp Chef.

The affordable Everest camp stove is a sought after product and retailers at all levels cannot keep it on their shelves. Nobody does camping better than Camp Chef, and this has been an exciting trend supporting sales and brand affinity. Camp Chef's line of fire pits is also part of the broader home improvement trend. Camp Chef's fire pits have been a popular product as people seek to create a bad country experience in their back patio. For an update on our Hunt, Shoot and Golf business, I've asked Vishak Sankaran, President of Hunt, Shoot & Tactical Accessories and Bushnell Golf to provide an update. Vishak?

Vishak Sankaran - *Vista Outdoor Inc. - President Hunt, Shoot & Tactical Accessories*

Thanks, Chris, and hello, everyone. Our hunting and shooting accessories business continues to thrive with sales growth of 37% year-over-year, driven by triple-digit sales growth for our RCBS reloading and Gold Tip arrows business. New product innovation and increased participation across the hunting and recreational shooting markets were primary drivers of growth. We were especially pleased with the performance of our rangefinder category. The category was up triple digits year-over-year, supported by strong market demand for the Prime 1300 and the newly introduced Prime 1800 with ActivSync technology. The new ActivSync technology is a game changer in the market and allows the display to fluidly change based on the lighting conditions.

We also integrated the same ActivSync technology into our new Fusion X range finding binoculars, which has seen strong market demand as we head into the fall hunting season. The Fusion X is loaded with features and gives users the best of both worlds, optimal viewing clarity and ranging accuracy all in 1 unit. It is immensely rewarding to watch our continued success in the rangefinder category Bushnell created 25 years ago.

Bushnell has also made tremendous advancements in the trail camera market. especially with our new line of cellular models, the CelluCORE 20 and 30. These new models offer proven cellular performance, improved connectivity and best-in-class battery life and a user-friendly app for sorting and storing images. We have also made advancements to our entire digital ecosystem, focusing on an improved brand experience across all websites. We are now more agile with product updates and are consistently putting our best foot forward with enhanced content and improved navigation supporting the customer experience and our retail partners.

Before I turn to Golf, many of you have seen the launch of the new Outdoorsman Bluetooth Speaker, which is a rugged sound solution that was designed for outdoor adventures. From the woods to the backyard, the boat to the beach and from the ATV to the tailgate party. We are really excited about the Outdoorsman and how it can expand the Bushnell brand.

Now let's turn to Golf. The golf industry set records in participation and equipment sales in the second half of 2020, and the trend has only continued in 2021. Rounds played through May are up over 33% and our golf team is well positioned to capitalize on the growth with a variety of new products. Our new Phantom 2 handheld GPS started shipping in June and the market reception has been incredible. First delivery sold out on bushnell.com in a few hours.

In addition to the Phantom 2, the new ION EDGE watch will be introduced to the market in August. This touchscreen feature rich watch with green view and a long battery life will deliver strong results. Each of our golf products operate independently, but are fully integrated with our new mobile app. The revamped Bushnell Golf mobile app earned a 4 stars plus rating and over 20,000 downloads in its first few weeks.

We also announced our entry into the domestic large monitor market. Last week, we announced our partnership with technology leader Foresight Sports and our intent to bring a consumer solution to the market under the Bushnell Golf brand. The Launch Pro will offer our core consumers

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access to the best technology in measurement and analysis to support their game. Launch Pro also expands our offering in the off-course inspired Golf segment to access to multiple course simulations to enhance their in-home or off-course playing experience. We will begin taking orders in September and will ship the Launch Pro in October.

We are also constantly seeking new markets to leverage our technology and IP portfolio, which has led us to the rapidly growing sport of Disc Golf. Our Disc Golf Laser Rangefinder product, the Edge laser rangefinder has been well received in the marketplace. We are also activating partnerships in the advocacy sectors to expand access and infrastructure for Disc Golf.

Last but not least, I would like to extend my thanks and appreciation to our entire business and the people that drive our success. We have a strong culture, driven by passionate enthusiasts who not only make great products, but also use them in their own outdoor adventures. It is part of our secret sauce, and I'm truly honored to represent our people on this call today. Chris?

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Thanks, Vishak. I'm very excited about the future of Vista Outdoor. We have great leaders, passionate employees and plans in place to drive growth and profitability across the entire organization. Now I'll turn it over to Sudhanshu to dive deeper into our Q1 financial performance and provide our outlook. Sudhanshu?

Sudhanshu Shekhar Priyadarshi - *Vista Outdoor Inc. - Senior VP & CFO*

Thanks, Chris, and good morning, everyone. As Chris mentioned earlier, we delivered another quarter of record results in gross profit, EBIT and EPS in Q1 following a record year in fiscal 2021. We grew sales by 38% in Q1 with balanced growth across both segments exceeding our expectations. There is no question that industry trends remain highly favorable as consumers continue to look to the outdoors for recreation. To capitalize on this opportunity, we further invested in innovation, e-commerce and our supply chain to position Vista Outdoor for continued growth and profitability.

During the quarter, we purchased 1.2 million shares and maintained a low leverage ratio of 0.7x, well below our target leverage ratio of 1 to 2x. We also ended the quarter with $209 million in cash and integrated 2 recent acquisitions into our business. Remington is also ramping up faster than we had anticipated, enabling us to better meet higher demand for our products. We have had great success in integrating acquisitions. We are a smart serial acquirer and illustrating that we can do this in an accretive manner.

In May, we hosted our Investor Day and outlined our 3-year performance goals. To recap, we are targeting the following growth and profitability ranges. Sales growth of 10% plus on average annually, which includes mid-single-digit organic growth plus acquisitions. EBITDA margin in the range of 15% to 20%. Free cash flow of $600 million or more over the next 3 years. E-commerce as a percentage of total sales of approximately 25% to 30%, a leverage ratio at approximately 1 to 2x and capital expenditures of roughly 1% to 2% of sales.

These targets are supported by our long-term financial strategy to drive continued organic growth through investments and increase market share, maintain a strong balance sheet and cash flow generation and acquire complementary businesses that we can take to the next level of sales and profitability by leveraging our centers of excellence, relationships and expertise.

Overall, we are very excited about the solid financial and operational foundation we have built, supported by the strong underlying fundamentals and a growing addressable market. Thank you to those who were able to join us at our Investor Day, we received great feedback about the event. We are happy you could join us. For those who may have missed it, the event replay and transcripts are available on our website at investors.vistaoutdoor.com.

Now let's move on to Q1 results in more detail. Earlier this morning, we provided both as reported and adjusted results in our earnings release including the slides accompanying our earnings conference call. My comments today focus on adjusted results.

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Looking at Slide 11. Q1 sales grew 38% and that included near identical growth across our Shooting Sports and Outdoor Products segments. We have delivered double-digit growth across all major product categories. outdoor recreation, ammunition, hunting and shooting and action sports. Gross profit rose 93% to $242 million from a year ago driven primarily by Shooting Sports with strong contribution from Outdoor Products. These increases were primarily driven by volume, price increases due to higher input costs and a strong growth across our DTC channel.

EBIT rose 203% to a record $146 million, driven by gross margin expansion and operating leverage. And EBITDA margin reached a record high at 24.4%, increasing nearly 11 percentage points compared with the same period a year ago. Interest expense for the first quarter was $6 million, down 12% from the prior year due to a more favorable rate following our refinancing announced in March of this year and slightly offset by a higher average debt balance.

First quarter adjusted tax expense was $35 million compared with $12 million in the prior year. The adjusted tax rate was 25%. Adjusted net income was $105 million, resulting in a record adjusted EPS of $1.74 compared with $0.51 in the prior year quarter. Key drivers behind EPS strength were volume, improved gross margin in both segments, growth of our e-commerce channel and continued benefit from new products and cost-saving initiatives.

Turning to Page 12 of our presentation. We have maintained a solid balance sheet with net leverage of 0.7x and a strong liquidity of nearly $600 million. We have no outstanding borrowings on our ABL revolver. Our working capital increased year-over-year primarily driven by an increase in inventory. The majority of this growth is from acquired businesses and an increase in in-transit inventory due to higher demand and logistics delays. Overall, we are in a strong financial position to fund future growth.

Moving on to Page 13. You can see that our capital allocation priorities are to invest in organic growth, make prudent acquisitions and maintain a strong balance sheet while maintaining a low leverage ratio. We are investing in organic growth and acquisitions, and we have also implemented a 2-year $100 million share buyback program as announced in early May. As we review acquisition opportunities, we will remain diligent to ensure we are not overpaying and that they are a strong strategic fit within our portfolio to grow sales and profitability beyond what these companies could do on their own.

Now let's shift to our segment highlights, beginning on Page 14. Shooting Sports recorded first quarter sales of $463 million, up 39% on from the prior year quarter. Of this, our ammunition business was up 39%, and our Hunt Shoot business was up 37%. We continue to see strong demand for ammunition as well as hunting and shooting accessories with the strongest ammunition categories being pistol, rimfire and shotshell ammunition. And we continue to see strong growth across all distribution channels, especially for ammunition as store inventories remain low.

First quarter gross profit dollar were $181 million, up 115% from the prior year quarter. Gross margin for the quarter was 39%, which is roughly 14 percentage point improvement when compared with the prior year quarter. Margin acceleration were driven by strong consumer demand, commercial pricing improvement, mix and operating efficiencies. EBIT dollars also increased at accelerated rates up 160% with a rate increase of 15 percentage points from the prior year quarter.

Turning to Outdoor Products on Page 15. First quarter sales were $200 million, up 38% over the prior year. Continued demand for our products drove double-digit sales growth across all business units. Gross profit was $61 million, up 48% from the prior year. Gross profit margin improved by approximately 200 basis points. EBIT dollars more than doubled to $26 million, up 125% from the prior year period, driven by gross margin expansion with fixed cost leverage and mix of higher-margin product, which was somewhat offset by increased distribution and freight costs and higher product costs.

Turning to our outlook. Today, we are providing guidance for our second fiscal quarter. Following a strong first quarter of fiscal 2022 and continued heightened demand across our portfolio, we expect revenue in the range of $710 million to $730 million compared with $575 million in the prior year quarter. and earnings per share in the range of $1.70 to $1.80 compared with $1.10 in the same period last year.

For the full fiscal year, we have updated our assumptions to an effective tax rate in the mid-20% range. Interest expense in line with prior year adjusted interest expense, R&D expense, roughly 25% higher than last year, and we are increasing our CapEx from approximately 15% growth to 30% growth over the prior year primarily driven by investments in ammunition to reduce bottlenecks and maximize our production.

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We continue to expect strong demand for all of our brands through the remainder of this fiscal year. This is driven by continued increase in year-over-year outdoor participation rate trends and also by our order backlog for Shooting Sports and outdoor product. We are controlling what we can control and working tirelessly to get finished products through the constrained supply chain to our consumers.

In the second half, we anticipate elevated ocean freight costs as container prices rise, and we expect greater use of airfreight where it makes sense to reduce the lead time to our consumers and alleviate some pressure in the supply chain bottlenecks. We also expect higher commodity costs year-over-year in our U.S. manufacturing businesses as well as higher labor costs. That said, while we achieved a record EBITDA margin of 24%, which includes the increase in demand, but also a reflection of the heavy lifting we did to transform our businesses. We see EBITDA in the second half in the upper end of our 3-year target range of 15% to 20% that we provided at our Investor Day, and we expect sales growth in the second half of 15% to 20%. This sales growth assumes Remington achieves annualized run rate of $300 million to $400 million in sales starting Q2 of this fiscal year.

We are excited about the growth and future opportunities for both segments which continued to outperform last year. We are in a solid position to continue investing in our brands with the financial flexibility to maintain low leverage ratios and remain opportunistic in M&A.

Thank you for your attention. Let's open the line and take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll now move to our first question over the phone, which comes from James Hardiman from Wedbush Securities.

James Lloyd Hardiman - *Wedbush Securities Inc., Research Division - MD of Equity Research*

Congrats on another pretty impressive quarter here. So obviously, you blew away our expectations. I don't know if you blew away your own expectations by quite the same magnitude. But I guess as I look specifically to Shooting Sports. And I guess within that ammunition, $364 million of sales, I wouldn't have thought that was possible, given that, that is obviously capacity constrained. Maybe walk us through how you were able to accomplish that? I'm assuming that a big part of the answer is Remington being up to speed maybe quicker than expected. I don't know if that's the entirety of it. But maybe speak just to: a, how you're able to accomplish that; b, is that 364 the new baseline? And then how do I think about ammunition in the context of a second quarter guide that is also up there, so to speak?

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

So James, thanks for the kind words at the beginning. I mean to answer, I guess, the first part of your question, we were pleasantly surprised with the way things came in, in the first quarter. Remington, because of the execution of our team came on speed even faster than we had anticipated. And I should say the same for Hevi-Shot. And unrelated to ammunition, we're proud of the fact that we fully integrated our 2 other acquisitions, QuietKat and Venor. But we're pleasantly surprised with the trends we saw in the ammunition business.

I would not look at the margins or the sales level as something that is continuing at those levels. It will continue to be high. It will continue to be beyond any historic highs that we've seen, and we'll continue to ramp up Remington, but the margins were extraordinary. And we were benefited by some strong hedge positions that will begin to roll off. We continue to see the extraordinary demand in the marketplace, help us from a pricing standpoint. And so there were a number of factors that contribute to it.

But as I said in my opening script remarks, we've taken NICS and said that's no longer a strong indicator or a correlating factor in the way we look at continued ammunition performance. I mean, obviously, it is a factor but not the biggest. I mean the underlying backlog we have, the inventory

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levels that are low the participation that is at all-time highs, the new people that we've entered into the industry, all are good harbingers for forward-looking forecast and demand.

James Lloyd Hardiman - *Wedbush Securities Inc., Research Division - MD of Equity Research*

That's helpful. And to the question of sort of the forward guidance. I don't know, is there a way to think about sort of a maximum ammunition sales rate or output once Remington is up to full speed?

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

James, we've given some pretty good color in the past in terms of running 24/7. And we think we've done -- well, we believe we've achieved more capacity expansion than anybody in the industry by the pure fact that we've bought Remington and Hevi-Shot. We've added 2 more factories into our lineup, if you will. And we've been running 24/7, as I mentioned, but we continue to smartly find ways to increase our capacity a little bit here and a little bit there, and that certainly contributed to it.

But we're being super mindful of not adding a lot of fixed costs and a lot of fixed overhead knowing that at some point in time, the hyper demand we're seeing. We don't see it going backwards, but we see it certainly slowing down to a more reasonable level at some point in time. We don't know when that point in time is. So we're going to continue to run the factories as we're running them, and we're going to continue to scratch and claw for a little bit of capacity expansion here and there, but nothing material.

Operator

We'll now move on to our next question over the phone, which comes from Gautam Khanna from Cowen & Company.

Daniel Flick - *Cowen and Company, LLC, Research Division - Associate*

This is Dan on for Gautam. So listen, it appears from our channel checks that in-store ammo availability has been improving at least marginally. And it sounds from your comments earlier that it's not on the demand side, it's not like demand is slowing. So is there anything that you see on the supply side that explains this? And also did backlog increase again this quarter?

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Yes. So Dan, our -- let me take the latter of the 2. Yes, our backlog did increase. And as I mentioned in the scripted remarks, it's in the multibillion dollar level. It's at a high level. And the inventory in our customers' channel although improving, I think, the word you used is the right word, which is marginal improvement. I don't think we have 1 customer that I can think of that is real happy with their inventory position. And we work tirelessly day and night trying to allocate inventory in the most appropriate, fair and equitable way.

So we would, however, continue to see the inventory levels marginally improve as we go forward in the ensuing quarters. And a lot of that has to do with us becoming more efficient, increasing a little bit of capacity here and as I mentioned, as well as our competitors. So demand continues to be there. And I mean people have certainly enjoyed the product coming available, and we expect that to continue as we go forward.

Daniel Flick - *Cowen and Company, LLC, Research Division - Associate*

Okay. Great. Could you also just comment on pricing trends in the industry?

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Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Well, I mean, pricing has certainly remained stable. In fact, in some respects, it's started to come down a little bit, which we think is a good thing. And when I say come down, I mean, the pricing that is MSRP pricing, what have you, that hasn't changed. But I think the retail pricing to customers driven predominantly by the e-tailers has come down to what we believe is a more reasonable level. Not much, but it has come down a bit. I mean it still follows supply and demand dynamics. But the -- I think the pricing has come down a little bit.

Now what we would say is last year -- with last year's acquisition of Remington, it certainly helped us from a capacity standpoint. And it certainly helped us from a variety and a price, I would say, discipline standpoint because we bought one of the companies that we felt like we could help from a market commercial standpoint, and we certainly have, creating even more discipline from a supply standpoint. So I would look going forward to see more discipline in the industry than in previous surges. That is our certain belief.

Operator

We'll now move on to our next question over the phone, which from Matt Koranda from ROTH Capital.

Matthew Butler Koranda - *ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Just specifically in the ammo side of the Shooting Sports segment. I just wondered if you could comment on sort of volume versus price contribution to growth in the quarter? And then just on a go-forward basis, how do we think about that?

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Yes. So Matt, why don't I let Sudhanshu talk a little bit about the volume price questions you've asked.

Sudhanshu Shekhar Priyadarshi - *Vista Outdoor Inc. - Senior VP & CFO*

Thanks, Chris. Thanks, Matt. So we don't disclose the mix between price and volume. But as you can see, the improvement you saw in our ammunition gross margin and EBIT is driven by all of those factors. Volume, price, obviously, Remington is helping us. We are much ahead of integration. It is doing great, both in adding sales and profitability and also DTC channel. You saw our e-commerce grew 19%, but DTC grew significantly higher than that. So that's what I will leave that at. We don't break down within volume, pricing and mix, but we believe the kind of margin we have done, all of those things out. Obviously, commodity, as Chris mentioned, we had good hedges has also helped. I will leave it at that.

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Matt, I would add 1 thing because shoutout to our manufacturing and operations team. So to add to Sudhanshu's point on pricing and mix, a big part of our margin lift as well is the efficiencies that we're driving in our facilities. So we continue to take our efficiencies up. We figure out smarter ways to run longer to produce the calibers that people are looking for. And we're doing this with really not adding people, not adding machinery, PP&E, things of that nature, which have really helped us leverage our entire operation. So think of the last surge where we were kind of in the low 20s EBITDA margin. This surge we're in the low 30s from an EBITDA margin standpoint. And pricing and mix is, I would say, maybe we haven't studied if there's much of a difference. But I can tell you, we've got a completely different team in place in terms of the way they manage the operations, which I think points to longer-term stability in the gross margin line for us.

Matthew Butler Koranda - *ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay. Helpful. And then just on the Remington ramp, just wanted to -- maybe if you could put a finer point on it. It sounds like you guys are ramping a little bit faster than we had anticipated and maybe a little bit faster than you guys had spoken to in prior quarters. What are the gating items that

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keep you from ramping now to that $400 million run rate that you kind of talked about on the upper bound of what's feasible. Is it more labor related? Or is it component related? What are the gating items there?

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Yes. So Matt, again, when we bought Remington, we felt like it was going to be a really good fit for our organization, but we knew we had a number of challenges. And I think why it's even exceeded our expectations is because we were able to really leverage some of the supply chain and materials and what have you. And we really had a collaborative effort between the Remington team and our federal CCI Spear team. So just a wonderful team effort.

We're quickly getting to that run rate, and as Sudhanshu pointed by, as we move through the year, we'll be at that $300 million to $400 million run rate. And really the limiting factors of the 2 you mentioned, which is one, labor. I mean, labor is tight everywhere, although we've got a workforce down in the Little Rock, Arkansas area, which is terrific and super excited to be a part of -- for the first time ever, an ammunition company that's really focused on ammunition; and two, input materials, right? I mean whether it's ammunition, Outdoor Products or any consumer products category for that matter, everybody is facing input material shortages. So we factored all of this into our guidance going forward, and that would be probably the limiting factor, if you will.

Operator

We'll now move to our next question over the phone, which comes from Scott Stember from CL King.

Scott Lewis Stember - *CL King & Associates, Inc., Research Division - Senior VP & Senior Research Analyst*

Congratulations on a great quarter. What was the actual dollar contribution from Remington and Hevi-Shot in the quarter?

Sudhanshu Shekhar Priyadarshi - *Vista Outdoor Inc. - Senior VP & CFO*

So Scott, this is Sudhanshu. As I said last call, we don't disclose it anymore because we run it as 1 ammunition business. We're making trade-off decisions between raw material, from Remington factory or Hevi-Shot factory. But what I told you before, we were expecting a $200 million run rate from Remington, and Hevi-Shot is $20 million business. But now we guided that Remington will achieve $300 million to $400 million run rate starting Q2. So you can work -- do your math but you can see from sequential improvement from Q4 to Q1 in our ammunition business, Remington is a big part of it.

Scott Lewis Stember - *CL King & Associates, Inc., Research Division - Senior VP & Senior Research Analyst*

Got it. And last question on the DTC, I definitely got some really nice growth there, and obviously, the margin opportunities are huge. But can you talk about how far along you are in growing that? And the -- how much low-hanging fruit is still there for you guys?

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Yes, Scott, I would characterize it as we're still in the early innings on DTC. And the exciting thing is we started 3 years ago, laying the plumbing and the piping and what have you. So the infrastructure, which we spent a lot of money and we've added a lot of people to is largely there. We continue to add to it in fairness. So that it's been built, it's highly scalable, and it's going to help us not only with our organic businesses, but it's going to help us increasingly as we acquire companies. And we certainly, with our debt position have really ramped that up.

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But I would again characterize it in the early innings. It's something that we are super excited to collaborate with our brands, but also with our customers. I mean we think a big part of what we're doing on DTC will help grow the pie in total. I mean, if you sit back and you look at all the new products we've just launched, I mean, gosh, it's every quarter, we launch more and more. And you heard Vishak talk about hunting and shooting accessories and all the laser rangefinders. So we just -- we've introduced dozens and dozens of new products. There isn't any number of customers that can really say grace over all of the content that we want to provide online.

So we're doing that not only for ourselves but for them. And we're taking insights, and we're taking learnings and we're driving much more viewership online with all the content that we're creating, and we think it's going to grow the pie in total. We think all of our customers are going to grow their business. And wherever we can, we'd like to feed our business to them. So DTC is along for the ride. We certainly understand there's hyper growth opportunities for us, and we don't want to be beholden to people not showing our consumers the experience that we frankly believe they deserve. So we're controlling our own destiny and feeding the business where it wants to be.

Operator

We'll now move on to our next question over the phone, which comes from Mark Smith from Lake Street Capital Markets.

Mark Eric Smith - *Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst*

Guys, just wanted to follow up a little bit on that direct-to-consumer business. Can you talk at all about mix and how that is Shooting Sports and Outdoor Products, in particular, and ammunition. How early are you in really building out that direct-to-consumer business?

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Well, Mark, I got to tell you, I mean, the exciting part is it's so broad-based, and it's across the board -- across all of our business units. I think that's what's contributing in many respects to why our business is -- all of our businesses are growing double digits. Now when you think of DTC, it really gives us the opportunity to bring new products to light faster. So where we have exciting new products and we need to get them to market fast, it really enables us to overnight launch this to the consumer.

Now we're excited to tie ammunition to Hunt, Shoot Accessories to even brands like QuietKat or to Camp Chef is really behind the scenes, right? We're running on a singular platform that allows us to leverage technology where we can cross promote. So things like loyalty programs or things like subscription really help not just our ammunition business, but you'll see us roll it across all of our Outdoor Products businesses and where we have light consumers, and we have lots of light consumers across our brands, that's where we can really tie it together.

And that's why we really reinforced the fact that, hey, we're in the early innings. I mean, we said before, we said at our Investor Day that listen, best-in-class today is kind of 30% to 35% overall online business and a large part of the great companies are moving towards DTC. We're a fraction of that. And despite being hundreds of millions of dollars in our e-comm online business, there's a lot more to come.

Mark Eric Smith - *Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst*

And then can you just talk about what you're seeing on the M&A front as far as deals coming out, valuations? And then maybe if you can discuss if you feel like got cash burning a hole in your pocket or how patient you want to be on the M&A front?

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Well, Mark, I mean, listen, we certainly don't have cash burning a hole in our pocket. I mean we've been very mindful of our capital allocation, right? So we went in opportunistically and bought back shares and thank our Board for the authorization we had. And I think that's going to turn out to be 1 of our better investments.

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We have quietly built a small -- we're not yet calling in center of excellence, but we built a small team internally here that has worked over the last year to really evaluate targets. And so you think about 3 of the first 4 acquisitions we did -- I wouldn't call them proprietary deals, but they didn't go to auction. And so we're able to smartly buy companies and not pay huge multiples because there's a lot of cash chasing deals right now. And I can assure you that we're not going to go chase deals and pay huge premiums, but we are not going to be afraid to lean into something where we feel like it's great for shareholders. We feel like we can get really good returns on it. And you're going to see us increasingly become more active.

We've heard investors say and we certainly talked about defense versus offense. We were doing a lot of defense in the first couple of years of my tenure here. In the last 12 to 18 months or so, we kind of had a balance of offense, defense. And we're always going to play some defense, but we're much more on the offense now, right? We find and we think there's some great, great outdoor products companies out there that really view Vista as a great landing spot, right, where they don't necessarily want to sell to a financial sponsor, they want to be part of a long-term outdoor products company. That they can carry their legacy on for years and years to come. So we're excited about the deal flow we're seeing, to be honest.

Operator

We'll now move on to our next question over the phone, which comes from Ryan Sundby from William Blair.

Ryan Ingemar Sundby - *William Blair & Company L.L.C., Research Division - Research Analyst*

I'll add my congrats on another great quarter, too. I want to ask about your plans to enter the Golf monitoring simulation market. It seems like Bushnell has plenty of brand equity in that space. So can you talk about why now is the right time to enter why Foresight is the right partner? Then maybe what the economics look like with something like this? Is this a licensing deal? Or I guess, will you be making the product. -- And then I guess, finally, what kind of price point should we expect to see for something like this? Because it seems like there's a pretty big range out there for some of these offerings.

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Ryan, it's such an exciting opportunity, and we have so what's going on in our golf business, and that's the big reason why we have Vishak with us this morning to talk about it. So Vishak, do you want to take that question?

Vishak Sankaran - *Vista Outdoor Inc. - President Hunt, Shoot & Tactical Accessories*

Thank you, Chris. And a great question. Really appreciate it. Obviously, we are as excited as you to enter the space. I mean, just to give a little context, right? You saw NGF and Golf Datatech announce. This was probably the third month consecutively that we had about $400 million plus spent in golf equipment. That's the third highest month in a long, long time. So great market to be in.

When you look at it from a golf enthusiast perspective, what we've been seeing is really 2 key trends emerging in the space. One trend is really around technology becoming relevant, which is around hitting dynamics, understanding, ball flight and analytics, and how that can be translated into performance enablement for golfers. And it's been incredibly already well adopted in the pro space. You see that in all major golfing events. But we see that as now is the time where those technologies can be brought to our consumer and the golfing enthusiastic space.

The second big opportunity and trend we see in the golfing space is really the growth of off-course participation, I mean I know all of us have seen top golf. You've all gone to those arenas. But increasingly more than just top golf, in-home simulators are starting to gain traction. And we see that both of those are the right point in evolution in technology where they can be meaningfully bought at the right value proposition in the right way to our consumer.

From a partnership perspective, I think it's important to note that we've been actually researching this space for quite some time. All the players in this space, we have spoken, we have extensively tested. We have a great internal facility and a team that I'm really proud of that spent a lot of

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time evaluating different technologies. And what we have come to the conclusion that Foresight is among the top leaders, and their technology -- that camera-base is increasingly become very, very popular and successful in the pro arena. Primarily because it accomplishes two things: It delivers on accuracy and it delivers on consistency. And those are the 2 most important things that golfers seek when they're trying to deliver. So those are the things. I hope that helps you give some context of why we are excited.

Christopher T. Metz - *Vista Outdoor Inc. - CEO & Director*

Yes. Vishak, I think that's a great answer for it. I think as a closing comment on the golf segment. Vishak's team really studied the market. One of the things we found out is Bushnell is one of the most popular brand names in launch monitors despite the fact that we weren't even in launch monitors. We were the second most recognized brand. So we have permission to play in this category. And what Vishak and team are going to do is take a product offer kind of 80% of the features, if you will, and bringing at a price point that's a fraction of what the pros pay for launch monitor. So exciting growth opportunity for us in Golf.

So we appreciate everybody's attendance this morning. We know this is a busy earnings release week, and a lot of you are busy on other calls. So certainly wanted to thank you for your attendance this morning.

And in closing, I'd like to highlight the recent release of our second ESG impact report. We're excited to have this be released, and our ESG focus is rooted in the belief that common ground can be found outside. We know through experience that outdoor experiences can bring people together regardless of their differences. Our report details our efforts in bringing people together and leading by example. I encourage every one of you to view our website and review the report in more detail. I'm proud of our continued drive to do well so that we can do good and thank you all for joining us here today.

Operator

Ladies and gentlemen, this does conclude today's call. Thank you very much for your participation. You may now disconnect.

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