REFINITIV STREETEVENTS

EDITED TRANSCRIPT

VSTO.N - Q2 2022 Vista Outdoor Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 04, 2021 / 1:00PM GMT

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

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

Greg J. Williamson *Vista Outdoor Inc. - President of CamelBak*

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

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

CONFERENCE CALL PARTICIPANTS

Eric Christian Wold *B. Riley Securities, Inc., Research Division - Senior Equity Analyst*

Jack Ayers *Cowen and Company, LLC, Research Division - Analyst*

James Andrew Chartier *Monness, Crespi, Hardt & Co., Inc., Research Division - Security Analyst*

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

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

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

Rommel Tolentino Dionisio *Aegis Capital Corporation, Research Division - Head of Consumer Products and Special Situations*

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

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

PRESENTATION

Operator

Good day, and welcome to the Vista Outdoor Second Quarter Fiscal Year 2022 Earnings Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Shelly Hubbard. Please go ahead, ma'am.

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

Thank you, and good morning to everyone joining us for our second quarter fiscal year 2022 earnings call. With me this morning is Chris Metz, Vista Outdoor's Chief Executive Officer; Sudhanshu Priyadarshi, Senior Vice President and Chief Financial Officer; and Greg Williamson, President of CamelBak.

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 provision 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 also note that we have posted presentation materials on our website at investors.vistaoutdoor.com, which supplements our comments this morning and include a reconciliation of non-GAAP financial measures.

With that said, I'll turn the call over to you, Chris.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

Thanks, Shelly. Good morning, everyone, and thank you for joining us today. Q2 was the first full quarter since we unveiled our Value Creation Framework in May, and our strategy is driving record results. We reached a new high-water mark for quarterly sales, which grew 35% from last year to $778 million and set new records for EBIT and EBITDA margins as well as EPS, marking our fifth straight quarter of record financial performance.

Remarkably, our 35% growth rate this quarter was driven from a revenue base that grew 29% in Q2 last year. These results were fueled by organic growth as a result of new innovation and high demand for key staples across our portfolio of brands as well as growth from acquisitions such as Remington, HEVI-Shot and QuietKat. In fact, CamelBak and QuietKat both posted their highest quarterly sales ever in Q2, a testament to successfully executing against our strategy.

In addition, we announced the acquisition of Foresight Sports in September, a top player in the golf technology sector. We are also excited to announce that we closed on our latest acquisition of Fiber Energy Products, a leader in all-natural wood grilling pellets. This latest strategic transaction secures a continuous supply of pellets for Camp Chef and expands our revenue in the consumable category.

We now have 10 brands across our portfolio that are generating over $100 million in revenue annually. These highly sought after power brands are key growth drivers with strong competitive advantages, resulting in rising market share within their respective categories.

Delivering record results quarter after quarter requires strong execution and coordination across our teams, especially as we work to mitigate supply chain risk and integrate new brands into our portfolio. I'm extremely proud of our team and want to thank our employees for their tireless work and dedication. We are bringing more people outside, which is a core part of our mission, and it's so encouraging to see that outdoor activity continues to be an elevated part of the lives of so many.

We are successfully leveraging the strength of our brands through lean business operations while building a resilient and balanced portfolio through disciplined M&A. As a result, we're well on our way to reaching and exceeding the 3-year financial targets we announced in May. We've created a solid foundation for driving growth, profitability and shareholder value.

Our strategy to achieve the 3-year targets that we unveiled in May is embodied in our Value Creation Framework. This framework has 5 strategic pillars, including acquisitions, which I'll cover in more detail now. In just 14 months, we've reshaped our portfolio through 6 acquisitions. We've added Remington and HEVI-Shot in Shooting Sports and QuietKat, Venor, Foresight Sports and now Fiber Energy Products in our Outdoor Products segment.

Our success in identifying, negotiating, closing and integrating new businesses has positioned Vista Outdoor as an acquirer of choice in the outdoor industry. Remington and HEVI-Shot were key contributors to the 65% year-over-year growth our ammunition business delivered in Q2, and QuietKat posted its best quarter ever. Foresight Sports expands our presence in high growth, less cyclical outdoor products markets, with the potential to deliver higher margin recurring revenue. Combining Foresight Sports with Bushnell Golf under the same roof positions Vista Outdoor as the industry leader in golf technology, including data collection and hardware development as well as game improvement and entertainment year round.

Foresight is already delivering the results. The team's recent launch of the GC3 launch monitor exceeded sales projections within days. The GC3 launch also sparked already surging sales of our Sim-In-A-Box product line, a complete in-home golf simulator shipped directly to the consumer.

Operating in 2 locations with a talented workforce, Fiber Energy Products' 7 mills have state-of-the-art equipment and are designed for scalability as market demand increases. Adding Fiber Energy Products to our Outdoor Products portfolio positions us to drive growth across new and adjacent categories and adds to our consumable revenue base.

Moving to our business units. I'll start with the ammunition business where we've transformed into a nimble, lean organization that can thrive at all points of the economic cycle. We're continuing to see strong consumer demand and retail orders across our ammunition brands. We expect the strength to continue as there are multiple key data points that show today's ammunition market is far different than it was 5 years ago.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

First, demand for our iconic ammunition brands is driven in part by approximately 12 million diverse new entrants into the market, including people of color and women who are contributing to high participation rates at shooting ranges as well as increased sales of hunting licenses and shooting accessories. These new entrants along with traditional consumers have created a larger consumer base that is consuming more ammunition than ever before.

Hunting participation, interest in personal protection and the field-to-table movement continue to grow, not to mention the youth shooting leagues are one of the fastest-growing sports in America today.

Second, the elevated demand we are currently seeing is more broad-based than previous surges, which was centered predominantly in .223, 5.56 and 9-millimeter calibers. The demand today stretches across many other calibers, including rimfire, shotshells and hunting calibers, and we anticipate continued demand for the foreseeable future.

Third, inventory levels for ammunition continue to remain very low across all distribution channels. Much of the inventory on retail sales today are multiple facings of the same calibers. Our team is continuing to work hard to fill the record demand that shows no signs of slowing.

Fourth, our digital transformation allows us to meet the consumer wherever they prefer to shop. The next phase of our digital journey begins this month with the launch of our ammo subscription program. During this pilot phase, we will test and determine how we can successfully scale over time.

And fifth, in response to the rising commodity costs we've experienced, our teams have implemented strategic pricing actions to mitigate rising costs and to better meet supply and demand economics. We anticipate that elevated demand will support current product pricing for the foreseeable future.

With this continued demand in mind, we have decided to add more capacity with a strategic investment in equipment. While it's not a large investment, we will be adding a few pieces of equipment to give our plants more flexibility and capacity expansion.

This is the first such investment since the Remington and HEVI-Shot acquisitions. We don't take such investments lightly, and I'm proud that our team has added little to no overhead since the beginning of the increases in demand 18 months ago. This is included in our capital expenditures and free cash flow guidance. Both Remington and HEVI-Shot added 30% more capacity to Vista Outdoor without adding any marketplace capacity.

While our second quarter growth in ammunition sales reached all-time highs, our production was hampered by raw material shortages and logistics challenges due to the broader global supply chain disruption that is affecting industries from all sectors. That said, our team is working successfully with our suppliers to manage and mitigate those risks. And I feel confident that we will continue to leverage our strong relationships with our vendor partners to ensure we get more than our fair share.

We believe that product innovation is key to creating a growing and resilient ammunition business. Remington launched its first new product since the acquisition, the Core-Lokt Tipped for big game hunting. And American Rifleman magazine awarded Federal Premium Terminal Ascent with a top ammunition award for 2021. Each of these products have been well received in the market.

Last, but not least, we were also awarded a Secret Service contract, a prestigious accomplishment and one that speaks to the premium performance of our products. Rounding out our Shooting Sports segment, our hunt/shoot business grew 8% during the quarter, powered by our Better Together model, strong brands and new product offerings.

Looking forward, we believe the future is bright for both our ammunition and hunt/shoot business units. The market continues to reorient itself as new entrants and activity trends evolve. And Vista Outdoor is positioned to lead in all of these categories. Looking at the entire market, the number of firearm owners has roughly doubled over the last 10 years, which bodes well for our ammunition businesses as well as our hunt/shoot accessories [as Allen's].

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

We are also driving growth in our Outdoor Products brands with tremendous new product innovation. For example, during Q2, Bushnell Golf successfully launched the highly anticipated Launch Pro for just under $3,000, with inventory selling out in minutes on the Bushnell Golf website. These early hardware successes are supporting growth and translating nicely in subscription sign-ups and upgrades.

Bushnell also introduced the new Disc Jockey, a portable speaker for the growing Disc Golf category that provides audible GPS distances to the next basket, while streaming an audio playlist. Camp Chef unveiled their new Apex grill at the Hardware Show. The Apex expands Camp Chef's leadership position in the hybrid category, giving consumers a choice for wood pellet or propane fuel cooking in a single platform.

In our Action Sports business, the new Giro Contour RS goggle was named by Outside magazine as 2022 Gear of the Year, which gives us added momentum heading into snow season. Bell's Moto-10 continues its success, moving into Phase 2 of the campaign with multiple athlete and partner collaborations hitting social media. And CamelBak has been driving new innovation, which Greg will cover in a minute.

I'm excited about the progress we continue to make in our licensing business. I expect that licensing will grow in time to be a considerable profit generator for Vista Outdoor. Recent wins include Bell Helmets, where we secured a 10-year license agreement with Racing Force to use the Bell brand on auto racing and karting products.

Then Bushnell and Remington have entered into a variety of licensing partnerships. Our Value Creation Framework includes our Centers of Excellence. Our Centers of Excellence leverage our shared resources, expertise and scale to achieve a level of excellence that would be out of the reach for our individual brands.

Nowhere has this model been more evident than for QuietKat. In Q2, QuietKat delivered the best quarter ever in its history and is now well integrated within our sourcing and supply chain networks, getting more e-bikes into the marketplace. Our digital Center of Excellence continues to activate first-class D2C sites for our brands with Blackburn and Copilot, the latest to come online.

Another strategic pillar in our Value Creation Framework strategy is talent and culture. From management to frontline employees, we've built a team that puts people first. I'm proud to share we've recently joined Together Outdoors coalition, which is an organization of outdoor companies committed to diversity, equity and inclusion in the outdoors.

At the same time, we're creating a culture that's focused on sustainability. And we're proud that Investor's Business Daily recently recognized Vista Outdoor as a top 3 ESG company in the consumer goods category. In summary, we're well positioned for the long term with a diverse portfolio of iconic as well as emerging disruptive brands. They're changing the way we experience the outdoors.

I'll now ask Greg Williamson, President of CamelBak, to give an update on the record-breaking quarter. Greg?

Greg J. Williamson - *Vista Outdoor Inc. - President of CamelBak*

5

Thank you, Chris, and good morning, everyone. It's an exciting time to be at CamelBak and be part of the Vista Outdoor family. There are 2 milestones I'd like to highlight before I get started.

First, the CamelBak brand recently celebrated its [30th] year anniversary. I'm honored to be part of the brand that invented the hands-free hydration category and the BPA-free water bottle. And I'm equally excited for what the future holds as we extend this iconic brand to the next generation of outdoor consumer.

Second, that in our entire 30-year-plus history, the second quarter was the largest revenue quarter on record, driven by year-over-year top line growth of over 40%. Our focus on innovation has led to gains in many of our core categories. According to NPD's data, in the last 12 months, CamelBak has gained 10 points of share in [bike packs] over $100 and over 5 points of share in the hydration pack space, where we have also

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

claimed a leadership share position. Our growth is also being driven by entering new categories, as we did with the launch of our Horizon Drinkware Collection last year.

We continue to gain retail listings globally and are encouraged by the growth prospects for CamelBak in this large and growing market. We've continued our extension into new categories through an exciting new partnership with LifeStraw. This partnership brings together the leader in mobile hydration with the leader in outdoor water filtration to create tremendous consumer value in a fast growing category.

We've also improved product listings across all major retailers, including expanding vacuum stainless steel listings at Target and our pack and bottle listings at REI. Additionally, we've expanded our drop ship program to include more websites, including Bass Pro, Target and DICK'S Sporting Goods.

Lastly, the Vista Outdoor Digital Center of Excellence has supported the migration of camelbak.com to the Salesforce Commerce Cloud, giving us a more intelligent and capable e-commerce platform.

As we look to the next 30 years, we have a solid foundation upon which we can grow. We've established a world-class management team. We've developed our deep-rooted and meaningful sustainability program, which we have branded REPURPOSE. This program reduces the environmental impact of our products by creating a system that assists in generating environmentally safe product solutions.

Recent research find that 80% of Gen Z and millennial consumers base their purchasing decisions on social impact and sustainability. As you know, sustainability is part of our DNA at CamelBak, and we're positioned to win with this demographic.

We believe in diversifying the outdoors. We are engaging with partners such as Melanin Base Camp and Unlikely Hikers to promote diversity and access in outdoor recreation. We're expanding our content marketing and product lines. And to echo Chris' comments, we take seriously the obligation to lead by example in promoting diversity, equity and inclusion in active lifestyle journeys.

Our partnership with Peloton has extended our brand reach to their 2 million-plus active subscribers as our Podium sports bottles featured as part of the equipment packages offered for both the Peloton Bike and Tread.

In closing, we are thriving because of our people. Our people are the difference makers. They are the key to our success. They embody our mission, which is to continuously reinvent outdoor hydration and carry solutions that power an active lifestyle. I'm lucky to lead this team, and thank you again for the chance to represent CamelBak here today.

I'll now turn it over to Sudhanshu. Sudhanshu?

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

Thanks, Greg, and good morning, everyone. Q2 was another record quarter, as Chris noted, exceeding our 3-year targets on the top and bottom line. We are successfully executing on the strategy that Chris outlined, driving shareholder value through sound acquisitions in other brands, organic growth investments and share repurchases while maintaining low leverage within our target of 1 to 2x.

Sales grew 35% in the second quarter, reaching a record of $778 million, while EBIT and EBITDA margins both expanded to record high of 25% and 27%, respectively. We also repurchased more than 300,000 shares and ended the quarter with $265 million in cash.

Our net debt leverage ratio declined to 0.4x, well below our target ratio of 1 to 2x. In September, we announced the acquisition of Foresight Sports and subsequently closed this transaction early in our third quarter. The $474 million purchase price was paid for with cash on hand and $250 million at level under our ABL.

As a result, our leverage ratio stood at 1.3x upon closing on September 28 and remains at the lower end of our targeted range. We expect this ratio to decline to 1x by fiscal year-end.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Today, as Chris mentioned, we closed another acquisition, Fiber Energy Products. Our disciplined acquisition strategy is proving that we can drive accretive growth and profitability across our portfolio of leading brands.

Now let's discuss our Q2 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.

Looking at Slide 14. Q2 sales were up 35%, reflecting growth across both segments due to strong consumer preferences for our leading brands. Gross profit increased 85% to $299 million from last year, driven predominantly by Shooting Sports. Strategic pricing actions, higher sales volume and operating efficiencies, driven by a lean cost structure, increased Shooting Sports margin, which were partially offset by higher commodity and supply chain costs.

Outdoor Products gross profit was driven by higher sales volume, partially offset by higher logistics costs and mix within sales channels. EBIT rose 150% to a record $194 million due to gross margin expansion and operating leverage. EBIT margin reached a new record of 25%. And EBITDA margin reached a new record high at 27%, increasing nearly 11 percentage points compared with the same period last year. EPS also achieved a new record of $2.41 compared with $1.10 in the prior year quarter.

Lastly, higher inventory drove lower free cash flow in Q2 as compared to a year ago. The majority of this growth is from acquired businesses and higher in-transit inventory, due in part by supply chain delays as well as increased inventory in advance of our holiday season demand.

Turning to Page 15 of our presentation. We are continuing to maintain a strong balance sheet through financial discipline, with net leverage of 0.4x and over $650 million of liquidity. We had no outstanding borrowings on our ABL revolver at the end of Q2.

Moving on to Page 16. You can see that our capital allocation priorities have remained unchanged. We are focused on investing in organic growth, making sound acquisitions, maintaining a strong balance sheet and returning capital to shareholders via share purchases while maintaining a low leverage ratio. Our strong results over the past several quarters demonstrated that our capital investments are driving strong performance across our portfolio.

Now let's shift to our segment highlights beginning on Page 17. Q2 was a strong quarter for Shooting Sports. We are continuing to see high demand across all calibers of ammunition and very low channel inventories as well as favorable price, volume and mix in both ammunition and hunting and shooting accessories. As a result, second quarter sales rose 49% year-over-year to a record $566 million. Of this, our ammunition business was up 65%, and our hunt/shoot business was up 8%.

Remington is scaling quickly, generating approximately $75 million in Q2 sales. For the full fiscal year, we expect Remington to generate over $300 million in total sales at an approximate 25% EBITDA margin. With a purchase price of roughly $81 million, this implies that we have paid a forward multiple of approximately 1x and have created significant value for our shareholders. This acquisition is a great example of our disciplined strategy to be a prudent acquirer. Lastly, EBIT margin increased nearly 16 percentage points to 34% from the prior year quarter, driven by higher gross profit margin and operating leverage.

Turning to Outdoor Products on Page 18. Q2 sales grew 9% to $212 million on top of a strong comp last year, driven by continued demand for our strong brand led by the growth at CamelBak and QuietKat, which is outperforming our expectations. EBIT margin was 11%, down 2 percentage points from the prior year, driven primarily by higher SG&A from acquisitions as well as higher logistics costs and sales channel mix.

Lastly, let's turn to our outlook on Slide 19. We expect continued strong demand for highly sought-after brands in our portfolio. We remain confident in our business model, in our ability to continue executing successfully across our portfolio and in our potential to deliver record performance this fiscal year.

As a result, we are providing full fiscal year 2022 guidance of revenue between $2.9 billion to $2.95 billion, up over 30% from previous records in fiscal '21; EBITDA margin of 24% to 24.5% as compared to 15.5% in fiscal '21; earnings per share of $7.70 to $8, an increase of over 110% from last

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

year; and free cash flow for the fiscal year 2022 is anticipated to be between $275 million to $325 million. We expect sales and EPS in Q3 and Q4 to be similar across both periods.

Our fiscal '22 assumptions include expectations of higher commodity costs and higher logistics costs as we work through supply chain disruption; an effective tax rate in the mid-20% range; interest expense in line with prior year adjusted interest expense; an increase in CapEx to approximately 40% higher than last year, which is up from 30% in previous guidance; and a rise in R&D expense to roughly 35% higher than last year, which is up from 25% as previously guided.

Last, but not least, as we focus beyond fiscal '22, we continue to see strong demand across our portfolio of leading brands, including recent acquisitions within our Outdoor Products segment. We also see elevated long-term demand trends for ammunition, as evidenced by the increase in new firearm owners, participation trends and our multibillion dollar backlog. As a result, we have approved new CapEx investment for adding smart capacity within our existing evolution plan, as Chris mentioned.

Coupled with the lean cost structure in our legacy facilities and opportunities to drive growth and operating efficiencies at our Remington plant, we believe that our Shooting Sports segment can continue to operate at high EBITDA margins.

In addition, we're reiterating our long-term targets provided at our Investor Day. We expect performance at the high end of each target, driven by strong organic growth and acquisitions as well as a disciplined financial strategy. We remain highly confident in our business model and a strong portfolio of brands. We believe that Vista Outdoor is well positioned to continue to drive long-term value for our shareholders.

Now I will hand it back to Chris for closing comments. Chris?

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

Thanks, Sudhanshu. This truly is an exciting time to be at Vista Outdoor. We are delivering on our vision to build powerhouse brands that empower people to achieve their goals and live their best outdoor lives.

Before we take your questions, I do want to note that we are mindful of the challenges we face as COVID has created an unprecedented environment for all of us from material, container and labor shortages to increasing inflation. We certainly are not immune to them, and like others, we see these challenges continuing in the near term.

However, we have clear competitive advantages that differentiate us, including a diverse portfolio of leading, iconic and disruptive brands, the size and scale of our multibillion dollar organization, our Centers of Excellence, a healthy balance sheet, strong free cash flow and purpose and sustainability-driven initiatives. We are uniquely positioned for our brands to excel and win in today's markets and to create long-term value for our employees, customers and shareholders.

Now let's open it up to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We can now take the first question from James Hardiman from Wedbush Securities.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

So if I'm doing the math right and which is -- it's entirely possible that I'm not, I'm doing this sort of on-the-fly. But as I think about your guidance, second half revenues look pretty similar to first half, but second half earnings significantly short of the first half, particularly the second quarter run rate. I guess, a, is that math right? And b, if so, how should we think about the drivers towards that economy?

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

Yes. So James, thank you for the first question. Sudhanshu, why don't you address James' questions?

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

Thanks, Chris. Yes, James. So first half, we saw a lot more benefit in commodities. We had some copper hedges from last year, which we talked during last year call -- last quarter call. And we also had better mix volume pricing. So we continue to see the supply chain challenges, raw material cost, (inaudible) and also SG&A will continue to go up a little bit because people are traveling, going to trade shows. So all of those things are impacting our ability to match H1 EBITDA margin.

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

And I'd add to that, too, James, and audience that the SG&A as a percent of sales in the second quarter was roughly 13.5%, which we don't believe is a sustainable level of cost, particularly for the reasons that Sudhanshu mentioned, which a lot of those costs were suppressed because of COVID-related activities, work from home and what have you. So we're going to continue to invest in innovative new products, our powerhouse brands to deliver the outsized growth that you've seen in the first half.

Operator

We can now take the next question from Jim Chartier from Monness, Crespi, Hardt.

James Andrew Chartier - *Monness, Crespi, Hardt & Co., Inc., Research Division - Security Analyst*

I was wondering if you could provide some more -- quantify maybe the impact of the supply chain constraints on Outdoor Products. What was the sales impact in second quarter? Did some sales shift into third quarter? And then also maybe what the margin impact was in second quarter? And then what's the expected impact in the back half of the year?

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

Yes. So Jim, good question and something that, obviously, we've looked at very hard at and taken into account in our guidance and in our supply team conversations with our manufacturer partners. So when you start to look at what could have been, it certainly is more of a demand story than it is a supply story. And there's no question, in each of our categories across Outdoor Products and Shooting Sports, that our demand was somewhat depressed.

However, when you look to what quarter will this fall into, until the logistics, containers, supply chain, et cetera, challenges abate, which we don't anticipate they will for a while, it continues to push out to the right. So we'll clear in the second -- in the third quarter here our second quarter sales backlog. But unfortunately, we may see some of our third quarter slip to fourth quarter, fourth quarter slip to first quarter, so on and so forth. We've built all of that into our guidance.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

And what I would suggest is that we're able to deliver outsized growth across really all of our categories because of the Centers of Excellence that we've built. We feel like we're managing supply chain logistics at a level that is higher than we've ever done in our company and we think better than many of our peers. And you see that in the growth. And I think you see that as evidence when you look into the material that we're growing our inventory position and [SKUs] to be able to support the backlog and the continued growth.

Operator

We can now take the next question from Scott Stember from CL King.

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

Can we talk about -- yes, a little bit. Obviously, you gave $100 million in sales, very high associated EBITDA margins. But how should we look at this from a seasonality standpoint? How this business works for you? I imagine there's far less seasonality. Again, a lot of these products are indoor-based. And maybe just talk about the timing of the accretion, at least in the back half of the year?

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

Yes, so Scott. We -- like a lot of our acquisitions, like all of our acquisitions so far, we're very, very happy with what we're seeing in the early stages. And we would expect Foresight to perform as our other acquisitions have, which are meeting or, in fact, beating our expectations.

Now in terms of guidance as we go forward, we've given $100 million and $50 million of sales and EBITDA, respectively. And we know there is seasonality in golf. We see it with our Bushnell Golf business. The seasonality won't be quite as pronounced in Foresight Sports because of the indoor nature of some of the purchases. So we're not prepared to give quarterly guidance, but we're certainly happy with the progress we're making and committed to the yearly guidance that we unveiled, and we're well on track to hit that.

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

Got it. If I could just slip one last quick one just about cadence of earnings in the back half of the year? I think you said that sales should be, I guess, essentially the same in the Q3 and Q4? How about earnings?

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

Yes, this is Sudhanshu. Yes, I think for your modeling purpose, Q3 and Q4 will be kind of half-half. So you can do the same math for the sales and EPS. That's what I've checked.

Operator

We can now take the next question from Matt Koranda from ROTH Capital.

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

Just wondered if you could speak to the pricing environment in ammo. I gathered from some of your prepared remarks, it sounded like you were at least holding price during the quarter and potentially taking some. But then, on a go-forward basis, maybe we're not going to see as many increases. But did I hear that right? And maybe you could speak to the pricing dynamics within the quarter and then how you see it playing out for the next several months.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

And then also just on ammo backlog, could you just clarify, is that still growing? And maybe just a little more color in terms of what you're seeing in the channel. You did mention some disparities by caliber, but maybe you can put some more color on which calibers are lightest in your view? And then are there (inaudible) in terms of availability?

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

Okay. Sure, Matt. So first of all, on the pricing, so we continue -- well, we've taken 6 price increases over the past 12 to 18 months. We just announced our last price increase in November, which should take effect in the beginning of this coming calendar year. We haven't signaled anything in terms of ongoing price increases. But we've been very consistent in being able to take the inflation, be it in labor or be it in materials or what have you, and pass that on. And as long as the demand continues to persist in the way it is, and we anticipate that it will for the foreseeable future, we don't see price compression as an issue.

And as we've talked previously, because of some of the consolidation we've done with Remington, even if you look long term, we don't see the same type of price compression the industry may have experienced in previous times. In terms of the ammo backlog, our ammo backlog continues to be at an all-time level. And if you look at the consumption data and if you look at some of the other industries that are out there, it suggests that demand continues to be very, very strong, and that's evidenced in our backlog.

In terms of the channels, backlog is still minimal. And I will say that if you do retail checks and you look at the inventory on the shelves, what's remarkable is they're carrying significantly less inventory. And inventory they're carrying is honestly multiple facings in a lot of the same calibers. And we know that the other calibers are in demand, but just can't be produced yet. That's the rationale behind some of the machinery and equipment we're purchasing now to expand our capacity to really give our ammunition factories the flexibility to be able to meet a broad set of demand within the calibers.

And a lot of this is being driven by the increases in hunting, which is at its highest level since 1958. And a lot of it is being driven by the growth in [new sports] and a lot of the other shooting sports activities.

Operator

We can now take the next question from Rommel Dionisio from Aegis Capital.

Rommel Tolentino Dionisio - *Aegis Capital Corporation, Research Division - Head of Consumer Products and Special Situations*

As you think about the ammunition segment, obviously, you're doing so well right now selling pretty much everything you're manufacturing. But how do you think about the brand segmentation between Federal and Remington over the long term? I mean there's probably some overlap. I do realize they have their loyal customer base. But how do you think about how you segment those 2 brands in the marketplace?

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

Yes. So thank you, Rommel. So the -- what's interesting about the brands is this is the first time we've kind of leaned out and talked about the powerhouse stable of brands we have. So we've got 10 brands that are $100 million in annual sales, which really speaks to the power and the leverage that you can have in markets regardless of trends and conditions.

As it relates to ammo, we've got multiple brands, and you've mentioned Federal and Remington. And they've always had a core set of very loyal followers. So Remington is over a 200-year-old brand, Federal is a 100-year-old brand, which will be celebrating next calendar year. Just iconic brands attract a super-loyal following, and we expect that to continue.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

In fact, by resurrecting Remington, we've had a [brand council] that we've nominated to really dig into some of the users that were disenchanted over the last number of years because they couldn't get their products. So those are the areas we're going into first. And so we're innovating in Core-Lokt to bring white-tail deer hunters on the eastern seaboard the products that they've always wanted.

So there's a lot of differentiation between the 2 brands. And clearly, we're going to market great, great products to those loyalists and expect both of them to continue to drive their specific positions in the marketplace and grow simultaneously.

Operator

We can now take the next question from Mark Smith from Lake Street Capital Markets.

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

Can you speak a little bit about digital growth, or e-comm growth within ammunition, where that's moving to and if that had a significant impact on margin during the quarter?

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

Yes. So thank you, Mark. So we don't break out our digital revenue by brand. But in fairness, our digital volume in ammunition has not been a significant factor in the growth of the ammunition business. And our first priority is really to service our loyal and very committed dealer base. So the digital volume that we've done to date throughout the increases has really been kind of on the margins. It helps us enable us to learn and share those learnings with our dealers.

Now that being said, we've built up a very good capability in our direct-to-consumer efforts in ammunition. And it has grown, and it will continue to grow. And so you see us introduce the subscription program that we'll unveil and roll out this quarter. It's still in its testing unit stages, but it's one of those learnings. You test to learn, so we can take that learning and share that with our dealers in terms of what consumers are looking for, how they want to shop, so on and so forth.

Our overall objective here in all of our D2C business is really to create a frictionless environment. We know consumers' buying habits have changed, and we want to make sure we're there where they want to shop, how they want to (technical difficulty) to the extent that we need to increase our D2C efforts to do that, we're committed to doing that in all of our brands.

Operator

We can now take the next question from Gautam Khanna from Cowen and Company.

Jack Ayers - *Cowen and Company, LLC, Research Division - Analyst*

This is Jack Ayers on for Gautam today. Good results. I guess just a quick question around ammo demand and the backlog. I think you alluded to it earlier, how it's growing? I guess just a quick question in regards to the next catalyst here. We're seeing some NICS data sort of turn negative here over the past couple of months.

How should we think about the sort of correlation between ammo sales and some of these data checks? And then I guess just as a follow-up, if you could talk about the administration's plan for the Russian import ban on ammo? That would be great.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

Sure, Jack. So as we mentioned in our prepared remarks and some of the answers we've given so far, we don't see the demand in ammunition abating. And we study NICS very, very closely. Now we've said previously, we don't think there's a super-strong correlation between NICS data and ammunition purchases. But let me just address how we have absorbed the NICS data of recent.

So I think we all need to step back and understand that despite being down, October NICS was the second highest October ever on record. Secondly, when we look at the NICS data, we've seen the sixth straight month of over 1.2 million, 1.3 million net adjusted purchasers of the equipment or firearms that use ammunition. And in fact, this flatness has actually kind of increased a little bit over the last few months. So certainly, any surge we've seen has subsided into what we call kind of a level that we find very exciting.

Now I say the correlation is not quite as strong. It's because when somebody goes out and purchases a piece of equipment or a firearm, that may or may not be a onetime purchase. They may purchase more. But what we do know is they need to buy ammunition on a consistent basis to consume and put in that product to use. And today, we look at the underlying health, I mentioned hunting is at an all-time level since 1958.

We look at the variety of calibers now. In previous surges, it used to be .223, 5.56, 9-millimeter type of increase. Now we're seeing calibers across the board because of all these activities. So shotshells, we can't produce enough of them. All hunting calibers, we can't produce enough of them. That's the things that we start to see that are very, very exciting for us.

Now to the extent that the administration jumps in and helps us on a Russian import ban, we're applauding that. We think it's time that the playing field is leveled. However, we don't view the imports as a long-term trend. We know that there's a lot of stickiness to the iconic brands that we have. We've seen it over the history of our brands as we've studied it.

And we know that in times of increases like this where supply from domestic manufacturers such as ourselves cannot meet that demand, imports come in and take that slack capacity. That won't go away. But as we continue to ramp up our production through increases in capacity, increases in efficiencies, Remington continuing to grow, we're just going to continue to grow and feed that demand.

Operator

We can now take the next question from Ryan Sundby from William Blair.

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

Chris, great to hear QuietKat is off to such a strong start. Just given the demand out there for e-bikes at the moment, can you talk a little bit more about what your ability is to scale that business? And then quickly on Fiber Energy, just any additional detail there on size and growth and what that (inaudible) business?

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

Sure. And so Ryan, QuietKat is one of those acquisitions that we might (inaudible) on this. We know that the growth trends are tremendous. And this is a great example where we're able to take the Center of Excellence we've built in supply chain and procurement and just embed that into the QuietKat business. We've got 2 super innovative founders that know how to grow the business, and we brought in the scale and the leverage that we can provide on the supply chain side.

So we've doubled their capacity or their ability to procure bicycles. So again, we expect this business off of a smaller base to double in the first 12 months, and we don't see any reason why we can't continue to grow at that outpace type of rates, given the trends in the industry and given, frankly, their position and innovativeness. And so we're -- we continue to be very bullish on the QuietKat acquisition.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

So Fiber Energy is a really neat acquisition for us because it's something we haven't done to date where we vertically integrated into a manufacturer. And it's a strong vote of confidence and belief in our corporate standpoint to really back up our Camp Chef business, which has grown tremendously during our ownership. And we think it's just at the nascent stages of this pellet fiber type of growth category outdoors. And so what Fiber Energy brings to us is 2 of the best plants with 7 mills.

So it gives the ability to grow a consumable category that we studied hard and see that there is a strong desire or attachment rate for folks that buy branded grills that want those branded pellets. And we haven't, frankly, had the ability to supply that because of the shortage in the industry. So we've strategically gone in and purchased this manufacturing capability and really gives Camp Chef a different platform to be able to compete with some of the bigger competitors in the market.

Operator

We can now take the next question from Eric Wold from B. Riley Securities.

Eric Christian Wold - *B. Riley Securities, Inc., Research Division - Senior Equity Analyst*

So with the additional equipment that you're bringing online within the ammo segment, can you give us a rough sense of the production boost this could provide? And I know it will depend on calibers, another factor, maybe a broad sense of the boost to the kind of the current max run rate for all ammo production right now, including Remington and HEVI-Shot. And then in the planning around the ammo subscription program, is it your assumption that subscription demand will be incremental to existing retail demand or somewhat acting as a substitute?

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

Sure. Eric, and I know you'll appreciate the fact that we're very careful and cautious about what we share, for competitive reasons, getting kind of in the competitive hands, so to speak. And I've mentioned previously that we studied, as best we can, industry capacity and making sure that we're not only managing our capacity, but very mindful of what's being brought into the industry, so we don't get over our skis, if you will. The additional equipment, we're not prepared to size up what the complete impact is going to be.

It certainly does give us capacity to expand on the margins. But importantly, it gives us more flexibility to be able to react quicker to some of the increases in other calibers that we're seeing right now that we weren't as readily able to fulfill.

In terms of the subscription program, certainly, we know because we studied it that there is a subset of consumers out there that want a steady supply of their favorite caliber, their favorite brand, their favorite build. And we're excited that we've got the plumbing and piping setup to be able to supply this to them when, where and how they need it. So we'll see. We're at the early stages of it, but we're super-excited about what the impact is going to be for us and our dealer network.

Operator

We can now take the final question from Jim Chartier from Monness, Crespi, Hardt.

James Andrew Chartier - *Monness, Crespi, Hardt & Co., Inc., Research Division - Security Analyst*

So I was just wondering if you could kind of help size up how much the industry for ammo has grown since kind of 2019. You talked about adding 12 million new shooters. Winchester, a couple of weeks ago, put out a number of about 57 million shooters today after 8 million last year and then expected, I think, 6 million this year, which kind of targets -- the installed base is up somewhere around 30%. And then you've got pricing on top of that. So just trying to understand, could ammo demand in a normalized environment actually be up 40% plus versus where it was in 2019?

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

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

Yes. So Jim, when you look at -- just the next day that was released on a 2-year stack, you're spot on, it's up 1/3, it's up 30%. We think that the ammo market, based upon all the new users that have come in, the diversity of users that have come in, and frankly, a lot of the social media, as I've mentioned before, with podcast and what have you, that are really feeding the continued diversity, inclusion and growth of the ammunition industry, which is vastly different than previously.

It even extends into self-defense as we had defunding police on certain legislative agendas and what have you. So all of this stuff feeds an interest of curiosity and the usage of the product. So the fact that it's up 30%, 40% on a consistent basis now, we just -- we really strongly believe in everything we study that the demand is going to continue to hold very strong.

So Jim and others, thanks. Yes. Thank you, Jim and others, for the questions and the continued support. And we'll close here by reiterating the fact that the demand that we're seeing in the marketplace, we see continuing across really all of our brands, both of our segments.

And what's really neat is that we see the tailwinds as very positive. But what excites me more is that we're outpacing the tailwinds because of the Centers of Excellence we've developed, the talent we've been able to attract and, frankly, the strength of our powerhouse brands. So yes, we're working on supply to continue to drive it, and we're excited about the fiscal year to come here.

Thanks very much.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2021, Refinitiv. All Rights Reserved.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV