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# Vista Outdoor Inc. NYSE:VSTO

*Earnings Call*

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CALL PARTICIPANTS 2

PRESENTATION 3

QUESTION AND ANSWER 11

# Call Participants

## EXECUTIVES

**Andrew Keegan**
*Chief Financial Officer*

**Eric C. Nyman**
*CEO & Director*

**Jason R. Vanderbrink**
*CEO at Sporting Products Division & Director*

**Tyler Lindwall**
*Vice President of Corporate Development, IR and FP&A*

## ANALYSTS

**Anna Glaessgen**
*B. Riley Securities, Inc., Research Division*

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

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

**Matthew Butler Koranda**
*ROTH MKM Partners, LLC, Research Division*

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# Presentation

**Operator**

Hello and welcome to the First Quarter Fiscal Year 2025 Vista Outdoor Earnings Conference Call. My name is Alex, I'll be coordinating the call today. [Operator Instructions].

I now hand over to your host, Tyler Lindwall, Vice President of Investor Relations. Please go ahead.

**Tyler Lindwall**
*Vice President of Corporate Development, IR and FP&A*

Thank you, operator, and good morning to everyone joining us for our first quarter fiscal year 2025 earnings call. With me this morning are Eric Nyman, Co-CEO, Vista Outdoor and CEO, Revelyst; Jason Vanderbrink, Co-CEO, Vista Outdoor and CEO, The Kinetic Group; and Andy Keegan, Chief Financial Officer, Vista Outdoor.

Before we begin, I'd like to remind everyone that during today's call, we will be making several forward-looking statements reflecting future events and their potential effect on our operating and financial performance. 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, and we are under no obligation to provide updates to these forward-looking statements.

These forward-looking statements are subject to the risks and uncertainties that face Vista Outdoor and the industries in which we operate, and actual results may differ materially from these forward-looking statements. We encourage you to review our quarterly earnings 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 supplement our comments this morning and include reconciliations of non-GAAP financial measures.

Eric, I'll turn it over to you.

**Eric C. Nyman**
*CEO & Director*

Thank you, Tyler. Good morning, everyone, and thank you all for joining us this morning as we discuss our first quarter fiscal year 2025 results. Before I dive into the quarter, I wanted to first touch on the press release issued last week.

Last week, the Board issued a release, noting that we have commenced a review of strategic alternatives and have adjourned the special meeting for the CSG transaction to September 13, 2024. The Board is committed to acting in the best interest of the company and its stockholders. The strategic review will be comprehensive and include the following: One, an exploration of a full range of alternatives for Revelyst, including a potential sale of Revelyst. CSG is also considering an acquisition of Revelyst with potential partners. In addition, to its proposed acquisition of The Kinetic Group.

Two, an engagement with MNC Capital and its private equity partner with respect to its proposal to acquire Vista Outdoor to see if it can deliver superior value to the company's stockholders. This follows MNC's recent public statement on July 26, 2024, that if there were a reason or basis to increase our offer, including Vista engaging with us and providing one, we would increase our offer price. In light of that recent statement, the Board has determined that MNC's proposal would reasonably be expected to lead to a superior proposal, and meets the standard for engagement under the terms of the CSG merger agreement.

Considering the extensive diligence conducted by MNC and its private equity partner to date, Vista Outdoor expects MNC to be able to confirm an increased proposal for the acquisition of Vista Outdoor in

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short order; Three, a continued consideration of the separation of Revelyst and The Kinetic Group through a spin-off.

Our advisers are looking at several strategic alternatives in order to maximize stockholder value. As an update on the strategic review, we have engaged with MNC to see if they can deliver superior value for the company's stockholders. Additionally, we have reached out to several parties regarding a potential acquisition of the Revelyst business. Furthermore, CSG remains steadfast in their commitment to acquiring The Kinetic Group and is exploring the acquisition of Revelyst with potential partners.

The Board continues to recommend Vista Outdoor stockholders vote in favor of the proposal to adopt the merger agreement with CSG. We look forward to evaluating all strategic alternatives that would maximize value for stockholders, and we remain as focused as ever on delivering high-quality innovative products for our consumers around the world.

Moving on to Revelyst results. Our teams across the organization executed against our plan in the first quarter of fiscal year 2025, and we are grateful for their hard work delivering in the face of continued market headwinds in certain segments, and the continued uncertainty in the face of our planned separation.

We did face some challenges in Q1 in both supply chain and new product launch timing introductions, which led to results that were not up to our expectations. That said, we understand the challenges and are already putting solutions in place to improve in the future. And the teams did find some tailwinds led by our GEAR Up cost-saving initiatives and great product innovation.

Sales for the quarter were $274 million, and adjusted EBITDA was $16 million, with an adjusted EBITDA margin of 5.7%. We are confident in our fiscal year 2025 financial targets and strongly believe in Revelyst’s potential to deliver on the long-term strategy that we are executing.

Across the enterprise, we made progress implementing our actionable stand-alone strategy to drive value creation. Our strategy is built on our dragonfly wheel to generate momentum. The Revelyst dragonfly wheel is our multi-pronged strategic flywheel, which plays upon our iconic dragonfly logo. The dragonfly wheel contains our key strategies to unlock growth, and propel margin expansion across our integrated international house of brands.

The dragonfly wheel is brand focused and consumer informed to unlock value through innovative product and technology offerings, enhanced direct-to-consumer and international channel strategies, a robust digital-gaming ecosystem and world-class licensing partnerships.

We continue to focus on innovation, by leveraging our portfolio of category-defining power brands to win market share despite challenges related to market softness, order timing and divestitures. We remain focused on driving growth and market share gains, no matter the market conditions and are poised to revolutionize our future through innovative brand-led and consumer-obsessed product, and technology offerings as well as leading partnerships.

Recent examples of these brand highlights, innovative offerings and partnerships include in Revelyst Adventure Sports, we are capturing market share across numerous categories, including helmets, mountain bike protection and bike hydration in a declining market environment. Newness is gaining traction with our customers and many of our newly introduced products and new styles, such as the V3RS, Raceframe and Purevue are sold out. We intend to further capitalize on these trends with upcoming product launches.

In Revelyst Outdoor Performance, recent product launches across the platform have driven market share gains. We continue to grow market share at SIMMS where we hold a dominant position in waders and in fishing sportswear, where we recently won best-in-category awards at ICAST for the Women's Latitude Hoody and the Pro Dry Suit.

The successful launch of the Camp Chef Gridiron in the spring drove 8% growth in the flat top grill category, outpacing the market in a category that has been a bright spot within the broader outdoor cooking market.

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In Revelyst Precision Sports Technology, Foresight has had multiple consecutive quarters of growth as a result of the QuadMAX and Falcon product launches.

The delayed launch of the Phantom 3 GPS drove Bushnell Golf sales lower than anticipated in the quarter, but we still expect this product to capture additional sales for the rest of fiscal year 2025. Foresight and Bushnell Golf continue to set the standard in golf technology. The power of these two brands living under the same leadership and platform will really be showcased this fall. With a cooperative effort between Foresight Sports and Bushnell Golf, that will change the way golfers capture and utilize information from launch monitors and laser rangefinders.

In Licensing, our platform teams have been hard at work, leveraging our brands to ink new licensing partnerships to unlock additional revenue streams, further scale our brands and reach new customers. We are excited to announce our biggest partnership ever, a collaboration with celebrity chef and restaurateur, Guy Fieri. This collaboration between Revelyst, Camp Chef and Fieri unites the mayor of flavor town himself with the leading innovator in outdoor cooking gear.

Fieri has long served as an unofficial brand ambassador while using the brand's products on screen, on stage and at home. This multiyear partnership will include several collaborations between Fieri and Camp Chef and will include a number of co-branded cooking equipment pieces. Be on the lookout for more news on this category defining announcement on August 19 across Revelyst social channels and campchef.com. We are extremely excited to welcome Guy, to team Revelyst.

Furthermore, at Foresight, we have an exciting licensing agreement and product collaboration coming very soon through our relationship with Volition America. This custom offering will bridge the tangible and the digital world and will benefit the Folds of Honor Foundation.

Moving on, our international expansion and transformation of our operating model is underway, and we believe that there is a significant opportunity to elevate and grow our brands through a unified and scalable approach. We have made substantial progress at Revelyst by leveraging the operational backbone we acquired through our acquisition of Fox. This has allowed us to expand our presence across the globe for additional brands to reach new markets. We plan to continue the strategic expansion to regions where a unified operating model can be a growth catalyst for our brands.

As we look at our direct-to-consumer and digital approach, our enhanced direct-to-consumer strategy places an emphasis on our owned-brand channels and other e-commerce sites, including Amazon. This strategy shift is in process and early results are promising, particularly with Amazon, where we grew low single digits year-over-year in Q1.

We have also seen gains at certain direct-brand sites, including Foresight, where the direct site revenue is up over 30% year-over-year and continues to be a leading growth contributor to the Revelyst Precision Sports Technology platform. We also had a milestone achievement in the Revelyst Adventure Sports platform with the iPhone created campaign, CamelHak, that over-indexed and received over 1 million views on TikTok and 2 million views on Instagram, becoming the highest viewed post on CamelBak's Instagram of all time. We aim to repeat this success with other products to drive brand engagement and sales in the future.

Our digital gaming and esports initiatives are applying Revelyst's digital-first thinking to create engaging content and gaming experiences that provide new consumer opportunities. Our acquisition of PinSeeker furthered our commitment to this strategy. PinSeeker has seen explosive year-over-year growth and early results have exceeded our acquisition forecast model, further validating our digital gaming strategy and the decision to acquire that business. The PinSeeker team has also jump-started our broader Foresight studio strategy. We had a strong quarter of successful course launches, including our recent digital course launch of Pinehurst No. 2 available on our Foresight simulators that coincided with the U.S. Open week played at the namesake course.

We also entered into an exclusive partnership with Tara Iti, the #2 ranked course in the world on the Golf Digest, World's 100 Greatest Golf Courses list. These courses add to Foresight's list of premium course offerings, that can be purchased for use in our simulators and demonstrate our commitment to providing

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a world-class user experience for all of our simulator owners. We are encouraged by these developments and the road map the team has set forth, and we expect to have more announcements to come soon.

You will hear more about our excellent progress on our GEAR Up transformation from Andy shortly, but I wanted to highlight the strong work our teams have done to optimize our portfolio to focus on our core assets with significant value and growth potential.

In July, we announced the sale of Fiber Energy Products. This strategic divestiture generated cash for Revelyst that can be reinvested in our power brands and product innovation in support of our GEAR Up transformation initiative. The new ownership provides resources and scale to the Fiber Energy brand, and we wish them the best of luck with this new endeavor.

Alongside the RCBS sale announced in May, we have now completed 2 strategic divestitures to rebalance our portfolio. Our strategic review is ongoing, and we see additional opportunities in the future. This review was a critical step in evaluating where further rebalancing will help to best position us for long-term success.

In closing, I am energized by the road map we have in front of us at Revelyst. Teams across our business are executing on our transformation through The GEAR Up program and our value-creating dragonfly wheel to unlock growth and margin expansion through game-changing innovations, exceptional licensing partnerships an enhanced direct-to-consumer, and international channel strategy and digital-first thinking to create engaging content and gaming opportunities. We are relentless in our pursuit of excellence, and that drives my belief in our strategy and the future ahead of us.

I am confident in our financial targets and ability to double our stand-alone adjusted EBITDA in fiscal year 2025. In that spirit, we'll be announcing the date of our upcoming Investor Day in the weeks ahead and look forward to sharing more details about the Revelyst story.

I'll now hand it over to Jason to provide an update on The Kinetic Group. Jason, over to you.

**Jason R. Vanderbrink**
*CEO at Sporting Products Division & Director*

Thank you, Eric, and good morning, everyone. The Kinetic Group delivered above expected earnings for the first quarter sales were $370 million with an adjusted EBITDA margin of 30% and adjusted EBITDA of $111 million, continuing the strong performance we demonstrated at the end of fiscal year '24. Our team has stayed focused while facing economic headwinds and inflationary pressures with rising commodity prices and successfully navigating a global powder shortage. As history has shown us several times, if the market starts to slow, we expect to gain market share due to vendor consolidation at our customers and consumers generally will purchase the brands they trust.

As we are getting close to the important hunting seasons, our finished goods inventory in this key category is well positioned to fill consumer demand in all hunting loads in every category. We expect Hevi-Shot to continue the momentum we have built since the acquisition and Remington Core-Lokt inventory and demand is in the best shape it has been in several years.

Our seasonal build program has produced many calibers that the consumer has not been able to purchase in many years, which also brings higher margins with it. We continue to try to meet the demand we have seen with the CCI Uppercut product, which has exceeded our forecast when we introduced this game-changing product.

At the industry's largest consumer trade show, the National Rifle Association Annual Meetings & exhibits, our brands were officially presented with Golden Bullseye Awards in every ammunition category. This is the first time we have swept these prestigious awards for excellence in new product technology. The products recognized were Speer's Gold Dot Carbine, Federal Premium Force X2 Shorty and Remington 360 Buckhammer.

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Continuing our long-standing support for the United States Military, federal announced a $3.6 million contract award for the 7.62x51 long-range ammunition for the United States Special Operations Command or SOCOM.

This trusted product is currently being produced for the United States Navy in a separate contract demonstrating our American manufacturing expertise and proven history of supplying the United States warfighter with the best products to protect and defend. As part of our company DNA, we recently held a benefit auction at our annual sales meeting in Minnesota and we're able to donate at least $20,000 to each of our beneficiary charities, The Anoka County Police Department, the Anoka County Sheriff's Office, the Anoka County Brotherhood Council Food Shelf and the Vista Outdoor Employee Assistance Fund. This is a true testament to helping serve the communities that our factories are located in.

For the 59th straight month in June, NICS data surpassed more than 1 million background checks. This continued high monthly volume supports a healthy and higher baseline of shooting and hunting participants. As we navigate the future in the United States presidential election, our American manufacturing facilities remain focused on building the best ammunition in America and delivering on all of our key financial metrics. The cross collaboration between our factories has resulted in cost savings, technology sharing, and allows us to best route production by cost and expertise. This serves as a tremendous competitive advantage for us, which is reflected in our profitability.

Our mission has not and will not change. We will focus on what the end consumer wants and expects and work backwards from that. Our obsession with the consumer and customers we service will lead us through this volatile market and help us gain market share. With a diverse customer base and multi-brand strategy, The Kinetic Group is poised to continue to be the leader in ammunition technology, and we are planning to release the most exciting product we have ever developed in our history in our third quarter.

I have full confidence that with the best team in the ammunition business, we will continue to perform at the highest level. Our future is filled with great opportunity, and we look forward to growing our market share, building on world-class profitability, and delivering new and innovative products to our increasingly diverse customer and consumer base.

I want to thank our 4,000 team members for their steadfast commitment to our vision and being part of the best team in the world. Together, we are winning and our financial metrics reflect just that. Thank you. Andy?

**Andrew Keegan**
*Chief Financial Officer*

Thank you, Jason, and hello, everyone. My comments today will focus on adjusted results compared to the prior year period, unless otherwise noted, which are presented using non-GAAP financial measures. In the appendix to the slide presentation, we've included reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. For additional information regarding forward-looking statements and non-GAAP financial measures, please refer to Page 4 of the slide presentation.

I will reference The 3 Revelyst segments, Revelyst Adventure Sports, Revels Outdoor Performance and Revelyst Precision Sports Technology in a combined manner as Revelyst in my remarks that follow.

We've made progress on our long-term goals during the quarter. At The Kinetic Group, our sale of met expectations and our adjusted EBITDA was strong despite persistent input cost headwinds. At Revelyst, we experienced challenges related to new product introduction and order field timing, market softness in the specialty channel and divestitures that impacted our results. These were partially offset by $5 million of realized cost savings attributable to the GEAR Up transformation program. The progress on the GEAR Up initiative gives us momentum and confidence that we will double our stand-alone adjusted EBITDA in fiscal year 2025.

Additionally, adjusted free cash flow significantly outperformed our expectations in the first quarter, delivering $70 million due to strong adjusted free cash flow from The Kinetic Group and a continued focus to reduce inventory at Revelyst, allowing us to reduce our net debt position by $81 million in the quarter.

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For the first quarter, total sales decreased 7.1% to $644.2 million due to lower volumes at The Kinetic Group and Revelyst, partially offset by increased government sales at Revelyst and increased price at The Kinetic Group.

Gross profit in Q1 decreased 6.9% to $211.2 million due to decreased volume and increased input costs, including for copper and powder at The Kinetic Group, and lower volume at Revelyst, partially offset by increased price at The Kinetic Group.

Q1 margin was relatively flat at 32.8%. EBITDA in Q1 decreased 11.3% to $110.1 million equating to an EBITDA margin of 17.1%, due to decreased gross profit at The Kinetic Group and Revelyst, partially offset by decreased selling, general and administrative costs related to GEAR Up initiatives. Q1 EPS declined 6.5% to $1.01.

Turning to Slide 19. Our balance sheet is in a strong position. We continue to exercise sound financial discipline and drive incremental improvement at Revelyst by placing a sharp focus on inventory levels. Vista Outdoor inventory decreased 13% year-over-year in the quarter, primarily driven by Revelyst inventory reduction of approximately $100 million or 25% year-over-year and $10 million or 4% sequentially.

Our continued inventory reduction efforts at Revelyst and strong profitability at The Kinetic Group drove adjusted free cash flow of $70 million in the quarter, providing the opportunity to reduce our net debt by $81 million sequentially. Our net debt ended the quarter at $579 million equating to a net debt leverage ratio of 1.3x.

Turning to our business results on Slide 20. Within Revelyst, sales decreased 13.6% in Q1 to $273.7 million, driven by preorder delivery timing and onetime royalty revenue in the prior year as well as unfavorable product mix towards lower price-point channels within Revelyst Adventure Sports, lower wholesale volume and order timing within Revelyst Outdoor Performance and lower volume as a result of strong new product introductions in the prior year for Bushnell Golf, and order timing within Revelyst Precision Sports Technology. The decline was partially offset by increased government sales at Revelyst Outdoor Performance and growth at Foresight driven by new product introductions at Revelyst Precision Sports Technology.

Gross profit decreased 14.2% in Q1 to $81.4 million and Q1 gross margin decreased 21 basis points to 29.7%, due to a reduction in sales partially offset by lower freight costs at Revelyst Adventure Sports, lower discounting at Revelyst Outdoor Performance and favorable product mix at Revelyst Precision Sports Technology.

Q1 EBITDA was $15.6 million, down 35.2% and EBITDA margin for the quarter was 5.7%, down 190 basis points year-over-year due to lower gross profit at all 3 Revelyst segments, partially offset by decreased selling, general and administrative costs related to the GEAR Up initiatives.

For The Kinetic Group, sales decreased 1.6% in Q1 to $370.4 million due to lower shipments across nearly all categories, partially offset by increased price. Gross profit decreased 1.6% in Q1 to $129.8 million and Q1 margin remained flat at 35% due to decreased volume and increased input costs, primarily for copper and powder. These decreases were partially offset by increased price.

Q1 EBITDA was $111.2 million, down 3.2% and EBITDA margin for the quarter was 30%, due to decreased gross profit and increased selling, general and administrative costs.

Moving on to Page 22. As we look to the remainder of the fiscal year 2025, at The Kinetic Group we continue to see headwinds from a global powder shortage, limiting production and from increased input costs, including for copper and powder. These factors are expected to continue to put pressure on both the top and bottom line.

Turning to the sales guidance for our Revelyst business. Within the channels we serve, we have seen softness in specialty, while seeing stronger performance in mass and direct-to-consumer relative to the specialty channel. We have seen channel inventory health continued to improve during the quarter relative to the prior year in both specialty and mass channels. Though we saw a softness in the specialty channel, we did see

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successes as well. Where we had new product introductions, we saw year-over-year growth in those categories.

As we look to the remainder of the year, we have included in our guidance the list of exciting product launches, cross-collaborations and key-partnership launches that we plan to announce in the coming months. We do expect to recoup the $13 million of orders, which shifted out of Q1 into Q2 due to challenges related to shipping fill orders at the end of the quarter and delayed new product introductions. Further, our fiscal year 2025 sales guidance excludes RCBS and Fiber Energy Products, both of which have been divested. RCBS and Fiber Energy Products contributed approximately $30 million of total combined sales in fiscal year 2024.

As we look at Revelyst EBITDA guidance, we are confident in our expectations for the fiscal year and expect to see sequential margin improvement each quarter due to a number of factors, including our GEAR Up transformation program.

As Eric mentioned, we are making tremendous progress with our GEAR Up program, which contributed $5 million in realized cost savings in the first quarter. We see a clear path to reaching our goal of $25 million to $30 million in cost savings in fiscal year 2025. Across our key GEAR Up focus areas that include organizational structure, real estate, supply chain and operations, indirect costs and direct costs.

Within our organizational structure, we expect cost savings of $20 million this year due to increased efficiency through the consolidation to 3 platform headquarters with an eye on refining our structure to promote growth and bring in new capabilities. Within real estate, we expect to save approximately $2 million to $3 million in real estate cost savings this year by exiting leases and space, reducing our U.S. real estate footprint by 1/3. We are targeting savings of more than $5 million this year related to our supply chain and operations.

At the center of this is our distribution network warehouse strategy. We are reducing our distribution center footprint and rebalancing the inventory in our network to reduce costs. As of today, we have closed 2 distribution centers and are targeting the closure of a third by the end of the second quarter.

Looking at indirect costs, we are finding savings of $2 million to $3 million that we anticipate will flow through the P&L this year. One contributing example is a new contract that will reduce the credit card fees we pay when conducting card transactions. And as it relates to direct costs, longer term, we have a line of sight to significant cost savings in the key-spend categories through cross-brand supply rationalization, consolidation and simplification.

Overall, we are pleased with the GEAR Up results to date. The positive momentum we have built provides confidence in achieving our long-term goal of realizing $100 million of run rate cost savings by FY 2027. Beyond the Gear Up initiatives outlined, we have also incorporated additional considerations into our guidance. These considerations are: the contributions from our previously announced April 2023 cost restructuring program will contribute approximately $10 million to Revelyst in fiscal year 2025. Improvements in supply chain and freight as our inventory with higher priced freight will have turned through our inventory balance and lower expected promotions, as compared to our fiscal year 2024 in which we had higher than usual promotional levels to drive inventory levels down.

We are confident that Revelyst operational and organizational improvements will continue to positively flow through to the bottom line in both the short and long term regardless of near-term marketplace conditions. We reaffirm our expectation to double our stand-alone adjusted EBITDA at Revelyst in fiscal year 2025. And over the long term, believe that Revelyst stand-alone adjusted EBITDA margins will be in the mid-teens.

Based on the factors outlined for the full fiscal year 2025, we expect sales of $2.665 billion to $2.775 billion, The Kinetic Group sales of $1.425 billion to $1.475 billion, and Revelyst sales of $1.24 billion to $1.3 billion.

Adjusted EBITDA between $410 million and $490 million, The Kinetic Group adjusted EBITDA of $350 million to $400 million, and Revelyst adjusted EBITDA of $130 million to $160 million.

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Adjusted EPS in the range of $3.60 to $4.50 and adjusted free cash flow between $240 million and $320 million. As we look at phasing for both The Kinetic Group and Revelyst businesses. Within the Kinetic Group, both sales and EBITDA for the remaining 3 quarters of the fiscal year are expected to be evenly distributed each quarter.

For Revelyst, as we look at Q2, we expect sales to be down year-over-year, but improved sequentially, and we see continued sequential improvement throughout the remainder of the year. We expect EBITDA to more than double sequentially and be higher than the prior year as GEAR Up savings take effect. We further expect EBITDA margin to improve sequentially through the remainder of the fiscal year 2025. Thank you, everyone. Operator? Please open the line for questions.

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# Question and Answer

**Operator**

[Operator Instructions] Our first question for today comes from Anna Glaessgen from B. Riley.

**Anna Glaessgen**
*B. Riley Securities, Inc., Research Division*

I guess to start off, you've reaffirmed the stand-alone Revelyst EBITDA guidance to double this year. Taking into account kind of the 1Q shortfall, I understand there's timing issues associated with that, and you were helpful on the call, but could you just give us a little bit more help in getting there through the year? To that reaffirming that doubling.

**Andrew Keegan**
*Chief Financial Officer*

Yes, I appreciate the question, Anna. So as we -- there's probably two prongs that I look at as we look at the bridge. First, is going to be the GEAR Up savings have started coming through. The $5 million that we mentioned, we do see the path to the $25 million to $30 million, which would imply it has to continue to increase through the rest of the year, which we're seeing as we -- the activities are happening, throughout the year in our stage to be able to get to that number.

And on the revenue side, we have explained and give a little bit more color on how we look at the difference from last year to this year and why we're confident as we head into the future. We talked about the $13 million that did is going to ship out that we didn't see go out this past quarter for a variety of reasons. The divestitures from a year-over-year standpoint is a chunk of that as well. We talked about the $30 million of total for the year. So that was clearly in Q1 that it's a pretty even split between the quarters for that. And then there are some onetime items that we've mentioned.

So between the royalties that we had mentioned on the call, the preorders that we had mentioned on the call and some new products in the prior year. That accounts for about $20 million of the difference year-over-year. So we're down on what I call normal run rate type basis not as significantly as it would imply. And we see that as we look forward, we have -- we didn't have those in the future quarters last year plus the new products that we're introducing, the partnership we just announced with Guy Fieri and the activities that we're looking to in the future are going to be able to amplify our EBITDA, because the sales are going to be stronger than they were in this quarter as we see sequential improvement each quarter going forward.

**Anna Glaessgen**
*B. Riley Securities, Inc., Research Division*

Got it. And then taking a little -- taking a closer look at gross margin. Would it be safe to assume that we should start to see that inflect based on the color you've provided in the fiscal third quarter?

**Eric C. Nyman**
*CEO & Director*

You'll start with Andy.

**Andrew Keegan**
*Chief Financial Officer*

Yes, for Revelyst stand-alone. You'll start to see it actually improve even in second quarter. As the sales start to improve, we do have pretty good flow-through on our gross margin compared to what we call old COGS, so kind of the fixed cost structure of the cost of sales line. That will start to, as we mentioned, we will see sequential improvement each quarter in our revenue numbers which will help drive the margin up. Alongside that, we're implementing the GEAR Up program, which does have some impact on our cost

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of sales at distribution for us goes through our COGS fine. So you will see that also helping to benefit the margin line as those activities continue through the rest of this year.

**Anna Glaessgen**
*B. Riley Securities, Inc., Research Division*

Got it. I think it's encouraging to hear that you're seeing market share gains in some categories in Revelyst and good response to new product introduction. It seems like the specialty channel is getting a little bit better, but there are still some inventory overages. Can you speak to their capacity to take on or allocate space to some of these new product introductions and that's still been a hurdle in terms of your ability to go to market?

**Eric C. Nyman**
*CEO & Director*

Sure. On the market share front, we are encouraged by what we're seeing in terms of increases in share. We've had, according to Circana, some good increases with bike helmets with snow goggles with bike hydration and hard plastic bottles on the CamelBak side, all within our Outdoor Performance group within Revelyst -- excuse me, our Adventure Sports Group, within Revelyst Outdoor Performance, we did highlight on the call some increases in market share, again, according to Circana on fishing sportswear, flat top grills and our waders, and we're proud of that. And certainly, at Precision Sports, we're seeing, according to Golf Datatech, some good share increases in launch monitors.

So across the board, we are seeing regardless of market conditions, some improving share. I think specific to your question about specialty, that is something that we continue to see as a longer-term turnaround. It's a smaller portion of our business, but we do see that as we look at specialty, the bike market, for example, we're seeing some green shoots, but we see that as a kind of 12- to 18-month complete turnaround. And we think that by next spring, we are already starting to see some green shoots with regards to things like preorders.

On the other hand, places like mass, we've talked about we're seeing some good signs in terms of improvement. So it is a bit of a changing environment with regards to different retail channels. Specialty is probably feeling across our base, the most pressure still right now, with a little bit of a longer-term outlook for improvement.

**Operator**

Our next question comes from Matt Koranda from ROTH Capital.

**Matthew Butler Koranda**
*ROTH MKM Partners, LLC, Research Division*

Just on the Revelyst side, just wanted to hear a little bit more about why the delay in sales and the push out into the second quarter? Just put a finer point on what the product shipment issues were, what happened? And then maybe just how much did the Bushnell launch delay and hurt revenue? Was that in addition to the $13 million that you guys called out in the release?

And could you just be clear, I guess, sounds like that all benefits in the second quarter. So potentially, it just spills in and we should see -- I guess we're not seeing growth, why aren't we seeing growth yet in the second quarter?

**Andrew Keegan**
*Chief Financial Officer*

Matt. Yes, good question. So on the delay, so there's really two components, I would say, overall. One is the new product introduction. So we did have a product that we pride ourselves on the introduction of products that our quality products and are going to be -- meet the consumers' needs. What we ran into was an issue that it wasn't going to do what we wanted it to do. So in our Bushnell Golf platform, we had a product that as we did our final quality inspections as the products arrived, we noticed an issue with software that we needed to correct. That required a delay, we instead of launching the product into the

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market and then subsequently being able to fix it. We chose to launch the product a little bit delayed. It is now being processed. So that is out there in the market. It is coming through. We expect that to deliver sales. Could some of those go into Q3, we'll see exactly when the timing of all those come back in, but we do expect to recoup them through the full year.

The other piece of it was more order processing and getting them through the warehouses. This was a process that, as we -- back to the end of the quarter, there was, whether it was credit reviews, whether it's order entry, price deviation type activity and getting them into the warehouse being able to shift them out there was some noise in our system. As we move to the platform that we're moving to, people are shifting and that caused a little bit of delay.

Now what I would say to that is Joe Beck, has joined our team as the Chief Supply Chain Officer and has already addressed these issues. We had a full work out of the issues right after they occurred, and we have the fixes in place already, that as we ended the month of July, everything went out actually went out better than we had expected. So I think that the team has smoothly been able to transition through those issues.

So we do see that as an improvement -- to your question on growing for Q2, I mean, we're still down a little bit, but we're going to be much better than we were in Q1 from the percentage decrease, which is closing that gap that we're talking about. We are -- the new products that we're launching through the rest of the year aren't all hitting in Q2. Those are going to come through over the next few quarters. So I wouldn't expect -- we didn't expect even with the flow-through of the $13 million that you're going to see a larger roll quarter, you'll start seeing that as we head through the remainder of the year.

**Matthew Butler Koranda**
*ROTH MKM Partners, LLC, Research Division*

Okay. That's helpful. And then just on the EBITDA progression for Revelyst, maybe I'll take a crack at it this way, $5 million in realized savings in the first quarter, I think that implies probably another $20 million to $25 million this year from GEAR Up. But I guess, if I just baseline off of the segment EBITDA from last year, which was just under $100 million, and we add the $25 million to $30 million, we're still short of the $145 million. What else are we relying on to get there? So maybe just address that and then talk about the cadence of realization of GEAR Up for the rest of the year?

**Eric C. Nyman**
*CEO & Director*

Why don't Andy and I tag team that one a little bit. I think with regards to our commentary on the $25 million to $30 million in run rate cost savings for '25 and then the $100 million through fiscal year '27. We have made some great progress. And I think we'll give you -- why don't we give you a little bit more color on where that's coming from.

On the operating model side, the team has done an excellent job already thus far putting into place our new operational strategy with really an eye on refining our structure, to move to platforms that we've talked about several times. And we've trimmed over $20 million of head count cost already, along with bringing in new capabilities. So we feel like we've done a really good job in the early days on that part, and that gives us a lot more confidence on the balance of the year with regards to the EBITDA savings.

As Andy mentioned, we did have some hiccups in Q1 on supply chain. We take full accountability for that. We're going to get better. And we brought in a new Head of Supply Chain, Joe Beck to do that. And he's in that evaluative phase now. But we are targeting $5 million this year on the way to $10 million to $15 million over the 3 years, through our distribution network and our warehouse strategy. We've talked about that.

And so far this year, we've already consolidated our domestic warehouses -- are targeting to consolidate our domestic warehouses by over 40%. Going forward, we'll probably consolidate our domestic warehouses over the 3-year period by over 80%. So again, that gives us a lot more confidence in terms of savings on the supply chain side, while we improved performance, and that's going to be something that's very important for us. We also see some good EBITDA flow-through happening and we have good

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targets on indirect costs. On our real estate footprint, we're reducing our U.S.A. real estate footprint this year alone by over 30%, and that will give us some EBITDA flow-through.

So I think you'll start to see that EBITDA goal continuing to come sharper into focus now that we're through Q1 and we can start seeing that flow through in the P&L, and we're targeting sequential improvement. I think, I don't know, Andy, if you have any more to add on that element?

**Andrew Keegan**
*Chief Financial Officer*

The only thing, Matt, to your question on closing the gap for the rest of the, we call it, $20-ish million of contribution. There are three primary drivers I'd point to. The first is we have talked about the other restructuring program that we had done, which was April 2023 restructuring program, which will contribute through this year about $10 million or so of additional savings for the overall Revelyst business. We are seeing improvements in our freight. So freight cost for our company, as we head through this year is improving compared to the prior years, as we are seeing the reduction in our container costs come down pretty substantially, with our inventory levels coming down.

And then lastly, is promotions. We were in the third quarter, you may recall last year, we were very promotional and intentionally promotional, trying to drive our inventory and our retailers' inventory down and that was successful. This year, we don't expect to be as promotional, still promotional, it's the holiday season, but the actual promotions themselves will be less than last year. So those three are the primary drivers for the additional $20-ish million of EBITDA contribution.

**Matthew Butler Koranda**
*ROTH MKM Partners, LLC, Research Division*

Okay. That makes sense. And then maybe just last one for me, that the free cash flow looks solid in the first quarter and seasonally, I think maybe a little bit ahead of where you guys expected to be you reiterated the free cash flow guide. Just looking for a little help on seasonality of free cash flow for the remainder of the year. Should we expect it to be pretty normal in terms of the year? Is there more opportunity in terms of inventory flush? You guys did call out a lot of inventory flush from Revelyst. So just looking for a little bit more around how to think about the seasonality of free cash flow for the remainder of the fiscal year?

**Andrew Keegan**
*Chief Financial Officer*

Yes, good question. I mean we're very happy with how cash came through in Q1. We had a very successful reduction both on both sides of the business, EBITDA being strong on the Kinetic, can be able to drive down some inventory in the Revelyst business. As we look at the year, I'd expect Q2 to probably be the lightest of the quarters. We do see some inventory actual build as we go into the last season, the holiday season, you'll see inventory go up slightly, so I wouldn't expect as much of a drive through on the -- on that. You'll also see some AR as we're trying to get our businesses to be able to sell through some products and have products on hand as they head into that season. So you'll see that quarter will probably be the lightest and then the back to are pretty similar in size.

**Operator**

Our next question comes from Mark Smith of Lake Street Capital Markets.

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

I had just a couple of questions on Kinetic first. Just gross profit margin looked a little better than expected. It looks like the guidance implies that coming down through the rest of the year. Can you just talk about some of the cost pressures and kind of your outlook on gross profit margin within Kinetic Group?

**Jason R. Vanderbrink**

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*CEO at Sporting Products Division & Director*

Yes, Mark. So for the first quarter, obviously, we had a good gross margin, gross profit quarter mainly due to mix and price. So we did push a price increase on the category in the quarter, which obviously helped out. And on the remaining back half, we expect the commodities to continue to be elevated, along with that is powder, which are going to be year-over-year increases, that's pretty substantial. So it would be those categories are the biggest drivers for.

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

Okay. And then just similarly on Kinetic, just, Jason, if you want to talk about kind of channel inventory, what you're seeing in the industry out there as well as pricing and availability if needed with commodity price increases to take additional price maybe later this year?

**Jason R. Vanderbrink**
*CEO at Sporting Products Division & Director*

Yes. I don't think we're going to be able to push price into the market, Mark. I think we're going to I think there's always a balancing act of consumption that you got to weigh into that versus commodity costs.

So I don't think the market is favorable right now for price. Having said that, I think our history shows we're the first one to take price and the last one to discount it. And if we think that there's a way to push price increase in it, we will certainly try. But at the same time, we need to keep our factories flowing in efficiently like they are.

Channel inventory is good. I think if you look at centerfire rifle, for instance, you see Core-Lokt out there that hasn't been out there in 5 or 6 years, calibers. So the consumer has a lot better choices for calibers that he or she hasn't been able to purchase. So our customers need to get some sales data on that. So the replenishment systems can pick up the sales because they haven't been there in many, many years.

So I think it's going to be -- our inventory is as good as it's been in 5 or 6 years for replenishment orders. And now I think our customers are sitting good, and we're not really seeing anything that is what we would say, overstocked in the channels right now. We're in good shape into our customers.

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

Okay. And then for both Kinetic and Revelyst, I think both at some point in press releases or presentation called out kind of government sales. Curious just kind of the outlook, what you're seeing in budgets? And any opportunities coming forward, maybe to pick up any additional contract business or anything that maybe is coming off that you have to fight for to continue to keep in government businesses? Again, on both Kinetic and Revelyst.

**Jason R. Vanderbrink**
*CEO at Sporting Products Division & Director*

Yes. For Kinetic, Mark, there's some big contracts coming, and again, I think our history shows if you look at what we released on the SOCOM win, for instance, that's a big win for us. That's a pickup from a competitor. But again, I want to reiterate we'll go chase the contracts if it's profitable. We're not going to go out on a limb and chase a contract that we don't view as profitable long term. And that's, first and foremost.

Generally, we will go for contracts that are performance ammunition, where we can take a little more risk, margins are a little better. And we love what we see in that business right now. There's opportunities coming. And at the same time, we -- I think we -- our history shows if we go win contracts, we deliver in the government -- is the winner as well.

**Eric C. Nyman**
*CEO & Director*

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Yes, I'll just add to that. On the Revelyst side, we're really proud of what the team is doing. We continue to believe it's a great opportunity for Revelyst and overall for Vista to take the best technology being created for the outdoors and apply that to the opportunity to serve our military, our first responders and our law enforcement. We have a great team in Virginia Beach that's working hard on that every day. We did have some good wins, particularly within Eagle, our pack business and our BLACKHAWK business and we're going to continue to search for opportunity there. And we believe that over the 3-year period, that's going to be an area of growth for Revelyst.

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

Perfect. And last one for me. Just, Eric, you guys talked a little bit about mix within channel for Revelyst and kind of some impact that, that had. I'm curious, just as we look at price kind of ASP, maybe primarily in Adventure Sports, but would love to hear it across the board kind of any mix shift? Are you seeing consumers pull back, maybe look at lower-priced pallets or anything else that you're seeing? Just want to -- kind of like to hear your view on how the consumer is doing today?

**Eric C. Nyman**
*CEO & Director*

Sure. We've been very conservative with regard to the consumer outlook. We called for the year, a range that's essentially flat, to slightly up or down depending on some market conditions. And what we're seeing is that, that's continued to be what we -- what we continue to see from the outlook. I think across the businesses with regards to our Revelyst Precision Sports, that's typically a direct business. If you think about what we do every day at Foresight Sports, -- and we're seeing continued strong response, both on our, I'll call it, our hardware, our launch monitors and things of that nature. But also, like I mentioned in the call, our software solutions and that's an area that we're going to continue to lean into with regard to digital gaming. And I think you'll see continued strong response. I think that's going to continue to be our best area of growth, both short term and medium term. And we're really leaning into that as a team, and I'm proud of the work that the team continues to do. And there's going to be some more exciting announcements over the next several months.

With regards to Adventure Sports, specifically on bike, I think you asked about, again, we're seeing a little bit of mix shift. I think overall, when you look at the channel performance, we're seeing some better performance across, I'll call it, mass in D2C, including Amazon. And we're seeing a little bit more continued pressure like I talked about in the first question at specialty. We do see some green shoots at specialty over the longer term. I think 12 to 18 months, we are seeing some preorder action that we're feeling a little bit more optimistic about. But I'd say that is a little bit more mix shift, specifically to your question.

**Operator**

Our next question comes from Jim Chartier of Monness, Crespi, Hardt.

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

You said a number of times for Revelyst you're confident in doubling stand-alone EBITDA this year. Can you get there at the low end of your revenue guidance?

**Andrew Keegan**
*Chief Financial Officer*

I mean our revenue and our EBITDA guidance kind of go hand in hand. So there'd be a little bit of pressure on being able to exactly double EBITDA at the bottom end of the range. But it we'd be very close to that. I think if we are -- if we're seeing revenue at that point in time, we are looking at additional things on the GEAR Up and the potential for savings on that side. So we could still accomplish it. It would just feel a little bit more of a challenge.

**James Andrew Chartier**

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*Monness, Crespi, Hardt & Co., Inc., Research Division*

Okay. Makes sense. And then for both businesses, can you give me a sense of what POS looked like during the quarter?

**Jason R. Vanderbrink**
*CEO at Sporting Products Division & Director*

Jim for our first quarter, POS was down some. I mean, certainly goes different by category. You can imagine in ammunition. We see hunting rifle and shotshell still really good. And pistol is hanging in there. There's some categories that we're seeing down. So I think all in all, it's flattish to down a little bit.

**Eric C. Nyman**
*CEO & Director*

Yes. And on the Revelyst side, Jim, I would say it's pretty much in line with a lot of the shipments. We had some pressure in the first quarter on POS, and we expect it to start improving sequentially going forward.

**Operator**
At this time, we currently have no further questions for today. Therefore, that concludes today's conference call. Thank you all for joining. You may now disconnect your lines.

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