

Action Summary – 10 October 2013

Analyst Theodore R. O'Neill *is initiating coverage of SWHC with a Buy rating and a \$21 price target*

- We are initiating coverage with a Buy rating but are concerned about short-term adjusted NICS data (the tally of background checks done in conjunction with gun purchases)
- Our proprietary model is forecasting that annual adjusted NICS data will decline in 13.6% during SWHC FY2014 compared to FY2013 but will rebound in FY2015
- Shares of SWHC stock move in-line with NICS data but more importantly for investors, it drives sell-side analyst ratings and those could be at risk if our model is correct
- While there may some near-term risk, we believe it is priced in. In any case, SWHC has a large backlog, which it can use to ride through a near-term downturn in gun sales. We think the near term risk to the downside is lower than near-term risk to the upside. Indeed, if we've learned anything in the past year, the best way to induce gun sales is to make it appear that ownership rules are going to get more restrictive
- We believe the current valuation is an excellent entry point, however, we would be careful to see if the adjusted NICS data follows our forecast which is detailed in this report

Current share price: \$10.51	Market cap: \$630 million	Calendar GAAP 2014 P/E: 8	2014 EV/Sales: 1.0
Shares outstanding: 60 million	Insider ownership: 2%	Avg. trading volume: 2.4 million	Dividend & Yield: NA

Macroeconomic context

- Slow growth in U.S. GDP unlikely to affect 2014 revenue estimates but government spending delays may

Estimates (EPS – Continuing Ops in dollars – GAAP Revenue in millions)

Period	EPS	Revenue	Net Margin
1Q13A	\$0.28	\$136.0	13.9%
2Q13A	\$0.24	\$136.6	12.0%
3Q13A	\$0.26	\$136.2	12.8%
4Q13A	\$0.44	\$178.7	16.0%
FY13A	<u>\$1.22</u>	<u>\$587.5</u>	<u>13.9%</u>
1Q14A	\$0.40	\$171.0	15.5%
2Q14E	\$0.21	\$135.5	9.4%
3Q14E	\$0.29	\$147.3	12.0%
4Q14E	\$0.38	\$162.8	14.0%
FY14E	<u>\$1.33</u>	<u>\$616.6</u>	<u>12.9%</u>
1Q15E	\$0.40	\$166.3	14.3%
2Q15E	\$0.25	\$143.1	10.4%
3Q15E	\$0.32	\$156.2	12.2%
4Q15E	\$0.43	\$177.7	14.6%
FY15E	<u>\$1.39</u>	<u>\$643.3</u>	<u>13.0%</u>

Note: Calculation of full year data may not add up due to rounding. See our full model in the back of this report where you will find GAAP EPS. Excel versions available.

Cash balance (in millions)

• 2013A	• \$100.5
• 2014E	• \$93.5
• 2015E	• \$177.8

Debt (in millions)

• 2013A	• \$43.6
• 2014E	• \$100
• 2015E	• \$100

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EBITDA (in millions)

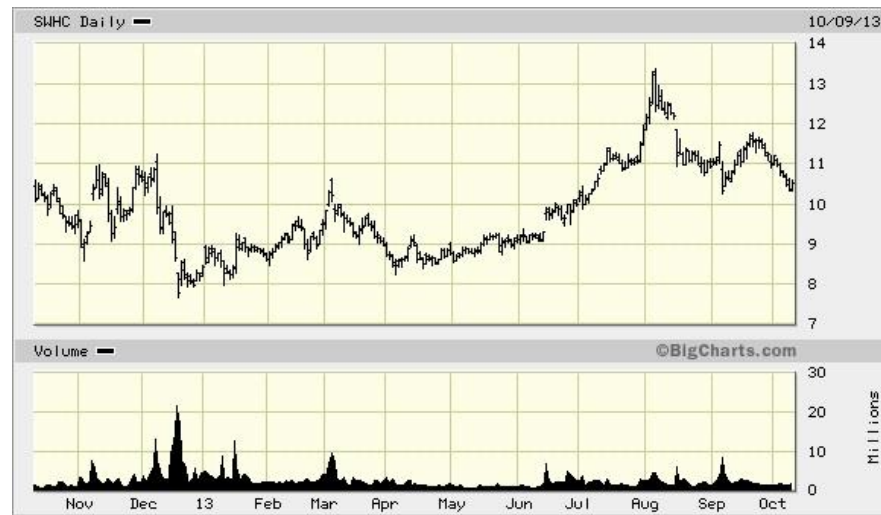
• 2013A	• \$149.6
• 2014E	• \$152.6
• 2015E	• \$164.6

Risks/Valuation

- NICS data downturn could impact ratings
- Our \$21 target is derived using a modified dividend discount model, details of which can be found in this report

Company description: Smith & Wesson Holding Corporation, ("S&W") is one of the world's major manufacturers of firearms.

Figure 1 – Smith & Wesson Holding Corp. - Trading snapshot



Source: BigCharts.marketwatch.com

ViewPoint

Very profitable 13% after tax margins, throwing off cash and gaining share. What is not to like? Oh, yeah, it is a gun maker. Sure but where else can you find metrics like this?

- 1) We like this company because it is very profitable, throwing off a lot of cash is capacity constrained, and growing market share
- 2) Indeed, we forecast the company to be net cash positive in FY2015
- 3) We are going to have a bump in the road with regard to year-over-year gun sales but expect investors to look through this into FY2015
- 4) We believe the current price, with a PE of 8 is a good entry point and the shares should trade up to \$21 over time
- 5) We don't believe there is any political will to change gun laws at the Federal level and changes at the State level are having mixed results. In any case restrictive state laws don't change buyer demand, it just changes the SKU.

Financial Analysis

Company DSOs and inventory turns are reasonable and holding steady. We forecast a 5% increase in revenue in FY2014 and a 4% increase in FY2015, which we think, is conservative. Considering that gun sales are likely to fall during FY2014 and that the company dropped the Walther product line, which would have added \$42 million in revenue, a small rise in revenue would be an achievement. According to our cash flow analysis, cash balances are likely to rise to \$177 million in FY2015 even with a \$100 million share buyback in FY2014 and you can see how this plays out on the balance sheet attached.

Forecasts

We expect to see year-over-year comps improve in 3Q14, fall in 4Q14 and 1Q15 before rising again for the remainder of FY2015. Our model shows an increase in margins in-line with revenue and as the company replaces its lower margin Walther pistol business.

Political Theater

Given the clout of the NRA and the power of people who don't live in states with restrictive gun laws, we doubt there will be any serious change in federal policies towards restricting rights. The states that do have restrictive policies, like CT, CA, MA, etc. make up a small percentage of gun buyers anyway and those laws don't prevent customers from buying weapons, just makes them choose a different model. In at least one State (Colorado) legislators who voted for stricter controls were successfully recalled. Gun owners, and I count myself among them, will get out of



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their chairs to vote on this single issue if nothing else so no, we do not think there will be any added restrictions anytime soon. In the interest of full disclosure, the analyst is a Lifetime NRA member.

We assume that a single investor owns all the stock. What is the discounted value of the earnings stream?

Price Target

Our price target is derived using a modified dividend discount model. Intellectually we assume we just bought 100% of the outstanding stock and the earnings stream flows to a single investor. What is the value of that stream? We assume all the annual earnings are dividends, we grow them as shown in the model at the back of this report and then over the course of the next 10 years we scale the growth back until earnings growth matches GDP. We then discount those “dividends” at 12%. This model probably understates the tax benefits thus could be seen as understating the price target but offsetting this is that the model never shows a decline in earnings and thus we feel the two balance out.

Field Work

We have made two visits to company headquarters and inspected the factory in Springfield. The analyst is a licensed hunter who regularly shops gun stores.

National Instant Criminal Background Check Systems (NICS) data and forecast

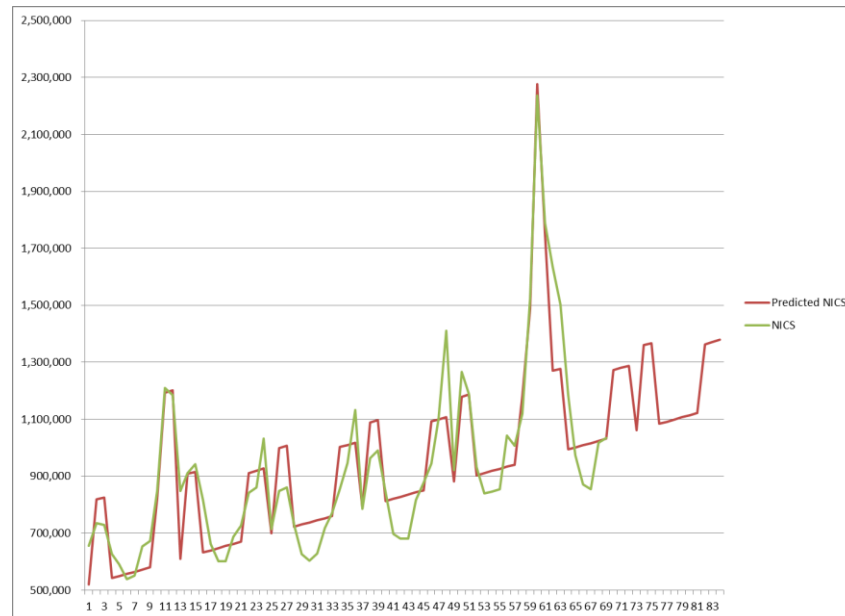
Mandated by the Brady Handgun Violence Prevention Act of 1993 and launched by the FBI on November 30, 1998, NICS is used by Federal Firearms Licensees (FFLs) to instantly determine whether a prospective buyer is eligible to buy firearms or explosives. Before ringing up the sale, cashiers call in a check to the FBI or to other designated agencies to ensure that each customer does not have a criminal record or is not otherwise ineligible to make a purchase. Based on varying state laws and purchase scenarios, a one-to-one correlation cannot be made between a firearm background check and a firearm sale. This is where the National Shooting Sports Foundation (NSSF) comes in. It issues a monthly report that adjusts the raw NICS data from the FBI to more closely mirror the actual unit sales of firearms.

Why is this important? The company and analysts use this data as a proxy for gun sales and hence SWHC revenue. This data is watched closely each month and at least some of the sell-side analysts base their opinions on the monthly trends. We’ve taken the data on step further.

We developed a multi-variate regression analysis to predict the monthly-adjusted NICS data. There are six proprietary independent variables. The forecast has an r-squared of 87% and as you can see in Figure 2 (below) the forecast in the red line, quite accurately predicts the monthly changes in data while also rising steadily matching the actual reported data (green line). It also confirms statistically what the company has said about the seasonal component of the data. It does indeed rise early in the year driven by tax refunds and at the end of the year driven by hunting season and the Holidays. You can see the large spike last year driven by the reaction to the Newtown shooting which we estimate increased background checks for people trying to buy guns beyond what it would have normally been by 2 million or 14%.

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Figure 2 – Smith & Wesson Holding Corp – Monthly NICS data 2008-Present including our forecast



Source: NSSF and Litchfield Hills Research, LLC

We have put the NICS data on an annual basis to match SWHC, fiscal year as shown in Figure 3 (below). It shows that we expect NICS data to fall in 2014 by 13.6% before rebounding in 2015 by 10.5%. The last time that NICS data fell on an annual basis 2010 and in that fiscal year, the backlog and sales of pistols and revolvers fell at SWHC. We do not think that FY2014 sales will be below FY2013 because of the enormous backlog, but sales growth is unlikely to show much more than single digit growth for that and other reasons.

Figure 3 – Smith & Wesson Holding Corp – Actual And Forecast adjusted NICS data

Fiscal Year Ending April	Adjusted NICS data	Change year-over-year
2009	9,767,278	NA
2010	9,172,582	(6.1%)
2011	9,862,400	7.5%
2012	11,516,343	16.8%
2013	15,583,882	35.3%
2014E	13,465,842	(13.6%)
2015E	14,882,329	10.5%

Source: NSSF and Litchfield Hills Research, LLC

Overview

It is hard to imagine that investors do not know what SWHC makes, and the company's product catalog does a better job than we can, even so, we are including a description of the company.

Smith & Wesson Holding Corporation, ("S&W") is one of the world's major manufacturers of firearms. They manufacture a wide array of products including handguns, long guns, handcuffs,



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and firearm-related products for a wide variety of customers in the United States and throughout the world. They sell their products under the Smith & Wesson brand, the M&P brand, the Thompson/Center Arms brand, and the Performance Center brand. Their manufacturing facilities are in Springfield, Massachusetts and Houlton, Maine.

Products and Services

Handguns

S&W manufactures an extensive variety of handgun models that include revolvers and pistols. They produce a wide range of sizes from small-frame, concealed-carry revolvers, to large-frame for hunting. Law enforcement personnel and personal defense-minded citizens have carried the small-frame revolvers for over 160 years. Their revolvers are available in a variety of models and calibers, with applications in many professional and personal markets.

The full size and compact M&P pistol products have been engineered with input from many agencies and are designed to meet the standards of police and military personnel, as well as attract consumers. Their range of full size and compact M&P pistol products are made with a polymer frame, a rigid stainless steel chassis, and rust resistant finish stainless steel barrel and slide. The M&P pistol products feature grips in three sizes, allowing the user to customize grips in a matter of seconds; a passive trigger safety to prevent the pistol from firing if dropped; an enlarged trigger guard to accommodate gloved hands; a sear lever release that eliminates the need to press the trigger in order to disassemble the firearm; an ambidextrous slide stop and reversible magazine release; an optional internal locking system and magazine safety; and a universal equipment rail to allow the addition of accessories, including tactical lights and lasers.

The Smith & Wesson Performance Center has been providing products and services for firearm enthusiasts since 1990. To meet the requirements of even the most demanding client, the Performance Center personnel conceptualize, engineer, and construct firearm products from the ground up.

S&W's "Classics" department makes it possible to own historic firearms that are manufactured today but modeled after original favorites, such as the Model 29. Their Classics department also makes commemorative firearms and one-of-a-kind custom firearms. They offer a number of catalog variations of Classics and engraved Classics to their customers.

Long Guns

The M&P branded modern sporting rifles are specifically designed to satisfy the functionality and reliability needs of global military, law enforcement, and security personnel, though are also popular as hunting and sporting target rifles in four different calibers (.22LR, 5.56mm NATO (.223), .300 Whisper and a .308 Winchester (7.62x51mm)). S&W also offers upper assemblies so gun owners can modify their M&P to suit the various forms of sport shooting and hunting. Their product portfolio of modern sporting rifles includes a lower price-point sport model to models designed for the exclusive use of military and law enforcement agencies throughout the world. They manufacture two lines of bolt-action rifles under the Thompson/Center Arms brand consisting of several models in each line. These long guns are offered in 16 different calibers.

Under the Thompson/Center Arms brand, they also offer seven high-quality models of American-made single shot "black powder," or "muzzle loader," firearms.

They offer eight models of interchangeable, single shot firearm systems that deliver numerous gun, barrel, caliber configurations, and finishes. These systems can be configured as a center-fire rifle, rim-fire rifle, shotgun, black powder firearm, or single-shot handgun for use across the entire range of big- and small-game hunting. Firearm owners can easily change barrels, stocks, and



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forends, to suit various types of hunting or target practice.

Other Products and Services

Parts and Accessories

S&W sells parts and accessories to supplement their firearm business. The major products included in parts and accessories include barrels, magazines, and scope and sight kits that are manufactured by S&W or purchased through third parties.

Handcuffs

S&W is one of the largest manufacturers of handcuffs and restraints in the United States. The patented Lever Lock cuffs offer a new, double-locking system for added security and comfort, with no extra tools or keys. Double heat-treated internal locks help prevent tampering and smooth ratchets allow for swift cuffing and an extra measure of safety. Customers are able to customize handcuffs to fit specifications.

Smith & Wesson Academy

Established in 1969, the Smith & Wesson Academy is the nation's oldest private law enforcement training facility. The Smith & Wesson Academy has trained law enforcement personnel from all 50 states and more than 50 foreign countries. Classes are conducted at its facility in Springfield, Massachusetts or on location around the world. Through the Academy, they offer state-of-the art instruction designed to meet the training needs of law enforcement and security customers worldwide.

Customers

We estimate that the domestic non-military firearm market is approximately \$2.1 billion for handguns and \$2.2 billion for long guns, excluding shotguns, with S&W's market share being approximately 16.9% and 10.6%, respectively. According to 2011 reports by the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives ("ATF"), the U.S. firearm manufacturing industry had an annual grown rate of 12% from 2006 through 2011.

S&W sells their products and services through a variety of federally licensed distribution channels. The ultimate users of the firearm products include gun enthusiasts, collectors, sportsmen, competitive shooters, hunters, individuals desiring home and personal protection, law enforcement and military personnel and agencies, and other government organizations. During fiscal 2013, 8% of sales were to different levels of government agencies, 3% of sales were international customers; and the remaining 89% of sales were to domestic consumers. Domestic sales are primarily made to distributors that sell to licensed dealers that in turn sell to the end user

Retail

They operate an online retail store from which they sell Smith & Wesson, M&P, and Thompson/Center Arms firearms accessories, branded products, apparel, and related shooting supplies.

Manufacturing

S&W has two manufacturing facilities for its firearm products: a 575,000 square-foot facility located in Springfield, Massachusetts and a 38,000 square-foot facility located in Houlton, Maine. The handgun and long gun manufacturing and most of the specialty service activities is done at the Springfield, Massachusetts facility; while the Houlton, Maine facility is used mainly for the production of PPK handguns (through the end of FY2014), handcuffs, and other restraint devices. Both facilities are ISO 9001 certified. Most of the machining and all of the assembly, inspection,



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and testing of the firearms are manufactured at one of the facilities. Every Smith & Wesson-branded firearm is test fired before shipment. Both facilities are currently operating on two shift patterns; a four shift, 168 hour per week schedule and a three shift, 120 hour per week schedule.

Suppliers

Although S&W manufactures most of their components, certain components and parts are purchased from third parties, including but not limited to polymer pistol frames, bolt carriers, rifle receivers, magazines, small parts, barrels, and rifle stocks, as well as ammunition for product testing. Most of the suppliers are U.S.-based. They are dependent on a small number of key vendors that supply components and parts for the firearms to enhance manufacturing flexibility by using third parties that can better react to changes in market conditions.

Competition

A small number of well-known companies dominate the firearm industry but there is competition from both domestic and foreign manufacturers. Some competitors manufacture a wide variety of firearms as well, while the majority of its competitors manufacture only certain types of firearms. S&W is one of the largest manufacturers of handguns, long guns, and handcuffs in the United States.

The primary competitors are Sturm Ruger (RGR-NR) and Taurus in the revolver market and Beretta, Glock, Heckler & Koch, Ruger, Sig Sauer, and Springfield Armory in the pistol market. Bushmaster, Rock River, Stag Arms, and DPMS in the modern sporting rifle market and Browning, Marlin, Remington, Ruger, Savage, Weatherby, CVA, Traditions, and Winchester in the hunting rifle market.

Peerless Handcuff Company is the only major handcuff manufacturer with significant market share in the United States that directly competes with S&W. S&W sells nearly 95% of its handcuffs and restraints in the United States.

Employees

As of May 31, 2013, they had 1,475 full-time employees; 1,218 are engaged in manufacturing, 82 in sales and marketing, 37 in finance and accounting, 39 in research and development, 40 in information services, and 59 in various executive or other administrative functions. None of the employees is represented by a union in collective bargaining with the company.

Executive Officers

P. James Debney has been President and Chief Executive Officer and a member of the board of directors since September 2011. He was Vice President of S&W from April 2010 until September 2011, and President of the firearm division from November 2009 until September 2011. Mr. Debney was President of Presto Products Company, a \$500 million business unit of Alcoa Consumer Products, a manufacturer of plastic products, from December 2006 until February 2009.

Jeffrey D. Buchanan has served as Executive Vice President, Chief Financial Officer, and Treasurer since January 2011. Mr. Buchanan served as Secretary of S&W from January 2011 until April 2012. Mr. Buchanan served as a director from November 2004 until December 2010. He was of counsel to the law firm of Ballard Spahr LLP from May 2010 until December 2010. Mr. Buchanan served as a Senior Managing Director of CKS Securities, LLC from August 2009 until May 2010.

Michael J. Brown has served as Vice President, U.S. Sales since April 2012. Mr. Brown served as Vice President Sporting Goods Sales of S&W from August 2010 until April 2012. He was President of Camfour, Inc., a shooting sports distributor, from June 2000 until August 2010, and General Manager from June 1998 until June 2000. He is also a past Director of the National Shooting Sports Foundation and past Chairman of the National Association of Sporting Goods Wholesalers, both



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non-profit trade associations.

Robert J. Cicero has served as Vice President and General Counsel since October 2011 and Chief Compliance Officer and Secretary since April 2012. Mr. Cicero was Associate General Counsel, Compliance Officer and Assistant Secretary of Chemtura Corporation from March 2009 until October 2011; Assistant General Counsel from July 2005 until March 2009; and Chief Counsel from September 2003 until July 2005.

Mario Pasantes has served as Senior Vice President, Marketing and International Sales since April 2011. Mr. Pasantes was Vice President of International Marketing from December 2010 until April 2011. He was European Managing Director of Alcoa Closure Systems International from March 2006 until October 2009 and Managing Director of Alcoa (UK) Consumer Products Ltd. from September 2001 until March 2006. Mr. Pasantes was Vice President, Market Development, Andean Division of The Coca-Cola Company from January 2000 until September 2001.

Mark P. Smith has served as Vice President of Manufacturing and Supply Chain Management since May 2011. Mr. Smith was Vice President of Supply Chain Management from May 2010 until May 2011. He was Director- Supply Chain Solutions for Alvarez & Marsal Business Consulting, LLC from April 2007 until April 2010. Mr. Smith held various positions for Ecolab, Inc., from March 2001 until April 2007, including Program Manager, Acquisition Integration Manager, Senior Manufacturing Planner, Plant Engineer, and Senior Production / Quality Supervisor.

Figure 4 - Smith & Wesson Holding Corporation

(\$ in thousands except per share)

April year-end	2012 Year	2013				2013 Year	2014E				2014E Year	2015E				2015E Year
	Q1	Q2	Q3	Q4	Q1	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Total revenue	\$411,997	\$135,995	\$136,560	\$136,242	\$178,717	\$587,514	\$171,020	\$135,500	\$147,300	\$162,830	\$616,650	\$166,295	\$143,100	\$156,200	\$177,725	\$643,320
<i>Growth</i>	20%	48%	48%	39%	38%	43%	26%	-1%	8%	-9%	5%	-3%	6%	6%	9%	4%
Cost of Goods	284,008	84,702	88,037	86,143	110,229	369,111	98,247	84,688	88,380	94,441	365,756	96,451	85,860	90,596	101,303	374,210
Gross Profit	127,989	51,293	48,523	50,099	68,488	218,403	72,773	50,813	58,920	68,389	250,894	69,844	57,240	65,604	76,422	269,110
Gross Margin	31.1%	37.7%	35.5%	36.8%	38.3%	37.2%	42.6%	37.5%	40.0%	42.0%	40.7%	42.0%	40.0%	42.0%	43.0%	41.8%
Research and development	\$4,543	\$1,143	\$1,278	\$942	\$1,388	\$4,751	\$1,358	\$1,400	\$1,400	\$2,200	\$6,358	\$2,300	\$2,400	\$2,400	\$2,400	\$9,500
% of total revenue	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%	1%	1%
Selling and Service	\$31,317	\$6,828	\$8,042	\$8,333	\$6,817	\$30,020	\$7,548	\$9,500	\$9,500	\$9,500	\$36,048	\$10,000	\$10,000	\$11,000	\$11,000	\$42,000
% of total revenue	8%	5%	6%	6%	4%	5%	4%	7%	6%	6%	6%	6%	7%	7%	6%	7%
General and administrative	\$47,213	\$12,026	\$12,579	\$12,776	\$13,417	\$50,798	\$15,853	\$18,000	\$18,500	\$19,000	\$71,353	\$19,000	\$20,000	\$21,000	\$21,000	\$81,000
% of total revenue	11%	9%	9%	9%	8%	9%	9%	13%	13%	12%	12%	11%	14%	13%	12%	13%
Total Operating Expenses	83,073	19,997	21,899	22,051	21,622	85,569	24,759	28,900	29,400	30,700	113,759	31,300	32,400	34,400	34,400	132,500
Operating Income	44,916	31,296	26,624	28,048	46,866	132,834	48,014	21,913	29,520	37,689	137,135	38,544	24,840	31,204	42,022	136,610
Operating Margin	10.9%	23.0%	19.5%	20.6%	26.2%	22.6%	28.1%	16.2%	20.0%	23.1%	22.2%	23.2%	17.4%	20.0%	23.6%	21.2%
Total Other Items	(5,901)	(1,619)	(970)	(1,192)	(1,146)	(4,927)	(6,566)	(2,000)	(2,000)	(2,000)	(12,566)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)
Pre-Tax Income	39,015	29,677	25,654	26,856	45,720	127,907	41,448	19,913	27,520	35,689	124,569	36,544	22,840	29,204	40,022	128,610
Pre-Tax Margin	9.5%	21.8%	18.8%	19.7%	25.6%	21.8%	24.2%	14.7%	18.7%	21.9%	20.2%	22.0%	16.0%	18.7%	22.5%	20.0%
Taxes (benefit)	12,582	10,807	9,253	9,350	17,090	46,500	14,922	7,169	9,907	12,848	44,846	12,790	7,994	10,221	14,008	45,013
Tax Rate	32.2%	36.4%	36.1%	34.8%	37.4%	36.4%	36.0%	36.0%	36.0%	36.0%	36.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Net Income (loss) cont. ops.	26,433	18,870	16,401	17,506	28,630	81,407	26,526	12,744	17,613	22,841	79,724	23,754	14,846	18,983	26,014	83,596
Net Margin	6.4%	13.9%	12.0%	12.8%	16.0%	13.9%	15.5%	9.4%	12.0%	14.0%	12.9%	14.3%	10.4%	12.2%	14.6%	13.0%
Tax affected impact of Disc. Ops	(10,328)	(1,083)	4,784	(2,930)	(3,465)	(2,694)	(55)	0	0	0	(55)	0	0	0	0	0
Comprehensive income/(loss)	16,105	17,787	21,185	14,576	25,165	78,713	26,471	12,744	17,613	22,841	79,669	23,754	14,846	18,983	26,014	83,596
Diluted EPS comp inc.	0.25	0.27	0.31	0.22	0.38	1.18	0.40	0.21	0.29	0.38	1.33	0.40	0.25	0.32	0.43	1.39
Diluted EPS cont. ops.	0.40	0.28	0.24	0.26	0.44	1.22	0.40	0.21	0.29	0.38	1.33	0.40	0.25	0.32	0.43	1.39
Diluted Shares Outstanding	67,277	66,798	67,274	66,421	65,450	66,642	65,622	60,300	60,310	60,000	60,000	60,010	60,020	60,030	60,040	60,025

Sources: Company reports and Litchfield Hills Research LLC.

Figure 5 - Smith & Wesson Corporation

(\$ in thousands except per share)

April year-end	FY2015E	FY2014E	FY2013	FY2012	FY2011
Balance sheet					
Current Assets					
Cash and S.T.I.	\$177,768	\$93,471	\$100,488	\$56,717	\$58,292
Accounts receivable	57,000	55,000	46,088	48,313	64,753
Inventories	66,000	65,000	62,998	55,296	51,720
Other assets	<u>24,000</u>	<u>23,000</u>	<u>19,993</u>	<u>30,388</u>	<u>28,846</u>
Total Current Assets	324,768	236,471	229,567	190,714	203,611
Net PP&E	120,000	120,000	86,382	60,528	62,390
Other non-current assets	<u>19,000</u>	<u>18,000</u>	<u>11,041</u>	<u>10,432</u>	<u>15,496</u>
Total Assets	<u>\$463,768</u>	<u>\$374,471</u>	<u>\$326,990</u>	<u>\$261,674</u>	<u>\$281,497</u>
Current Liabilities					
Accounts payable	\$38,000	\$35,000	\$31,220	\$28,618	\$40,119
Accrued expenses	\$51,000	\$50,000	\$51,373	\$20,685	\$25,356
Current portion LTD	\$2,000	\$1,300	\$0	\$0	\$30,000
Other current liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$34,042</u>	<u>\$26,819</u>
Total current liabilities	<u>91,000</u>	<u>86,300</u>	<u>82,593</u>	<u>83,345</u>	<u>122,294</u>
Notes payable	100,000	100,000	43,559	50,000	50,000
Other Liabilities	<u>20,000</u>	<u>19,000</u>	<u>19,538</u>	<u>15,485</u>	<u>16,471</u>
Total Liabilities	211,000	205,300	145,690	148,830	188,765
Stockholders' Equity					
Common stock	68	68	68	67	66
Additional paid-in-capital	206,000	206,000	199,120	189,379	185,373
Retained earnings	171,700	88,103	8,435	(70,279)	(86,384)
Cum. trans. adj. and treasury stock	<u>(125,000)</u>	<u>(125,000)</u>	<u>(26,323)</u>	<u>(6,323)</u>	<u>(6,323)</u>
Total stockholders' equity	<u>252,768</u>	<u>169,171</u>	<u>181,300</u>	<u>112,844</u>	<u>92,732</u>
Total Liabilities and equity	<u>\$463,768</u>	<u>\$374,471</u>	<u>\$326,990</u>	<u>\$261,674</u>	<u>\$281,497</u>

Sources: Company reports and Litchfield Hills Research LLC.

Disclosures:

Analyst Certification

I Theodore R. O'Neill, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company and the underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

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