Vista Outdoor Inc.
Form 10-K
May 18, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-36597
Vista Outdoor Inc.
(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| Delaware | 47-1016855 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 262 N University Ave | |
| Farmington, UT | 84025 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (801) 447-3000
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, par value $.01 | New York Stock Exchange |

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

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | |
|---|---|---|---|---|
| Large Accelerated Filer ý | Accelerated Filer o | Non-Accelerated Filer o (Do not check if a smaller reporting company) | Smaller reporting company o | Emerging growth company o |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

As of October 1, 2017, the aggregate market value of the registrant's voting common stock held by non-affiliates was approximately $1.3 billion (based upon the closing price of the common stock on the New York Stock Exchange on October 1, 2017).

As of May 7, 2018, there were 57,446,990 of the registrant's voting common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive Proxy Statement for the 2017 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Annual Report”) contains “forward-looking statements"” as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements give our current expectations or forecasts of future events. Forward-looking statements can be identified by words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “will,” “would,” “could,” “can,” “may,” and similar terms. Forward-looking statemen based on management's current expectations and assumptions regarding our business and performance, the economy and other future conditions and forecasts of future events, circumstances and results. Consequently, no forward-looking statements can be guaranteed. Actual results may vary materially. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. We caution you not to place undue reliance on any forward-looking statements. Numerous risks, uncertainties and other factors could cause our actual results to differ materially from expectations described in such forward-looking statements, including those discussed in Item 1A of this Annual Report as updated by any subsequent Quarterly Reports on Forms 10-Q and Current Reports on Form 8-K we file with the Securities and Exchange Commission (the “SEC”).

ITEM 1. BUSINESS

Certain business terms used in this document are defined in the “Glossary and Acronyms” found at the end of this section, and should be read in conjunction with our consolidated financial statements included in this report.

Our Company

Vista Outdoor is a leading global designer, manufacturer and marketer of consumer products in the outdoor sports and recreation markets. Vista Outdoor operates in two segments, Outdoor Products and Shooting Sports. Vista Outdoor is headquartered in Farmington, Utah and has 18 manufacturing operations and facilities in the United States, Canada, Mexico, and Puerto Rico along with international customer service, sales and sourcing operations in Asia, Australia, Canada, and Europe. Vista Outdoor was incorporated in Delaware in 2014.

We serve the outdoor sports and recreation markets through a diverse portfolio of over 50 well-recognized brands that provide consumers with a wide range of performance-driven, high-quality and innovative products, including sporting ammunition and firearms, golf rangefinders, hydration products, outdoor accessories, outdoor cooking solutions, outdoor sports optics, performance eyewear, protection for certain action sports, and stand up paddle boards. We serve a broad range of end consumers, including outdoor enthusiasts, hunters and recreational shooters, athletes, as well as law enforcement and military professionals. Our products are sold through a wide variety of mass, specialty and independent retailers and distributors, such as Academy, Amazon, Bass Pro Shops/Cabela's, Big Rock Sports, Dick's Sporting Goods, Sports South, Sportsman's Warehouse, Target, United Sporting Companies, and Walmart. We also sell certain of our products directly to consumers through the relevant brand's website.

Many of our brands have a rich, long-standing heritage, such as Federal Premium, founded in 1922, and Bushnell, founded in 1948. We believe this brand heritage supports our leading market share positions in multiple categories. For example, we believe we hold the No. 1 sales position in the U.S. markets for ammunition, binoculars, game calls, golf rangefinders, holsters, hydration packs/bottles, and trap throwing devices. To maintain the strength of our brands and drive revenue growth, we invest in product innovation to improve performance, quality, and affordability while providing world-class customer support to leading retail partners and end users. We have received numerous awards for product innovation by respected industry publications and for service from our retail customers. Additionally, high-profile professional sportsmen and athletes use and endorse our products, which influences the purchasing behavior of recreational consumers.

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Our brands in the Outdoor Products and Shooting Sports segments include the following:

| Outdoor Products | | Shooting Sports |
|---|---|---|
| Alliant Powder | GunMate | American Eagle |
| Bee Stinger | Gunslick Pro | Blazer |
| Bell | Hoppe's | Black Cloud |
| Blackburn | Jimmy Styks | CCI |
| BLACKHAWK! | Krash | Estate Cartridge |
| Bollé | M-Pro 7 | Federal Premium |
| Bushnell | Millett | Force on Force |
| Butler Creek | Night Optics | Fusion |
| C-Preme | Outers | Gold Dot |
| CamelBak | Primos | Gold Medal |
| Camp Chef | Raskullz | Lawman |
| Cébé | Redfield | Prairie Storm |
| Champion Target | Serengeti | Savage Arms |
| CoPilot | Simmons | Savage Range Systems |
| Eagle | Tasco | Speer |
| Final Approach | Uncle Mike's | Stevens |
| Giro | Weaver | Syntech |
| Gold Tip | | Valkyrie |

We have approximately 5,700 employees across four continents. We also source finished product both domestically and internationally for global distribution. Our supply chain and logistics infrastructure gives us the ability to serve a broad array of wholesale and retail customers, many of whom rely on us for services such as category management, marketing campaigns, merchandising and inventory replenishment. Our strong wholesale and retail relationships and diverse product offering provide a unique competitive advantage.

On May 1, 2018, Vista Outdoor announced its strategic business transformation plan, designed to allow the Company to focus resources on pursuing growth in its core product categories. The plan is a result of a comprehensive evaluation of the brands within our current portfolio based on their ability to serve the Company's target consumer; create cross-selling and other similar synergy opportunities; achieve market leading positions and leadership economics; and demonstrate omni-channel distribution capabilities. As a result of this evaluation, Vista Outdoor will focus on achieving growth through its market-leading brands in ammunition, hunting and shooting accessories, hydration bottles and packs, and outdoor cooking products.

The Company plans to explore strategic options for assets that fall outside of these core product categories, including its remaining Sports Protection brands (e.g. Bell, Giro, and Blackburn), Jimmy Styks paddle boards, and Savage and Stevens firearms. Vista Outdoor expects that the execution of this process will significantly reduce the Company's leverage, improve financial flexibility and the efficiency of its capital structure, and provide additional resources to reinvest in core product categories, both organically and through acquisition. We intend to begin the portfolio reshaping immediately, and anticipate executing any strategic alternatives by the end of fiscal year 2020.

Market Opportunity

We participate in the global market for consumer goods geared toward outdoor recreation and shooting sports. Spending on outdoor recreation products in the U.S., including the purchase of gear for bicycling, camping, fishing, hunting, motorcycling, off-roading, snow sports, trail sports, water sports and wildlife viewing, totaled $93 billion in 2016, according to the 2017 Outdoor Recreation Economy National Report issued by the Outdoor Industry

Association, which publishes data every five years. Examples of the sports and activities we target include archery, camping, cycling, golf, hiking, hunting, paddle boarding, snow skiing, target shooting, and wildlife watching. We believe the sporting goods and outdoor recreation sectors are lucrative global markets with the potential for future growth. We believe a greater awareness of, and participation in, outdoor sports and recreation has been a principal driver of this growth. We believe that long-term growth will be driven by positive shifts in consumer demographics utilizing our products, including increases in new, female and younger participants, and expanding interest in outdoor sports and shooting activities.

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## Outdoor Recreation Industry

The outdoor recreation and accessories industry represents a large focus area of our business. Examples of activities in this industry include archery, camping, cycling, golfing, hiking, hunting, outdoor cooking, water sports, wildlife watching, and winter sports. Our consumers often participate in more than one of these activities.

During the current fiscal year, we have seen a challenging retail environment as evidenced by recent bankruptcies and consolidation of some of our customers. This challenging retail environment has been caused by a shift in consumer preferences to online platforms, as well as other market pressures. Based on the current economic conditions and the sluggish retail environment in our market, we expect these conditions to continue into fiscal 2019. We believe that, in the long-term, the industry will continue to grow as we see increases in new, female and younger participants, and expanding interest in outdoor sports and shooting activities. We believe the fragmented nature of the outdoor recreation industry, combined with retail and consumer overlap with our existing businesses, present attractive growth opportunities. We hold a strong competitive position in the market-place, and we intend to further differentiate our brands through focused R&D and marketing investments, including increased use of social media and continuous updating of our brand websites as we strive to become our customers' brand of choice in their respective outdoor recreation activities. Growing market share will continue to be a focus as we execute our strategy of market segmentation by brand and channel and will introduce new products to accomplish this. We are continuing to expand our e-commerce presence to capitalize on the ongoing shift by consumers to online shopping and are leveraging the experience from our recent acquisitions to drive growth across business-to-business, dot com, dropship, and direct-to-consumer channels.

## Shooting Sports Industry

Shooting sports products currently represent approximately half of our sales. We design, develop, manufacture, and source ammunition, long guns and related equipment products. Among these categories, we derive the largest portion of our sales from ammunition, which is a consumable, repeat purchase product. During fiscal 2016 and in the first half of fiscal 2017, firearms and ammunition sales experienced an increase as more individuals entered the market and certain public and political events provided focus on the industry. During the later months of fiscal 2017 and continuing into fiscal 2018, we believe the market softened due to developments in the political environment. The shooting sports industry historically has been a cyclical business with previous market declines lasting 12–24 months. The current political climate, the timing of national elections, and other market factors may cause the current market downturn to last longer than prior cycles. We believe we are well-positioned to succeed in a difficult shooting sports market, given our scale and global operating platform, which we believe is difficult to replicate in the highly regulated and capital intensive ammunition manufacturing sector.

## Competitive Strengths

### Portfolio of Authentic Brands Focused on Outdoor Recreation and Shooting Sports

We have a diverse portfolio of outdoor recreation and shooting sports brands, many with long-standing, market-leading positions. We seek to maintain our brand strength by developing performance-enhancing innovations, introducing new products, engaging in product and brand marketing campaigns, and providing marketing support to our strategic channel partners. We target selling prices that balance our premium positioning with our focus on affordability to capture a large consumer base. Our brand strength and product innovations allow us to drive sales growth and deliver robust profit margins.

We employ a segmented brand strategy that leverages over 50 brands that are leaders in niche categories. This approach provides us with several competitive advantages:

- Strong brand recognition, with the ability to command a leading market share position across several categories. For example:

Federal Premium ammunition brand has a No. 1 market share in ammunition,

Savage Arms is a nationally recognized long gun brand among hunters and recreational shooters who desire quality at an affordable price,

Bushnell brand has a No. 1 market share in binoculars and golf rangefinders,

CamelBak is the leading provider of hydration system solutions for individuals in the hiking, cycling, and winter sports markets,

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Bell is a leading provider of helmets for individuals in the cycling market,

Giro is a leading provider of helmets for individuals in the cycling and winter sports markets,

BLACKHAWK! has a No. 1 market share in gun holsters, and

Hoppe's brand has a No. 1 market share in gun cleaning solutions and accessories.

• Better insight into consumer preferences and market dynamics through information sharing across our portfolio. For example, our strategic relationships with key accounts combined with our world-class customer service model deliver consumer insights into our aligned product development organization and process. This information helps us develop and maintain a robust new product pipeline.

• Increased presence and shelf space in our core retail channels. We are able to command more shelf space by offering a wide variety of brands.

Leading Innovation and Product Development Competencies

We believe our product development capabilities and intellectual property portfolio provide us with a strong competitive advantage. By applying our engineering and manufacturing expertise, we have been able to bring to market new and innovative products that maintain product differentiation while targeting affordability for our end consumers.

We have continuously invested in research and development ("R&D") and made disciplined investments in new technology to deliver sustainable growth and satisfy the evolving needs of our customers. We have leveraged our resources to help our brands develop a sophisticated R&D business process that we believe is difficult to replicate. Our current intellectual property portfolio includes approximately 700 patents, providing us with valuable proprietary trade secrets and technological know-how that we share across our platform. We employ approximately 115 dedicated design and product development professionals across the organization.

Recent examples of our innovative, market-leading products include:

- For the hunter, Federal Edge TLR (Terminal Long Range) produces improved long range accuracy and performance for big game hunting at long distances for best in class performance.
- For the competition shooter, Federal Gold Medal Berger provides match grade ballistics from factory ammunition. The most sought after bullets among competitors on the Precision Rifle Series (PRS) are now loaded into the industry's most trusted factory rifle ammunition.
- Primos' latest blind, Double Bull SurroundView™ 360° Blind is truly the Blind Without A Blind Spot™. It's constructed with exclusive one-way see-through walls that let you see all of your surroundings without being seen. It includes 180° full front shooting window, 5 shoot through ports and TRUTH camo specifically designed to hide ground blinds in any terrain allowing you to spot all the movement you miss with traditional blinds, yet remain just as concealed.
- Bushnell Golf, the No.1 Electronic Measuring Device brand in Golf, launched the Hybrid, the world's first laser rangefinder and GPS combo unit with a fully integrated display featuring both laser and GPS yardages. The Hybrid is packed with features including 400 yards range to flag, 5x magnification, PinSeeker with JOLT Technologies, Fast Focus system, and preloaded with 36,000+ courses in 30 countries making it the most advanced laser rangefinder/ GPS combo device in the golf market.

Proven Manufacturing, Global Sourcing, and Distribution Platform

We believe our state-of-the-art manufacturing expertise, leading sourcing and distribution capabilities, and high-quality retail, wholesale and distributor networks allow us to produce, deliver and replenish products in a more efficient and faster manner than our competitors. We believe this allows us to better meet the needs of our customers and end users. We operate 18 manufacturing facilities in the United States, Puerto Rico, Mexico and Canada. A large portion of our manufacturing requires rigorous adherence to regulatory standards and certification. These regulations provide high barriers to entry as they require significant capital investments and lengthy government approval processes to manufacture many of our high-volume products.

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Further, we believe that we leverage the scale and scope of our manufacturing operations to be the low-cost producer of many of our products.

Our business model incorporates strategic deployment and alignment of our key objectives and goals, which include stringent operational metrics to drive year-over-year quality improvements, on-time delivery, and operating efficiencies. We maintain a disciplined quality process and oversight to drive bottom line results and meet customer expectations. Additionally, our customer service model collects and incorporates consumer insight data, providing quality improvement opportunities.

Integrated supply chain management is core to our company. We procure large quantities of raw materials for our manufacturing operations and we leverage negotiating disciplines and production methods, with the objective of obtaining the best price and delivery available as well as low-cost conversion of raw materials into finished product. We also source finished product both domestically and internationally for global distribution. We continuously seek to improve our vendor base as well as our in-country support and oversight, and, through our integrated supply chain management process, we seek to provide year-over-year reductions in product costs. We believe the scope and scale of our sourcing network is not easily replicated.

We have a global presence, selling goods through our distribution network in North America, South America, Europe, Asia, and Australia. We continue to leverage and enhance the scale and automation of our consolidated North American distribution centers to decrease overall distribution costs.

We maintain positive relationships with our retail partners based on trust and professionalism. Our long-standing commitment to our customers, diverse product offering and focus on profitability for both our company and our retail partners have enabled us to gain shelf space and secure premium placement of our products at many major retailers. Our top retail and distributor partners include Academy, Amazon, Bass Pro Shops/Cabela's, Big Rock Sports, Dick's Sporting Goods, Sports South, Sportsman's Warehouse, Target, United Sporting Companies, and Walmart. For many of our top retail partners, our management team interfaces directly with their executives to ensure we are delivering the products our retailers need to meet the demands of the end user in the most efficient and profitable manner possible. Furthermore, we believe our scale is a unique competitive advantage that allows us to leverage our platform to efficiently and profitably service our largest retail customers. For example, we work with our key retail customers to develop marketing and advertising campaigns, provide inventory replenishment support, and organize product category merchandising plans. These capabilities give us an advantage as we believe few competitors offer this level of retail support or a more comprehensive product portfolio.

## Our Strategy

### Focus Our Resources on Core Product Categories

We aim to create sustained, profitable growth by focusing on and investing resources in our core product categories. Our core product categories are those that give us the opportunity to achieve leadership economics as a result of shared customers, costs, channels, capabilities, and competition.

### Capitalize on a Growing and Fragmented Market

We seek to capitalize on the growing and fragmented market opportunities in the outdoor recreation and shooting sports markets. We believe our scalable business platform, strong retail and wholesale relationships and product development capabilities position us to capture additional market share. We intend to utilize our existing infrastructure and manufacturing capabilities to support the growth of our retail customers, and we will continue to leverage our economies of scale and distribution capabilities to efficiently capture the upside potential related to increases in consumer demand.

Develop New and Innovative Products to Drive Organic Growth and Customer Loyalty

We intend to continue to drive organic growth and customer loyalty through the development of new and innovative products. We believe our outdoor enthusiast consumers demand the latest technologies and performance enhancements, which drives new consumer purchases or replacement purchases for older products. We expect that our product development strategy will enable us to grow sales, maintain or increase profit margins and preserve the strength of our brands.

We believe our integrated outdoor recreation and shooting sports platforms, leading brands and scale enable us to enhance the cost synergy potential and success of an acquisition by leveraging our customer relationships, sales and marketing resources, low-cost manufacturing and distribution network. We also believe our broad distribution network and retail partnerships can accelerate revenue growth in acquired companies.

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Leverage Relationships with Our Wholesale and Retail Channels

We have strong relationships with a number of leading wholesalers as well as mass and specialty retailers. We continuously strive to strengthen our relationships by working closely with each of our channel partners. This may include providing marketing support, supporting joint merchandising programs and managing inventory on our partners' behalf. We will continue to leverage these relationships to secure increased shelf space and premium product placement and to increase retailer sell-through of our products, including through expansion of our e-commerce platform. As a result, we expect to grow our market share.

Continuously Improve Operations

We have a strong focus on continuous improvement in all facets of our business, including engineering, product development, manufacturing, procurement, sales, distribution and administrative functions. We plan to leverage shared services and centers of excellence to drive efficiencies across business units. We use our business model, Vista Business System, to align functional execution to the goals of the enterprise and to implement these goals throughout the organization. We also use VBS to identify opportunities for process improvement and to implement and monitor quality and efficiency-focused refinements to our processes. We expect to continue to drive operational improvements in our legacy business areas, our recent acquisitions and in future acquired businesses to deliver improved competitive positions and margin improvement.

Business Operations

Operating Segments

Vista Outdoor operates through two operating segments: Outdoor Products and Shooting Sports. See Note 17, Operating Segment Information, to our consolidated financial statements for financial information regarding our segments.

Outdoor Products

The Outdoor Products product lines are action sports, archery/hunting accessories, camping, global eyewear and sport protection products, golf, hydration products, optics, shooting accessories, tactical products and water sports. Action sports includes helmets, goggles, and accessories for cycling, snow sports, action sports and powersports. Archery/hunting accessories include high-performance hunting arrows, game calls, hunting blinds, game cameras and waterfowl decoys. Camping products include our outdoor cooking solutions. Eyewear and sport protection products include safety and protective eyewear, as well as fashion and sports eyewear. Golf products include laser rangefinders. Hydration products include hydration packs and water bottles. Optics products include binoculars, riflescopes and telescopes. Shooting accessories products include reloading equipment, clay targets, and premium gun care products. Tactical products include holsters, duty gear, bags and packs. Water sports products include stand up paddle boards. Our Outdoor Products segment generated approximately 50% of our external sales in fiscal 2018.

Shooting Sports

The Shooting Sports segment designs, develops, produces, and sources ammunition and firearms for the hunting and sport shooting enthusiast markets, as well as ammunition for local law enforcement, the U.S. government and international markets. The Shooting Sports product lines include centerfire ammunition, rimfire ammunition, shotshell ammunition, reloading components and firearms. Our Shooting Sports segment generated approximately 50% of our external sales in fiscal 2018.

Customers and Marketing

Our primary customers are retailers and distributors who serve outdoor enthusiasts, hunters, recreational shooters and athletes, as well as law enforcement and military professionals. Sales to our top ten retailer and distributor customers accounted for approximately 37% of our consolidated net sales in fiscal 2018. In fiscal 2018, U.S. customers represented 67% of our sales, while international customers represented 23% and law enforcement and military professionals represented 10%. See Note 17, Operating Segment Information, to our consolidated financial statements for further information regarding our customers and geographic information regarding our sales. We believe the outdoor recreation and shooting sports industries are led by enthusiasts with a passion for reliable, high-performance products, who rely on a wide variety of media for opinions and recommendations about available products. We utilize third-party endorsements and purchased media to enhance the perception of our brands and products and to reinforce our leadership positions in the market. For example, we routinely garner coverage in leading print and digital trade and non-trade publications that include Field & Stream, Guns & Ammo and American Rifleman. We supplement this exposure with data-driven print advertising that is designed to maximize reach and return on

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investment. We have an industry-leading digital media presence that includes YouTube influencers and Range365, a Vista Outdoor Branded content site. Our approach is reaching the new and recreational target shooter audience while serving our core hunting audiences. Our integrated efforts include broadcast exposure on top networks and sponsorship of ratings-leading programming such as Bone Collector, Buckmasters, Guns & Ammo and Primos' Truth About Hunting. We also rely on brand ambassadors within the industry such as Michael Waddell, Jim Shockey, Rickie Fowler, and mainstream personalities such as Troy and Jacob Landry on the hit series Swamp People.

Quality Assurance

We maintain a disciplined quality assurance process. We set stringent metrics to drive year-over-year quality improvements. We also have a customer call center process, which allows us to collect important customer data, providing us with the opportunity to make improvements to our quality to ensure that our customers are satisfied with our customer service process.

Employees

We employ approximately 5,700 people. We operate 18 manufacturing facilities in the United States, Puerto Rico, Mexico, and Canada. We have union-represented employees at our Westfield, MA and Tijuana, Mexico locations, comprising approximately 5% of our total workforce. We have had no strikes or work stoppages during the last five years. We believe that our employee relations generally are good.

Competition

Competition in the markets in which we operate is based on a number of factors, including price, quality, product innovation, performance, reliability, styling, product features, and warranties, as well as sales and marketing programs. Significant competitors in the outdoor sporting market include Amer Sports, Johnson Outdoors, and Thule Group. Significant accessories competitors include major optics companies Nikon and Vortex and hydration system competitors including Hydro Flask, Contigo, and Nalgene. Significant ammunition competitors include Remington Arms, Winchester Ammunition of Olin Corporation, and various smaller manufacturers and importers, including Black Hills Ammunition, CBC Group, Fiocchi Ammunition, Hornady, PMC, Rio Ammunition, and Wolf. Significant firearms competitors include Marlin, Mossberg, Remington Arms, Ruger, Smith and Wesson, and Winchester.

Seasonality

Our business experiences a certain level of seasonality. Sales of our spring products and summer products, such as golf accessories, can be adversely impacted by unseasonably cold or wet weather in those periods. Sales of our premium hunting accessories are generally highest during the months of August through December due to shipments around the fall hunting season and holidays. Sales of sporting ammunition have historically been lower in our first fiscal quarter. Our winter sport accessories sales can be negatively impacted by unseasonably warm or dry weather in our markets.

Intellectual Property

In the highly competitive business in which we operate, our tradenames, service marks, and trademarks are important to distinguish our products and services from those of our competitors. We rely upon trade secrets, continuing technological innovations, and licensing arrangements to maintain and improve our competitive position. We also have a portfolio of approximately 700 U.S. and foreign patents, and we believe these patents, as well as unpatented research, development, and engineering skills, make important contributions to our business. We are not aware of any facts which would negatively impact our continuing use of any of our tradenames, service marks, trademarks, or patents.

Regulatory Matters

Like many other manufacturers and distributors of consumer products, we are required to comply with a wide variety of laws, rules, and regulations, including those surrounding labor and employment law, environmental law, consumer product safety, and the export and import of our products. These laws, rules and regulations currently impose significant compliance requirements on our business, and more restrictive laws, rules, and regulations may be adopted in the future. We believe we are in material compliance with all applicable domestic and international laws and regulations.

Our operations are subject to a variety of international, federal, state and local laws and regulations relating to environmental protection, including those governing the discharge, treatment, storage, transportation, remediation and disposal

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of hazardous materials and wastes, and restoration of damages to the environment, as well as health and safety matters. We believe that our operations are in material compliance with these laws and regulations and that forward-looking, proper and cost-effective management of air, land, and water resources is vital to the long-term success of our business. Our environmental policy identifies key objectives for implementing this commitment throughout our operations. We incur operating and capital costs on an ongoing basis to comply with environmental requirements, and could incur significant additional costs as a result of more stringent requirements that may be promulgated in the future.

Some environmental laws, such as the U.S. federal Superfund law and similar state laws, can impose liability, without regard to fault, for the entire cost of the cleanup of contaminated sites on current or former site owners and operators or parties who sent wastes to such sites. We are conducting investigation and/or remediation activities at certain of our current or former sites where impacts from historical operations have been identified. We also have been identified as a PRP, along with other parties, in regulatory agency actions associated with hazardous waste disposal sites. While uncertainties exist with respect to the amounts and timing of the ultimate environmental liabilities at these sites, based on currently available information, we do not currently expect these matters, individually or in the aggregate, will have a material adverse effect on our operating results, financial condition, or cash flows. We could incur substantial additional costs as a result of any additional obligations imposed or conditions identified at these or other sites in the future.

As a manufacturer and distributor of consumer products, we are subject to various domestic and international consumer product safety laws, such as the Consumer Products Safety Act, which empowers the Consumer Products Safety Commission to investigate and deem certain of our products as unsafe or hazardous. Under certain circumstances, the Consumer Products Safety Commission or similar international agencies could ask a court to require us to repurchase or recall one or more of our products. In addition, laws regulating certain consumer products exist in some cities and states, as well as in other countries in which we sell our products.

We are also subject to the rules and regulations of the ATF and various state and international agencies that control the manufacture, export, import, distribution, and sale of firearms, explosives, and ammunition. If we fail to comply with these rules and regulations, these agencies may limit our growth or business activities, or, in extreme cases, revoke our licenses to do business. Our business, as well as the business of all producers and marketers of ammunition and firearms, is also subject to numerous federal, state, local, and foreign laws, regulations and protocols. Applicable laws:

• require the licensing of all persons manufacturing, exporting, importing, or selling firearms and ammunition as a business;

• require serialization of new firearms, labeling and tracking the acquisition and disposition of firearms, certain types of ammunition, and certain related products;

• require background checks for purchasers of firearms;

• impose waiting periods between the purchase of a firearm and the delivery of a firearm;

• prohibit the sale of firearms to certain persons, such as those below a certain age and persons with criminal records;

• regulate the use and storage of gun powder or other energetic materials;

• regulate the interstate sale of certain firearms and ammunition;

• prohibit the interstate mail-order sale of firearms;

• regulate our employment of personnel with certain criminal convictions; and,

• restrict access to firearm or ammunition manufacturing facilities for certain individuals from other countries or with criminal convictions.

In some cases, the handling of our technical data and the international sale of our products is also regulated by the U.S. Department of State and Department of Commerce. These agencies oversee the export of our products including firearms, shotguns, ammunition, and night vision devices, amongst other products. In many instances, we must obtain export authorizations for international shipments. In addition, the ITAR requires congressional approval for any firearms export application with a total value of $1 million or higher. To date, most of our requests for export licenses have been approved.

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These agencies can impose civil and criminal penalties, including denying us from exporting our products, for failure to comply with applicable laws and regulations.

We are also regulated by the U.S. Department of Homeland Security, which handles the out-bound and in-bound movement of certain of our products, as well as components, parts, and materials used in our manufacturing processes. The agency can detain and seize shipments, as well as penalize us for failure to comply with applicable regulations. The agency also works closely with the Department of State and the Department of Commerce to ensure compliance in protection of national security.

Executive Officers

The following table sets forth certain information with respect to Vista Outdoor's executive officers as of the date of this Annual Report:

| Name | Age | Title |
|---|---|---|
| Christopher T. Metz | 52 | Chief Executive Officer |
| Miguel A. Lopez | 58 | Chief Financial Officer |
| Scott D. Chaplin | 51 | Senior Vice President, Legal, Human Resources, and Corporate Services |
| David D. Allen | 47 | Group President, Outdoor Products |
| Jason Vanderbrink | 40 | President, Ammunition |
| Albert F. Kasper | 60 | President, Firearms |

Each of the above individuals serves at the pleasure of the Board of Directors. No family relationship exists among any of the executive officers or among any of them and any director of Vista Outdoor. There are no outstanding loans from Vista Outdoor to any of these individuals. Information regarding the employment history (in each case with Vista Outdoor unless otherwise indicated) of each of the executive officers is set forth below.

Christopher T. Metz, age 52, has served as our Chief Executive Officer since October 2017. Prior to joining Vista Outdoor, Mr. Metz served as President and Chief Executive Officer of Arctic Cat Inc., a manufacturer of all-terrain vehicles, recreational off-road vehicles and snowmobiles, from December 2014 to March 2017. He served as a Managing Director of Sun Capital Partners, Inc. ("Sun Capital"), a global private equity firm, from 2005 to July 2014. Prior to joining Sun Capital, Mr. Metz worked for Black & Decker, a manufacturer of power tools, accessories, hardware, home improvement products, and technology based fastening systems, for over 13 years, serving in a variety of capacities, including President of its Hardware and Home Improvement Group from 1999 to 2005.

Miguel “Mick” A. Lopez, age 58, has served as our Chief Financial Officer since April 2018. Prior to joining Vista Outdoor, Mr. Lopez was most recently employed as the Chief Financial Officer of Veritas Technologies LLC ("Veritas Technologies"), an international data management company, from February 2016 to July 2017. Before joining Veritas Technologies, he served as the Chief Financial Officer of Harris Corporation, a technology company, defense contractor and information technology services provider, from February 2014 to January 2016. Prior to joining Harris Corporation, Mr. Lopez was the Chief Financial Officer of Aricent Group/KKR Private Equity, a global design and engineering company from November 2011 to December 2013. Mr. Lopez also served as the Vice President, Corporate Finance and Operations at Cisco Systems, a technology company that develops, manufacturers, and sells networking hardware, telecommunications equipment, and other technology services and products, from 2007 to 2011. Mr. Lopez is a certified public accountant.

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Scott D. Chaplin, age 51, has served as our Senior Vice President, Legal, Human Resources and Corporate Services since December 2017. Prior to this role, Mr. Chaplin served as the Senior Vice President, General Counsel and Secretary since February 2015. Mr. Chaplin served as Senior Vice President, General Counsel and Corporate Secretary of Orbital ATK, an aerospace manufacturer and defense industry company, from October 2012 through February 2015. Before joining Orbital ATK, he served as Senior Vice President, General Counsel and Corporate Secretary of Stanley, Inc., an information technology company, and before that as Vice President and General Counsel of BAE Systems Information Technology, which provides information technology consulting and systems engineering services to defense, security, and aerospace systems. From 1999 to 2004, he served as Vice President and General Counsel of DigitalNet, Inc., an information technology outsourcing company. He also worked as an adjunct professor of law at American University, Washington College of Law and as an attorney for Morgan, Lewis & Bockius LLP and Reed Smith LLP, both in Washington, D.C.

David D. Allen, age 47, has served as the Group President of the Company’s Outdoor Products segment since January 2017. Prior to this role, Mr. Allen served as Vista Outdoor’s Senior Vice President, Sales from the time he joined the company in May 2016. Prior to joining Vista Outdoor, Mr. Allen was President of Coleman USA, a company specializing in outdoor recreation products, for the Jarden Corporation from November 2013 to May 2016. He also served as the Senior Vice President for Sales and Marketing in the Americas for the Coleman Company from April 2012 to November 2013 and as Senior Vice President and General Manager for Jarden Outdoor Solutions, which manufactures or sources, markets, and distributes global consumer active lifestyle products for outdoor and outdoor-related activities from January 2011 to April 2012. Mr. Allen also held leadership positions in customer development for Alberto Culver, Unilever North America and Unilever Europe. Mr. Allen currently serves on the board of the Congressional Sportsmen's Foundation and as a Director of the Western Golf Association.

Jason Vanderbrink, age 40, has served as our President, Ammunition since November 2017. Previously, Mr. Vanderbrink served as the Company’s Senior Vice President, Sales, since January 2017. He joined Vista Outdoor’s sales organization in 2005, and has held roles with increasing responsibility, including Vice President, Retail Sales for all of the Company’s brands from 2013 to January 2017 and Director of Sales from 2010 to 2013. Mr. Vanderbrink has more than 17 years of experience in the outdoor industry, including five years with The Cullerton Company, a wholesaler of sporting and recreational goods, physical fitness equipment, and accessories.

Albert F. Kasper, age 60, has served as our President, Firearms since November 2017. Previously, Mr. Kasper served as the Company’s Vice President, Firearms since June 2013. From 2001 to 2013, Mr. Kasper served as President and Chief Operating Officer of Savage Sports Corporation ("Savage"), prior to Orbital ATK’s 2013 acquisition of Caliber Company (parent company of Savage). Mr. Kasper joined Savage in 1996 as its Vice President and Chief Financial Officer. Prior to joining Savage, he worked as a Group Controller and Operations Manager for The Conair Group, Inc., a supplier of auxiliary equipment and solutions for plastics processors, and an Operations Manager for divisions of Danaher Corporation, which designs, manufactures, and markets industrial, healthcare, and consumer products, and United Technologies Corporation, which researches, develops, and manufactures products in various areas, including aircraft engines, aerospace systems, HVAC, elevators and escalators, fire and security, building systems, and industrial products.

Corporate History

Vista Outdoor was formed as a Delaware corporation on February 9, 2015, pursuant to the spin-off by ATK of its Sporting Group business to ATK stockholders (the “Spin-Off”).

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Available Information

You can find reports on our company filed with the SEC on our internet site at www.vistaoutdoor.com under the "Investor Relations" heading free of charge. These include our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We make these reports available as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. You can also obtain these reports from the SEC's Public Reference Room, which is located at 100 F Street NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room is available by phone (1-800-SEC-0330) or on the internet (www.sec.gov). This site contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

The content on any website referred to in this Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted.

Glossary and Acronyms

Bushnell: Refers to Bushnell Group Holdings, Inc.

2014 Credit Agreement: Refers to the Vista Outdoor Inc. Credit Agreement, dated as of December 19, 2014 among Vista Outdoor Inc., Bank of America, N.A. and the Lenders party thereto.

Credit Agreement: Refers to the Vista Outdoor Inc. Amended and Restated Credit Agreement, dated as of April 1, 2016, among Vista Outdoor Inc., Bank of America, N.A. and the Lenders party thereto, as amended from time to time.

2017 Credit Agreement Amendment: Refers to the amendment dated May 9, 2017 to the Vista Outdoor Inc. Amended and Restated Credit Agreement among Vista Outdoor Inc., Bank of America, N.A. and the Lenders party thereto.

Form 10: Registration Statement filed by Vista Outdoor on Form 10, as amended on January 16, 2015.

Lake City: Refers to the Lake City Army Ammunition Plant operated by a subsidiary of OrbitalATK.

Merger: Refers to a subsidiary of ATK merging with and into Orbital Sciences Corporation with Orbital Sciences Corporation surviving the Merger as a wholly owned subsidiary of ATK, immediately following the Spin-Off.

Orbital ATK: Refers to Alliant Techsystems Inc. (ATK) prior to February 9, 2015 and to Orbital ATK for periods subsequent to February 9, 2015.

Savage Arms: Refers to Caliber Company, parent company of Savage Sports Corporation.

Spin-Off: Refers to Orbital ATK's completion of the spin-off of its Sporting Group into Vista Outdoor.

Transaction Agreement: Refers to the Transaction Agreement, dated as of April 28, 2014, among Alliant Techsystems Inc., Vista Outdoor Inc., Vista Merger Sub Inc. and Orbital Sciences Corporation.

Vista Outdoor, the Company, we, our, and us: Refers to Vista Outdoor Inc. for disclosures relating to periods subsequent to February 9, 2015. For disclosures relating to periods prior to February 9, 2015, refers to the ATK Sporting Group.

ATF: Bureau of Alcohol, Tobacco, Firearms and Explosives

DMD: Domestic manufacturing deduction

EAR: Export Administration Regulations

ITAR: International Traffic in Arms Regulations

M&A: Mergers & Acquisitions

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MSR: Modern Sporting Rifle

NSSF: National Shooting Sports Foundation

PRP: potentially responsible party

R&D: research and development

SEC: Securities and Exchange Commission

SFIA: Sports & Fitness Industry Association

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## ITEM 1A. RISK FACTORS

We operate in a rapidly changing business environment that involves numerous risks and uncertainties. The following discussion addresses risks and uncertainties that could cause, or contribute to causing, our actual results to differ from our expectations in material ways. These risks and uncertainties, or other events that we do not currently anticipate or that we currently deem immaterial also may affect our results of operations, cash flows and financial condition. The trading price of our common stock could also decline due to any of these risks. The following information should be read in conjunction with Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report.

Competition in our industry may hinder our ability to execute our business strategy, achieve profitability or maintain relationships with existing customers.

We operate in a highly competitive industry and we compete against other manufacturers that have well-established brand names and strong market positions. Significant competitors in the outdoor sporting market include Amer Sports, Johnson Outdoors, and Thule Group. Significant accessories competitors include major optics companies Nikon and Vortex and hydration system competitors including Hydro Flask, Contigo, and Nalgene. Significant ammunition competitors include Remington Arms, Winchester Ammunition of Olin Corporation, and various smaller manufacturers and importers, including Black Hills Ammunition, CBC Group, Fiocchi Ammunition, Hornady, PMC, Rio Ammunition, and Wolf. Significant firearms competitors include Marlin, Mossberg, Remington Arms, Ruger, Smith and Wesson, and Winchester.

Competition in the markets in which we operate is based on a number of factors, including price, quality, product innovation, performance, reliability, styling, product features and warranties, as well as sales and marketing programs. Competition could cause price reductions, reduced profits or losses or loss of market share, any of which could have a material adverse effect on our business, financial condition or results of operations. Certain of our competitors may be more diversified than us or may have financial and marketing resources that are substantially greater than ours, which may allow them to invest more heavily in intellectual property, product development and advertising. Since many of our competitors also source their products from third parties, our ability to obtain a cost advantage through sourcing is reduced.

Certain of our competitors may be willing to reduce prices and accept lower profit margins to compete with us. Further, retailers often demand that suppliers reduce their prices on mature products, which could lead to lower margins.

Internationally, our products typically face more competition where foreign competitors manufacture and market products in their respective countries. This allows those competitors to sell products at lower prices, which could adversely affect our competitiveness. In addition, our products compete with many other sporting and recreational products for the discretionary spending of consumers. Failure to effectively compete with these other competitors or alternative products could have a material adverse effect on our performance.

Our revenues and results of operations may fluctuate unexpectedly from quarter-to-quarter, which may cause our stock price to decline.

Our revenues and results of operations have varied significantly in the past and may vary significantly in the future due to various factors, including, but not limited to:

• market acceptance of our products and services;

• the timing of large domestic and international orders;

• cancellation of existing orders;

• the outcome of any existing or future litigation;

• adverse publicity surrounding our products, the safety of our products or the use of our products;

• changes in our sales mix;

• new product introduction costs;

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• complexity in our integrated supply chain;

• increased raw material expenses;

• changes in amount and/or timing of our operating expenses; and

• changes in laws and regulations that may affect the marketability of our products.

As a result of these and other factors, we believe that period-to-period comparisons of our results of operations may not be meaningful in the short term, and our performance in a particular period may not be indicative of our performance in any future period.

Our results of operations could be materially harmed if we are unable to forecast demand for our products accurately.

We often schedule internal production and place orders for products with third party suppliers before receiving firm orders from our customers. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products to deliver to our customers. Factors that could affect our ability to accurately forecast demand for our products include:

• an increase or decrease in consumer demand for our products or for the products of our competitors;

• our failure to accurately forecast customer acceptance of new products;

• new product introductions by competitors;

• changes in our relationships with customers;

• changes in general market conditions or other factors, which may result in cancellations of orders or a reduction or increase in the rate of reorders placed by retailers;

• changes in laws and regulations governing the activities for which we sell products, such as hunting and shooting sports;

• weak economic conditions or consumer confidence, which could reduce demand for discretionary items such as our products; and

• the domestic political environment, including debate over the regulation of firearms, ammunition and related products.

Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could have an adverse effect on our business, financial condition or results of operations. If we underestimate demand for our products, our manufacturing facilities or third party suppliers may not be able to create products to meet customer demand, and this could result in delays in the shipment of products and lost revenues, as well as damage to our reputation and customer relationships. We may not be able to manage inventory levels successfully to meet future order and reorder requirements.

Our sales are highly dependent on purchases by several large retail customers, and we may be adversely affected by the loss of, or any significant decline in sales to, one or more of these customers.

The U.S. retail industry serving the outdoor recreation market has become relatively concentrated. Sales to the top ten retail customers accounted for approximately 37% of our consolidated net sales in the fiscal year 2018. Further consolidation in the U.S. retail industry could increase the concentration of our retail store customer base in the future.

Although we have long-established relationships with many of our retail customers, as is typical in the markets in which we compete, we do not have long-term purchase agreements with our customers. As such, we are dependent on individual purchase orders. As a result, these retail customers would be able to cancel their orders, change purchase quantities from forecast volumes, delay purchases, change other terms of our business relationship or cease to purchase our products entirely. The loss of any one or more of our retail customers or significant or numerous cancellations, reductions, delays in purchases or changes in business practices by our retail customers could have an adverse effect on our business, financial condition or results of operations including but not limited to reductions in sales volumes and profits, inability to collect receivables, and increases in inventory levels.

We rely on Orbital ATK for certain of our ammunition products.

We currently have agreements with a subsidiary of Orbital ATK pursuant to which such subsidiary will manufacture and supply certain of our requirements for ammunition products. Pursuant to an ammunition agreement that is effective for the period from February 10, 2018, through September 30, 2020, Orbital ATK has the option to sell ammunition products to other commercial customers under certain circumstances at a price not lower than the price it offers to us.

The ability of Orbital ATK to sell small-caliber ammunition products manufactured at its Lake City plant to any customer, including the U.S. Department of Defense may create an incentive for us to place a large advance order. Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could have an adverse effect on our business, financial condition or results of operations.

We may not be able to renew our agreements with Orbital ATK beyond their term, we may be adversely impacted by the terms provided in the agreements with Orbital ATK and we may not be able to source ammunition products from another supplier on favorable terms or at all. If we fail to maintain an adequate supply of ammunition products, our business, financial condition or results of operations could be adversely affected.

Significant supplier capacity constraints, supplier production disruptions, supplier quality issues or price increases could increase our operating costs and adversely impact the competitive positions of our products.

Our reliance on third party suppliers for various product components and finished goods exposes us to volatility in the availability, quality and price of these product components and finished goods. A disruption in deliveries from our third party suppliers, capacity constraints, production disruptions, price increases or decreased availability of raw materials or commodities could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs. Quality issues experienced by third party suppliers can also adversely affect the quality and effectiveness of our products and result in liability and reputational harm.

We may need to raise additional capital, and we cannot be sure that additional financing will be available.

We will need to fund our ongoing working capital, capital expenditure and financing requirements through cash flows from operations and new sources of financing. Our ability to obtain future financing will depend on, among other things, our financial condition and results of operations as well as on the condition of the capital markets or other credit markets at the time we seek financing. Increased volatility and disruptions in the financial markets could make it more difficult and more expensive for us to obtain financing. We cannot assure you that we will have access to the capital markets or other credit markets on terms we find acceptable or at all.

The terms of the agreements governing our debt restrict our current and future operations, particularly our ability to incur debt that we may need to fund initiatives in response to changes in our business, the industries in which we operate, the economy and governmental regulations.

We face risks relating to our international business that could adversely affect our business, financial condition or results of operations.

Our ability to maintain the current level of operations in our existing international markets and to capitalize on growth in existing and new international markets is subject to risks associated with our doing business internationally, including:

• issues related to managing international operations;

• potentially adverse tax developments;

• lack of sufficient protection for intellectual property in some countries;

• currency exchange;

• import and export controls;

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• social, political and economic instability in the countries in which we operate;

• local laws and regulations, including those governing labor, product safety and environmental protection;

• changes to international treaties and regulations; and

• limitations on our ability to efficiently repatriate cash from our foreign operations.

Any one or more of these risks could adversely affect our business, financial condition or results of operations.

Failure to comply with the U.S. Foreign Corrupt Practices Act or other applicable anti-corruption legislation, as well as export controls and trade sanctions, could result in fines or criminal penalties.

The international nature of our business exposes us to trade sanctions and other restrictions imposed by the United States and other governments. The U.S. Departments of Justice, Commerce, Treasury and other agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against companies for violations of the Foreign Corrupt Practices Act ("FCPA"), export controls, anti-boycott provisions and other federal statutes, sanctions and regulations and, increasingly, similar or more restrictive foreign laws, rules and regulations, which may also apply to us. In recent years, U.S. and foreign governments have increased their oversight and enforcement activities with respect to these laws and we expect the relevant agencies to continue to increase their enforcement efforts.

In foreign countries in which we have operations, a risk exists that our associates, contractors or agents could, in contravention of our policies, engage in business practices prohibited by U.S. laws and regulations applicable to us, such as the FCPA, or the laws and regulations of other countries, such as the UK Bribery Act. We maintain a policy/Our Code of Business Ethics prohibiting such business practices. Nevertheless, we remain subject to the risk that one or more of our associates, contractors or agents, including those based in or from countries where practices that violate such U.S. laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could adversely affect our business or financial performance and our reputation.

In addition, protectionist trade legislation in either the United States or foreign countries, including changes in the current tariff structures, export or import compliance laws, or other trade policies, could reduce our ability to sell our products in foreign markets, the ability of foreign customers to purchase our products, and our ability to import components, parts, and products from foreign suppliers. The President of the United States has proposed significant changes in trade policies, including tariffs and government regulations affecting trade between the United States and other countries where we source many of the products we sell. Potential changes which are being contemplated include the renegotiation or termination of trade agreements and the imposition of higher tariffs on imports into the United States. Any such actions could increase the cost to us of such merchandise (whether imported directly or indirectly) and cause increases in the prices at which we sell such merchandise to our customers, which could materially adversely affect the financial performance of our business.

By virtue of these laws and regulations we may be obliged to limit our business activities, we may incur costs for compliance programs and we may be subject to enforcement actions or penalties for noncompliance. A violation of these laws, sanctions or regulations could result in restrictions on our exports, civil and criminal fines or penalties and could adversely impact our business, financial condition or results of operations.

Seasonality and weather conditions may cause our results of operations to vary from quarter to quarter.

Because many of the products we sell are used for seasonal outdoor sporting activities, our results of operations may be significantly impacted by unseasonable weather conditions. For example, our winter sport accessories sales are dependent on cold winter weather and snowfall, and can be negatively impacted by unseasonably warm or dry weather. Conversely, sales of our spring products and summer products, such as golf accessories, can be adversely impacted by unseasonably cold or wet weather. Accordingly, our sales results and financial condition will typically suffer when weather patterns do not conform to seasonal norms.

Sales of our hunting accessories are highest during the months of August through December due to shipments around the fall hunting season and holidays. In addition, sales of our ammunition have historically been lower in our first fiscal quarter. The seasonality of our sales may change in the future. Seasonal variations in our results of operations may reduce our cash on hand, increase our inventory levels and extend our accounts receivable collection periods. This in turn may cause us to increase our debt levels and interest expense to fund our working capital requirements.

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Our success depends upon our ability to introduce new compelling products into the marketplace and respond to customer preferences.

Our efforts to introduce new products into the marketplace may not be successful, and any new products that we introduce may not result in customer or market acceptance. We both develop and source new products that we believe will match customer preferences. The development of new products is a lengthy and costly process and may not result in the development of a successful product. In addition, the sourcing of our products is dependent, in part, on our relationships with our third party suppliers. If we are unable to maintain these relationships, we may not be able to continue to source products at competitive prices that both meet our standards and appeal to our customers. Failure to develop or source and introduce new products that consumers want to buy could decrease our sales, operating margins and market share and could adversely affect our business, financial condition or results of operations.

Even if we are able to develop or source new products, our efforts to introduce new products may be costly and ineffective. When introducing a new product, we incur expenses and expend resources to market, promote and sell the new product. New products that we introduce into the marketplace may be unsuccessful or may achieve success that does not meet our expectations for a variety of reasons, including failure to predict market demand, delays in introduction, unfavorable cost comparisons with alternative products and unfavorable performance. Significant expenses related to new products that prove to be unsuccessful for any reason will adversely affect our results of operations.

Customer preferences include the choice of shopping channel. We may not be able to successfully respond to shifting preferences of the end consumer from brick and mortar retail to online retail. Our efforts to introduce new sales channels to respond to such a shift may be costly and ineffective.

Some of our products contain licensed, third party technology that provides important product functionality and features. The loss or inability to obtain any such license could have a material adverse effect on our business.

Our products may contain technology licensed from third parties that provides important product functionality and features. We cannot assure you that we will have continued access to this technology. For example, if the licensing company ceases to exist, either from bankruptcy, dissolution or purchase by a competitor, we may lose access to important third party technology and may not be able to obtain replacement technology on favorable terms or at all. In addition, legal actions, such as intellectual property actions, brought against the licensing company could impact our future access to the technology. Any of these actions could negatively impact our technology licensing, thereby reducing the functionality and features of our products, and adversely affect our business, financial condition or results of operations.

We manufacture and sell products that create exposure to potential product liability, warranty liability or personal injury claims and litigation.

Some of our products are used in applications and situations that involve risk of personal injury and death. Our products expose us to potential product liability, warranty liability or personal injury claims and litigation relating to the use or misuse of our products including allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product or activities associated with the product, negligence and strict liability. If successful, such claims could have a material adverse effect on our business.

Defects in our products could reduce demand for our products and result in a decrease in sales and market acceptance and damage to our reputation.

Complex components and assemblies used in our products may contain undetected defects that are subsequently discovered at any point in the life of the product. In addition, we obtain many of our products and component parts from third party suppliers and may not be able to detect defects in such products or component parts until after they are sold. Defects in our products may result in a loss of sales, recall expenses, delay in market acceptance and damage to our reputation and increased warranty costs, which could have a material adverse effect on our business, financial condition or results of operations.

Although we maintain product liability insurance in amounts that we believe are reasonable, we may not be able to maintain such insurance on acceptable terms, if at all, in the future and product liability claims may exceed the amount of our insurance coverage. In addition, our reputation may be adversely affected by such claims, whether or not successful, including potential negative publicity about our products.

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We are subject to extensive regulation and could incur fines, penalties and other costs and liabilities under such requirements.

Like other global manufacturers and distributors of consumer products, we are required to comply with a wide variety of federal, state and international laws, rules and regulations, including those related to consumer products and consumer protection, advertising and marketing, labor and employment, data protection and privacy, intellectual property, the environmental, the import and export of products, and tax. See Item 1 “Business-Regulatory Matters” for a description of the various laws and regulations our business is subject to. Our failure to comply with applicable federal, state and local laws and regulations may result in our being subject to claims, lawsuits, fines and adverse publicity that could have a material adverse effect on our business, results of operations and financial condition. These laws, rules and regulations currently impose significant compliance requirements on our business, and more restrictive laws, rules and regulations may be adopted in the future.

Changes in government policies and firearms legislation could adversely affect our financial results.

The sale, purchase, ownership and use of firearms are subject to numerous and varied federal, state and local governmental regulations. Federal laws governing firearms include the National Firearms Act, the Federal Firearms Act, the Arms Export Control Act and the Gun Control Act of 1968. These laws generally govern the manufacture, import, export, sale and possession of firearms and ammunition. We hold all necessary licenses to legally sell firearms and ammunition in the United States.

Currently, some members of the federal legislature and several state legislatures are considering additional legislation relating to the regulation of firearms and ammunition. These proposed bills are extremely varied. If enacted, such legislation could effectively ban or severely limit the sale of affected firearms or ammunition. In addition, if such restrictions are enacted and are incongruent, we could find it difficult, expensive or impractical to comply with them, which could impede new product development and the distribution of existing products. We cannot assure you that the regulation of our business activities will not become more restrictive in the future and that any such restriction will not have a material adverse effect on our business.

If our efforts to protect the security of personal information about our customers and consumers are unsuccessful and unauthorized access to that personal information is obtained, or we experience a significant disruption in our computer systems or a cyber security breach, we could experience an adverse effect on our operations, we could be subject to costly government enforcement action and private litigation and our reputation could suffer.

Our operations, especially our retail operations, involve the storage and transmission of our customers’ and consumers’ proprietary information, such as credit card and bank account numbers, and security breaches could expose us to a risk of loss of this information, government enforcement action and litigation and possible liability. Our payment services may be susceptible to credit card and other payment fraud schemes, including unauthorized use of credit cards, debit cards or bank account information, identity theft or merchant fraud.

If our security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and as a result, someone obtains unauthorized access to our customers’ and consumers’ data, our reputation may be damaged, our business may suffer and we could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our security occurs, the public perception of the effectiveness of our security measures could be harmed and we could lose customers and consumers, which could adversely affect our business.

We also rely extensively on our computer systems to manage our ordering, pricing, inventory replenishment and other processes. Our systems could be subject to damage or interruption from various sources, including power outages, computer and telecommunications failures, computer viruses, cyber security breaches, vandalism, severe weather conditions, catastrophic events and human error, and our disaster recovery planning cannot account for all eventualities. If our systems are damaged, fail to function properly or otherwise become unavailable, we may incur substantial costs to repair or replace them, and we may experience loss of critical data and interruptions or delays in our ability to perform critical functions, which could adversely affect our business, financial condition or results of operations.

We are exposed to risks associated with acquisitions, which could adversely affect our future financial results.

Our business strategy includes growth through acquisitions or other transactions. We have completed four strategic acquisitions since the Spin-Off. Acquisitions involve a number of risks. The expected benefits of any future acquisitions or other transactions may not be realized. Costs could be incurred on pursuits or proposed acquisitions that may never close that could significantly impact our business, financial condition or results of operations.

Additionally, after any acquisition, unforeseen issues and/or costs that could arise that adversely affect our anticipated returns or that are otherwise not recoverable as an adjustment to the purchase price. Even after careful integration efforts, actual results of operations may vary significantly from initial estimates due to a variety of factors, including general economic conditions affecting the market for our products.

Furthermore if, due to declining market conditions or other factors, we determine that the carrying value of the goodwill or other intangible assets associated with an acquired business exceeds the fair value of such assets, we may be required to record a significant impairment charge in the period during which such determination was made, which would negatively affect our results of operations. For example, in fiscal 2018 we recorded an impairment to the goodwill and identifiable intangible assets related to the Hunting and Shooting Accessories and Sports Protection reporting units.

We may engage in other strategic business transactions. Such transactions could result in unanticipated costs and difficulties, may not achieve intended results and may require significant time and attention from management, which could have an adverse impact on our business, financial condition or results of operations.

Risks may also include potential delays in adopting our financial and managerial controls and reporting systems and procedures, greater than anticipated costs and expenses related to the integration of the acquired business with our business, potential unknown liabilities associated with the acquired company, challenges inherent in effectively managing an increased number of employees in diverse locations and the challenge of creating uniform standards, controls, procedures, policies, and information systems. These and other risks relating to our acquisitions could have an adverse effect on our business, financial condition or results of operations.

Our business is highly dependent upon our brand recognition and reputation, and the failure to maintain or enhance our brand recognition or reputation would likely have an adverse effect on our business.

Our brand recognition and reputation are critical aspects of our business. We believe that maintaining and enhancing our brands as well as our reputation are critical to retaining existing customers and attracting new customers. We also believe that the importance of our brand recognition and reputation will continue to increase as competition in the markets in which we compete continues to develop.

Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our advertising, promotion, public relations and marketing programs. These brand promotion activities may not yield increased revenue and the effectiveness of these activities will depend on a number of factors, including our ability to:

• determine the appropriate creative message, media mix and markets for advertising, marketing and promotional initiatives and expenditures;

• identify the most effective and efficient level of spending in each market, medium and specific media vehicle; and

• effectively manage marketing costs, including creative and media expenses, in order to maintain acceptable customer acquisition costs.

If we implement new marketing and advertising strategies, we may utilize marketing and advertising channels with significantly higher costs than our current channels, which could adversely affect our results of operations. Implementing new marketing and advertising strategies could also increase the risk of devoting significant capital and other resources to endeavors that do not prove to be cost effective. We also may incur marketing and advertising expenses significantly in advance of the time we anticipate recognizing revenue associated with such expenses, and our marketing and advertising expenditures may not generate sufficient levels of brand awareness or result in increased revenue. Even if our marketing and advertising expenses result in increased revenue, the increase in revenue might not offset our related marketing and advertising expenditures. If we are unable to maintain our marketing and advertising channels on cost-effective terms or replace or supplement existing marketing and advertising channels with similarly or more cost-effective channels, our marketing and advertising expenses could increase substantially, our customer base could be adversely affected and our business, financial condition or results of operations could be adversely impacted.

In addition, certain of our products and brands benefit from endorsements and support from particular sporting enthusiasts, athletes or other celebrities, and those products and brands may become personally associated with those

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individuals. As a result, sales of the endorsed products could be materially and adversely affected if any of those individuals' images, reputations or popularity were to be negatively impacted.

Use of social media to disseminate negative commentary and boycotts may adversely impact our business.

There has been a substantial increase in the use of social media platforms, including blogs, social media websites, and other forms of Internet-based communications, which allow individuals access to a broad audience of consumers and other interested persons. Negative commentary regarding us or our brands may be posted on social media platforms at any time and may have an adverse impact on our reputation, business, or relationships with third parties, including suppliers, customers, investors, and lenders. Consumers value readily available information and often act on such information without further investigation and without regard to its accuracy or context. The harm may be immediate without affording us an opportunity for redress or correction.

Social media platforms also provide users with access to such a broad audience that collective action, such as boycotts, can be more easily organized. Such actions could have an adverse effect on our business, financial condition, results of operations and or cash flows.

Further, we serve the outdoor sports and recreation markets through a diverse portfolio of over 50 brands that appeal to a broad range of end consumers. The perspectives of the broad range of consumers we serve are varied and can cause conflict across brands. For example, in the wake of tragic shootings at the Marjory Stoneman Douglas High School in Parkland, Florida in February 2018, a campaign was launched on social media seeking the boycott of certain Outdoor Products brands because of their association with the Company and its brands that operate in the shooting sports industry. Certain of our retail and distributor partners publicly indicated that they would delay future orders of some products in our Outdoor Products segment because of the association with some of our Shooting Sports brands.

We may incur substantial litigation costs to protect our intellectual property, and if we are unable to protect our intellectual property, we may lose our competitive advantage. We may be subject to intellectual property infringement claims, which could cause us to incur litigation costs and divert management attention from our business.

Our future success depends in part upon our ability to protect our intellectual property. Our protective measures, including patents, trademarks, copyrights, trade secret protection and internet identity registrations, may prove inadequate to protect our proprietary rights and market advantage. The right to stop others from misusing our trademarks and service marks in commerce depends, to some extent, on our ability to show evidence of enforcement of our rights against such misuse in commerce. Our failure to stop the misuse by others of our trademarks and service marks, may lead to our loss of trademark and service mark rights, brand loyalty and notoriety among our customers and prospective customers. The scope of any patent to which we have or may obtain rights may not prevent others from developing and selling competing products. In addition, our patents may be held invalid upon challenge, or others may claim rights in, or ownership of, our patents. Moreover, we may become subject to litigation with parties that claim, among other matters, that we infringed their patents or other intellectual property rights. The defense and prosecution of patent and other intellectual property claims are both costly and time-consuming, and could result in a material adverse effect on our business and financial position.

Also, any intellectual property infringement claims against us, with or without merit, could be costly and time-consuming to defend and divert our management's attention from our business. If our products were found to infringe a third party's proprietary rights, we could be forced to enter into costly royalty or licensing agreements in order to be able to continue to sell our products or discontinue use of the protected technology. Such royalty and licensing agreements may not be available on terms acceptable to us or at all. Rights holders may demand payment for past infringements or force us to accept costly license terms or discontinue use of protected technology or works of authorship.

We may become involved in litigation regarding patents and other intellectual property rights. Other companies, including our competitors, may develop intellectual property that is similar or superior to our intellectual property, duplicate our intellectual property or design around our patents, and may have or obtain patents or other proprietary rights that would prevent, limit or interfere with our ability to make, use or sell our products. Effective intellectual property protection may be unavailable or limited in some foreign countries in which we sell products or from which competing products may be sold.

Unauthorized parties may attempt to copy or otherwise use aspects of our intellectual property and products that we regard as proprietary. Our means of protecting our proprietary rights in the United States or abroad may prove to be inadequate, and competitors may be able to develop similar intellectual property independently. If our intellectual property protection is insufficient to protect our intellectual property rights, we could face increased competition in the markets for our products.

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Should any of our competitors file patent applications or obtain patents that claim inventions also claimed by us, we may choose to participate in an interference proceeding to determine the right to a patent for these inventions because our business would be harmed if we fail to enforce and protect our intellectual property rights. Even if the outcome is favorable, this proceeding could result in substantial costs to us and disrupt our business.

In the future, we also may need to file lawsuits to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources, which could have a material adverse effect on our business, financial condition or results of operations.

Shortages of, and price increases for, components, parts, raw materials and other supplies may delay or reduce our sales and increase our costs, thereby harming our results of operations.

Although we manufacture many of the components for our products, we purchase from third parties some important components and parts, including but not limited to bolt carriers, rifle receivers, magazines, barrels, rifle stocks and bulk gun powder. The costs of these components and parts are affected by commodity prices and are, therefore, subject to price volatility caused by weather, market conditions and other factors that are not predictable or within our control. We also use numerous commodity materials in producing and testing our products, including copper, zinc, steel, wood, lead, and plastics. We cannot assure you that commodity prices will not increase, and any such increase in commodity prices may harm our results of operations.

Our inability to obtain sufficient quantities of components, parts, raw materials and other supplies from independent sources necessary for the production of our products could result in reduced or delayed sales or lost orders. Any delay in or loss of sales or orders could adversely impact our results of operations. Many of the components, parts, raw materials and other supplies used in the production of our products are available only from a limited number of suppliers. We do not have long-term supply contracts with some of these suppliers. As a result, we could be subject to increased costs, supply interruptions or orders and difficulties in obtaining materials. Our suppliers also may encounter difficulties or increased costs in obtaining the materials necessary to produce their products that we use in our products. The time lost in seeking and acquiring new sources could have an adverse effect on our business, financial condition or results of operations.

Increases in commodity costs would increase our operating costs and could have an adverse effect on our earnings.

Higher prices for electricity, natural gas, metals, and fuel increase our production and shipping costs. A significant shortage, increased prices or interruptions in the availability of these commodities would increase the costs of producing and delivering products to our customers, and would be likely to negatively affect our earnings. Commodity costs have varied significantly during recent fiscal years and remain a volatile element of our costs.

Catastrophic events may disrupt our business.

A disruption or failure of our systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack or other catastrophic event could cause delays in completing sales, providing services or performing other mission-critical functions. A catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations and our results of operations.

In addition, damage or disruption to our manufacturing and distribution capabilities or those of our suppliers because of a major earthquake, weather event, cyber-attack, terrorist attack or other catastrophic event could impair our ability or our suppliers' ability to manufacture or sell our products. In addition, failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could have a material adverse effect on our business, financial condition or results of operations, as well as require additional resources to restore our supply chain.

Some of our products involve the manufacture or handling of a variety of explosive and flammable materials. From time to time, these activities have resulted in incidents that have temporarily shut down or otherwise disrupted some manufacturing processes, causing production delays and resulting in liability for workplace injuries and fatalities. We have safety and loss prevention programs that require detailed pre-construction reviews of process changes and new operations, along with routine safety audits of operations involving explosive materials, to mitigate such incidents, as well as a variety of insurance policies. We cannot assure you, however, that we will not experience similar incidents in the future or that any similar incidents will not result in production delays or otherwise have a material adverse effect on our business, financial condition or results of operations.

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General economic conditions affect our results of operations.

Our revenues are affected by economic conditions and consumer confidence worldwide, but especially in the United States. In times of economic uncertainty, consumers tend to defer expenditures for discretionary items, which affects demand for our products. Moreover, our businesses are cyclical in nature, and their success is impacted by general economic conditions and specific economic conditions affecting the regions and markets we serve, the overall level of consumer confidence in the economy and discretionary income levels. Any substantial deterioration in general economic conditions that diminishes consumer confidence or discretionary income could reduce our sales and adversely affect our financial results. Moreover, declining economic conditions create the potential for future impairments of goodwill and other intangible and long-lived assets that may negatively impact our financial condition or results of operations. The impact of weak consumer credit markets, corporate restructurings, layoffs, high unemployment rates, declines in the value of investments and residential real estate, higher fuel prices and increases in federal and state taxation can also negatively affect our results of operations.

In addition, in recent periods sluggish economies and consumer uncertainty regarding future economic prospects in our key markets have had an adverse effect on the financial health of certain of our customers, which may in turn have a material adverse effect on our results of operations and financial condition. We extend credit to our customers for periods of varying duration based on an assessment of the customer’s financial condition, generally without requiring collateral, which increases our exposure to the risk of uncollectable receivables. In addition, we face increased risk of order reduction or cancellation when dealing with financially ailing retailers or retailers struggling with economic uncertainty. We may reduce our level of business with customers and distributors experiencing financial difficulties and may not be able to replace that business with other customers, which could have a material adverse effect on our financial condition, results of operations or cash flows. In times of uncertain market conditions there is also increased risk of inventories which cannot be liquidated in an efficient manner and may result in excess levels of inventory remaining with the Company.

Failure to attract and retain key personnel could have an adverse effect on our results of operations.

Our future success will depend in part on the continued service of key personnel and our ability to attract, retain and develop key managers, designers, sales and information technology professionals and others. We face intense competition for these individuals worldwide. We may not be able to attract qualified new employees or retain existing employees, which may have a material adverse effect on our financial condition, results of operations or cash flows.

Our results of operations could be impacted by unanticipated changes in tax provisions or exposure to additional income tax liabilities.

Our business operates in many locations under government jurisdictions that impose income taxes. Changes in domestic or foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain revenues or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. In addition, audits by income tax authorities could result in unanticipated increases in our income tax expense.

Tax reform legislation was passed into law in December 2017 which fundamentally changed federal tax law and has a considerable impact on our income taxes.  Future guidance could alter our current understanding of the law and could have a material adverse effect on our business, results of operations and liquidity.

Our debt covenants may limit our ability to complete acquisitions, incur debt, make investments, sell assets, merge or complete other significant transactions.

Our Credit Agreement contains a number of restrictive covenants that impose significant operating and financial restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long-term best interests, including restrictions on our, and our subsidiaries', ability to:

• incur or guarantee additional indebtedness or sell disqualified or preferred stock;

• pay dividends on, make distributions in respect of, repurchase or redeem, capital stock;

• make investments or acquisitions;

• sell, transfer or otherwise dispose of certain assets;

• create liens;

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• enter into sale/leaseback transactions;

• enter into agreements restricting the ability to pay dividends or make other intercompany transfers;

• consolidate, merge, sell or otherwise dispose of all or substantially all of our or our subsidiaries' assets;

• enter into transactions with affiliates;

• prepay, repurchase or redeem certain kinds of indebtedness;

• issue or sell stock of our subsidiaries; and

• significantly change the nature of our business.

The indenture governing our 5.875% Senior Notes due 2023 (the “5.875% Notes”) also contains many of these same restrictions.

As a result of all of these restrictions, we may be:

• limited in how we conduct our business and pursue our strategy;

• unable to raise additional debt or equity financing that we may require to operate during general economic or business downturns; or

• unable to compete effectively or to take advantage of new business opportunities.

A failure to comply with the covenants in the Credit Agreement could result in an event of default under the Credit Agreement, which could allow our creditors to accelerate the related indebtedness and proceed against the collateral that secures the indebtedness. Similarly, a failure to comply with the covenants in the indenture governing our 5.875% Notes could result in an event of default, which could allow the holders of the 5.875% Notes to accelerate these notes. The Credit Agreement and the indenture governing the 5.875% Notes contain cross-default provisions so that noncompliance with the covenants of any of our other debt agreements could cause a default under these debt agreements as well. In the event our creditors accelerate the repayment of our borrowings, we may not have sufficient liquidity to repay our indebtedness in such circumstances.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

A significant portion of our indebtedness consists of term loans and revolver borrowings with variable rates of interest that expose us to interest rate risk. If interest rates increase, our debt service obligations on our variable rate indebtedness will increase even if the amount borrowed remains the same, and our net income and cash flows will correspondingly decrease. Assuming $376 million of variable-rate indebtedness (which was the amount of such indebtedness outstanding as of April 1, 2018, taking into account our interest rate swaps), a change of 1/8 of one percent in interest rates would result in a $0.5 million change in annual estimated interest expense. Even if we enter into additional interest rate swaps in the future in order to further reduce future interest rate volatility, we may not fully mitigate our interest rate risk.

Fluctuations in foreign currency exchange rates may adversely affect our financial results.

During the fiscal year ended March 31, 2018, approximately 23% of our revenue was generated from sales outside the United States. Revenues from foreign operations (and the related expense) is often transacted in foreign currencies or valued based on a currency other than U.S. dollars. For the purposes of financial reporting, this revenue is translated into U.S. dollars. Resulting gains and losses from foreign currency fluctuations are therefore included in our consolidated financial statements. As a result, when the U.S. dollar strengthens against certain foreign currencies, including the Euro, Australian dollar, British pound sterling, Canadian dollar, and other major currencies, our reportable revenue in U.S. dollars generated from sales made in foreign currencies may decrease substantially. As a result, we are exposed to foreign currency exchange rate fluctuations, which could have an adverse effect on our financial condition, results of operations and cash flows.

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A portion of our workforce belongs to a union. Failure to successfully negotiate or renew the collective bargaining agreement, or any strikes, slow-downs or other labor-related disruptions, could adversely affect our operations and could result in increased costs that impair our financial performance.

Approximately 5% of our employees are covered by collective bargaining agreements. The largest of these agreements expires on June 30, 2020. Strikes, slow-downs or other labor-related disruptions could occur if we are unable to either negotiate or renew our collective bargaining agreement on satisfactory terms, which could adversely impact our results of operations. The terms and conditions of new or renegotiated agreements could also increase our costs or otherwise affect our ability to fully implement future operational changes to enhance our efficiency.

If the Spin-Off is found to be taxable under the Internal Revenue Code we may be obligated to indemnify Orbital ATK.

Under the Tax Matters Agreement entered into by Orbital ATK and Vista Outdoor, we were prohibited from taking actions that could reasonably be expected to cause the Spin-Off to be taxable or to jeopardize the conclusions of the opinions of counsel received by Orbital ATK. If the Spin-Off does not qualify as a tax-free spin-off under Section 355 of the Internal Revenue Code (the "Code"), including as a result of subsequent acquisitions of our stock or actions taken by the Company, then we may be obligated to indemnify Orbital ATK for such taxes imposed on the combined company.

Provisions of our Amended and Restated Certificate of Incorporation, our Amended and Restated Bylaws, and Delaware law may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.

Several provisions of our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable. These include provisions that:

• allow our Board of Directors to authorize for issuance, without stockholder approval, preferred stock, the rights of which will be determined at the discretion of the Board of Directors and, if issued, could operate as a “poison pill” to dilute the stock ownership of a potential hostile acquirer to prevent an acquisition that our Board of Directors does not approve;

• prohibit our stockholders from taking action by written consent and require that stockholder action must take place at a duly called annual or special meeting of our stockholders;

• establish how stockholders may present proposals or nominate directors for election at meetings of our stockholders;

• divide our Board of Directors into three classes, with each class serving a staggered three-year term, which could have the effect of making the replacement of incumbent directors more time consuming and difficult;

• mandate that stockholders may only remove directors for cause;

• grant exclusive privilege (subject to certain limited exceptions) to our directors, and not our stockholders, to fill vacancies on our Board of Directors;

• provide that only our Board of Directors, Chairman of our Board of Directors, our Chief Executive Officer or the President (in the absence of the Chief Executive Officer) are entitled to call a special meeting of our stockholders; and

• limit our ability to enter into business combination transactions with certain stockholders.

These and other provisions of our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage, delay or prevent certain types of transactions involving an actual or a threatened acquisition or change in control of us, including unsolicited takeover attempts, even though the transaction may offer our stockholders the opportunity to sell their shares of our common stock at a price above the prevailing market price.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

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Facilities—As of March 31, 2018, we occupied manufacturing, assembly, warehouse, test, research, development, and office facilities having a total floor space of approximately 4.5 million square feet. These facilities are either owned or leased.

As of March 31, 2018, our operating segments had significant operations at the following locations:

| | |
|---|---|
| Outdoor Products | Oroville, CA; Petaluma, CA; San Diego, CA; Scotts Valley, CA; Rantoul, IL; Lenexa, KS; Overland Park, KS; Olathe, KS; Flora, MS; Manhattan, MT; Lares, PR; Hyde Park, UT |
| Shooting Sports | Lewiston, ID; Westfield, MA; Anoka, MN |
| Corporate | Farmington, UT; Anoka, MN |

The following table summarizes the floor space, in thousands of square feet, occupied by each operating segment as of March 31, 2018:

| | Owned | Leased | Total |
|---|---|---|---|
| Outdoor Products | 151 | 2,278 | 2,429 |
| Shooting Sports | 1,640 | 330 | 1,970 |
| Corporate | — | 99 | 99 |
| Total | 1,791 | 2,707 | 4,498 |
| Percentage of total | 40 % | 60 % | 100 % |

Our properties are well maintained and in good operating condition and are sufficient to meet our near-term operating requirements.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are subject to various legal proceedings, including lawsuits, which arise out of, and are incidental to, the conduct of our business. We do not consider any of such proceedings that are currently pending, individually or in the aggregate, to be material to our business or likely to result in a material adverse effect on our operating results, financial condition, or cash flows.

We have been identified as a PRP, along with other parties, in regulatory agency actions associated with hazardous waste sites. As a PRP, we may be required to pay a share of the costs of the investigation and clean-up of these sites. While uncertainties exist with respect to the amounts and timing of our ultimate environmental liabilities, based on currently available information, we do not currently expect that these matters, individually or in the aggregate, will have a material adverse effect on our operating results, financial condition, or cash flows.

The description of certain environmental matters contained in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading, Contingencies, is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Vista Outdoor's common stock is listed and traded on the New York Stock Exchange under the symbol "VSTO".
The trading price data, as reported on the NYSE for the indicated periods is as follows:

| | High | Low |
|---|---|---|
| Fiscal 2018: | | |
| Quarter ended March 31, 2018 | $20.04 | $13.95 |
| Quarter ended December 31, 2018 | $23.71 | $12.35 |
| Quarter ended October 1, 2017 | $25.07 | $19.66 |
| Quarter ended July 2, 2017 | $24.73 | $18.32 |
| | | |
| Fiscal 2017: | | |
| Quarter ended March 31, 2017 | $39.49 | $19.64 |
| Quarter ended January 1, 2017 | $41.29 | $36.76 |
| Quarter ended October 2, 2016 | $52.08 | $37.41 |
| Quarter ended July 3, 2016 | $53.07 | $45.18 |

The number of holders of record of Vista Outdoor's common stock as of May 7, 2018 was 3,954.
We have not paid, and do not currently expect to pay, dividends on our common stock. Instead, we intend to retain our future earnings to finance the growth and development of our business and for working capital and general corporate purposes. The declaration and payment of dividends by us is subject to the discretion of the Board of Directors and depends on many factors including our financial condition, earnings, capital requirements, covenants associated with debt obligations, legal requirements, regulatory constraints, and other factors deemed relevant by the Board of Directors. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future. The discussion of limitations on the payment of dividends as a result of the Credit Agreement and the 5.875% Notes discussed in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading Liquidity, is incorporated herein by reference.

Equity Compensation Plan Information

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights, and vesting of restricted stock units and deferred compensation under our 2014 Stock Incentive Plan as of March 31, 2018:

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders: | | | |
| 2014 Stock Incentive Plan (1) | | | 3,346,153 |
| Stock Options | 546,957 | $ 20.88 | |

| | |
|---|---|
| Restricted Stock Units | 684,721 |
| Deferred Compensation (2) | 10,250 |
| Performance Awards (3) | 764,989 |
| Total | 2,006,917 |

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(1) The aggregate number of shares of Vista Outdoor common stock that may be issued under all stock-based awards granted under our 2014 Stock Incentive Plan is equal to the sum of (a) 5,750,000 and (b) 668,136 shares issuable pursuant to Vista Outdoor stock options and other equity awards granted in connection with the Spin-Off in respect of stock options and other equity based awards of Orbital ATK that were outstanding immediately prior to the Spin-Off, in each case as specified in the Transaction Agreement.

(2) Shares reserved for payment of deferred stock units in accordance with the terms of our 2014 Stock Incentive Plan.

(3) Shares reserved for issuance in connection with outstanding performance awards. The amount shown assumes the maximum payout of the performance shares based on achievement of the highest level of performance. The actual number of shares to be issued depends on the performance levels achieved for the respective performance periods.

Issuer Repurchases of Equity Securities

On February 25, 2015, our Board authorized the repurchase of up to $200 million worth of shares of our common stock over the following two years. On August 25, 2016, our Board of Directors authorized a new share repurchase program of up to $100,000 worth of our common stock, executable through March 31, 2018. We completed the authorized share repurchase programs during fiscal 2017. There is currently no active share repurchase program.

Stockholder Return Performance Graph

The following graph compares, from January 29, 2015 (the first day our common stock began "when-issued" trading on the New York Stock Exchange) through the March 31, 2018 fiscal year end, the cumulative total return for Vista Outdoor common stock with the comparable cumulative total return of two indexes:

- Standard & Poor's Composite 500 Index, a broad equity market index; and

- Standard & Poor's Mid-Cap 400 Index, an equity market index for entities with similar capitalization levels.

The Standard & Poor's Mid-Cap 400 Index was chosen because there is not currently a published industry index that we believe would offer a meaningful comparison.

Vista Outdoor common stock began “regular-way” trading in connection with the Spin-Off on February 10, 2015. “When-issued” trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. “Regular-way” trading refers to trading after a security has been issued. The graph is not, and is not intended to be, indicative of future performance of our common stock. This graph is not deemed to be “filed” with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, and should not be deemed to be incorporated by reference into any of our prior or subsequent filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

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The graph assumes that on January 29, 2015, $100 was invested in Vista Outdoor common stock (at the closing price on that trading day) and in each of the indexes. The comparison assumes that all dividends, if any, were reinvested.

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ITEM 6. SELECTED FINANCIAL DATA

| | Year Ended March 31 | | | | |
|---|---|---|---|---|---|
| (Amounts in thousands except per share data) | 2018 | 2017 | 2016 | 2015 (6) | 2014 (6) |
| Results of Operations | | | | | |
| Sales, net | $2,308,463 | $2,546,892 | $2,270,734 | $2,083,414 | $1,873,919 |
| Cost of sales | 1,787,501 | 1,877,706 | 1,651,289 | 1,554,493 | 1,406,616 |
| Gross profit | 520,962 | 669,186 | 619,445 | 528,921 | 467,303 |
| Operating expenses: | | | | | |
| Research and development | 29,663 | 32,769 | 12,512 | 9,518 | 13,984 |
| Selling, general, and administrative | 423,430 | 424,269 | 344,175 | 283,029 | 219,512 |
| Acquisition claim settlement gain, net (1) | — | (30,027) | — | — | — |
| Goodwill and intangibles impairment (2) | 152,444 | 449,199 | — | 52,220 | — |
| Income (loss) before interest and income taxes | (84,575) | (207,024) | 262,758 | 184,154 | 233,807 |
| Interest expense, net | (49,214) | (43,670) | (24,351) | (30,108) | (15,469) |
| Income (loss) before income taxes | (133,789) | (250,694) | 238,407 | 154,046 | 218,338 |
| Income tax provision (benefit) | (73,557) | 23,760 | 91,370 | 74,518 | 85,081 |
| Net income (loss) | $(60,232) | $(274,454) | $147,037 | $79,528 | $133,257 |
| Earnings (loss) per common share: | | | | | |
| Basic (3) | $(1.05) | $(4.66) | $2.36 | $1.25 | $2.09 |
| Diluted (3) | $(1.05) | $(4.66) | $2.35 | $1.25 | $2.09 |
| Financial Position | | | | | |
| Net current assets | $713,472 | $763,458 | $680,763 | $706,806 | $451,623 |
| Net property, plant, and equipment | 277,207 | 272,346 | 203,485 | 190,607 | 189,071 |
| Total assets | 2,614,836 | 2,976,747 | 2,942,634 | 2,512,446 | 2,399,798 |
| Long-term debt (including current portion) | 915,399 | 1,121,252 | 670,287 | 339,665 | 1,003,535 |
| Total stockholders' equity | 1,217,490 | 1,245,065 | 1,660,167 | 1,648,764 | 870,731 |
| Other Data | | | | | |
| Depreciation and amortization of intangible assets | $89,759 | $93,779 | $72,614 | $66,551 | $44,902 |
| Capital expenditures (4) | 66,627 | 90,665 | 41,526 | 43,189 | 40,234 |
| Operating margin (5) | (3.7)% | (8.1)% | 11.6% | 8.8% | 12.5% |

(1) In fiscal 2017, we finalized a settlement of claims that we brought against the previous owner of Bushnell Holdings and third-party insurance providers relating to certain disputes arising under the purchase agreement with respect to the acquisition.

(2) In fiscal 2018 and 2017, we recorded asset impairment charges of $152.4 and $449.2 million, respectively, for reporting units in our Outdoor Products segment, and in fiscal 2015, we recorded an asset impairment charge of $52.2 million related to the firearms reporting unit. See Note 9, Goodwill and Intangible Assets, to the consolidated financial statements for further detail.

(3) For periods prior to February 9, 2015, we have used weighted average shares of 63,875,000 to calculate basic and diluted EPS, as we had no outstanding common shares or dilutive stock-based awards. 63,875,000 represents the number of shares issued upon the Spin-Off.

(4) Capital expenditures are shown net of capital expenditures included in accounts payable and financed through operating leases.

(5) Represents income before interest and income taxes expressed as a percentage of sales.

(6) The selected financial data for fiscal years 2015 and 2014 is presented on a consolidated and combined basis.

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See Note 4, Acquisitions, to the consolidated financial statements for a description of acquisitions made since the beginning of fiscal 2016.

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

The following discussion and analysis should be read in conjunction with Part II, Item 6, "Selected Financial Data" and our Consolidated Financial Statements and related notes appearing elsewhere in this Annual Report. This section and other sections of this Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Statements" and Part I, Item 1A. "Risk Factors".
(Dollar amounts in thousands except share and per share data or unless otherwise indicated)

### Executive Summary

We serve the outdoor sports and recreation markets through a diverse portfolio of over 50 well-recognized brands that provide consumers with a wide range of performance-driven, high-quality and innovative products, including sporting ammunition and firearms, golf rangefinders, hydration products, outdoor accessories, outdoor cooking solutions, outdoor sports optics, performance eyewear, protection for certain action sports, and stand up paddle boards. We serve a broad range of end consumers, including outdoor enthusiasts, hunters and recreational shooters, athletes, as well as law enforcement and military professionals. Our products are sold through a wide variety of mass, specialty and independent retailers and distributors, such as Academy, Amazon, Bass Pro Shops/Cabela's, Big Rock Sports, Dick's Sporting Goods, Sports South, Sportsman's Warehouse, Target, United Sporting Companies, and Walmart. We also sell certain of our products directly to consumers through the relevant brand's website. We have a scalable, integrated portfolio of brands that allows us to leverage our deep customer knowledge, product development and innovation, supply chain and distribution, and sales and marketing functions across product categories to better serve our retail partners and end users.

As of March 31, 2018, we operated in two business segments. These operating segments are defined based on the reporting and review process used by the chief operating decision maker, our Chief Executive Officer. As of March 31, 2018, Vista Outdoor's two operating segments were:

- Outdoor Products, which generated approximately 50% of our sales in fiscal 2018. The Outdoor Products product lines are action sports, archery/hunting accessories, camping, eyewear and sport protection products, golf, hydration products, optics, shooting accessories, tactical products and water sports. Action sports includes helmets, goggles, and accessories for cycling, snow sports, action sports and powersports. Archery/hunting accessories include high-performance hunting arrows, game calls, hunting blinds, game cameras and waterfowl decoys. Camping products include our outdoor cooking solutions. Eyewear and sport protection products include safety and protective eyewear, as well as fashion and sports eyewear. Golf products include laser rangefinders. Hydration products include hydration packs and water bottles. Optics products include binoculars, riflescopes and telescopes. Shooting accessories products include reloading equipment, clay targets, and premium gun care products. Tactical products include holsters, duty gear, bags and packs. Water sports products include stand up paddle boards.
- Shooting Sports, which generated approximately 50% of our sales in fiscal 2018. Shooting Sports product lines include centerfire ammunition, rimfire ammunition, shotshell ammunition, reloading components, and firearms.

On May 1, 2018, Vista Outdoor announced its strategic business transformation plan, designed to allow the Company to focus resources on pursuing growth in its core product categories. The plan is a result of a comprehensive evaluation of the brands within our current portfolio based on their ability to serve the Company's target consumer; create cross-selling and other similar synergy opportunities; achieve market leading positions and leadership economics; and demonstrate omni-channel distribution capabilities. As a result of this evaluation, Vista Outdoor will focus on achieving growth through its market-leading brands in ammunition, hunting and shooting accessories, hydration bottles and packs, and outdoor cooking products.

The Company plans to explore strategic options for assets that fall outside of these core product categories, including its remaining Sports Protection brands (e.g. Bell, Giro, and Blackburn), Jimmy Styks paddle boards, and Savage and Stevens firearms. Vista Outdoor expects that the execution of this process will significantly reduce the Company's leverage, improve financial flexibility and the efficiency of its capital structure, and provide additional resources to reinvest in core product categories, both organically and through acquisition. We intend to begin the portfolio reshaping immediately, and anticipate executing any strategic alternatives by the end of fiscal year 2020.

Financial Highlights and Notable Events

Certain notable events or activities affecting our fiscal 2018 financial results and subsequent results include the following:



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Financial highlights for fiscal 2018

- Annual sales of $2,308,463 and $2,546,892 for the fiscal years ended March 31, 2018 and 2017, respectively. The decrease was caused primarily by market conditions and decreased customer demand in the Shooting Sports segment, partially offset by additional sales of $32,752 from the Camp Chef acquisition for the period in which they were not a part of Vista Outdoor in the prior year.

- Gross profit was $520,962 and $669,186 for the fiscal years ended March 31, 2018 and 2017, respectively. The decrease in gross profit was caused by unfavorable pricing, lower sales volume, and unfavorable product mix in the Shooting Sports segment and lower sales volumes in the Outdoor Products segment, partially offset by additional sales from the Camp Chef acquisition for the period in which they were not a part of Vista Outdoor in the prior year period.

- The increase in the current year tax rate to 55.0% from (9.5)% in the prior year ended March 31, 2017 is primarily caused by the income tax effects of the tax legislation that was enacted in the United States on December 22, 2017 (Tax Legislation) and the lower nondeductible goodwill impairment in the current year. The Tax Legislation significantly revises the corporate income tax by, among other things, lowering corporate income tax rates, limiting various deductions, repealing the domestic manufacturing deduction, implementing a territorial tax system, and imposing a repatriation tax on earnings of foreign subsidiaries.

- During the fiscal year ended March 31, 2018, our cash provided by operating activities was $252,355 driven primarily by improved working capital management and a reduction in net inventories.

- In June 2017, we announced changes to our qualified and non-qualified defined benefit pension plans. As a result of the changes, we recognized a one-time gain of $5,783 during the quarter ended July 2, 2017. See Note 12, Employee Retirement Benefit Plans, for additional information.

- In May 2017, we signed a long-term agreement with Orbital ATK for the supply of ammunition products produced at the Lake City Army Ammunition Plant from February 2018 through September 2020.

- The Eyewear business (consisting of the Bollé, Serengeti and Cébé brands) was classified as held for sale during the third quarter of fiscal 2018.

Notable events-subsequent to year end

- In May 2018, we amended our Credit Agreement. See Note 19, Subsequent Events for additional information.

Outlook

Outdoor Recreation Industry

The outdoor recreation industry represents a large and growing focus area of our business. During the past and current fiscal years, we have seen a challenging retail environment as evidenced by recent bankruptcies and consolidation of certain of our customers. This challenging retail environment has been driven by a shift in consumer preferences to online platforms, as well as other market pressures that resulted in a deeper discounting of our products and higher channel inventory levels. These market pressures became particularly pronounced during the latter half of the third fiscal quarter of fiscal 2017 and have continued throughout fiscal 2018 longer than we previously anticipated. Given these market conditions, we continue to take appropriate actions to lower our inventory levels by reducing certain purchases of sourced products and output of manufactured products across both operating segments. Notwithstanding the market conditions, we believe the fragmented nature of the outdoor recreation industry, combined with retail and consumer overlap with our existing businesses, present attractive growth opportunities. We hold a strong competitive position in the market-place, and we intend to further differentiate our brands through focused R&D and marketing investments including increased use of social media and revamping our brand websites as we strive to become our customers’ brand of choice in their respective outdoor recreation activities. Growing market share will continue to be a focus as we execute our strategy of market segmentation by brand and channel and we anticipate introducing new products to accomplish this. We are continuing to expand our e-commerce presence to capitalize on the ongoing shift by consumers to online shopping and are leveraging the experience from our recent acquisitions to drive growth across business-to-business, dot com, dropship, and direct-to-consumer channels.

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Shooting Sports Industry

Shooting sports related products currently represent approximately half of our sales. We design, develop, manufacture, and source ammunition, long guns and related equipment products. Among these categories, we derive the largest portion of our sales from ammunition, which is a consumable, repeat purchase product. During late fiscal 2015 and continuing into fiscal 2016, firearms and ammunition sales experienced an increase as more individuals entered the market and certain public and political events provided focus on the industry. During the later months of fiscal 2017 and continuing into fiscal 2018, we believe the market has softened due to the current political environment. The shooting sports industry historically has been a cyclical business with previous market declines lasting 12–24 months. The current political climate, the timing of national elections, and other market factors may cause the current market downturn to last longer than prior cycles. In addition, commodity prices have risen over recent years increasing input costs of our products. Given these market conditions, we are taking actions to work with vendors to evaluate our cost structure. We believe we are well-positioned to succeed in a difficult shooting sports market, given our scale and global operating platform, which we believe is difficult to replicate in the highly regulated and capital intensive ammunition manufacturing sector.

## Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. In preparing the consolidated financial statements, we make estimates and judgments that affect the reported amounts of assets, liabilities, sales, expenses, and related disclosure of contingent assets and liabilities. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following are our critical accounting estimates and judgments used in the preparation of our consolidated financial statements.

### Revenue Recognition

We recognize sales net of estimates for discounts, returns, rebates, allowances, and excise taxes when persuasive evidence of an arrangement exists, risks of ownership have been transferred to the customer, and payment is reasonably assured.

### Allowance for Doubtful Accounts

We maintain an allowance for doubtful receivables for estimated losses resulting from the inability of our customers to make required payments. We provide an allowance for specific customer accounts where collection is doubtful and also provide an allowance for customer deductions based on historical collection and write-off experience. Additional allowances would be required if the financial conditions of our customers deteriorated.

### Inventories

Our inventories are valued at the lower of cost or market. We evaluate the quantities of inventory held against past and future demand and market conditions to determine excess or slow moving inventory. For those product classes of inventory identified, we estimate their market value based on current and projected selling prices. If the projected market value is less than cost, we provide an allowance to reflect the lower value of that inventory. This methodology recognizes projected inventory losses at the time such losses are evident rather than at the time goods are actually sold. The projected market value can decrease due to consumer preferences, legislation, or loss of key contracts among other events.

### Income Taxes

Provisions for federal, state and foreign income taxes are calculated based on reported pre-tax earnings and current tax law. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes. Significant judgment is required in determining income tax provisions and evaluating tax positions. We periodically assess our liabilities and contingencies for all periods that are currently open to examination or have not been effectively settled based on the most current available information. Where it is not more likely than not that our tax position will be sustained, we record the entire resulting tax liability and when it is more likely than not of being sustained, we record our best estimate of the resulting tax liability. As per our policy, any applicable interest and penalties related to these positions are also recorded in the consolidated financial statements. To the extent our assessment of the tax outcome of these matters changes, such change in estimate will impact the income tax provision in the period of the change. Deferred tax assets related to carryforwards are reduced by a valuation allowance when it is not more likely than not that the amount will be realized before expiration of the carryforward period. As part of this analysis, we take into account the amount and character to determine if the carryforwards will be realized.

Significant estimates are required for this analysis. Changes in the amounts of valuation allowance are recorded in the tax provision in the period when the change occurs.

Acquisitions

The results of acquired businesses are included in our consolidated financial statements from the date of acquisition. We allocate the purchase price of an acquired business to the underlying tangible and intangible acquired assets and liabilities assumed based on their fair value. Estimates are used in determining the fair value and estimated remaining lives of intangible assets until the final purchase price allocation is completed. Actual fair values and remaining lives of intangible assets may vary from those estimates. The excess purchase price over the estimated fair value of the net assets acquired is recorded as goodwill.

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Acquisition of Jimmy Styks—On July 20, 2015, we completed the acquisition of Jimmy Styks, LLC ("Jimmy Styks"), using $40,000 of cash on hand with additional contingent consideration payable if incremental profitability growth milestones are achieved over the three years from acquisition. We determined a value of the future contingent consideration as of the acquisition date of $4,471 utilizing a risk-neutral Monte Carlo simulation in an option pricing framework; the total amount paid may differ from this value. The option pricing model requires us to make assumptions including the risk-free rate, expected volatility, profitability growth, and expected life. The risk-free rate is based on U.S. Treasury zero-coupon issues with a remaining term that approximates the expected life assumed at the date of grant. The expected option life is based on the contractual term of the agreement. Expected volatility is based on the average volatility of similar public companies' stock over the past two years. The profitability growth is based on simulated estimates of future performance of the business using a geometric Brownian risk-neutral framework. As of March 31, 2018, there was no value for the future contingent consideration. The reduction from the original estimate was primarily a result of not achieving the first growth milestone and the likelihood of not meeting any future growth milestones, which were predicated on meeting the first growth milestone.

The purchase price allocation was completed during the quarter ended October 2, 2016. The majority of the goodwill generated in this acquisition is deductible for tax purposes. Jimmy Styks is an immaterial acquisition to our company.

Acquisition of CamelBak—On August 3, 2015, we completed the acquisition of CamelBak Products, LLC ("CamelBak") for total consideration of $412,500, subject to a customary working capital adjustment, utilizing cash on hand and borrowings under our existing credit facilities. CamelBak is the leading provider of personal hydration solutions for outdoor, recreation and military use. CamelBak's products include hydration packs, reusable bottles and individual purification and filtration systems. The purchase price allocation was completed during the quarter ended October 2, 2016. A portion of the goodwill generated in this acquisition is deductible for tax purposes.

Acquisition of Action Sports—On April 1, 2016, we completed the acquisition of BRG Sports Inc.'s Action Sports division, operated by Bell Sports Corp. ("Action Sports"). The acquisition includes brands Bell, Giro, Blackburn, CoPilot, Krash, and Raskullz. Under the terms of the transaction, we paid $400,000, subject to customary working capital adjustments, utilizing cash on hand and borrowings under our existing credit facilities, and additional contingent consideration is payable if certain incremental profitability growth milestones within the Bell Powersports product line are achieved. We determined a value of the future contingent consideration as of the acquisition date of $4,272 using a risk-neutral Monte Carlo simulation in an option pricing framework; the total amount actually paid may differ from this value. The option pricing model requires us to make assumptions including the risk-free rate, expected volatility, profitability growth, and expected life. The risk-free rate is based on U.S. Treasury zero-coupon issues with a remaining term that approximates the expected life assumed at the date of grant. The expected option life is based on the contractual term of the agreement. Expected volatility is based on the average volatility of similar public companies' stock over the past two years. The profitability growth is based on simulated estimates of future performance of the business using a geometric Brownian risk-neutral framework. As of March 31, 2018, there was no liability recognized for the future contingent consideration. The decrease from the original estimate was a result of not meeting the agreed-upon profitability milestones and the likelihood of achieving future profitability milestones.

Action Sports remains headquartered in Scotts Valley, California and operates facilities in the U.S., Canada, Europe, and Asia. The purchase price allocation was completed during the quarter ended March 31, 2017. A portion of the goodwill generated in this acquisition is deductible for tax purposes.

Acquisition of Camp Chef—On September 1, 2016, we completed the acquisition of privately owned Logan Outdoor Products, LLC and Peak Trades, LLC ("Camp Chef"), a leading provider of outdoor cooking solutions. Under the terms of the transaction, we paid $60,000 subject to customary working capital adjustments, utilizing cash on hand and borrowings under our existing credit facility. An additional $4,000 was deferred and is payable in equal installments after the first, second and third anniversary of the closing date, and approximately $10,000 is payable over a three-year period from the closing date if certain incremental growth milestones are met and key members of Camp Chef management continue their employment with us through the respective milestone dates. The approximately $10,000 is being expensed over the three-year measurement period and is paid in equal installments as each milestone is achieved. The growth milestones were met for the first year and therefore we paid $3,371 during the quarter ended December 31, 2017. The purchase price allocation for this acquisition was finalized in the second quarter of fiscal 2018. A majority of the goodwill generated in this acquisition is deductible for tax purposes. Camp Chef is an immaterial acquisition to our company.

Accounting for Goodwill and Indefinite Lived Intangible Assets

We test goodwill and indefinite lived intangible assets for impairment on the first day of our fourth fiscal quarter or upon the occurrence of events or changes in circumstances that indicate that the asset might be impaired. We have determined that the reporting units on a standalone basis for our goodwill impairment review are our operating segments, or components of an

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operating segment, that constitute a business for which discrete financial information is available, and for which segment management regularly reviews the operating results. We then evaluate these components to determine if they are similar and should be aggregated into one reporting unit for testing purposes. Based on this analysis, we have identified five reporting units, as of the fiscal 2018 testing date.

For our goodwill impairment tests we determine the estimated fair value of each reporting unit and compare it to the carrying value of the reporting unit, including goodwill. If the carrying amount of a reporting unit is higher than its estimated fair value, an impairment loss must be recognized for the excess.

The fair value of each reporting unit is determined using both an income and market approach. The value estimated using a discounted cash flow model is weighted equally against the estimated value derived from the guideline company market approach method. This market approach method estimates the price reasonably expected to be realized from the sale of the reporting unit based on comparable companies.

In developing the discounted cash flow analysis, our assumptions about future revenues and expenses, capital expenditures, and changes in working capital are based on our plan, as reviewed by the Board of Directors, and assume a terminal growth rate thereafter. A separate discount rate is determined for each reporting unit and these cash flows are then discounted to determine the fair value of the reporting unit.

Our identifiable intangibles with indefinite lives consist of certain trademarks and tradenames ("tradenames"). The impairment test consists of a comparison of the fair value of the specific tradename with its carrying value. The fair value of these assets is measured using the relief-from-royalty method which assumes that the asset has value to the extent that the owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires that we estimate the future revenue and profit for the related brands and technology, the appropriate royalty rate, and the weighted average cost of capital. We base our fair values and estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. If the carrying amount of a tradename is higher than its fair value, an impairment exists and the asset would be recorded at the fair value.

Projecting discounted future cash flows requires us to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital, and the appropriate discount rate. The projections also take into account several factors including current and estimated economic trends and outlook, costs of raw materials and other factors that are beyond our control. If the current economic conditions were to deteriorate, or if we were to lose significant business, causing a reduction in estimated discounted cash flows, it is possible that the estimated fair value of certain reporting units or tradenames could fall below their carrying value resulting in the necessity to conduct additional impairment tests in future periods. We continually monitor the reporting units and tradenames for impairment indicators and update assumptions used in the most recent calculation of the estimated fair value of a reporting unit or tradenames as appropriate.

Results of our Interim Testing

During the quarter ended October 1, 2017, we recorded a $152,320 impairment of goodwill and identifiable intangible assets related to the Hunting and Shooting Accessories and Sports Protection reporting units. We previously anticipated a return to sales growth in fiscal 2018 for these reporting units. However, during the quarter ended October 1, 2017, we concluded that the return to growth for these reporting units would take longer than previously anticipated as a result of challenging market conditions that have persisted longer than expected.

As a result, we reduced the projected cash flows for these reporting units to reflect the lower expected sales volume and profit margins. Given the reduction in our internal projections for these reporting units, we determined a triggering event had occurred, which indicated it was more likely than not that the fair values of these reporting units were less than the respective book values.

During the quarter ended October 1, 2017, we also performed an interim test for indefinite lived tradename impairment and we recorded a $1,700 impairment related to our Giro tradename. We determined the fair value of the indefinite lived tradename using a royalty rate of 3%.

Results of our fiscal 2018 Annual Impairment Test

For the fiscal 2018 goodwill impairment assessment performed as of January 2, 2018, we utilized estimated cash flows from our plan and assumed a terminal growth rate thereafter of 3%. The cash flows were then discounted using a separate discount rate for each reporting unit which ranged from 8.0% to 9.5%. An assumed value was also determined using multiples by comparing operating results from guideline companies.

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The results of our fiscal 2018 goodwill impairment test indicated that the estimated fair value of reporting units tested exceeded their carrying value by more than a substantial excess, except for the units below. The fair values of all reporting units reflect the decrease in the income tax rate as a result of the tax legislation that was recently enacted in the United States.

The Hunting and Shooting Accessories reporting unit had an estimated fair value that exceeded its carrying value by approximately 10%. This reporting unit had $38,386 of goodwill recorded as of March 31, 2018. We would not expect to see significant excess fair value over carrying value for this reporting unit given that we recognized an impairment of goodwill during the second quarter of fiscal 2018. The fair value of the Hunting and Shooting Accessories reporting unit was determined using both an income and market approach. The value estimated using a discounted cash flow model requires us to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital, and the appropriate discount rate and is weighted against the estimated value derived from the guideline company market approach method. We used a discount rate of 8% and a 3% terminal growth rate. The market approach method estimates the price reasonably expected to be realized from the sale of the reporting unit using comparable company multiples. Should the challenging retail environment last longer or be deeper than expected or if new product developments do not succeed, or if the discount rate were to increase by more than approximately 116 basis points, it is possible that the estimated fair value of this reporting unit could fall below its carrying value, which could necessitate impairment of the goodwill in this reporting unit.

The Sports Protection reporting unit had an estimated fair value that exceeded its carrying value by approximately 1%. This reporting unit had $163,439 of goodwill recorded as of March 31, 2018. The majority of the goodwill recorded within this reporting unit relates to the acquisition of Action Sports. We would not expect to see significant excess fair value over carrying value for this reporting unit given that we recognized an impairment of goodwill during the second quarter of fiscal 2018. The fair value of the Sports Protection reporting unit was determined using both an income and market approach. The value estimated using a discounted cash flow model requires us to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital and the appropriate discount rate and is weighted against the estimated value derived from the guideline company market approach method. We used a discount rate of 8.5% and a 3% terminal growth rate. The market approach method estimates the price reasonably expected to be realized from the sale of the reporting unit using comparable company multiples. Should the challenging retail environment last longer or be deeper than expected or if new product developments do not succeed, or if the discount rate were to increase by more than approximately 9 basis points, it is possible that the estimated fair value of this reporting unit could fall below its carrying value, which could necessitate impairment of the goodwill in this reporting unit.

The Outdoor Recreation reporting unit had an estimated fair value that exceeded its carrying value by approximately 2%. This reporting unit had $250,798 of goodwill recorded as of March 31, 2018. The fair value of the Outdoor Recreation reporting unit was determined using both an income and market approach. The value estimated using a discounted cash flow model requires us to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital and the appropriate discount rate and is weighted against the estimated value derived from the guideline company market approach method. We used a discount rate of 8% and a 3% terminal growth rate. The market approach method estimates the price reasonably expected to be realized from the sale of the reporting unit using comparable company multiples. Should the challenging retail environment last longer or be deeper than expected or if new product developments do not succeed, or if the discount rate were to increase by more than approximately 23 basis points, it is possible that the estimated fair value of this reporting unit could fall below its carrying value, which could necessitate impairment of the goodwill in this reporting unit.

For the fiscal 2018 tradenames impairment assessment performed as of January 2, 2018, we utilized estimated revenues from our plan and a terminal growth rate thereafter of 3%, and assumed a royalty rate of 0.5% to 4%. The cash flows then were discounted using a separate discount rate for each tradename which ranged from 8.0% to 10.5%. The Shooting Sports indefinite lived intangible assets tested had a fair value that was significantly in excess of carrying value which we define as greater than 15%. The Outdoor Products indefinite lived intangible assets had an estimated fair value that exceeded their carrying value ranging from 2% to 13%, with the exception of one trade name that had an impairment of approximately $100. We determined the fair value of the indefinite lived tradenames using a royalty rate of 2% for the Bushnell tradename, 3% for Giro tradename, 13% for the CamelBak tradename, and royalty rates ranging from 1.5% to 4% for all other indefinite lived tradenames based on public guideline royalty-based transactions. We used a discount rate of 9% for the Bushnell tradename, 9.5% for the Giro tradename, 9% for the CamelBak tradename, and discounts rates ranging from 9% to 10.5% for the other tradenames assessed.

New Accounting Pronouncements

See Note 1, Significant Accounting Policies, to the consolidated financial statements in Item 8, Financial Statements and Supplementary Data, of this report for discussion of new accounting pronouncements.

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Results of Operations

The following information should be read in conjunction with our consolidated financial statements. The key performance indicators that our management uses in managing the business are sales, gross profit, and cash flows. Segment total net sales, cost of sales, and gross profit exclude intercompany sales and profit.

Fiscal 2018

Sales

The following is a summary of each operating segment's sales:

| | Years Ended March 31 | | | |
|---|---|---|---|---|
| | 2018 | 2017 | $ Change | % Change |
| Outdoor Products | $1,149,106 | $1,170,634 | $(21,528) | (1.8)% |
| Shooting Sports | 1,159,357 | 1,376,258 | (216,901) | (15.8)% |
| Total sales | $2,308,463 | $2,546,892 | $(238,429) | (9.4)% |

The total change in net sales was caused by the changes within the operating segments as described below.

Outdoor Products—The decrease in sales was caused primarily by market conditions affecting shooting related categories including hunting and shooting accessories, optics, and tactical products. Decreased sales of hydration and water sports products were driven by lower volume as a result of lost retail space and lower demand; and were offset by additional sales of $32,752 from the Camp Chef acquisition for the period in which they were not a part of Vista Outdoor in the prior year.

Shooting Sports—The decrease in sales was due to unfavorable pricing and lower volume in Shooting Sports across all ammunition categories and lower firearms sales due to decreased demand.

Cost of Goods Sold and Gross Profit

The following is a summary of each operating segment's cost of goods sold and gross profit:

| | Years Ended March 31 | | | |
|---|---|---|---|---|
| Cost of Goods Sold | 2018 | 2017 | $ Change | % Change |
| Outdoor Products | $861,996 | $877,667 | $(15,671) | (1.8)% |
| Shooting Sports | 924,976 | 998,792 | (73,816) | (7.4)% |
| Corporate | 529 | 1,247 | (718) | (57.6)% |
| Total | $1,787,501 | $1,877,706 | $(90,205) | (4.8)% |

| | Years Ended March 31 | | | |
|---|---|---|---|---|
| Gross Profit | 2018 | 2017 | $ Change | % Change |
| Outdoor Products | $287,110 | $292,967 | $(5,857) | (2.0)% |
| Shooting Sports | 234,381 | 377,466 | (143,085) | (37.9)% |
| Corporate | (529) | (1,247) | 718 | (57.6)% |
| Total | $520,962 | $669,186 | $(148,224) | (22.1)% |

The total changes in cost of goods sold and gross profit were caused by the changes within the operating segments as described below.

Outdoor Products—The decrease in gross profit was primarily caused by a decrease in sales volume as described above, partially offset by $9,948 of gross profit from the Camp Chef acquisition for the period in which they were not a part of Vista Outdoor in the prior year.

Shooting Sports—The decrease in gross profit was primarily caused by unfavorable pricing, lower sales volume, and unfavorable product mix.

Corporate—The increase in corporate gross profit was caused by foreign currency losses in the prior year.

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Operating Expenses

| | Years Ended March 31 | | | | |
|---|---|---|---|---|---|
| | 2018 | % of Sales | 2017 | % of Sales | Change |
| Research and development | $29,663 | 1.3 % | $32,769 | 1.3 % | $(3,106) |
| Selling, general and administrative | 423,430 | 18.3% | 424,269 | 16.7 % | (839) |
| Acquisition claim settlement gain, net | — | — % | (30,027) | (1.2 )% | 30,027 |
| Goodwill and tradename impairment | 152,444 | 6.6 % | 449,199 | 17.6 % | (296,755) |
| Total | $605,537 | 26.2% | $876,210 | 34.4 % | $(270,673) |

Operating expenses decreased primarily due to the recognition of a goodwill and intangibles impairment in the prior year, partially offset by the recognition of a goodwill and intangibles impairment in the current year and a one-time gain recorded in the prior year as a result of the settlement of claims related to the Bushnell acquisition. Research and development expenses remained consistent as a percentage of sales. Selling, general, and administrative expenses remained relatively consistent compared to the prior year primarily due to a write off of a receivable for one customer due to bankruptcy in the prior year, which was offset by additional severance, professional services and other expenses in the current year as a result of organizational changes and by additional bad debt reserves in the current period for a few customers.

Net Interest Expense

| | Years Ended March 31 | | | |
|---|---|---|---|---|
| | 2018 | 2017 | $ Change | % Change |
| Interest expense | $49,214 | $43,670 | $5,544 | 12.7 % |

The increase in interest expense was due to a higher average interest rate, partially offset by a decrease in our average debt balance and by the lack of the write-off of deferred financing costs that was recorded in the prior year.

Income Tax Provision

| | Years Ended March 31 | | | | |
|---|---|---|---|---|---|
| | 2018 | Effective Rate | 2017 | Effective Rate | Change |
| Income tax provision (benefit) | $(73,557) | 55.0 % | $23,760 | (9.5 )% | $(97,317) |

The increase in the current period tax rate is primarily due to the income tax effects of Tax Legislation and a lower impact in the current year for the nondeductible goodwill impairment. We estimate the impact of the Tax Legislation, based on currently available information and interpretations of the law, to be a benefit to us of approximately $47 million which has been included in our current period tax benefit.

Our provision for income taxes includes federal, state and foreign income taxes. The effective tax rate for fiscal 2018 of 55.0% differs from the federal statutory rate of 31.6% primarily due to the impact of the Tax Legislation partially offset by the nondeductible goodwill impairment charge.

The effective tax rate for fiscal 2017 of (9.5)% differs from the federal statutory rate of 35.0% primarily due to the nondeductible goodwill impairment.

On February 9, 2015, we entered into a Tax Matters Agreement with Orbital ATK that governs the respective rights, responsibilities, and obligations of Vista Outdoor and Orbital ATK after the distribution of all of the shares of our common stock on a pro rata basis to the holders of Alliant Techsystems Inc. common stock (the “Spin-Off”) with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. We have joint and several liability with Orbital ATK to the IRS for the consolidated U.S. federal income taxes of the Orbital ATK consolidated group relating to the taxable periods in which we were part of that group. However, the Tax Matters Agreement specifies the portion, if any, of this tax liability for which we bear responsibility, and Orbital ATK agrees to indemnify us against any amounts for which we are not responsible. The process under the Tax Matters Agreement for determining the final allocation of pre-Spin-Off tax liabilities between Vista Outdoor and Orbital ATK is ongoing. During the year ended March 31, 2018, we received Orbital ATK's proposed allocation of these tax liabilities for the period from April 1, 2014 through the date of the Spin-Off. Given the complex nature of these tax matters,

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the final allocation of pre-Spin-Off tax liabilities between Vista Outdoor and Orbital ATK is highly uncertain. Though the resolution of these tax liabilities under the Tax Matters Agreement may have a significant impact on our cash position in a particular quarter, we do not expect this resolution to have a material impact on our business. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the Spin-Off is determined not to be tax-free. Though valid between the parties, the Tax Matters Agreement is not binding on the IRS.

Prior to the Spin-Off, Orbital ATK or one of its subsidiaries filed income tax returns in the U.S. federal and various U.S. state jurisdictions that included Vista Outdoor. In addition, certain of our subsidiaries file income tax returns in foreign jurisdictions. After the Spin-Off we file income tax returns in the U.S. federal, foreign and various U.S. state jurisdictions. With a few exceptions, Orbital ATK and its subsidiaries and Vista Outdoor are no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities prior to 2011. The IRS has completed the audits of Orbital ATK through fiscal 2014 and is currently auditing Orbital ATK's tax return for fiscal 2015. The IRS has also completed the audit of our tax return that begins after the Spin-Off and ends on March 31, 2015. We believe appropriate provisions for all outstanding issues relating to our portion of these returns have been made for all remaining open years in all jurisdictions.

As of March 31, 2018 and 2017, the total amount of unrecognized tax benefits was $39,383 and $33,466, respectively, of which $35,471 and $26,911, respectively, would affect the effective tax rate, if recognized. The remaining balance is related to deferred tax items which only impact the timing of tax payments. Although the timing and outcome of audit settlements are uncertain, it is reasonably possible that a $4,626 reduction of the uncertain tax benefits will occur in the next 12 months. The settlement of these unrecognized tax benefits could result in earnings from $0 to $3,928. See Note 13, Income Taxes, to the consolidated financial statements for further details.

We believe it is more likely than not that the recorded deferred benefits will be realized through the reduction of future taxable income. Our recorded valuation allowance of $3,102 at March 31, 2018 relates to certain tax credits, net operating losses and interest carryforwards that are not expected to be realized before their expiration. The valuation allowance decreased during fiscal 2018 primarily due to the decrease of state operating losses.

Fiscal 2017

Sales

The following is a summary of each operating segment's sales:

| | Years Ended March 31 | | | |
|---|---|---|---|---|
| | 2017 | 2016 | $ Change | % Change |
| Outdoor Products | $1,170,634 | $861,761 | $308,873 | 35.8 % |
| Shooting Sports | 1,376,258 | 1,408,973 | (32,715 ) | (2.3 )% |
| Total sales | $2,546,892 | $2,270,734 | $276,158 | 12.2 % |

The overall fluctuation in net sales was driven by the changes within the operating segments as described below.

Outdoor Products—The increase in sales was driven by sales of $425,803 from the Action Sports and Camp Chef acquisitions completed in fiscal 2017 and the CamelBak and Jimmy Styks acquisitions for the period in which they were not a part of Vista Outdoor in the prior year period, partially offset by organic decreases across all product lines as a result of a challenging retail environment which led to increased promotional activity across all product lines.

Shooting Sports—The decrease in sales was primarily driven by decreases in centerfire and shotshell ammunition volume partially offset by increases in rimfire ammunition volumes.

Cost of Goods Sold and Gross Profit

The following is a summary of each operating segment's cost of goods sold and gross profit:

| | Years Ended March 31 | | | |
|---|---|---|---|---|
| Cost of Goods Sold | 2017 | 2016 | $ Change | % Change |
| Outdoor Products | $877,667 | $618,944 | $258,723 | 41.8 % |

| | | | | |
|---|---|---|---|---|
| Shooting Sports | 998,792 | 1,032,016 | (33,224 ) | (3.2 )% |
| Corporate | 1,247 | 329 | 918 | 279.0 % |
| Total | $1,877,706 | $1,651,289 | $226,417 | 13.7 % |

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| Gross Profit | Years Ended March 31, 2017 | 2016 | $ Change | % Change |
|---|---|---|---|---|
| Outdoor Products | $292,967 | $242,817 | $50,150 | 20.7 % |
| Shooting Sports | 377,466 | 376,957 | 509 | 0.1 % |
| Corporate | (1,247 ) | (329 ) | (918 ) | 279.0 % |
| Total | $669,186 | $619,445 | $49,741 | 8.0 % |

The total change in cost of goods sales and gross profit was driven by the changes within the operating segments as described below.

Outdoor Products—The increase in gross profit was primarily driven by $122,240 from the Action Sports and Camp Chef acquisitions completed in fiscal 2017 and the CamelBak and Jimmy Styks acquisitions for the period in which they were not a part of Vista Outdoor in the prior year period, partially offset by the decrease in the organic sales volumes, unfavorable product mix, increased sales programs, and inventory rationalization.

Shooting Sports—The slight increase in gross profit was primarily driven by product mix and lower sales programs, partially offset by reduced sales.

Corporate—The decrease in corporate gross profit was caused by increased foreign currency losses from the prior year.

Operating Expenses

| | Years Ended March 31 2017 | As a % of Sales | 2016 | As a % of Sales | Change |
|---|---|---|---|---|---|
| Research and development | $32,769 | 1.3 % | $12,512 | 0.6 % | $20,257 |
| Selling, general and administrative | 424,269 | 16.7 % | 344,175 | 15.2 % | 80,094 |
| Acquisition claim settlement gain, net | (30,027 ) | (1.2 )% | — | — % | (30,027 ) |
| Goodwill and tradename impairment | 449,199 | 17.6 % | — | — % | 449,199 |
| Total | $876,210 | 34.4 % | $356,687 | 15.8 % | $519,523 |

Operating expenses increased by $519,523 from the prior year primarily driven by a pre-tax goodwill and intangible impairment charge, partially offset by a one-time gain recorded as the result of the settlement of claims related to the Bushnell acquisition. Research and development costs increased due to the acquisitions of Action Sports and Camp Chef, as well as increased investment in new product development. Selling, general and administrative expenses increased primarily due to the acquisitions of Action Sports and Camp Chef, a $16,816 write off of a receivable for one customer due to bankruptcy, partially offset by reduction in the incentive accruals and sales commissions as a result of fiscal 2017 performance and reductions in estimated contingent consideration accruals in fiscal 2017.

Net Interest Expense

| | Years Ended March 31 2017 | 2016 | $ Change | % Change |
|---|---|---|---|---|
| Interest expense | $43,670 | $24,351 | $19,319 | 79.3 % |

The increase in interest expense was due to our debt balances being higher than in the prior year, partially offset by a lower average interest rate because a greater portion of our debt was borrowings under our credit agreement, which carried a lower cost than the senior notes.

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Income Tax Provision

| | Years Ended March 31 | | | | |
|---|---|---|---|---|---|
| | 2017 | Effective Rate | 2016 | Effective Rate | Change |
| Income tax provision | $23,760 | (9.5 )% | $91,370 | 38.3 % | $(67,610) |

The decrease in the current period tax rate is primarily due to the pre-tax loss and the nondeductible goodwill impairment.

Our provision for income taxes includes federal, state and foreign income taxes. The effective tax rate for fiscal 2017 of (9.5)% differs from the federal statutory rate of 35.0% primarily due to the nondeductible goodwill impairment charge.

The effective tax rate for fiscal 2016 of 38.3% differs from the federal statutory rate of 35.0% due to state income taxes and true-up of deferred and payable taxes, partially offset by DMD, which decreased the rate.

We entered into a Tax Matters Agreement with Orbital ATK that governs the respective rights, responsibilities and obligations of Vista Outdoor and Orbital ATK after the Spin-Off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. We have joint and several liability with Orbital ATK to the IRS for the consolidated U.S. federal income taxes of the Orbital ATK consolidated group relating to the taxable periods in which we were part of that group. However, the Tax Matters Agreement specifies the portion, if any, of this tax liability for which we bear responsibility, and Orbital ATK agrees to indemnify us against any amounts for which the we are not responsible. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the Spin-Off is determined not to be tax-free. The Tax Matters Agreement provides for certain covenants that may restrict the ability to pursue strategic or other transactions that otherwise could maximize the value of the business and may discourage or delay a change of control. For example, unless we (or Orbital ATK, as applicable) were to receive a supplemental private letter ruling from the IRS or an unqualified opinion from a nationally recognized tax advisor, or Orbital ATK were to grant us a waiver, we would be restricted until two years after the Spin-Off is consummated from entering into transactions which would result in an ownership shift in the Company of more than 30% (measured by vote or value) or divestitures of certain businesses or entities which could impact the tax-free nature of the Spin-Off. Though valid as between the parties, the Tax Matters Agreement is not binding on the IRS.

Prior to the Spin-Off, Orbital ATK or one of its subsidiaries filed income tax returns in the U.S. federal and various U.S. state jurisdictions that included Vista Outdoor. In addition, certain of our subsidiaries file income tax returns in foreign jurisdictions. After the Spin-Off, we file income tax returns in the U.S. federal, foreign and various U.S. state jurisdictions. With a few exceptions, Orbital ATK and its subsidiaries and Vista Outdoor are no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities prior to 2009. The IRS has completed the audits of Orbital ATK through fiscal 2014 and is currently auditing Orbital ATK's tax return for fiscal 2015. We believe appropriate provisions for all outstanding issues relating to our portion of these returns have been made for all remaining open years in all jurisdictions.

As of March 31, 2017 and 2016, the total amount of unrecognized tax benefits was $33,466 and $36,194, respectively, of which $26,911 and $29,884, respectively, would affect the effective tax rate, if recognized. The remaining balance is related to deferred tax items which only impact the timing of tax payments. Although the timing and outcome of audit settlements are uncertain, it is reasonably possible that a $2,650 reduction of the uncertain tax benefits will occur in the next 12 months. The settlement of these unrecognized tax benefits could result in earnings from $0 to $1,756. See Note 11, Long-term Debt, to the consolidated and combined financial statements for further details.

We believe it is more likely than not that the recorded deferred benefits will be realized through the reduction of future taxable income. Our recorded valuation allowance of $5,092 at March 31, 2017 relates to certain tax credits, net operating losses and interest carryforwards that are not expected to be realized before their expiration. The valuation allowance increased during fiscal 2017 primarily due to additional state operating losses.

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Liquidity and Capital Resources

We manage our business to maximize operating cash flows as the primary source of liquidity. In addition to cash on hand and cash generated by operations, sources of liquidity include a committed credit facility and access to the public debt and equity markets. We use our cash primarily to fund investments in our existing businesses and for debt repayment, acquisitions, and other activities.

Cash Flow Summary

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows for the years ended March 31, 2018, 2017, and 2016 are summarized as follows:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Cash flows provided by operating activities | $252,355 | $158,401 | $199,031 |
| Cash flows used for investing activities | (66,499 ) | (548,679 ) | (503,204 ) |
| Cash flows provided by (used for) financing activities | (208,550 ) | 284,216 | 191,571 |
| Effect of foreign currency exchange rate fluctuations on cash | 489 | (555 ) | 343 |
| Net cash flows | $(22,205 ) | $(106,617) | $(112,259) |

Operating Activities

Net cash provided by operating activities was $252,355 in fiscal 2018 compared to $158,401 in fiscal 2017. This increase of $93,954 was driven by favorable changes in working capital balances primarily as a result of reductions in inventories and the timing of supplier payments.

Net cash provided by operating activities was $158,401 in fiscal 2017 compared to $199,031 in fiscal 2016. This decrease of $40,630 was caused by a decrease in net income and increased inventory levels as a result of the change in market conditions.

Investing Activities

Net cash used for investing activities was $66,499 in fiscal 2018 compared to $548,679 in fiscal 2017. This decrease of $482,180 was primarily due to the purchase price of acquisitions in the prior year.

Net cash used for investing activities was $548,679 in fiscal 2017 compared to $503,204 in fiscal 2016. The primary driver of the activity in both fiscal years is the purchase price of acquisitions. The increase of $45,475 was primarily caused by increased capital expenditures in fiscal 2016 due to our ammunition capacity expansion project.

Financing Activities

Net cash used for financing activities was $208,550 in the current year, compared to cash provided by financing activities of $284,216 in the prior year, a change of $492,766. This change was primarily driven by cash from the issuance of long-term debt of $307,500 in the prior period, the purchase of treasury shares of $151,850 in the prior period, and the net borrowings on the revolving credit facility of $175,000 in the prior period, partially offset by net repayments on the revolving credit facility of $175,000 in the current period.

Net cash provided by financing activities was $284,216 in fiscal 2017 compared to $191,571 in fiscal 2016. This change of $92,645 primarily reflects increased use of our revolving line of credit to fund the fiscal 2016 acquisitions.

Liquidity

In addition to our normal operating cash requirements, our principal future cash requirements will be to fund capital expenditures, debt repayments, employee benefit obligations, any share repurchases, and any strategic acquisitions. Our short-term cash requirements for operations are expected to consist mainly of capital expenditures to maintain production facilities and working capital requirements. Our debt service requirements over the next two years consist of principal and interest payments due under the Credit Agreement, as well as interest payments on the 5.875% Notes, as discussed further below.

Based on our current financial condition, management believes that our cash position, combined with anticipated generation of cash flows and the availability of funding, if needed, under our Credit Agreement, access to debt and equity markets, as well as potential future sources of funding including additional bank financing and divestitures, will be adequate to

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fund future growth as well as to service our currently anticipated long-term debt and pension obligations and make capital expenditures over the next 12 months. Capital expenditures for fiscal 2019 are expected to be approximately $60,000.

We do not expect that our access to liquidity sources will be materially impacted in the near future. There can be no assurance, however, that the cost or availability of future borrowings, if any, will not be materially impacted by capital market conditions, our financial condition and performance, or other factors.

During the quarter ended December 31, 2017, we received Orbital ATK's proposed allocation of tax liabilities for the period from April 1, 2014 through the date of the Spin-Off as required by the Tax Matters Agreement with Orbital ATK as discussed further in Note 13, Income Taxes. Given the complex nature of these tax matters, the final allocation of pre-Spin-Off tax liabilities between Vista Outdoor and Orbital ATK is highly uncertain. Though the resolution of these tax liabilities under the Tax Matters Agreement may have a significant impact on our cash position in a particular quarter, we do not expect this resolution to have a material impact on our business.

Long-Term Debt and Credit Agreement

As of March 31, 2018, we had actual total indebtedness of $926,000, which consisted of the following:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Credit Agreement: | | |
| Term Loan | $576,000 | $608,000 |
| Revolving Credit Facility | — | 175,000 |
| Total principal amount of Credit Agreement | 576,000 | 783,000 |
| 5.875% Senior Notes | 350,000 | 350,000 |
| Principal amount of long-term debt | 926,000 | 1,133,000 |
| Less: unamortized deferred financing costs | (10,601) | (11,748) |
| Carrying amount of long-term debt | 915,399 | 1,121,252 |
| Less: current portion | (32,000) | (32,000) |
| Carrying amount of long-term debt, excluding current portion | $883,399 | |