Vista Outdoor Inc.
Form 10-Q
November 12, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

| | |
|---|---|
| ý | QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |

For the quarterly period ended October 4, 2015

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.) |
| 938 University Park Boulevard, Suite 200 Clearfield, UT | 84015 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (801) 779-4600

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large Accelerated Filer o | Accelerated Filer o | Non-Accelerated Filer ý (Do not check if a smaller reporting company) | Smaller reporting company 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 November 9, 2015, there were 62,306,423 shares of the registrant's voting common stock outstanding.

TABLE OF CONTENTS

Table of Contents

PART I— FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
VISTA OUTDOOR INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

| (Amounts in thousands except per share data) | Quarter ended October 4, 2015 | Quarter ended September 28, 2014 | Six months ended October 4, 2015 | Six months ended September 28, 2014 |
|---|---|---|---|---|
| Sales, net | $551,377 | $ 525,149 | $1,065,874 | $ 1,091,144 |
| Cost of sales | 402,353 | 396,554 | 777,558 | 819,098 |
| Gross profit | 149,024 | 128,595 | 288,316 | 272,046 |
| Operating expenses: | | | | |
| Research and development | 2,815 | 1,074 | 5,170 | 4,725 |
| Selling, general, and administrative | 85,466 | 68,154 | 163,420 | 133,294 |
| Income before interest and income taxes | 60,743 | 59,367 | 119,726 | 134,027 |
| Interest expense | (6,563) | (7,883) | (9,132) | (16,924) |
| Income before income taxes | 54,180 | 51,484 | 110,594 | 117,103 |
| Income tax provision | 21,505 | 17,730 | 44,029 | 42,313 |
| Net income | $32,675 | $ 33,754 | $66,565 | $ 74,790 |
| Earnings per common share: | | | | |
| Basic | $0.52 | $ 0.53 | $1.06 | $ 1.17 |
| Diluted | $0.52 | $ 0.53 | $1.05 | $ 1.17 |
| Weighted-average number of common shares outstanding: | | | | |
| Basic | 62,816 | 63,875 | 63,064 | 63,875 |
| Diluted | 63,155 | 63,875 | 63,406 | 63,875 |
| | | | | |
| Net income (from above) | $32,675 | $ 33,754 | $66,565 | $ 74,790 |
| Other comprehensive income (loss), net of tax: | | | | |
| Pension and other postretirement benefit liabilities: | | | | |
| Reclassification of prior service credits for pension and postretirement benefit plans recorded to net income, net of tax benefit of $158 and $0, respectively for the quarter ended and $316 and $0 respectively for the six months ended | (267) | — | (534) | — |
| Reclassification of net actuarial loss for pension and postretirement benefit plans recorded to net income, net of tax expense of $(819) and $0, respectively for the quarter ended and $(1,638) and $0 respectively for the six months ended | 1,381 | — | 2,762 | — |
| Change in derivatives, net of tax benefit (expense) of $2 and $(300), respectively for the quarter ended and $(54) and $(300) respectively for the six months ended | (4) | 478 | 86 | 478 |
| Change in cumulative translation adjustment, net of tax benefit of $0 and $4,095, respectively for the quarter ended and $0 and $4,844 respectively for the six months ended | (6,719) | (8,934) | (4,049) | (7,738) |
| Total other comprehensive loss | (5,609) | (8,456) | (1,735) | (7,260) |
| Comprehensive income | $27,066 | $ 25,298 | $64,830 | $ 67,530 |

See Notes to the Condensed Consolidated and Combined Financial Statements.

2

Table of Contents

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

| (Amounts in thousands except share data) | October 4, 2015 | March 31, 2015 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $86,132 | $263,951 |
| Net receivables | 403,729 | 361,694 |
| Net inventories | 503,224 | 375,621 |
| Deferred income taxes | 51,905 | 50,343 |
| Other current assets | 21,391 | 13,452 |
| Total current assets | 1,066,381 | 1,065,061 |
| Net property, plant, and equipment | 191,051 | 190,607 |
| Goodwill | 1,019,352 | 782,163 |
| Net intangible assets | 667,673 | 517,482 |
| Deferred charges and other non-current assets | 19,411 | 17,811 |
| Total assets | $2,963,868 | $2,573,124 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | 17,500 | 17,500 |
| Accounts payable | 130,424 | 134,432 |
| Accrued compensation | 35,467 | 27,146 |
| Accrued income taxes | 3,452 | 9,569 |
| Federal excise tax | 26,041 | 23,194 |
| Other current liabilities | 121,155 | 96,071 |
| Total current liabilities | 334,039 | 307,912 |
| Long-term debt | 673,750 | 332,500 |
| Non-current deferred income tax liabilities | 191,539 | 193,382 |
| Accrued pension and postemployment liabilities | 59,444 | 59,345 |
| Other non-current liabilities | 39,693 | 31,221 |
| Total liabilities | 1,298,465 | 924,360 |
| Commitments and contingencies (Notes 11 and 14) | | |
| Common stock—$.01 par value: | | |
| Authorized—500,000,000 shares | | |
| Issued and outstanding— 62,710,652 shares at October 4, 2015 and 63,878,499 shares at March 31, 2015 | 627 | 639 |
| Additional paid-in-capital | 1,746,433 | 1,742,125 |
| Retained earnings | 85,949 | 19,384 |
| Accumulated other comprehensive loss | (112,038) | (110,303) |
| Common stock in treasury, at cost— 1,253,787 shares held at October 4, 2015 and 85,940 shares held at March 31, 2015 | (55,568) | (3,081) |
| Total stockholders' equity | 1,665,403 | 1,648,764 |
| Total liabilities and stockholders' equity | $2,963,868 | $2,573,124 |

See Notes to the Condensed Consolidated and Combined Financial Statements.

Table of Contents

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(unaudited)

| | Six months ended | |
|---|---|---|
| (Amounts in thousands) | October 4, 2015 | September 28, 2014 |
| Operating Activities | | |
| Net income | $66,565 | $74,790 |
| Adjustments to net income to arrive at cash provided by (used for) operating activities: | | |
| Depreciation | 18,784 | 15,548 |
| Amortization of intangible assets | 15,651 | 15,378 |
| Amortization of deferred financing costs | 1,156 | 1,398 |
| Deferred income taxes | 695 | 338 |
| Loss on disposal of property | 498 | 311 |
| Stock-based compensation | 6,137 | — |
| Excess tax benefits from share-based plans | (206) | — |
| Changes in assets and liabilities: | | |
| Net receivables | (10,907) | (105,147) |
| Net inventories | (95,550) | (6,016) |
| Accounts payable | (8,220) | (42,655) |
| Accrued compensation | 1,134 | (10,504) |
| Accrued income taxes | (7,015) | 5,906 |
| Federal excise tax | 2,856 | (1,485) |
| Pension and other postretirement benefits | 3,650 | — |
| Other assets and liabilities | 22,267 | 15,500 |
| Cash provided by (used for) operating activities | 17,495 | (36,638) |
| Investing Activities: | | |
| Capital expenditures | (17,216) | (20,353) |
| Acquisition of business, net of cash acquired | (462,182) | — |
| Proceeds from the disposition of property, plant, and equipment | 130 | 16 |
| Cash used for investing activities | (479,268) | (20,337) |
| Financing Activities: | | |
| Borrowings on line of credit | 360,000 | — |
| Payments on line of credit | (360,000) | — |
| Proceeds from issuance of long-term debt | 350,000 | — |
| Net transfers from parent | — | 58,113 |
| Payments made on long-term debt to parent | — | (6,364) |
| Payments made on long-term debt | (8,750) | — |
| Payments made for debt issuance costs | (4,379) | — |
| Purchase of treasury shares | (53,009) | — |
| Excess tax benefits from share-based plans | 206 | — |
| Proceeds from employee stock compensation plans | 438 | — |
| Cash provided by financing activities | 284,506 | 51,749 |
| Effect of foreign exchange rate fluctuations on cash | (552) | (629) |
| Decrease in cash and cash equivalents | (177,819) | (5,855) |
| Cash and cash equivalents at beginning of period | 263,951 | 40,004 |
| Cash and cash equivalents at end of period | $86,132 | $34,149 |

| | | |
|---|---|---|
| Supplemental Cash Flow Disclosures: | | |
| Noncash investing activity: | | |
| Capital expenditures included in accounts payable | $1,607 | $3,175 |
| Noncash financing activity: | | |
| Treasury Shares purchased included in other accrued liabilities | $2,782 | $— |

See Notes to the Condensed Consolidated and Combined Financial Statements.

Table of Contents

VISTA OUTDOOR INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' AND PARENT COMPANY EQUITY

| (Amounts in thousands except share data) | Common Stock $.01 Par Value Shares | Amount | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Parent's Equity | Total Equity |
|---|---|---|---|---|---|---|---|---|
| Balance, March 31, 2014 | — | $— | $— | $— | $(1,505) | $— | $872,236 | $870,731 |
| Comprehensive income | — | — | — | — | (7,260) | — | 74,790 | 67,530 |
| Net transfers from parent | — | — | — | — | — | — | 58,113 | 58,113 |
| Balance, September 28, 2014 | — | $— | $— | $— | $(8,765) | $— | $1,005,139 | $996,374 |
| | | | | | | | | |
| Balance, March 31, 2015 | 63,878,499 | $639 | $1,742,125 | $19,384 | $(110,303) | $(3,081) | $— | $1,648,764 |
| Comprehensive income | — | — | — | 66,565 | (1,735) | — | — | 64,830 |
| Exercise of stock options | 20,078 | — | (426) | — | — | 864 | — | 438 |
| Restricted stock grants net of forfeitures | 35,737 | — | (1,829) | — | — | 1,677 | — | (152) |
| Share-based compensation | — | — | 6,137 | — | — | — | — | 6,137 |
| Restricted stock vested and shares withheld | (21,955) | — | 955 | — | — | (1,010) | — | (55) |
| Treasury stock purchased | (1,201,707) | — | — | — | — | (54,018) | — | (54,018) |
| Tax benefit related to share based plans and other | — | (12) | (529) | — | — | — | — | (541) |
| Balance, October 4, 2015 | 62,710,652 | $627 | $1,746,433 | $85,949 | $(112,038) | $(55,568) | $— | $1,665,403 |

See Notes to the Condensed Consolidated and Combined Financial Statements.

Table of Contents

VISTA OUTDOOR INC.
NOTES TO THE CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (unaudited)
Quarter and six months ended October 4, 2015
(Amounts in thousands unless otherwise indicated)

1. Basis of Presentation and Responsibility for Interim Financial Statements

Nature of Operations. Vista Outdoor Inc. (together with our subsidiaries, "we", "our", and "us") is a leading global designer, manufacturer and marketer of consumer products in the growing outdoor sports and recreation markets. We operate in two segments, Shooting Sports and Outdoor Products. Vista Outdoor is headquartered in Utah and has manufacturing operations and facilities in 10 U.S. States, Canada, Mexico and Puerto Rico along with international sales and sourcing operations in Asia, Australia, Canada, Europe, and New Zealand. Vista Outdoor was incorporated in Delaware in 2014. Prior to February 9, 2015, the business was operated as the Sporting Group reporting segment of Alliant Techsystems Inc. ("ATK"); subsequent to the Spin-Off (as defined below), ATK changed its name to Orbital ATK. On April 28, 2014, Orbital ATK entered into a Transaction Agreement (the “Transaction Agreement”) among Vista Outdoor, Vista Merger Sub Inc. (“Merger Sub”) and Orbital Sciences Corporation (“Orbital”), providing for, among other things, the transfer of the businesses comprising ATK’s Sporting Group reporting segment to Vista Outdoor (the “Sporting Transfers”), the distribution of all of the shares of Vista Outdoor Inc. common stock on a pro rata basis to the holders of ATK common stock (the “Spin-Off”), and the merger of Merger Sub with and into Orbital (the “ATK/Orbital Merger”), with Orbital surviving the ATK/Orbital Merger as a wholly owned subsidiary of Orbital ATK.

On February 9, 2015, Orbital ATK completed the Sporting Transfers and the Spin-Off, distributing to its stockholders of record as of February 2, 2015, two shares of Vista Outdoor Inc. common stock for every share of ATK common stock held. In connection with the Spin-Off, Vista Outdoor filed a Registration Statement on Form 10 (as amended, the “Form 10”) with the Securities and Exchange Commission (the “SEC”), which was declared effective on January 23, 2015. The Form 10 included an Information Statement (the “Information Statement”) describing the details of the Spin-Off and providing information as to our business and management.

Except where indicated, references below to transactions completed by Vista Outdoor prior to February 9, 2015, refer to transactions completed by or on behalf of the ATK Sporting Group reporting segment that are reflected on the consolidated and combined financial statements of Vista Outdoor.

This Quarterly Report on Form 10-Q should be read in conjunction with our consolidated and combined financial statements and notes included in our fiscal 2015 Annual Report on Form 10-K.

Basis of Presentation. Our unaudited condensed consolidated and combined financial statements as set forth have been prepared in accordance with the requirements of the SEC for interim reporting. As permitted under those rules, certain disclosures and other financial information that are normally required by accounting principles generally accepted in the United States can be condensed or omitted. Our accounting policies are described in the notes to the consolidated and combined financial statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2015 (“fiscal 2015”). Management is responsible for the condensed consolidated and combined financial statements included in this document, which are unaudited but, in the opinion of management, include all adjustments necessary for a fair presentation of our financial position as of October 4, 2015 and March 31, 2015, and our results of operations for the quarters and six month periods ended October 4, 2015 and September 28, 2014, and cash flows for the six month periods ended October 4, 2015 and September 28, 2014.

The accompanying unaudited condensed consolidated and combined financial statements reflect our consolidated operations as a separate stand-alone entity beginning on February 9, 2015. Periods presented prior to the Spin-Off have been prepared on a stand-alone basis and are derived from ATK’s consolidated financial statements and accounting records and are presented on a combined basis. Subsequent to the Spin-Off, the financial statements are presented on a consolidated basis. Prior to the Spin-Off, the unaudited condensed consolidated and combined financial statements represent our financial position, results of operations, and cash flows as our business was operated as part of ATK prior to the distribution, in conformity with U.S. generally accepted accounting principles.

Prior to the Spin-Off, the unaudited condensed consolidated and combined statements of operations include expense allocations for certain corporate functions historically provided to us by ATK, including, but not limited to, human resources, employee benefits administration, treasury, risk management, audit, finance, tax, legal, information technology support, and other shared services. These allocations are reflected in the unaudited condensed consolidated and combined statements of operations within the expense categories to which they relate. The allocations were made on a direct usage basis when

NOTES TO THE CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (unaudited) (Continued)
(Amounts in thousands unless otherwise indicated)
1. Basis of Presentation and Responsibility for Interim Financial Statements (Continued)

identifiable, with the remainder allocated on various bases that are further discussed in Note 15. We consider these allocations to be a reasonable reflection of the utilization of services by, or benefits provided to us. The allocations may not, however, reflect the expense we would have incurred as a stand-alone company. Following the Spin-Off, we perform these functions using our resources or purchased services. For an interim period, however, some of these functions will continue to be provided by Orbital ATK under transition services agreements and other commercial agreements.

Prior to the Spin-Off, Orbital ATK maintained a number of defined benefit plans at a corporate level which our employees participated in, and as such, we were charged a portion of the expenses associated with these plans. Subsequent to February 9, 2015, we established separate defined benefit plans and recorded the related liabilities attributable to our employees. We also recorded our rights to the associated assets, which were maintained in the Orbital ATK plan asset pools. The fair value of these assets was transferred to us in cash on July 1, 2015, and was immediately reinvested in accordance with our targeted asset allocation.

Transactions between Orbital ATK and us prior to the Spin-Off are reflected as effectively settled at the time of the transaction and are included in financing activities in the consolidated and combined statements of cash flows.

Our consolidated and combined financial statements may not be indicative of our future performance and do not necessarily reflect what the results of operations and cash flows would have been had we operated as a stand-alone company during the periods presented.

New Accounting Pronouncements. On May 28, 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09 Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance. This guidance is effective for periods beginning after December 15, 2017 and early application is permitted for periods beginning after December 15, 2016. We are in the process of evaluating the impact this standard will have on us.

There are no other new accounting pronouncements that are expected to have a significant impact on our condensed consolidated and combined financial statements.

2. Fair Value of Financial Instruments

The current authoritative guidance on fair value clarifies the definition of fair value, prescribes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and expands disclosures about the use of fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The valuation techniques required by the current authoritative literature are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3—Significant inputs to the valuation model are unobservable.

The following section describes the valuation methodologies we used to measure our financial instruments at fair value.

Derivative financial instruments and hedging activities—In order to manage our exposure to foreign currency risk, we periodically utilize foreign currency derivatives, which are considered Level 2 instruments. Foreign currency derivatives are valued based on observable market transactions of spot currency rates and forward currency prices. During the six months ended October 4, 2015, we entered into various foreign currency forward contracts. See Note 3 for additional detail. There were no foreign currency derivatives outstanding as of March 31, 2015.

Table of Contents
NOTES TO THE CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (unaudited) (Continued)
(Amounts in thousands unless otherwise indicated)
2. Fair Value of Financial Instruments (Continued)

Long-term debt—The fair value of the variable-rate long-term debt is calculated based on current market rates for debt of the same risk and maturities. The fair value of the fixed-rate long-term debt is based on market quotes for each issuance. We have considered these to be Level 2 instruments.
Contingent Consideration—The acquisition-related contingent consideration liability represents the estimated fair value of additional future earn-outs payable for acquisitions of businesses that closed after July 5, 2015. The valuation of the contingent consideration will be evaluated on an ongoing basis and is based on management estimates and entity-specific assumptions which are considered Level 3 inputs.
The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that are measured at fair value on a recurring basis:

| | October 4, 2015 Fair value measurements using inputs considered as | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Assets: | | | |
| Derivatives | $— | $140 | $— |
| Liabilities: | | | |
| Derivatives | $— | $— | $— |
| Contingent consideration | $— | $— | $4,471 |

As of March 31, 2015, we had no financial assets and liabilities that are measured at fair value on a recurring basis outstanding.
The following table presents our financial assets and liabilities that are not measured at fair value on a recurring basis. The carrying values and estimated fair values were as follows:

| | October 4, 2015 | | March 31, 2015 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Fixed-rate debt | $350,000 | $357,000 | $— | $— |
| Variable-rate debt | 341,250 | 341,250 | 350,000 | 350,000 |

3. Derivative Financial Instruments
We are exposed to market risks arising from adverse changes in:
- commodity prices affecting the cost of raw materials,
- interest rate, and
- foreign exchange risks

In the normal course of business, these risks are managed through a variety of strategies, including the use of derivative instruments. Foreign currency exchange contracts are used to hedge forecasted transactions denominated in a foreign currency.
We entered into various foreign currency forward contracts during the six months ended October 4, 2015 and September 28, 2014. These contracts are used to hedge forecasted cash receipts from customers denominated in foreign currencies and are designated and qualify as effective cash flow hedges. Ineffectiveness with respect to forecasted customer cash receipts is calculated based on changes in the forward rate until the anticipated cash receipt occurs.
The fair value of the foreign currency forward contracts is recorded within other assets or liabilities, as appropriate, and the effective portion is reflected in accumulated other comprehensive loss ("AOCL") in the financial statements. The gains or losses on the foreign currency forward contracts are recorded in earnings when we settle the contracts with the counterparty with customer receipts.

Table of Contents
NOTES TO THE CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (unaudited) (Continued)
(Amounts in thousands unless otherwise indicated)
3. Derivative Financial Instruments (continued)

As of October 4, 2015, we had outstanding foreign currency forward contracts in place for the following amounts:

| | Notional Amount of Currency |
|---|---|
| Sale of foreign currency: | |
| Euro | 6,586 |
| Australian Dollar | 2,227 |

The table below presents the fair value and location of our derivative instruments designated as hedging instruments in the unaudited condensed consolidated balance sheets.

| | | Asset derivatives fair value as of | |
|---|---|---|---|
| | Location | October 4, 2015 | March 31, 2015 |
| Foreign currency forward contracts | Other current assets | $140 | $— |
| Total | | $140 | $— |

For the periods presented below, the derivative gains and losses in the unaudited condensed consolidated and combined statements of operations related to foreign currency forward contracts were as follows:

| | Pretax gain (loss) reclassified from AOCI | | Gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) | |
|---|---|---|---|---|
| | Location | Amount | Location | Amount |
| Quarter ended October 4, 2015 | | | | |
| Foreign currency forward contracts | Cost of Sales | $39 | Cost of Sales | $— |
| Quarter ended September 28, 2014 | | | | |
| Foreign currency forward contracts | Cost of Sales | $— | Cost of Sales | $— |
| Six months ended October 4, 2015 | | | | |
| Foreign currency forward contracts | Cost of Sales | $52 | Cost of Sales | $— |
| Six months ended September 28, 2014 | | | | |
| Foreign currency forward contracts | Cost of Sales | $— | Cost of Sales | $— |

4. Earnings Per Share

The computation of earnings per share ("EPS") includes Basic EPS computed based upon the weighted average number of common shares outstanding for each period. Diluted EPS is computed based on the weighted average number of common shares and common equivalent shares. Common equivalent shares represent the effect of stock-based awards during each period presented, which, if exercised or earned, would have a dilutive effect on EPS. On February 9, 2015, 63,875 shares of our common stock were distributed to Orbital ATK shareholders of record to complete the Spin-Off from ATK. For comparative purposes, we have used weighted average shares of 63,875 to calculate basic and diluted EPS for all periods prior to the Spin-Off, as we had no outstanding common shares or dilutive stock-based awards.

In computing EPS for the quarters and six month periods ended October 4, 2015 and September 28, 2014, earnings, as reported for each respective period, is divided by:

NOTES TO THE CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (unaudited) (Continued)

(Amounts in thousands unless otherwise indicated)

4. Earnings Per Share (continued)

| | Quarter ended | | Six months ended | |
|---|---|---|---|---|
| | October 4, 2015 | September 28, 2014 | October 4, 2015 | September 28, 2014 |
| Basic EPS shares outstanding | 62,816 | 63,875 | 63,064 | 63,875 |
| Dilutive effect of stock-based awards | 339 | — | 342 | — |
| Diluted EPS shares outstanding | 63,155 | 63,875 | 63,406 | 63,875 |
| Shares excluded from the calculation of diluted EPS because the option exercise/threshold price was greater than the average market price of the common shares | 68 | — | 68 | — |

5. Acquisitions

In accordance with the accounting standards regarding business combinations, the results of acquired businesses are included in our consolidated and combined financial statements from the date of acquisition. The purchase price for each acquisition is allocated to the acquired assets and liabilities based on fair value. The excess purchase price over estimated fair value of the net assets acquired is recorded as goodwill.

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 next three years. We determined a value of the future contingent consideration as of the acquisition date of $4,471 utilizing the Black Scholes option pricing model; 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, cash flows, 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 three years. The discounted cash flows are based on our estimates of future performance of the business.

Jimmy Styks is a leading designer and marketer of stand up paddle boards and related accessories. Jimmy Styks' stand up paddle board portfolio provides easy-to-use platforms for water sport enthusiasts engaging in activities ranging from personal fitness to fishing and will help us expand our Outdoor Products operating segment. Jimmy Styks offers nearly 30 SKUs in epoxy, inflatable, soft and thermoform boards, as well as accessories. The preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. The majority of the goodwill generated in this acquisition will be deductible for tax purposes. Jimmy Styks is an immaterial acquisition to our company.

Acquisition of CamelBak Products

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 preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. A portion of the goodwill generated in this acquisition will be deductible for tax purposes.

Current year results for acquisitions

Subsequent to the acquisition dates of these acquisitions, Vista Outdoor recorded sales of approximately $24,370 for the quarter and six months ended October 4, 2015 and gross profit of approximately $9,216 for the quarter and six months ended October 4, 2015, each associated with the operations of these acquired businesses and reflected in the Outdoor Products segment results.

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (unaudited) (Continued)
(Amounts in thousands unless otherwise indicated)
5. Acquisitions (Continued)

Preliminary Allocation of Consideration Transferred to Net Assets Acquired for CamelBak:

The following amounts represent the preliminary determination of the fair value of identifiable assets acquired and liabilities assumed from the CamelBak acquisition. The final determination of the fair value of certain assets and liabilities will be completed within the required measurement period, which will be no later than 12-months from the date of acquisition. The size and breadth of the CamelBak acquisition will necessitate the use of this measurement period to adequately analyze and assess a number of the factors used in establishing the asset and liability fair values as of the acquisition date, including the significant contractual and operational factors underlying the trade name and customer relationship intangible assets and the related tax impacts of any changes made. Any potential adjustments made could be material in relation to the preliminary values presented below:

| | August 3, 2015 | |
|---|---|---|
| Purchase price net of cash acquired: | | |
| Cash paid | | $412,500 |
| Cash paid for working capital | | 9,810 |
| Total purchase price | | 422,310 |
| Fair value of assets acquired: | | |
| Receivables | $30,093 | |
| Inventories | 30,916 | |
| Tradename, customer relationship, and technology intangibles | 133,800 | |
| Property, plant, and equipment | 7,985 | |
| Other assets | 6,902 | |
| Total assets | 209,696 | |
| Fair value of liabilities assumed: | | |
| Accounts payable | 8,219 | |
| Other liabilities | 8,024 | |
| Total liabilities | 16,243 | |
| Net assets acquired | | 193,453 |
| Goodwill | | $228,857 |

Intangible assets above include:

| | Value | Useful life (years) |
|---|---|---|
| Indefinite lived tradename | $79,400 | Indefinite |
| Customer relationships | 49,400 | 10-20 |
| Technology | 5,000 | 7-17 |

Table of Contents
NOTES TO THE CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (unaudited) (Continued)
(Amounts in thousands unless otherwise indicated)
5. Acquisitions (Continued)

Supplemental Pro Forma Data for CamelBak:

We used the acquisition method of accounting to account for this acquisition and, accordingly, the results of CamelBak are included in our consolidated financial statements for the period subsequent to the date of acquisition. The following unaudited supplemental pro forma data for the quarter and six months ended October 4, 2015 and September 28, 2014 present consolidated and combined information as if the acquisition had been completed on April 1, 2014. The pro forma results were calculated by combining our results with the standalone results of CamelBak for the pre-acquisition periods, which were adjusted to account for certain costs which would have been incurred during this pre-acquisition period:

| | Quarter ended | | Six months ended | |
|---|---|---|---|---|
| (Amounts in thousands except per share data) | October 4, 2015 | September 28, 2014 | October 4, 2015 | September 28, 2014 |
| Sales | $568,400 | $ 558,645 | $1,125,471 | $ 1,165,519 |
| Net income | 37,838 | | | |