

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

Form 10-Q

November 29, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 3, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-36401

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	39-1975614 (I.R.S. Employer Identification No.)
7035 South High Tech Drive, Midvale, Utah (Address of principal executive offices)	84047 (Zip code)

Registrant's telephone number, including area code: (801) 566-6681

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 No

Indicate by check mark whether the registrant has submitted electronically on its corporate Web site, if any, every Interactive Data File required to be submitted 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 such files). Yes No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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:

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

As of November 29, 2018, the registrant had 42,938,385 shares of common stock, \$0.01 par value per share, outstanding.

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

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We operate on a fiscal calendar that, in a given fiscal year, consists of the 52- or 53-week period ending on the Saturday closest to January 31st. Our fiscal third quarters ended November 3, 2018 and October 28, 2017, both consisted of 13 weeks and are referred to herein as the third quarter of fiscal year 2018 and the third quarter of fiscal year 2017, respectively. Fiscal year 2018 contains 52 weeks of operations and will end on February 2, 2019. Fiscal year 2017 contained 53 weeks of operations ended on February 3, 2018.

References throughout this document to “Sportsman’s Warehouse,” “we,” “us,” and “our” refer to Sportsman’s Warehouse Holdings, Inc. and its subsidiaries, and references to “Holdings” refer to Sportsman’s Warehouse Holdings, Inc. excluding its subsidiaries.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “10-Q”) contains statements that constitute forward-looking statements as that term is defined by the Private Securities Litigation Reform Act of 1995. These statements concern our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition, which are subject to risks and uncertainties. All statements other than statements of historical fact included in this 10-Q are forward-looking statements. These statements may include words such as “aim,” “anticipate,” “assume,” “believe,” “can have,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “li,” “objective,” “plan,” “potential,” “positioned,” “predict,” “should,” “target,” “will,” “would” and other words and terms of similar nature in connection with any discussion of the timing or nature of future operating or financial performance or other events or trends. For example, all statements we make relating to our plans and objectives for future operations, growth or initiatives and strategies are forward-looking statements.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management’s beliefs and assumptions. We derive many of our forward-looking statements from our own operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that predicting the impact of known factors is very difficult, and we cannot anticipate all factors that could affect our actual results.

All of our forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from our expectations. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- our retail-based business model is impacted by general economic conditions and economic and financial uncertainties may cause a decline in consumer spending;
- current and future government regulations, in particular regulations relating to the sale of firearms and ammunition, may impact the supply and demand for our products and our ability to conduct our business;
- our concentration of stores in the Western United States makes us susceptible to adverse conditions in this region, which could affect our sales and cause our operating results to suffer;
- we operate in a highly fragmented and competitive industry and may face increased competition;
- we may not be able to anticipate, identify and respond to changes in consumer demands, including regional preferences, in a timely manner; and
- we may not be successful in operating our stores in any existing or new markets into which we expand.

The above is not a complete list of factors or events that could cause actual results to differ from our expectations, and we cannot predict all of them. All written and oral forward-looking statements attributable to us, or persons acting on

our behalf, are expressly qualified in their entirety by the cautionary statements disclosed under “Part I. Item 1A. Risk Factors,” appearing in our Annual Report on Form 10-K for the fiscal year ended February 3, 2018 and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this 10-Q, as such disclosures may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission, including subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, and public communications. You should evaluate all forward-looking statements made in this 10-Q and otherwise in the context of these risks and uncertainties.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on any forward-looking statements we make. These forward-looking statements speak only as of the date of this 10-Q and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties and other factors that are in many cases beyond our control. Except as required by law, we undertake no obligation to update or revise any forward-looking statements publicly, whether as a result of new information, future developments or otherwise.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

Amounts in Thousands, Except Per Share Data

(unaudited)

	November 3, 2018	February 3, 2018
Assets		
Current assets:		
Cash	\$ 1,892	1,769
Accounts receivable, net	419	319
Merchandise inventories	369,057	270,594
Income tax receivable	1,617	—
Prepaid expenses and other	12,092	8,073
Total current assets	385,077	280,755
Property and equipment, net	93,273	94,035
Deferred income taxes	1,517	4,595
Definite lived intangibles, net	252	276
Total assets	\$ 480,119	379,661
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 91,511	36,788
Accrued expenses	55,664	50,602
Income taxes payable	—	2,586
Revolving line of credit	181,566	59,992
Current portion of long-term debt, net of discount and debt issuance costs	7,915	990
Current portion of deferred rent	5,033	4,593
Total current liabilities	341,689	155,551
Long-term liabilities:		
Long-term debt, net of discount, debt issuance costs, and current portion	29,696	132,349
Deferred rent, noncurrent	41,244	41,963

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Total long-term liabilities	70,940	174,312
Total liabilities	412,629	329,863
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 20,000 shares authorized; 0 shares issued and outstanding	—	—
Common stock, \$.01 par value; 100,000 shares authorized; 42,938 and 42,617 shares issued and outstanding, respectively	429	426
Additional paid-in capital	84,131	82,197
Accumulated deficit	(17,070)	(32,825)
Total stockholders' equity	67,490	49,798
Total liabilities and stockholders' equity	\$ 480,119	379,661

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Amounts in Thousands Except Per Share Data

(unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Net sales	\$ 223,099	\$ 218,115	\$ 606,447	\$ 566,506
Cost of goods sold	145,518	141,152	401,022	372,310
Gross profit	77,581	76,963	205,425	194,196
Selling, general, and administrative expenses	60,070	57,443	178,374	164,207
Income from operations	17,511	19,520	27,051	29,989
Interest expense	(2,633)	(3,494)	(10,524)	(10,081)
Income before income taxes	14,878	16,026	16,527	19,908
Income tax expense	2,480	6,218	3,406	8,053
Net income	\$ 12,398	\$ 9,808	\$ 13,121	\$ 11,855
Income per share:				
Basic	\$ 0.29	\$ 0.23	\$ 0.31	\$ 0.28
Diluted	\$ 0.29	\$ 0.23	\$ 0.31	\$ 0.28
Weighted average shares outstanding:				
Basic	42,938	42,576	42,854	42,464
Diluted	43,094	42,611	42,937	42,501

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in Thousands

(unaudited)

	Thirty-Nine Weeks Ended	
	November 3, 2018	October 28, 2017
Cash flows from operating activities:		
Net Income	\$ 13,121	\$ 11,855
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation of property and equipment	13,317	11,551
Amortization and write-off of discount on debt and deferred financing fees	1,959	534
Amortization of definite lived intangible	283	1,355
Change in deferred rent	(280)	8,284
(Gain) Loss on asset dispositions	30	(14)
Deferred income taxes	2,194	612
Stock-based compensation	2,435	1,437
Change in operating assets and liabilities:		
Accounts receivable, net	(100)	7
Merchandise inventories	(98,463)	(72,037)
Prepaid expenses and other	(2,195)	3,202
Accounts payable	55,204	40,638
Accrued expenses	2,277	(2,078)
Income taxes payable and receivable	(4,203)	2,231
Net cash (used in) provided by operating activities	(14,421)	7,577
Cash flows from investing activities:		
Purchase of property and equipment	(15,183)	(39,220)
Purchase of intangible asset	(259)	—
Proceeds from deemed sale-leaseback transactions	1,717	6,130
Proceeds from sale of property and equipment	226	14
Net cash used in investing activities	(13,499)	(33,076)
Cash flows from financing activities:		
Net borrowings on line of credit	121,574	17,482
Increase in book overdraft	5,424	10,157
Proceeds from issuance of common stock per employee stock purchase plan	202	283
Payment of withholdings on restricted stock units	(699)	(638)
Borrowings on term loan	40,000	—
Payment of deferred financing costs	(1,331)	(341)
Principal payments on long-term debt	(137,127)	(1,200)
Net cash provided by financing activities	28,043	25,743
Net change in cash	123	244

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Cash at beginning of period	1,769	1,911
Cash at end of period	\$ 1,892	\$ 2,155
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	\$ 10,411	9,469
Income taxes	5,616	5,137
Supplemental schedule of noncash investing activities:		
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 487	214

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Amounts reported in thousands, except per share data

(1) Description of Business and Basis of Presentation

Description of Business

Sportsman's Warehouse Holdings, Inc. ("Holdings") and its subsidiaries (collectively, the "Company") operate retail sporting goods stores. As of November 3, 2018, the Company operated 92 stores in 23 states. The Company also operates an e-commerce platform at www.sportsmanswarehouse.com. The Company's stores and website are aggregated into one single operating and reportable segment.

Basis of Presentation

The condensed consolidated financial statements included herein are unaudited and have been prepared by management of the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The Company's condensed consolidated balance sheet as of February 3, 2018 was derived from the Company's audited consolidated balance sheet as of that date. All other condensed consolidated financial statements contained herein are unaudited and reflect all adjustments that are, in the opinion of management, necessary to summarize fairly our condensed consolidated financial statements for the periods presented. All of these adjustments are of a normal recurring nature. The results of the fiscal quarter ended November 3, 2018 are not necessarily indicative of the results to be obtained for the year ending February 2, 2019. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2018 filed with the SEC on March 29, 2018 (the "Fiscal 2017 Form 10-K").

(2) Summary of Significant Accounting Policies

The Company's significant accounting policies are described in Note 1 to the Company's Fiscal 2017 Form 10-K. Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these condensed consolidated financial statements.

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

The Company adopted Accounting Standard Codification ("ASC") Topic 606 on February 4, 2018, using the modified retrospective approach to all open contracts, with the cumulative effect of adopting the new standard being recognized in retained earnings at February 4, 2018. Therefore, the prior period comparative information has not been adjusted and continues to be reported under Topic 605. The adoption of Topic 606 resulted in an increase in prepaids and other assets of \$1,054 for the recognition of the right of return assets; an increase in accrued expenses relating to the sales return liability of \$1,054 for the recognition of the sales return liability on a gross basis; a decrease in accrued expenses of \$3,521 relating to the breakage of loyalty rewards and gift cards in order to adjust the breakage pattern of the loyalty program and gift cards to match the usage; a decrease of \$884 in deferred tax assets relating to the tax impact of the entries recorded for the gift card and loyalty program liabilities; and a decrease in accumulated deficit of \$2,637 as a cumulative effect of the adoption. The largest driver of changes for the adoption of Topic 606 was the change in the method of estimating breakage for the Company's outstanding gift cards and loyalty reward liabilities. Under Topic 605, this breakage was historically recorded when it was determined that the gift cards or loyalty reward points were not going to be redeemed, which was after two years for gift cards and 18 months for loyalty reward points. Under Topic 606, the breakage recognized for the loyalty reward program and gift cards is now estimated based off of historical breakage percentages, and is recognized in-line with the expected usage of the loyalty points and gift cards.

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The accounts that changed under the adoption of Topic 606 for the condensed consolidated balance sheet as of and for the 39 weeks ended November 3, 2018 have been outlined as follows:

Condensed Consolidated Balance Sheet Changes	As Reported	Adjustments	Balances without adoption of Topic 606
Prepays expenses and other	\$ 12,092	\$ (1,433)	\$ 10,659
Accrued expenses	55,664	2,088	57,752
Deferred income taxes	1,517	884	2,401
Accumulated deficit	(17,070)	(2,637)	(19,707)

Revenue recognition accounting policy

The Company operates solely as an outdoor retailer, which includes both retail stores and an e-commerce platform, that offers a broad range of products in the United States and online. Generally, all revenues are recognized when control of the promised goods is transferred to customers, in an amount that reflects the consideration in exchange for those goods. Accordingly, the Company implicitly enters into a contract with customers to deliver merchandise inventory at the point of sale. Collectability is reasonably assured since the Company only extends immaterial credit purchases to certain municipalities.

Substantially all of the Company's revenue is for single performance obligations for the following distinct items:

- Retail store sales
- E-commerce sales
- Gift cards and loyalty reward program

For performance obligations related to retail store and e-commerce sales contracts, the Company typically transfers control, for retail stores, upon consummation of the sale when the product is paid for and taken by the customer and, for e-commerce sales, when the products are tendered for delivery to the common carrier.

The transaction price for each contract is the stated price on the product, reduced by any stated discounts at that point in time. The Company does not engage in sales of products that attach a future material right which could result in a separate performance obligation for the purchase of goods in the future at a material discount. The implicit point-of-sale contract with the customer, as reflected in the transaction receipt, states the final terms of the sale, including the description, quantity, and price of each product purchased. Payment for the Company's contracts is due in full upon delivery. The customer agrees to a stated price implicit in the contract that does not vary over the contract.

The transaction price relative to sales subject to a right of return reflects the amount of estimated consideration to which the Company expects to be entitled. This amount of variable consideration included in the transaction price, and measurement of net sales, is included in net sales only to the extent that it is probable that there will be no significant reversal in a future period. Actual amounts of consideration ultimately received may differ from the Company's estimates. The allowance for sales returns is estimated based upon historical experience and a provision for estimated returns is recorded as a reduction in sales in the relevant period. The estimated merchandise inventory cost related to the sales returns is recorded in prepaid expenses and other. The estimated refund liabilities are recorded in accrued expenses. If actual results in the future vary from the Company's estimates, the Company adjusts these estimates, which would affect net sales and earnings in the period such variances become known.

Contract liabilities are recognized primarily for gift card sales and our loyalty reward program. Cash received from the sale of gift cards is recorded as a contract liability in accrued expenses, and the Company recognizes revenue upon the customer's redemption of the gift card. Gift card breakage is recognized as revenue in proportion to the pattern of customer redemptions by applying a historical breakage rate of 2.5% when no escheat liability to relevant jurisdictions exists. Based upon historical experience, gift cards are predominantly redeemed in the first two years following their issuance date. The Company does not sell or provide gift cards that carry expiration dates. ASC 606 requires the Company to allocate the transaction price between the goods and the loyalty reward points based on the relative stand alone selling price. The Company recognized revenue for the breakage of loyalty reward points as revenue in proportion to the pattern of customer redemption of the points by applying a historical breakage rate of 25% when no escheat liability to relevant jurisdictions exists.

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Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

Sales returns

We estimate a reserve for sales returns and record the respective reserve amounts, including a right to return asset when a product is expected to be returned and resold. Historical experience of actual returns and customer return rights are the key factors used in determining the estimated sales returns.

Contract Balances

The following table provides information about right of return assets, contract liabilities, and sales return liabilities with customers as of November 3, 2018:

	November 3, 2018
Right of return assets, which are included in prepaid expenses and other	\$ 1,433
Estimated contract liabilities, net of breakage	15,681
Sales return liabilities, which are included in accrued expenses	2,155

For the 13 and 39 weeks ended November 3, 2018 the Company recognized approximately \$147 and \$652 in gift card breakage, respectively. For the 13 and 39 weeks ended November 3, 2018 the Company recognized approximately \$327 and \$880 in loyalty reward breakage, respectively. Gift card and loyalty reward breakage revenue for the 13 and 39 weeks ended November 3, 2018 reported under ASC 606 were not materially different from the amounts that would have been reported under the previous guidance of ASC 605. The Company will continue to monitor future quarters for materiality. The impact of these adjustments on the statement of cash flow for the period ended November 3, 2018 were recorded in cash used in operating activities.

The current balance of the right of return assets is the expected amount of inventory to be returned that is expected to be resold. The current balance of the contract liabilities primarily relates to the gift card and loyalty reward program liabilities. The Company expects the revenue associated with these liabilities to be recognized in proportion to the pattern of customer redemptions over the next two years. The current balance of sales return liabilities is the expected amount of sales returns from sales that have occurred.

Practical expedients and policy elections

The Company applies the following practical expedients in its application for Topic 606:

- The Company has elected to apply the practical expedient, relative to e-commerce sales, which allows an entity to account for shipping and handling as fulfillment activities, and not a separate performance obligation. Accordingly, the Company recognizes revenue for only one performance obligation, the sale of the product, at the shipping point (when the customer gains control). Revenue associated with shipping and handling is not material. The costs associated with fulfillment are recorded in costs of goods sold.
- The Company has elected to apply the practical expedient, relative to sales tax collected, which allows an entity to exclude from its transaction price any amounts collected from customers for all sales (and other similar) taxes.

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Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by department. The percentage of net sales related to our departments for the 13 and 39 weeks ended November 3, 2018 and October 28, 2017, was approximately:

Department	Product Offerings	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
		November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Camping	Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools	14.5%	15.7%	15.6%	16.5%
Clothing	Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear	9.8%	10.1%	8.2%	8.4%
Fishing	Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats	8.6%	9.0%	12.3%	12.2%
Footwear	Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots	7.7%	7.4%	7.3%	7.3%
Hunting and Shooting	Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear	48.7%	47.3%	47.9%	46.7%
Optics, Electronics, Accessories, and Other	Gift items, GPS devices, knives, lighting, optics (e.g. binoculars), two-way radios, and license and background check revenue, net of revenue discounts	10.6%	10.5%	8.7%	8.9%
Total		100.0%	100.0%	100.0%	100.0%

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases” (“ASU 2016-02”). The standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective beginning in the first quarter of fiscal year 2019. Early adoption of ASU 2016-02 is permitted. In July 2018, the FASB issued ASU 2018-11 which provided additional transition methods and a lessor practical expedient for separating lease and non-lease components. The Company plans to adopt the standard during the first quarter of fiscal year 2019. The new leases standard provides a modified retrospective transition approach or a date of initial application approach for adoption for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. Management is currently evaluating the impact of adopting ASU 2016-02 on the Company’s consolidated financial statements, including which adoption method to apply and whether to elect the practical expedients outlined in the new standard. Currently all of the Company’s store and corporate locations are accounted for as operating leases, and therefore are not recorded on our balance sheet. The Company expects this adoption will result in a material increase in the assets and liabilities on the Company’s consolidated balance sheets. Once the Company adopts this new standard, it expects that, for the majority of its leases, the leases would include the amortization of the right-of-use asset and the recognition of interest expense based on the lessee’s incremental borrowing rate (or the rate implicit in the lease, if known) on the payment of the lease obligation. In preparation for the adoption of the guidance, the Company is in the process of implementing controls and system changes to enable the preparation of financial information.

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Intangible – Goodwill and Other

In January 2017, the FASB issued ASU 2017-04, “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” which requires an entity to no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. ASU 2017-04 is effective for annual and interim periods in fiscal years beginning after December 15, 2019. All entities may early adopt the standard for goodwill impairment tests with measurement dates after January 1, 2017. Management believes ASU 2017-04 will have no impact on the Company’s consolidated financial statements.

(3) Property and Equipment

Property and equipment as of November 3, 2018 and February 3, 2018 were as follows:

	November 3, 2018	February 3, 2018
Furniture, fixtures, and equipment	\$ 69,896	\$ 65,437
Leasehold improvements	91,268	84,345
Construction in progress	3,531	2,434
Total property and equipment, gross	164,696	152,216
Less accumulated depreciation and amortization	(71,423)	(58,181)
Total property and equipment, net	\$ 93,273	\$ 94,035

(4) Accrued Expenses

Accrued expenses consisted of the following as of November 3, 2018 and February 3, 2018:

	November 3, 2018	February 3, 2018
Book overdraft	\$ 15,368	\$ 9,944
Unearned revenue	16,924	22,874
Accrued payroll and related expenses	9,637	8,004
Sales and use tax payable	4,761	3,277
Accrued construction costs	431	605
Other	8,543	5,898
Total Accrued Expenses	\$ 55,664	\$ 50,602

(5) Revolving Line of Credit

On May 23, 2018, Sportsman's Warehouse, Inc. ("SWI"), a wholly owned subsidiary of the Company, as borrower, and Wells Fargo Bank, National Association ("Wells Fargo"), with a consortium of banks led by Wells Fargo, entered into an Amended and Restated Credit Agreement (as amended, restated, supplemented or otherwise modified, the "Amended Credit Agreement"). The Amended Credit Agreement amended and restated in its entirety that certain Credit Agreement, dated as of May 28, 2010, by and among SWI, as borrower, and Wells Fargo, as lender, and the other parties listed on the signature pages thereto.

The Amended Credit Agreement increased the amount available to borrow under the Company's senior secured revolving credit facility ("Revolving Line of Credit") from \$150,000 to \$250,000, subject to a borrowing base calculation, and provided for a new \$40,000 term loan (the "New Term Loan").

In conjunction with the Amended Credit Agreement, the Company incurred \$1,331 of fees paid to various parties which were capitalized. Fees associated with the Revolving Line of Credit were recorded in prepaid and other assets. Fees associated with the New Term Loan offset the loan balance on the condensed consolidated balance sheet of the Company.

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As of November 3, 2018, the Company had \$190,855 in outstanding revolving loans under the Amended Credit Agreement and as of February 3, 2018, the Company had \$66,621 in outstanding revolving loans under the Revolving Line of Credit. Amounts outstanding are offset on the condensed consolidated balance sheets by amounts in depository accounts under lock-box or similar arrangements, which were \$9,289 and \$6,629 as of November 3, 2018 and February 3, 2018, respectively. As of November 3, 2018, the Company had stand-by commercial letters of credit of \$1,505 under the terms of the Revolving Line of Credit.

The Amended Credit Agreement contains customary affirmative and negative covenants, including covenants that limit the Company's ability to incur, create or assume certain indebtedness, to create, incur or assume certain liens, to make certain investments, to make sales, transfers and dispositions of certain property and to undergo certain fundamental changes, including certain mergers, liquidations and consolidations. The Amended Credit Agreement also requires the Company to maintain a minimum availability at all times of not less than 10% of the gross borrowing base. The Amended Credit Agreement also contains customary events of default. The Revolving Line of Credit matures on May 23, 2023.

As of November 3, 2018, the Amended Credit Agreement had \$1,148 in outstanding deferred financing fees and as of February 3, 2018, the Revolving Line of Credit had \$393 in outstanding deferred financing fees. During the 13 weeks and 39 weeks ended November 3, 2018, the Company recognized \$67 and \$129, respectively of non-cash interest expense with respect to the amortization of these deferred financing fees. During the 13 and 39 weeks ended October 28, 2017, the Company recognized \$26 and \$106, respectively of non-cash interest expense with respect to the amortization of deferred financing fees.

(6) Long-Term Debt

Long-term debt consisted of the following as of November 3, 2018 and February 3, 2018:

	November 3, 2018	February 3, 2018
Prior Term Loan	\$ —	\$ 135,127
New Term loan	38,000	—
Less discount	—	(678)
Less debt issuance costs	(389)	(1,110)
	37,611	133,339
Less current portion, net of discount and debt issuance costs	(7,915)	(990)
Long-term portion	\$ 29,696	\$ 132,349

Term Loan

On May 23, 2018, the Company entered into the New Term Loan, which was issued at a price of 100% of the aggregate principal amount of \$40,000 and has a maturity date of May 23, 2023.

Also on May 23, 2018, the Company borrowed \$135,400 under the Revolving Line of Credit and used the proceeds from the New Term Loan and the Revolving Line of Credit to repay the Company's prior term loan with a financial institution that had an outstanding principal balance of \$134,700 and was scheduled to mature on December 3, 2020 (the "Prior Term Loan").

The New Term Loan bears interest at a rate of LIBOR plus 5.75%.

As of November 3, 2018, and February 3, 2018, the New Term Loan and Prior Term Loan, respectively had an outstanding balance of \$38,000 and \$135,127, respectively. The outstanding amounts as of November 3, 2018 and February 3, 2018 are offset on the condensed consolidated balance sheets by an unamortized discount of \$0 and \$678, respectively, and debt issuance costs of \$389 and \$1,110, respectively.

During the 13 and 39 weeks ended November 3, 2018, the Company recognized \$0 and \$678, respectively, of non-cash interest expense with respect to the amortization of the discount. During the 13 and 39 weeks ended November 3, 2018, the Company recognized \$21 and \$1,152, respectively, of non-cash interest expense with respect to the amortization of the debt issuance costs. Of the discount and debt issuance cost amortization recorded during the 39 weeks ended November 3, 2018, \$1,617 relates to the write-off associated with the extinguishment of the Prior Term Loan.

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During the 13 and 39 weeks ended October 28, 2017, the Company recognized \$59 and \$159, respectively, of non-cash interest expense with respect to the amortization of the discount. During the 13 and 39 weeks ended October 28, 2017, the Company recognized \$99 and \$269, respectively, of non-cash interest expense with respect to the amortization of the debt issuance costs.

During the 13 weeks ended November 3, 2018, the Company made the required quarterly payment on the Term Loan of \$2,000.

Restricted Net Assets

The provisions of the New Term Loan and the Revolving Line of Credit restrict all of the net assets of the Company's consolidated subsidiaries, which constitute all of the net assets on the Company's condensed consolidated balance sheet as of November 3, 2018, from being used to pay any dividends without prior written consent from the financial institutions party to the Company's New Term Loan and Revolving Line of Credit.

(7) Income Taxes

The Company recognized income tax expense of \$2,480 and \$6,218 in the 13 weeks ended November 3, 2018 and October 28, 2017, respectively. The Company's effective tax rate for the 13 weeks ended November 3, 2018 and October 28, 2017 was 16.7% and 38.8%, respectively. The Company recognized an income tax expense of \$3,406 and \$8,053 in the 39 weeks ended November 3, 2018 and October 28, 2017, respectively. The Company's effective tax rate for the 39 weeks ended November 3, 2018 and October 28, 2017 was 20.6% and 40.5%, respectively. The change in the effective tax rate for the 13 and 39 weeks ended November 3, 2018, was primarily due to US tax reform enacted during December 2017 which reduced the federal statutory tax rate of 35.0% to 21.0% and a discrete item relating to a change in tax depreciation methods filed with the fiscal 2017 federal tax return in fiscal 2018 for specific classes of fixed assets which accelerated taxable depreciation. The Company's effective tax rate will generally differ from the U.S. Federal statutory rate of 21.0%, due to state taxes, permanent items, and discrete items relating to method changes and stock award deductions.

(8) Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding, reduced by the number of shares repurchased and held in treasury, during the period. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of outstanding share option awards, nonvested share awards and nonvested share unit awards.

The following table sets forth the computation of basic and diluted income per common share:

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	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Net Income	\$ 12,398	\$ 9,808	\$ 13,121	\$ 11,855
Weighted-average shares of common stock outstanding:				
Basic	42,938	42,576	42,854	42,464
Dilutive effect of common stock equivalents	156	35	83	37
Diluted	43,094	42,611	42,937	42,501
Basic earnings per share	\$ 0.29	\$ 0.23	\$ 0.31	\$ 0.28
Diluted earnings per share	\$ 0.29	\$ 0.23	\$ 0.31	\$ 0.28
Restricted stock units considered anti-dilutive and excluded in the calculation	7	222	49	233

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(9) Stock-Based Compensation

Stock-Based Compensation

During the 13 weeks ended November 3, 2018 and October 28, 2017, the Company recognized total stock-based compensation expense of \$366 and \$386, respectively. During the 39 weeks ended November 3, 2018 and October 28, 2017, the Company recognized total stock-based compensation expense of \$2,435 and \$1,437, respectively. Compensation expense related to the Company's stock-based payment awards is recognized in selling, general, and administrative expenses in the condensed consolidated statements of operations.

Employee Stock Plans

As of November 3, 2018, the number of shares available for awards under the 2013 Performance Incentive Plan (the "2013 Plan") was 303. As of November 3, 2018, there were 645 unvested stock awards outstanding under the 2013 Plan.

Employee Stock Purchase Plan

The Company also has an Employee Stock Purchase Plan ("ESPP") that was approved by shareholders in fiscal year 2015, under which 800 shares of common stock have been authorized. Shares are issued under the ESPP twice yearly at the end of each offering period. For the 39 weeks ended November 3, 2018, 45 shares were issued under the ESPP and the number of shares available for issuance was 607.

Nonvested Restricted Stock Awards

During the 13 and 39 weeks ended November 3, 2018 and October 28, 2017, the Company did not issue any nonvested restricted stock awards to employees.

The following table sets forth the rollforward of outstanding nonvested stock awards (per share amounts are not in thousands):

	Shares	Weighted average grant-date fair value
Balance at February 3, 2018	108	\$ 11.25
Grants	—	—
Forfeitures	2	11.25
Vested	80	11.25

Balance at November 3, 2018	26	\$ 11.25
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