PARTNER PASS
EXCLUSIVE REPORT

Porter & Co.

ActivistInvestor
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# THE GUNSLINGER

# The Gunslinger

## Activists Bet Big on the Second Amendment – And We Do Too

At first glance, it looks like an older-model Samsung Galaxy cell phone.

Until it unfolds, that is…

Then, with a quick flip, the Ideal Conceal cell-phone gun – designed as a low-profile concealed carry weapon for "soccer moms and professionals" – transforms into a fully functional, 380-caliber, double-barrel pistol.

Ideal Conceal, Inc. Monticello, MN – IC380 CAL. 380 ACP (open configuration)

The ingenious handgun debuted to broad acclaim from 80,000 attendees at the 2018 NRA (National Rifle Association) convention.

But one person wasn't happy: baby-faced high school senior Jaclyn Corin.

Twitter warrior Jaclyn immediately hopped on her laptop to claim that cell-phone guns would be the end of America because now police would feel free to shoot every "POC" (person of color) carrying a cell phone.

Normally, it wouldn't matter what one hysterical high-schooler tweets. But Jaclyn and four of her friends are the Greta Thunbergs of the gun-control movement – a grassroots club called Never Again that seeks to ban guns *across America* following the February 2018 mass shooting at their Florida alma mater, Marjory Stoneman Douglas High School.

Immediately after the Stoneman Douglas tragedy, Jaclyn and her friends started organizing anti-gun marches and insulting the NRA, conservative politicians, and gun manufacturers on Twitter. And, of course, staging "walkout protests" from school with other entitled students nationwide.

Predictably, the five kids quickly became liberal media darlings – scoring national press coverage, TV interviews with Rachel Maddow and Anderson Cooper, and a March 2018 *Time* cover where they posed looking suitably moody.

"I didn't know how far-reaching the NRA was until this," said one of the kids, Emma Gonzalez. "It is so important that we recognize that the NRA have too much influence over our society and politicians. If we are going to change the gun culture in America, we are going to have to take away some of that power."

The best way to take away power, of course, is to take away money. As gun-control activists like Never Again, March for Our Lives, and Grab Your Wallet ramped up social pressure, companies like Delta, Hertz, and United Airlines began distancing themselves from the NRA and ending product discounts for the gun group's members. Eventually, the contagion spread to major retailers.

First to back down was Dick's Sporting Goods. In late February 2018, the national retailer pulled semi-automatic rifles from its shelves ... and then continued systematically removing other types of guns. "We have tremendous respect and admiration for the students organizing and making their voices heard regarding gun violence in schools and elsewhere in our country," the company stated. "We have heard you ... we have to solve the problem that's in front of us. Gun violence is an epidemic."

(Fear is, too.)

Next, Kroger caved, and Walmart went woke. In 2019, Walmart stopped selling handguns, assault rifles, and high-capacity magazines, while Kroger got rid of its guns altogether. Other companies like L.L. Bean and REI ramped up restrictions.

And eventually, in 2022, citing "supply-chain issues," the Ideal Conceal line of cell-phone guns, well, folded.

Make no mistake ... U.S. citizens are living under a gradually tightening, nationwide shadow gun ban. The Never Again kids – now tweeting from cushy, elite colleges – still have plenty more damage to do. And they're backed by a liberal media and political apparatus that's slowly squeezing the trap shut on where, when, and how Americans can bear arms.

Funny thing, though: During Jaclyn Corin's gun-control spree, Americans bought more firearms than ever before. One study "**found** that nearly 3% of U.S. adults, or 7.5 million people, bought guns for the first time from January 2019 to April 2021. About half of the new gun owners were female, 20% were Black, and 20% were Hispanic."

It's almost as if people don't like being told what to do.

And it's why retailers that don't cave to political pressure – and keep guns front and center in their sporting section – will always come out on top. In fact, Dick's lost millions in sales after it announced it was pulling out of the gun market, and a year after Kroger's total gun ban, sales were down in its stores by over $1 billion.

So far, a few gun retailers have successfully resisted the shadow ban – and that includes Sportsman's Warehouse, the outdoor-equipment chain we're recommending in this report.

Sportsman's refuses to stop selling firearms. In fact, half its total revenue last year came from guns and ammo (more on that below). And that's a big reason why we – and three activist investors – think it's a good place to put your money.


**The Activist Angle**

In this report, we recommend Sportsman's Warehouse Holdings (Nasdaq: SPWH).

Founded in 1986, Sportsman's is a nationwide chain of outdoor equipment and sporting goods. Its biggest sales categories are hunting and camping.

The company went public in 2014 and is headquartered just outside of Salt Lake City, Utah. As of January 2023, it operated 131 stores across 30 states with its heaviest concentration (44% of stores) in five western states (California, Washington, Utah, Arizona, and Oregon).

In December 2020, as the pandemic fueled sales for the company, the Great Outdoors Group (owner of Cabela's and Bass Pro Shops) agreed to purchase Sportsman's for $18 per share, but the deal eventually fell through because of regulatory obstacles (more on that later).

After the pandemic boost in sales receded, the company has seen a deterioration in performance. In Q1 2023, revenues were down 14% from the prior year and net income had fallen $15 million.

All proved too much for CEO John Barker. He resigned in April 2023 following a terrible earnings announcement.

Most investors have sold the stock and gone away. Except for a few value-oriented activists. Notably, Cannell Capital, Hawkeye Capital Management, and Gabelli Asset Management all believe there is money to be made in Sportsman's shares.

The trio seeks:

- A board shake-up that includes major changes to its financial incentives and stock ownership
- Operational improvements focused on same-store sales, operating expenses, and better inventory management
- Management that is fully accountable

If these items can be implemented – even just a little bit – we think Sportsman's looks incredibly attractive right now.

Let's dive in...

## What's Happening at Sportsman's

The company is not as big as Bass Pro Shops, Cabela's, or Dick's Sporting Goods. But it's not a "mom and pop" business either. Its strategy has taken it nationwide, where it focuses on smaller and secondary markets. Its product selection in each store focuses on the aspects that are unique to each market.

Sportsman's sits financially between the national retailers and the small shops. It is effectively able to service both small-town customers as well as larger market and e-commerce needs.



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We really like this stock today. Why? Because trouble has been brewing.

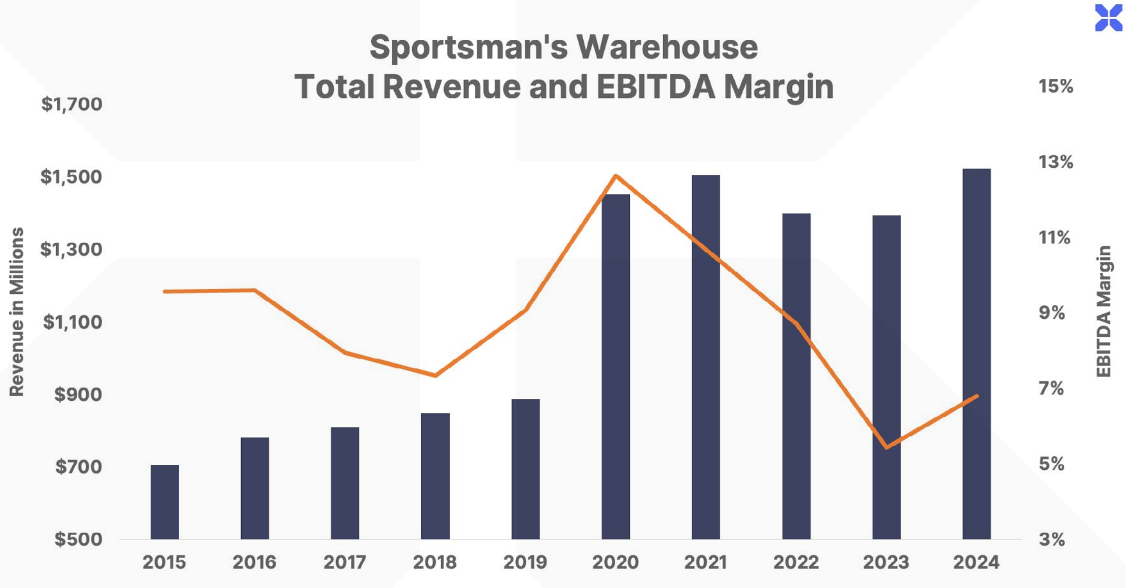
The company was a huge beneficiary of the pandemic. Armed with stimulus checks and a desire to be outside, customers flocked to Sportsman's. Its revenues soared. It even caught the eye of a suitor. And the stock rocketed higher.

In the five months after the pandemic began, the stock rose from around $5 in March 2020 to over $17 in August 2020. This 240%+ rise crushed the S&P 500 return of 25% over the same period. This was the best move the stock had ever seen.

But the fun didn't last.

Fast forward to today and the stock sits at $3.75. It's down dramatically from pandemic highs. While revenues remain elevated following the pandemic, profitability has plummeted.

The following chart hints at operational issues occurring within the company. Steady sales soared during the pandemic, but profitability collapsed.




Source: Porter&Co Research, FactSet

Before we get into the details, let's look at the  operational challenges keeping Sportsman's down.

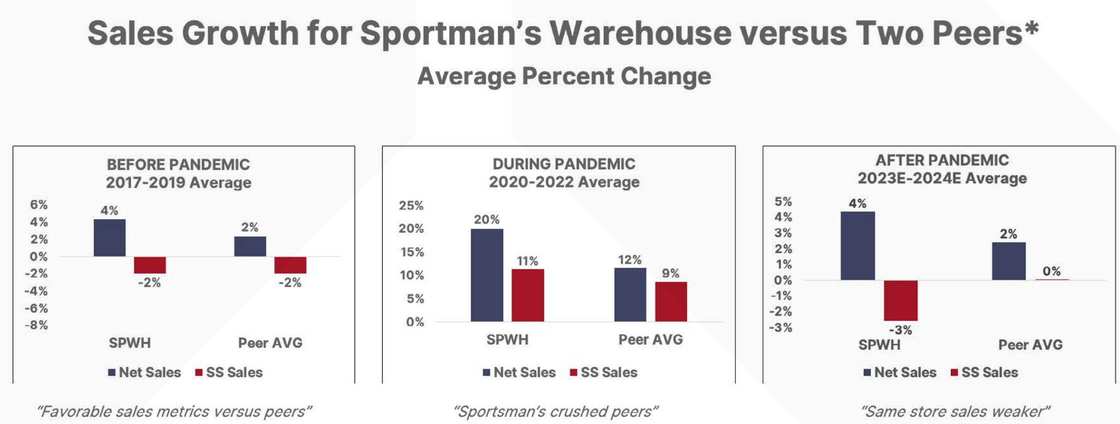
- Weak same-store sales
- Rising expenses that are killing profits
- Volatile inventory levels.

As we begin to tell the story, let's also explore key financial measures that uncover what is happening with Sportsman's Warehouse. These aren't the most exciting things to read about, but they illustrate some interesting trends.

- **Net sales growth** – total sales generated by the company including existing and newly opened or acquired stores.
- **Same-store sales growth** – total sales generated by the same set of stores from one period to the next. This measure of sales excludes new or acquired stores that do not appear in both time periods measured.
- **Gross margin** – the money that is left over after all direct expenses associated with selling merchandise is deducted from total sales. It's sales less cost of goods sold ("COGS"). This is expressed as a percentage of sales.
- **Sales, General, and Administrative (SG&A) expense margin** – These are all the expenses that go into operations associated with selling and administering the company. Many of them are fixed such as corporate headquarters, insurance expenses, and rent. These expenses are not directly part of creating the merchandise that is sold.
- **Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA")** – This is company profit before financing and tax-policy expenses are applied.
- **Inventory levels**. Managing inventory is very important for any retailer. We will look at Days Sales of Inventory, or DSIs, as a way to evaluate how Sportsman's is managing its inventory.

Measuring these before, during, and after the pandemic shows us how the pandemic influenced the business.

Let's start at the top of the income statement with sales. On the left we illustrate sales growth before the pandemic and go from there.




*Peers are Dick's Sporting Goods and Academy Sports Outdoors
*Source: FactSet ,Company Reports, Porter&Co. Estimates.*

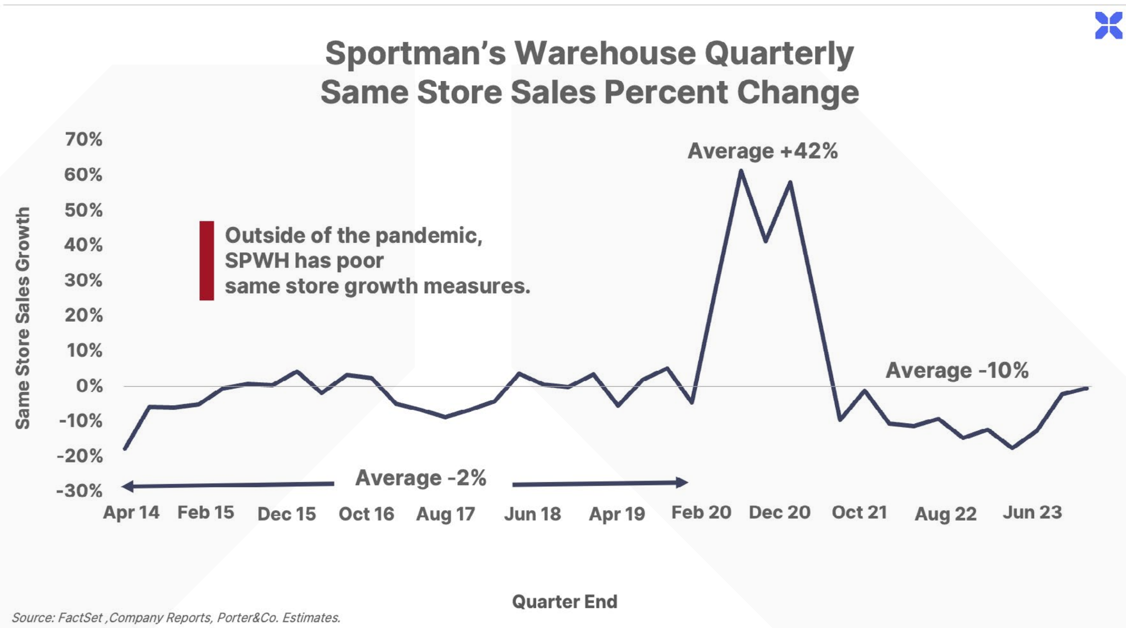
As the charts show, in the three years prior to the pandemic, Sportsman's average net and same-store sales grew mostly in line with peers. Net sales exceeded the peer average. During this period, the company added 39 new stores supporting the net sales outperformance. Conversely, average peer total sales grew by 2% with same-store sales declining 2% on average. Sportsman's was on par with its peers.

But during the pandemic, customers looking to get outdoors turned to Sportsman's more than to its  peers. As a result, the company crushed its competitors. Total sales grew 20% on average during the pandemic years of 2020-2022. Same-store sales came in at 11% average growth. Both measures outperformed peers.

We believe sales of guns and ammo helped drive the strong sales. The political environment in 2020 and 2021 was volatile and filled with controversy. In fact, it has been reported that Americans bought about 60 million guns during the pandemic and during the contentious presidential election (more on this later).

As the pandemic waned, Sportsman's fell back to its pre-pandemic trend with one difference – *same-store sales growth got worse*. In fact, if we dive further into same-store sales, we see this has been a challenge for years.

The chart below illustrates the change in same-store sales reported quarterly from April 2014 to December 2023.

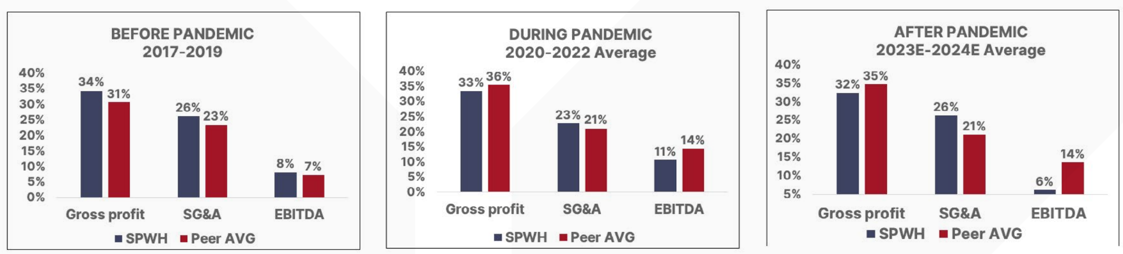



As shown, in the five years prior to the pandemic, same-store sales fell by an average of 2%. The company can open new stores and grow overall revenue over the short term, but maintaining that growth seems to be a problem. Post-pandemic, the decline is 11% given the strength the company showed during the pandemic.

Moving further down the income statement, let's look at gross margin, SG&A expenses, and EBITDA margin.

## Gross Margin, SG&A Expense Ratio and EBITDA Margin

### Average Percent Change




*"Not bad performance"* *"Lower margins, higher expenses"* *"Lower revenue, higher SG&A killing, EBITDA"*

*Peers are Dick's Sporting Goods and Academy Sports Outdoors

*Source: FactSet ,Company Reports, Porter&Co. Estimates.*

We observe similar trends as in our discussion of sales. Before the pandemic, Sportsman's gross margins were above that of peers, but SG&A expenses were higher. Overall, EBITDA margins were roughly the same.

During the pandemic, Sportsman's gross margin declined slightly. This means the average cost to get merchandise into its stores went up. Inflation was likely a source of this increase, but it was better managed by peers, whose gross margins rose during the three pandemic years.

SG&A expenses fell as a percentage of revenue for Sportsman's and peers. We would expect this given the large increase in sales.

SG&A often has a large, fixed component that a company must spend regardless of sales growth. These are expenses such as rent and insurance. As revenue rises, the fixed nature of SG&A is spread over the larger sales numbers and the percentage declines. But even with lower SG&A, Sportsman's sluggish gross profit margins drove EBITDA below peers during the pandemic.

Looking past the pandemic, we see similar problems as we did with sales. Gross profit margins deteriorated further, and SG&A rose to pre-pandemic levels. This pushed EBITDA several percentage points below that of the peers.

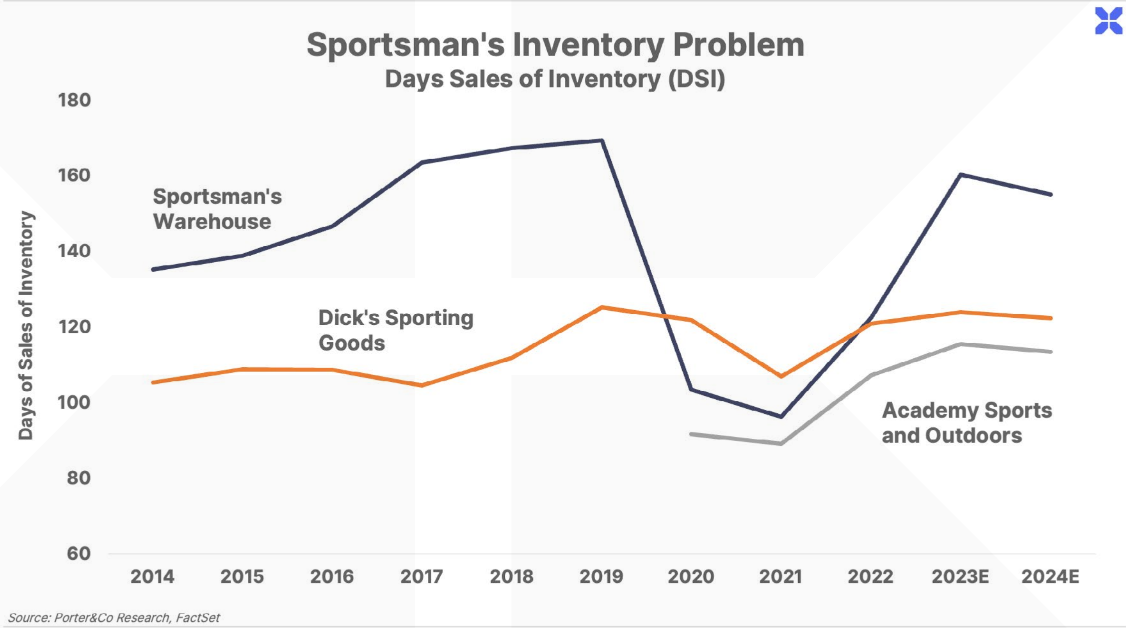
Lastly, Sportsman's does not manage its inventory levels very well. This is important because too much or too little inventory drives inefficiencies.

Having too little inventory results in stores running out of items to sell and thus missing out on sales. Too much inventory results in higher storage costs, higher debt levels to finance it, and obsolescence. Proper inventory management is crucial to any retailer.

How can we evaluate this? Let's look at Days Sales of Inventory ("DSI").

DSI is the average number of days it takes to sell inventory. A DSI of 50 days means a retailer could sell all of its inventory in 50 days. The goal is to minimize the DSI measure as much as possible while not losing sales or keeping products in the store too long.

The following chart illustrates Sportsman's DSIs from 2014-2024E. We compare this to the same measure at Dick's and Academy Sports.




As the blue line clearly shows, Sportsman's DSIs are volatile versus its peers. They are too high prior to the pandemic, and they plummet during the increase in sales during the pandemic. Then, they spike again.

Compared to Dick's Sporting Goods, Sportsman's is much more volatile. Dick's DSIs rose and fell through the pandemic, but not as violently as Sportsman's. Academy Sports DSIs also appear to be handled better.

Inventory management is a key issue at Sportsman's.

## The Activists See This

Deteriorating profitability, a collapsed deal, complacent board members, and ineffective management are the ingredients that attract activist investors.

Cannell Capital, Hawkeye Capital Management, and Gabelli Funds are Sportsman's Warehouse shareholders historically involved in activist campaigns.

As the largest shareholder, Cannell appears to be the lead activist here. Cannell has a successful history pushing for change. To share just one example, from 2015 to 2020, Cannell campaigned hard for changes with Build-A-Bear (NYSE: BBW) Workshop.

Ultimatley, the activist's efforts were great for investors. Cannell's average price on its Build-A-Bear position is $9 per share while the stock currently trades over $27 – a nice 200% gain.

Cannell and others are looking for similar results with Sportsman's.

To do that, the activists are looking to accomplish three primary things:

- Refresh the board of directors, including a new candidate selected by the activists
- Focus the board and management on operational weaknesses
- Ensure that Sportsman's continues to do what it does well.

Given the operating trends illustrated above, it's clear that both management and the board are slipping on their duties. The activist campaign seeks to replace or refresh the current board. If successful, this will lead to better management accountability – or new management. This could create another opportunity to sell the company – perhaps to Dick's Sporting Goods or to Walmart.

Let's start with the group of people charged with corporate accountability.

## Reinvigorating a Complacent Board

The Sportsman's Warehouse board of directors has seven members. Our research suggests that they are collecting a nice fee with little accountability to shareholders. In fact, we've heard this repeatedly in conversations we've had about the company.

In 2022, each director earned a $75,000 annual retainer with additional fees paid for other responsibilities such as heading a committee. The group was paid about $640,000 in cash or roughly $91,000 each on average. In 2024, we estimate this pay will rise to $790,000, or $113,000 as the retainer rises and pro-rata amounts mature.

The board is also paid in stock. This makes sense as equity aligns the incentives of board members with those of shareholders. In 2022, the group was paid about $490,000 in stock, or $70,000 each on average.

However, given the ongoing operating issues, we and the activists believe the cash and stock grants should be the exact opposite. The cash portion should be minimized, and the stock component maximized. This would push the board to make changes that benefit the company and its stock price.

Right now, that is not happening. Board members collect a generous annual retainer regardless of stock performance.

## Board and Insider Stock Ownership versus Peers

| Company Board | Ticker | Market Cap. (Mil) | Percent of Shares Outstanding Owned | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | All Insiders | Mult. | All Board | Mult. | Excl. Chair/CEO | Mult. |
| Sportsman's Warehouse | SPWH | $232 | 1.5% | 1.0 | 0.17% | 1.0 | 0.14% | 1.0 |
| Dick's Sporting Goods | DKS | $12,680 | 3.3% | 2.2 | 0.52% | 3.1 | 0.39% | 2.7 |
| Academy Sports and Outdoors | ASO | $4,260 | 1.5% | 1.0 | 0.09% | 0.6 | 0.03% | 0.2 |
| Big 5 Sporting Goods | BGFV | $195 | 6.1% | 4.1 | 0.79% | 4.7 | 0.24% | 1.6 |

Note: Multi. Is peers as multiple of SPWH
*Source: FactSet , Porter&Co. Estimates.*

As a point of comparison, we see that collectively, the board and all insiders own far less stock than their counterparts at peer companies.

As of 2022, the board owned about 0.17% of the stock outstanding. As a percentage, the boards at Dick's and Big 5 Sporting Goods own three and almost five times more than the Sportsman's board.

Looking at all insiders, ownership at Sportsman's is about 1.5% of the stock outstanding. This compares to 3.3% at Dick's and 6.1% at Big 5. Dick's insiders own twice as much stock relative to Sportsman's. At Big 5, it is over four times more on a relative basis.

Similarly, interim CEO Joseph Schneider has a compensation package that is backwards in our view. His base salary is $1.2 million, and he received a stock grant worth $250,000. Turning this around would align his leadership incentives with those of shareholders.

In our view, board and management compensation will be one of the first things to change under refreshed leadership.

## Good Stuff Getting Better

So far, we've been critical of operational failures at Sportsman's.

But let's not forget the good things that the company has done. Revenue is over $1.3 billion. It operates 131 stores in 30 states. It has been profitable in the past and could be again.

Let's look at three things that are good and should get better with the current activism.

**First – the company's sales strategy can serve many diverse markets.**

Sportsman's seeks to be the best source of outdoor and sports gear across all types of markets – especially in secondary and rural locations.

Its stores are big but not huge. They average about 38,000 square feet (slightly smaller than the average Safeway supermarket) but range from as little as 7,500 square feet to as big as 65,000 square feet. For comparison, the average Cabela's and Bass Pro Shops stores range from 100,000 square feet to 200,000 square feet. The Bass Pro Shops location in Memphis, Tennessee, is a massive 535,000 square feet.

The company customizes its stores for the interests of local customers. Large markets will get larger stores with a broader selection of merchandise. Smaller markets will get smaller stores and products tailored to the location.

For example, the store in Soldotna, Alaska, offers products for rugged conditions and geared toward hunting. Conversely, the store in Naples, Florida, offers more fishing and warmer-weather outdoor gear. These two cities are clearly different places, and the company is right to treat them distinctly.

This strategy focusing on small and secondary markets allows for much less competition with Sportsman's big-box competitors. In fact, 64% of the company's markets have no nationally recognized competitor. Instead, most Sportsman's locations go up against smaller "mom and pop" shops that do not have the scale or financing to compete effectively.

**Second – Sportsman's has a strong niche in the sale of firearms and ammo.**

The national narrative suggesting that the sale of guns leads to mass shootings doesn't support the company's niche in this market. The media field day with this issue presents a genuine risk for Sportsman's.

We are certainly sensitive to this. However, we are stock analysts trying to make money. Not policy analysts trying to influence lawmakers. In our view, hunting, camping, and fishing will continue to be popular outdoor activities for decades – and guns are a legal part of those behaviors. In fact, should politics lean toward tighter gun control as we approach the 2024 presidential election, gun sales could rise again. This has shown to be the case in the past.

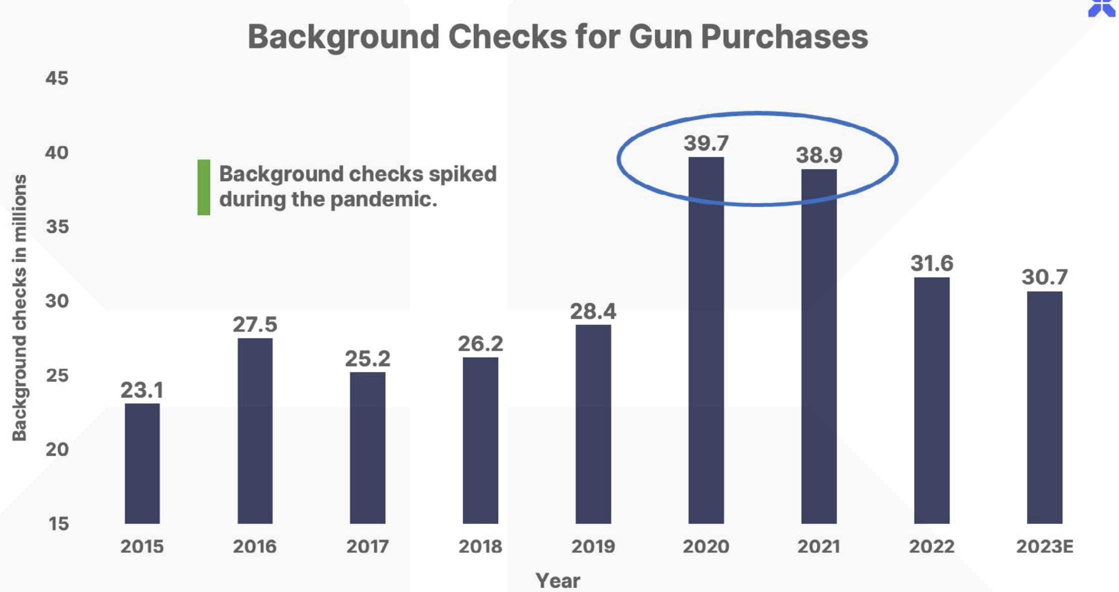
Regulation around its hunting and shooting segment represents a large moat for the company. Increased gun-control legislation creates an amazing amount of regulation requiring strict compliance.

And Sportsman's does this well. Since the company began operations in 1986, it has never had a federal firearm license ("FFL") revoked.

In order to sell firearms, a store needs to apply for and receive an FFL. In 2022, there were about 60,000 dealer FFLs in the U.S.

Out of these 60,000, only 4,300 are held by nationally recognized stores – such as Bass Pro Shops. The rest, or about 93%, are held by small, regional "mom and pop" stores. Given Sportsman's market and firearms niche, it can compete effectively in this heavily regulated business.

As discussed above, gun and ammo sales increased during the pandemic.




The chart above shows a spike in background checks during the pandemic as tracked by the National Instant Criminal Background Check System ("NICS").

Sportsman's Warehouse enjoyed significant sales activity as these background checks were approved.

Additionally, this came at a time when the competition was selling fewer firearms because of the media pressure on big competitors to restrict gun sales.

As we mentioned earlier, in 2019 and 2020, Dick's Sporting Goods drastically reduced its gun and ammo sales. Today, less than half of Dick's 800-plus stores sell guns.

Walmart, the largest seller of guns in the U.S., has also made changes. In 2015 it ceased selling assault-style weapons. In 2019, it decided to sell guns in only about half of its stores. It also raised the age to buy a gun from 18 to 21.

These moves by large national players increase the opportunity for Sportsman's. The pandemic influenced sales, and we believe the 2020 presidential election did as well.

The 2020 election was fraught with controversy and drama. The Biden administration introduced numerous changes, including proposals for stricter gun laws. This likely added urgency to those considering the purchase of a firearm.

If this happens again during the 2024 presidential campaign, an increase in consumer demand and a decrease in supply offered by competitors creates an opportunity for Sportsman's to see strong sales in this category.

**Third – the company has been profitable in the past and could be even more so in the future.**

In 2020, Sportsman's finished the year with an EBITDA profit margin of 13%. In 2023, analysts are estimating only a 3% profit. Same-store sales are weak and operating expenses have remained elevated.

## What's Next for Sportsman's

As discussed, activists are pushing for changes. First, for a refreshed board of directors that holds management accountable. Second, for a formal effort at improving same-store sales growth and reducing operating expenses.

What could this look like when it happens? Let's run the numbers...

The chart below shows three actual years of EBITDA, plus analyst estimates for 2023 and 2024. Additionally, we slightly revise analyst estimates should the activist campaigns succeed.

**Actual and Forecast EBITDA with Implied Target Price**

| Simple EBITDA Calculation | Actual | | | Analyst Forecast | | Activist Action Forecast | |
|---|---|---|---|---|---|---|---|
| $Millions | 2020 | 2021 | 2022 | 2023E | 2024E | 2023E | 2024E |
| Revenue | $1,452 | $1,506 | $1,400 | $1,393 | $1,521 | $1,393 | $1,521 |
| Cost of Goods Sold | $975 | $984 | $939 | $945 | $1,027 | $919 | $996 |
| Gross Profit Margin | $476 | $522 | $460 | $448 | $494 | $474 | $525 |
| SG&A* | $293 | $361 | $338 | $372 | $391 | $348 | $365 |
| **EBITDA** | $183 | $161 | $122 | $76 | $103 | $125 | $160 |
| Gross Margin | 33% | 35% | 33% | 32% | 33% | 34% | 35% |
| SG&A Expense | 20% | 24% | 24% | 27% | 26% | 25% | 24% |
| EBITDA | 13% | 11% | 9% | 5% | 7% | 9% | 11% |
| *Estimate Target Price* | | | | | | | |
| EV-EBITDA multiple (average from 2019-2023E) | | | | 6.8x | | 6.8x | |
| Implied Enterprise Value | | | | $700 | | $1,086 | |
| + Cash (1Q23) | | | | $3 | | $3 | |
| - LT Debt/Leases (1Q23) | | | | $297 | | $297 | |
| / Shares outstanding (millions) | | | | 37.6 | | 37.6 | |
| **= Implied Target Price** | | | | $11 | | $21 | |
| **Potential Upside** | | | | 191% | | 467% | |

*Source: FactSet ,Company Reports, Porter&Co. Estimates. *SG&A Excludes Depreciation Expense*

What this shows is that a little change can make a big difference. With a single-percentage-point increase in gross margin along with two-percentage-point improvements in SG&A (for both 2023 and 2024), EBITDA rises about 60% from current analyst estimates.

How will this happen? We expect new board members to push management to streamline products sold, focus on big expenses like labor, and drastically improve inventory management.

What does this do to the stock price? Using Sportsman's five-year average EV-EBITDA multiple of 6.8x, we think the stock could trade toward $11 per share based on current analyst estimates, not factoring in the results of what activists are pushing for.

We and the activists are looking for greater growth than that. If the activism can create more improvement, the stock could trade closer to $21 as our analysis above illustrates.

Consider one important fact that adds credibility to this analysis – about three years ago, in December 2020, Great Outdoors Group was ready to pay $18 a share in cash for Sportsman's Warehouse.

## There's Nothing Like a Deal to Value a Stock

Great American Outdoors' $18-per-share offer was overwhelmingly approved by both parties and expected to close during the second half of 2021.

Sportsman's would have been a great acquisition for Great Outdoors Group. The deal would add stores and sales to smaller markets where its two big brands (Bass Pro Shops and Cabela's) don't focus.

Unfortunately, the government had other plans. The deal was called off as it appeared the Federal Trade Commission (FTC) deemed that the combination of the two companies would be anti-competitive.

At $18 a share, SPWH had an enterprise value approaching $1 billion. Today, that has fallen to about $325 million.

The upside is that Sportsman's is now on the tracking screens of its biggest competitors. Plus, the offer established an $18 price for the company that it could very well reach again.

A further encouraging note on valuation – the stock is trading below something called tangible book value, or TBV. This is the accounting value of a company excluding non-cash assets like goodwill. If the company were closed and sold off for the value of its assets, the low TBV suggests that shareholders would receive **more than the shares are worth today on the open market**.

## The Activists and the Bottom Line

Sportsman's Warehouse has all the makings of a great activist-led, special-situation investment.

Consider the four components ideal in profiting from a special-situation investment:

- **A corporate action** – Cannell Capital and other activist investors are pushing for a shake-up of the current board. Its new slate will push for operational and possibly leadership change.
- **An undervalued security** – In our view, SPWH shares are trading well below their potential, given operating changes that push profitability back to what it has been in prior years.
- **A reasonably accurate forecast** – Applying recent year EV/EBITDA multiples to estimated 2024 profits suggests a two-year return between 191% and 467%. The failed acquisition also valued the company 380% above where the stock is trading today.
- **A minimal investment risk** – Shares are trading around $3.75, near the 52-week low and well below the $18 deal value.

We believe a Sportsman's investment is very attractive right now. Activist investors have put the company on notice, but it has yet to act. The potential for improved operations driving increased profitability is real.

In addition to boosting the share price, these changes might even reignite interest in an acquisition. Not by Great Outdoors – which had to back away for regulatory concerns – but by another national player such as Dick's or Walmart that would prove more palatable to the FTC.

And let's not forget… 2024 is a presidential election year. This will likely drive demand for more firearms and Sportsman's niche in hunting and shooting, at a time when others are pulling back.

**Action to Take:** Buy Sportsman's Warehouse Holdings (Nasdaq: SPWH) up to $15 a share.