



## **Dover Saddlery Announces Strong Financial Results for Fourth Quarter and Full Year 2010**

LITTLETON, MA--(MARKET WIRE)--Mar 29, 2011 -- Dover Saddlery, Inc. (NasdaqCM:DOVR - News), the leading multi-channel retailer of equestrian products, today announced financial results for the fourth quarter and fiscal year ended December 31, 2010.

### **Fourth quarter results**

Total revenues for the fourth quarter of 2010 increased 6.1% to \$23.5 million compared to \$22.1 million achieved in the fourth quarter of 2009. Retail store revenues rose 11.2% to \$7.6 million driven by a same-store sales increase of 11.0%. Net income for the 2010 quarter increased 18.8% to \$1.0 million or \$0.19 per diluted share compared to a net income of \$0.9 million or \$0.17 per diluted share achieved in the fourth quarter of 2009.

### **Full Year Results**

Total revenues for the fiscal year 2010 increased 2.6% to \$78.2 million from \$76.2 million achieved in 2009. Retail store channel revenues increased 4.8% to \$26.0 million; same-store sales increased 2.9% while sales in the direct channel increased 1.6% to \$52.1 million.

Net income for fiscal 2010 increased 126% to \$2.0 million from \$0.9 million achieved for fiscal year 2009. This improvement in net income was due to increased revenue and gross profit; cost savings in selling, general and administrative expenses; and non-recurring investment income. Resulting earnings increased to \$0.38 per diluted share for the fiscal year 2010 compared to \$0.17 per diluted share achieved in 2009.

"Our financial performance for the fourth quarter and full year 2010 was extremely strong and is a testament to our cost controlling strategies and to the strength of our brand," commented Stephen L. Day, president and CEO of Dover Saddlery. "We have improved margins and generated cash, and we are now well-positioned to accelerate our retail store rollout, expand market share and enhance shareholder value."

Adjusted EBITDA for the fiscal year 2010 increased 25.3% to \$5.1 million from \$4.1 million achieved in 2009.

A reconciliation of the net income calculated in accordance with GAAP and the non-GAAP Adjusted EBITDA measure is provided in the table accompanying this press release.

### **Today's Teleconference and Webcast**

Dover Saddlery will be hosting a conference call at 8:30 A.M. ET today to discuss the fourth quarter and full year 2010 results. Investors are invited to listen to the earnings conference call over the Internet through the company's website at <http://investor.shareholder.com/DOVR/>. This webcast will be archived for a year.

### **Forward-Looking Statements**

This press release includes "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including without limitation statements made about the Company's business outlook for fiscal 2011, the prospects for overall revenue growth and profitability, and the opening of new stores. All statements other than statements of historical fact included in this press release regarding the company's strategies, plans, objectives, expectations, and future operating results are forward-looking statements. Although Dover believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to have been correct. These forward-looking statements involve significant risks and uncertainties, including those discussed in this release and others that can be found in "Item 1A Risk Factors" of Dover Saddlery's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. Dover Saddlery is providing this information as of this date and does not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise. No forward-looking statement can be guaranteed and actual results may differ materially from those Dover Saddlery projects.

**DOVER SADDLERY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except share and per share data)  
(unaudited)

|  | Three Months Ended |                  | Twelve Months Ended |                  |
|--|--------------------|------------------|---------------------|------------------|
|  | Dec. 31,<br>2010   | Dec. 31,<br>2009 | Dec. 31,<br>2010    | Dec. 31,<br>2009 |
| Revenues, net- direct                                    | \$15,884           | \$15,303         | \$52,140            | \$51,345         |
| Revenues, net – retail stores                            | 7,611              | 6,844            | 26,050              | 24,859           |
| <b>Revenues, net - total</b>                             | <b>\$23,495</b>    | <b>\$22,147</b>  | <b>\$78,190</b>     | <b>\$76,204</b>  |
| Cost of revenues   | 14,183             | 12,843           | 48,491              | 47,351           |
| Gross profit   | 9,312              | 9,304            | 29,699              | 28,853           |
| Selling, general and administrative expenses             | 7,208              | 7,332            | 25,483              | 25,702           |
| <b>Income from operations</b>                            | <b>2,104</b>       | <b>1,972</b>     | <b>4,216</b>        | <b>3,151</b>     |
| Interest expense, financing and other related costs, net | 266                | 315              | 1,030               | 1,310            |
| Other investment (income) loss                           | 69                 | 43               | (314)               | 44               |
| <b>Income before income tax provision</b>                | <b>1,769</b>       | <b>1,614</b>     | <b>3,500</b>        | <b>1,797</b>     |
| Provision for income taxes                               | 721                | 732              | 1,455               | 893              |
| <b>Net income</b>  | <b>\$1,048</b>     | <b>\$882</b>     | <b>\$2,045</b>      | <b>\$904</b>     |
|  |                    |                  |                     |                  |
| Net income per share                                     |                    |                  |                     |                  |
| Basic  | \$0.20             | \$0.17           | \$0.39              | \$0.17           |
| Diluted  | \$0.19             | \$0.17           | \$0.38              | \$0.17           |
|  |                    |                  |                     |                  |
| Number of shares used in per share calculation           |                    |                  |                     |                  |
| Basic  | 5,277,000          | 5,200,000        | 5,272,000           | 5,190,000        |
| Diluted  | 5,403,000          | 5,284,000        | 5,399,000           | 5,248,000        |
|  |                    |                  |                     |                  |
| <b>Other Operating Data:</b>                             |                    |                  |                     |                  |
| Number of retail stores(1)                               | 13                 | 13               | 13                  | 13               |
| Capital expenditures                                     | 35                 | 149              | 306                 | 426              |
| Gross profit margin                                      | 39.7%              | 42.0%            | 38.0%               | 37.9%            |

(1) Includes twelve Dover-branded stores and one Smith Brothers store.

**DOVER SADDLERY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share data)

(unaudited)

|  | Dec. 31,<br>2010 | Dec. 31,<br>2009 |
|--|------------------|------------------|
| <b>ASSETS</b>  |                  |                  |
| <b>Current assets:</b>   |                  |                  |
| Cash and cash equivalents  | \$745            | \$732            |
| Accounts receivable  | 533              | 827              |
| Inventory  | 15,869           | 15,301           |
| Prepaid catalog costs  | 930              | 1,164            |
| Prepaid expenses and other current assets  | 901              | 780              |
| Deferred income taxes  | 105              | —                |
|  | 19,083           | 18,804           |
| Total current assets   |                  |                  |
| Net property and equipment   | 3,025            | 3,365            |
| <b>Other assets:</b>   |                  |                  |
| Deferred income taxes  | 848              | 709              |
| Intangibles and other assets, net  | 593              | 684              |
| Total other assets   | 1,441            | 1,393            |
| Total assets   | \$23,549         | \$23,562         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                  |                  |
| <b>Current liabilities:</b>  |                  |                  |
| Current portion of capital lease obligation and outstanding checks   | \$97             | \$676            |
| Accounts payable   | 2,073            | 2,305            |
| Accrued expenses and other current liabilities   | 5,425            | 4,083            |
| Income taxes payable   | 414              | 350              |
| Deferred income taxes  | —                | 22               |
| Total current liabilities  | 8,009            | 7,436            |
| <b>Long-term liabilities:</b>  |                  |                  |
| Revolving line of credit   | —                | 3,000            |
| Subordinated notes payable, net  | 5,293            | 5,091            |
| Capital lease obligation, net of current portion   | 89               | 132              |
| Total long-term liabilities  | 5,382            | 8,223            |
| <b>Stockholders' equity:</b>   |                  |                  |
| Common stock, par value \$0.0001 per share; 15,000,000 shares authorized; issued 5,277,161 as of December 31, 2010 and 5,263,975 as of December 31, 2009, respectively | 1                | 1                |
| Additional paid in capital   | 45,391           | 45,181           |
| Treasury stock, 795,865 shares at cost   | (6,082)          | (6,082)          |
| Accumulated deficit  | (29,152)         | (31,197)         |
| Total stockholders' equity   | 10,158           | 7,903            |
| Total liabilities and stockholders' equity   | \$23,549         | \$23,562         |

**Non-GAAP Financial Measures and Information**

From time to time, in addition to financial results determined in accordance with generally accepted accounting principles in the United States ("GAAP"), the Company provides financial information determined by methods other than in accordance with GAAP. The Company's management uses these non-GAAP measures in its analysis of the Company's performance and ongoing operations. The Company believes that these non-GAAP operating measures supplement our GAAP financial

information and provide useful information to investors for evaluating the Company's operating results and trends that may be affecting the Company's business, as they allow investors to more readily compare our operations to prior financial results and our future performance. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

When we use the term "Adjusted EBITDA", we are referring to net income minus interest income, investment income and other income plus interest expense, income taxes, non-cash stock-based compensation, depreciation, amortization and other investment loss. We present Adjusted EBITDA because we consider it an important measure of our performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

The following table reconciles net income to Adjusted EBITDA (in thousands):

|  | Three Months Ended |                  | Twelve Months Ended |                  |
|--|--------------------|------------------|---------------------|------------------|
|  | Dec. 31,<br>2010   | Dec. 31,<br>2009 | Dec. 31,<br>2010    | Dec. 31,<br>2009 |
| Net income   | \$1,048            | \$882            | \$2,045             | \$904            |
| Depreciation   | 185                | 187              | 731                 | 769              |
| Amortization of intangible assets                        | 2                  | 2                | 6                   | 6                |
| Stock-based compensation                                 | 54                 | 44               | 190                 | 179              |
| Interest expense, financing and other related costs, net | 266                | 315              | 1,030               | 1,310            |
| Other investment (income) loss                           | 69                 | 43               | (314)               | 44               |
| Provision for income taxes                               | 721                | 732              | 1,455               | 893              |
| <b>Adjusted EBITDA</b>                                   | <b>\$2,345</b>     | <b>\$2,205</b>   | <b>\$5,143</b>      | <b>\$4,105</b>   |

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