

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported)  
May 5, 2014**

**STURM, RUGER & COMPANY, INC.**  
(Exact Name of Registrant as Specified in its Charter)

**DELAWARE**  
(State or Other Jurisdiction of  
Incorporation)

**001-10435**  
(Commission File Number)

**06-0633559**  
(IRS Employer Identification  
Number)

**ONE LACEY PLACE, SOUTHPORT, CONNECTICUT 06890**  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code **(203) 259-7843**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## **Item 2.02 Results of Operations and Financial Condition**

On May 5, 2014, the Company issued a press release to stockholders and other interested parties regarding financial results for the first quarter ended May 5, 2014. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

The information in this Current Report on Form 8-K and the Exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

## **Item 8.01 Other Events**

The Company is furnishing a letter made available to its shareholders on May 5, 2014 (the “Letter to Shareholders”). The text of the Letter to Shareholders is attached as Exhibit 99.2 to this Current Report on Form 8-K and shall not be deemed to be “filed” for the purpose of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. This disclosure of the Letter to Shareholders on this Current Report on Form 8-K will not be deemed an admission as to the materiality of any information in this Current Report on Form 8-K that is required to be disclosed by Regulation FD.

The Company does not have, and expressly disclaims, any obligation to release publicly any updates or any changes in the Letter to Shareholders or its expectations or any change in events, conditions, or circumstances on which any forward-looking statement is based.

The Letter to Shareholders is available on the Company’s website at [www.ruger.com/corporate/](http://www.ruger.com/corporate/). The Company reserves the right to discontinue that availability at any time.

## **Item 9.01 Financial Statements and Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release of Sturm, Ruger & Company, Inc., dated May 5, 2014, reporting the financial results for the first quarter ended March 29, 2014.
99.2	Letter to Shareholders made available to shareholders on May 5, 2014.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

STURM, RUGER & COMPANY, INC.

By: /S/ THOMAS A. DINEEN  
Name: Thomas A. Dineen  
Title: Principal Financial Officer,  
Principal Accounting Officer,  
Vice President, Treasurer and  
Chief Financial Officer

Dated: May 5, 2014



# STURM, RUGER & CO., INC.

1 LACEY PLACE, SOUTHPORT, CT 06890 U.S.A. • (203) 259-7843 • WWW.RUGER.COM • RGR

FOR IMMEDIATE RELEASE

STURM, RUGER & COMPANY, INC. REPORTS FIRST QUARTER  
FULLY DILUTED EARNINGS OF \$1.22 PER SHARE  
AND DECLARES DIVIDEND OF 49¢ PER SHARE

SOUTHPORT, CONNECTICUT, May 5, 2014--Sturm, Ruger & Company, Inc. (NYSE-RGR) announced today that for the first quarter of 2014 the Company reported net sales of \$169.9 million and fully diluted earnings of \$1.22 per share, compared with net sales of \$155.9 million and fully diluted earnings of \$1.20 per share in the first quarter of 2013.

The Company also announced today that its Board of Directors declared a dividend of 49¢ per share for the first quarter, for shareholders of record as of May 16, 2014, payable on May 30, 2014. This dividend varies every quarter because the Company pays a percent of earnings rather than a fixed amount per share. This dividend is approximately 40% of net income.

Chief Executive Officer Michael O. Fifer made the following observations related to the Company's 2014 first quarter performance:

- Our earnings increased 2% from the first quarter of 2013 on a 9% increase in sales. The main driver of the reduced operating margins was a product mix shift away from unusually strong sales of higher-margin firearms accessories that we enjoyed one year ago. Additionally, increased depreciation expense affected operating margins. At the same time, our EBITDA of \$47.3 million increased 13% from the first quarter 2013 EBITDA of \$41.9 million.
- A summary of Q1 year-over-year growth follows:

Sales	9%
Earnings	2%
EBITDA	13%

- New products represented \$41.3 million or 24% of firearm sales in the first quarter of 2014.
- Demand for our products significantly outpaced the growth in industry demand as measured by the National Instant Criminal Background Check System (“NICS”) background checks (as adjusted by the National Shooting Sports Foundation) for the first quarter of 2014 as illustrated below:

Increase in estimated Ruger Units Sold from Distributors to Retailers	10%
Increase in total adjusted NICS Background Checks	(22%)

- Cash generated from operations during the first quarter of 2014 was \$15.8 million. At March 29, 2014, our cash totaled \$49.8 million. Our current ratio is 1.9 to 1 and we have no debt.
- In the first quarter of 2014, capital expenditures totaled \$9.6 million, much of it related to tooling fixtures and equipment for new product introductions and to upgrade and modernize manufacturing equipment. We expect to invest approximately \$35 million on capital expenditures during 2014 as we continue to prioritize new product development.
- In the first quarter of 2014, the Company returned \$10.5 million to its shareholders through the payment of dividends.
- At March 29, 2014, stockholders’ equity was \$192.8 million, which equates to a book value of \$9.94 per share, of which \$2.57 per share was cash.

Today, the Company filed its Quarterly Report on Form 10-Q for 2014. The financial statements included in this Quarterly Report on Form 10-Q are attached to this press release.

Tomorrow, May 6, 2014, Sturm, Ruger will host a webcast of its Annual Meeting of Stockholders at 9:00 a.m. ET. Interested parties can access the webcast at [www.ruger.com/corporate](http://www.ruger.com/corporate) or by dialing [866-297-6395](tel:866-297-6395), participant code [37122276](http://www.ruger.com/corporate).

The Quarterly Report on Form 10-Q is available on the SEC website at [www.sec.gov](http://www.sec.gov) and the Ruger website at [www.ruger.com/corporate](http://www.ruger.com/corporate). Investors are urged to read the complete Quarterly Report on Form 10-Q to ensure that they have adequate information to make informed investment judgments.

### About Sturm, Ruger

Sturm, Ruger & Co., Inc. is one of the nation's leading manufacturers of rugged, reliable firearms for the commercial sporting market. The only full-line manufacturer of American-made firearms, Ruger offers consumers over 400 variations of more than 30 product lines. For more than 60 years, Ruger has been a model of corporate and community responsibility. Our motto, "Arms Makers for Responsible Citizens," echoes the importance of these principles as we work hard to deliver quality and innovative firearms.

*The Company may, from time to time, make forward-looking statements and projections concerning future expectations. Such statements are based on current expectations and are subject to certain qualifying risks and uncertainties, such as market demand, sales levels of firearms, anticipated castings sales and earnings, the need for external financing for operations or capital expenditures, the results of pending litigation against the Company, the impact of future firearms control and environmental legislation, and accounting estimates, any one or more of which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to publish revised forward-looking statements to reflect events or circumstances after the date such forward-looking statements are made or to reflect the occurrence of subsequent unanticipated events.*

STURM, RUGER & COMPANY, INC.

CONDENSED BALANCE SHEETS  
*(Dollars in thousands)*

	March 29, 2014	December 31, 2013
<b>Assets</b>		
Current Assets		
Cash	\$49,770	\$ 55,064
Trade receivables, net	69,900	67,384
Gross inventories	70,620	64,199
Less LIFO reserve	(38,904)	(38,516)
Less excess and obsolescence reserve	(2,579)	(2,422)
Net inventories	29,137	23,261
Deferred income taxes	9,537	7,637
Prepaid expenses and other current assets	2,663	4,280
Total Current Assets	161,007	157,626
Property, plant and equipment	259,701	250,127
Less allowances for depreciation	(157,854)	(149,099)
Net property, plant and equipment	101,847	101,028
Other assets	26,519	18,464
Total Assets	\$289,373	\$277,118

STURM, RUGER & COMPANY, INC.

CONDENSED BALANCE SHEETS (Continued)  
*(Dollars in thousands, except share data)*

	March 29, 2014	December 31, 2013
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Trade accounts payable and accrued expenses	\$ 45,416	\$ 46,991
Product liability	968	971
Employee compensation and benefits	20,926	34,626
Workers' compensation	5,658	5,339
Income taxes payable	13,453	239
Total Current Liabilities	86,421	88,166
Product liability	283	265
Deferred income taxes	9,821	9,601
Contingent liabilities	--	--
Stockholders' Equity		
Common Stock, non-voting, par value \$1: Authorized shares 50,000; none issued	--	--
Common Stock, par value \$1: Authorized shares – 40,000,000 2014 – 23,698,186 issued, 19,398,752 outstanding 2013 – 23,647,350 issued, 19,347,916 outstanding	23,698	23,647
Additional paid-in capital	20,827	20,614
Retained earnings	205,586	192,088
Less: Treasury stock – at cost 2014 and 2013 – 4,299,434 shares	(37,884)	(37,884)
Accumulated other comprehensive loss	(19,379)	(19,379)
Total Stockholders' Equity	192,848	179,086
Total Liabilities and Stockholders' Equity	\$289,373	\$277,118



STURM, RUGER & COMPANY, INC.

CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)  
*(Dollars in thousands, except per share data)*

	Three Months Ended	
	March 29, 2014	March 30, 2013
Net firearms sales	\$169,162	\$153,440
Net castings sales	722	2,465
Total net sales	169,884	155,905
Cost of products sold	108,761	94,596
Gross profit	61,123	61,309
Operating expenses:		
Selling	14,421	15,764
General and administrative	8,733	8,443
Total operating expenses	23,154	24,207
Operating income	37,969	37,102
Other income:		
Interest expense, net	(36)	(16)
Other income, net	365	265
Total other income, net	329	249
Income before income taxes	38,298	37,351
Income taxes	13,979	13,633
Net income and comprehensive income	\$24,319	\$ 23,718
Basic earnings per share	\$1.26	\$ 1.23
Fully diluted earnings per share	\$1.22	\$ 1.20
Cash dividends per share	\$0.540	\$0.404

STURM, RUGER & COMPANY, INC.

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)  
*(Dollars in thousands)*

	Three Months Ended	
	March 29, 2014	March 30, 2013
Operating Activities		
Net income	\$ 24,319	\$ 23,718
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	8,940	4,501
Slow moving inventory valuation adjustment	157	235
Stock-based compensation	1,214	1,330
Gain on sale of assets	-	(70)
Deferred income taxes	(1,680)	(2,684)
Changes in operating assets and liabilities:		
Trade receivables	(2,516)	(16,464)
Inventories	(6,033)	1,684
Trade accounts payable and accrued expenses	(1,256)	2,836
Employee compensation and benefits	(14,046)	3,678
Product liability	15	186
Prepaid expenses, other assets and other liabilities	(6,618)	(2,676)
Income taxes payable	13,214	14,133
Cash provided by operating activities	15,710	30,407
Investing Activities		
Property, plant and equipment additions	(9,579)	(7,705)
Proceeds from sale of assets	-	70
Cash used for investing activities	(9,579)	(7,635)
Financing Activities		
Tax benefit from exercise of stock options and vesting of RSU's	1,344	1,747
Remittance of taxes withheld from employees related to share-based compensation	(2,317)	(2,082)
Proceeds from exercise of stock options	23	-
Dividends paid	(10,475)	(7,804)
Cash used for financing activities	(11,425)	(8,139)
Increase (decrease) in cash and cash equivalents	(5,294)	14,633
Cash and cash equivalents at beginning of period	55,064	30,978
Cash and cash equivalents at end of period	\$ 49,770	\$ 45,611

## Non-GAAP Financial Measure

In an effort to provide investors with additional information regarding its financial results, the Company refers to various United States generally accepted accounting principles (“GAAP”) financial measures and one non-GAAP financial measure which management believes provides useful information to investors. This non-GAAP financial measure may not be comparable to similarly titled financial measures being disclosed by other companies. In addition, the Company believes that the non-GAAP financial measure should be considered in addition to, and not in lieu of, GAAP financial measures. The Company believes that this non-GAAP financial measure is useful to understanding its operating results and the ongoing performance of its underlying business. The Company uses both GAAP and non-GAAP financial measures to evaluate the Company’s financial performance.

### Non-GAAP Reconciliation – EBITDA

#### EBITDA

*(Unaudited, dollars in thousands)*

	Three Months Ended	
	March 29, 2014	March 30, 2013
Net income	\$24,319	\$23,718
Income tax expense	13,979	13,633
Depreciation and amortization expense	8,940	4,501
Interest expense, net	38	16
Interest income	(2)	--
EBITDA	\$47,274	\$41,868

EBITDA is defined as earnings before interest, taxes, and depreciation and amortization. The Company calculates its EBITDA by adding the amount of interest expense, income tax expense, and depreciation and amortization expenses that have been deducted from net income back into net income, and subtracting the amount of interest income that was included in net income from net income. The Company believes that disclosure of its EBITDA will be helpful to those reviewing its performance, as EBITDA provides information on the Company’s ability to meet its capital expenditure and working capital requirements, and is also an indicator of profitability.



## STURM, RUGER & COMPANY, INC.

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WWW.RUGER.COM • NYSE:RGR

May 5, 2014

**Dear Shareholders,**

The objective of our investor communications is to provide information to enable you to determine the intrinsic value of the Company, so that you can decide whether to buy, sell, or hold and continue to enjoy your investment in the Company.

### **Results**

We achieved net sales of \$688.3 million and earnings of \$5.58 per share in 2013, compared with sales of \$491.8 million and earnings of \$3.60 per share in 2012. These are year-over-year increases of 40% and 55%, respectively.

The first quarter of 2014 was also strong, with net sales of \$169.9 million and earnings of \$1.22 per share, compared with net sales of \$155.9 million and earnings of \$1.20 per share in the first quarter of 2013. These are year-over-year increases of 9% and 2%, respectively. Our EBITDA in the first quarter of 2014 of \$47.3 million increased 13% from the first quarter 2013 EBITDA of \$41.9 million.

### **Market Conditions**

Consumer demand for firearms was exceptionally strong through most of 2013, and increased approximately 7% from the record demand in 2012<sup>1</sup>. The strongest demand was for firearms that consumers were afraid might be banned during the intense political environment following the tragic, criminal misuse of firearms at Sandy Hook Elementary School. This exceptionally strong demand was for firearms such as modern sporting rifles and for magazines that hold more than 10 rounds. Demand for rimfire products and handguns appropriate for self-defense was also strong throughout the year.

The estimated unit sell-through of our products from the independent distributors to retailers in 2013 increased by 18% from 2012 despite a lack of finished goods inventory of the Company's products at the beginning of the year at both the independent distributors and the Company.

During the first quarter of 2014, adjusted NICS background checks declined year over year by 22%. This represents a significant reduction in demand. It should be noted, however, that while

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<sup>1</sup> Estimate based on the trend in National Instant Criminal Background Check System background checks (NICS), as adjusted by the National Shooting Sports Foundation (NSSF) to eliminate background checks associated with permit applications and renewals rather than firearms sales.

recent months have been lower than the same periods one year ago, they generally have been the second highest levels ever recorded for these months, exceeding even the strong 2012 demand levels.

We believe that it is reasonable to expect a period of slowdown in overall demand after the huge surge in demand in 2013. We saw a similar pattern in demand during 2009 and 2010. There was a huge post-presidential-election surge that lasted more than six months, followed by a period of slowdown as the consumers absorbed all of their purchases. This was then followed by the three strongest years of demand ever experienced.

Despite the 22% decline in NICS checks during the first quarter of 2014, the estimated unit sell-through of our products from the independent distributors to retailers increased 10% from the first quarter of 2013. The Company apparently did not suffer the same slowdown in demand during the first quarter that many of our competitors did. If the market continues to slow down relative to the record levels of demand in 2013, we expect demand for the Company's products to slow down at some point too.

New product introductions are an important driver of demand, regardless of the political environment. In 2013, we launched the LC380 pistol, the SR45 pistol, the LCRx revolver, the Ruger American Rimfire Rifle, the SR-762 rifle and the redesigned Red Label over-and-under shotgun. New products resulted in sales of \$195.8 million or approximately 29% of sales for 2013<sup>2</sup> and sales of \$41.3 million in Q1 of 2014 or approximately 24% of sales for the quarter.

We remain committed to developing and introducing innovative new products in growth segments of our market. This is the first of the two core elements of our strategy.

## **Manufacturing**

New product introductions have not only driven demand, but they also have driven our capital equipment investment and manufacturing space needs. Over the last seven years, the Company, through its lean initiatives, has increased annual unit production from approximately 420,000 units to more than 2.2 million units while operating in the same, fixed amount of space. We had essentially run out of space in our current facilities and have largely tapped out the prospective employee pools in our New Hampshire and Arizona locations. Consequently, we expanded our manufacturing base through the acquisition of a factory in Mayodan, North Carolina of approximately 225,000 sq. ft. There is a skilled and enthusiastic pool of prospective employees in the Mayodan area and we are optimistic that we can put between 8 and 10 production supercells in the new facility if and when demand and new product launches warrant it. We are currently producing the new Ruger American Rimfire Rifle in Mayodan. The initial setup expenses and ongoing overhead of the Mayodan facility will reduce earnings in the short term, but as production volumes increase, we expect it to be a net contributor to earnings.

In 2013, we expanded capacity for certain mature products, introduced new capacity for new product introductions, and increased unit production by 33% from 2012. During this time, inventory turns were increased, helping the Company avoid approximately \$12 million of inventory growth.

During the first quarter of 2014, we increased unit production by 19% from the first quarter of 2013.

Our implementation of lean methodologies in all areas of our business continues, and we are hopeful of further improvements in the years to come that will free up assets (cash, people, space,

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<sup>2</sup> New product sales include only those major new products that were introduced within the past 24 months.

and capacity) that we can invest in top-line growth. This is the second of the two core elements of our strategy.

### **Inventory and Production Levels**

During any period of slowdown in demand, we face the challenge of balancing the need to reduce production output to avoid excess inventory build in the channel with the need to have enough inventory to take advantage of the next surge in demand. During 2009 and 2010, we took aggressive action to avoid any material increase in inventories at the Company and at the independent distributors. When demand surged in late 2010, we were unable to increase production capacity fast enough to take full advantage of the surge. The opportunity cost we incurred exceeded any potential inventory carrying cost we might have incurred had we allowed inventories to build. We concluded we should react differently during the next slowdown.

It is reasonable to look at the decline in NICS checks during the first quarter of 2014 and conclude that we might experience some level of slowdown in demand for the Company's products in the quarters to come. Based on our experience during the 2009-2010 demand swings, we have decided to allow some build up of finished goods inventory in the channel and at the Company. We believe that six inventory turns at the independent distributors is a reasonable level for rapid fulfillment of retailer demand. During 2013, our distributors in aggregate averaged approximately 11 inventory turns, which we believe to be too high. Based on the 2013 sell-through from the independent distributors to the retailers of more than 2.2 million units, the goal of six inventory turns would indicate that the appropriate level of aggregate inventory should be 350,000+ units. At the end of the first quarter of 2014, the independent distributors in aggregate had only 201,100 units of the Company's products in inventory.

### **Capital Expenditures and Depreciation**

In 2013, capital expenditures totaled \$55 million. Of this amount, approximately two-thirds was for new products and capacity expansion. The remaining capital was deployed primarily to maintain and upgrade older manufacturing equipment and to support our facilities. Our depreciation in 2013 was approximately \$20 million, so we had about \$35 million of capital expenditures in excess of depreciation. This \$35 million represented only a 14% increase in our gross Plant, Property, and Equipment and, combined with our lean efforts, helped us achieve the 33% increase in unit production in 2013 compared to 2012.

We expect to invest approximately \$35 million for capital expenditures during 2014. During the first quarter of 2014, we invested \$10 million, much of it related to tooling and equipment for new products.

Effective December 31, 2013, the Company revised its estimate of the useful life of machinery and equipment from 10 to 7 years. Because of the need to accelerate depreciation for the machinery and equipment on hand at December 31, 2013, this change will increase depreciation expense by approximately \$7 million and \$3 million in 2014 and 2015, respectively. The impact of accelerating depreciation in the first quarter of 2014 was \$2.1 million.

### **Liquidity, Share Repurchases, and our Dividend Practice**

2013 was a good year in terms of cash flow, as \$120 million of cash was generated from operations. The first quarter of 2014 also had strong cash flow, with \$16 million generated from operations. As a result, our balance sheet as of March 31, 2014 remains very healthy, with

approximately \$50 million in cash and equivalents and no debt. Additionally, our accounts receivable balance is 99% current.

During the past 12 months, Ruger paid quarterly dividends totaling \$44 million to our shareholders based on our 2013 results of operations. Our dividend practice bears some explanation because it is uncommon, but we think it benefits our shareholders and protects Ruger from issuing dividends disproportionate to our earnings during periods of rapidly changing market conditions. Our quarterly dividends are based on a percentage of earnings each quarter and therefore the amount paid varies every quarter. We feel that this approach benefits our shareholders as it tracks our performance from quarter to quarter, allowing the dividend to better reflect our results than would a fixed dividend amount per share.

At the Annual Meeting of Shareholders in 2007, we said that we would find good uses for our cash or return it to shareholders. Since then, we have invested \$161 million in the Company's growth and returned \$221 million to shareholders in the form of stock repurchases, quarterly dividends, and the special dividend. During this same period, we increased firearm sales from 476,000 units to more than 2.2 million units, and earnings from \$0.04 per share to \$5.58 per share. As a result, our market capitalization has increased from \$217 million to approximately \$1.2 billion.

We did not repurchase any shares in 2013 or the first quarter of 2014. Given that the investment community sometimes seems to react more on short-term emotion rather than on longer-term fundamentals, we wanted to be poised to take advantage of any overreaction in the stock price if and when we experience some slowdown in demand. Therefore, we expanded the \$8 million that remained authorized and available for share repurchases to \$25 million in February 2014. We believe that stock repurchases are attractive to the Company's shareholders when the stock is trading at price-to-earnings multiples that are below historical averages for the Company and the Company has cash on hand. Currently, 19.2 million shares remain outstanding and as of March 31, 2014 we had \$50 million of cash and equivalents on hand.

Ruger has financed its working capital growth, its investment in capital equipment and new product development, its share repurchases, and its dividends with cash from operations.

### **Pension Termination**

In late 2013, the Company decided to initiate the process of terminating its frozen defined-benefit pension plans. This process typically takes 12 to 18 months and the Company hopes to complete the process by late 2014. When the Company completes the process, there will likely be a cash expense to purchase annuities and fund lump-sum payments for the plan participants. The cash expense is expected to be less than \$10 million. There will also be an income statement impact that could approximate \$30 million. This large, mostly non-cash expense addresses the Accumulated Other Comprehensive Loss that has been reflected on the balance sheet and is the result of the complex and somewhat unique rules that cover pension accounting. We do not expect the pension termination to have a material adverse effect on the operations or cash flow of the Company, although it may have a material adverse effect on the reported financial results of the Company in the period in which it is reported.

### **Summary**

I am optimistic about the opportunities for Ruger to grow and prosper. Ruger has a popular brand, a strong balance sheet, hard-working dedicated employees, and an experienced and engaged Board of Directors. We have a simple but effective strategy: to use new product introductions to spur

demand and to adopt lean methodologies throughout the business to enable us to more efficiently fulfill that demand.

We have made significant progress in improving the sales and earnings of Ruger. This effort to improve the fundamentals of our business and to broaden our product line into growth segments will be ongoing and the road may not always be smooth, especially given the many economic and political factors that may affect our industry. Consumer demand surged to record levels in 2013 and is now showing signs of slowing down. The Company will likely experience some of that slowdown too. Nonetheless, we anticipate the execution of our strategy will continue to deliver enhanced shareholder value over time.



Michael O. Fifer  
Chief Executive Officer

*Certain information relating to projection of the Company's future results is forward-looking and involves risks, uncertainties and assumptions that could cause actual future results to materially differ from the forward-looking information. A discussion of some of the factors that individually or in the aggregate we believe could make our actual future results differ materially from such projections can be found under Item 1A Risk Factors in our Annual Report on Form 10-K filed with the SEC in February 2014. Our quarterly and annual SEC filings are available on the internet at [www.sec.gov](http://www.sec.gov) and [www.ruger.com/corporate/](http://www.ruger.com/corporate/).*



## Key Metrics: 2008 to 2013

(Dollars in Thousands, except per share data)

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Sales	\$181,483	\$270,985	\$255,206	\$328,816	\$491,824	\$688,276
Gross profit	\$42,753	\$87,605	\$83,982	\$111,758	\$178,953	\$258,605
Gross margin	24%	32%	33%	34%	36%	38%
Operating income	\$13,537	\$43,904	\$43,393	\$62,416	\$111,066	\$174,906
Operating margin	7%	16%	17%	19%	23%	25%
Net income	\$8,666	\$27,503	\$28,255	\$40,015	\$70,629	\$111,272
Net income %	5%	10%	11%	12%	14%	16%
EBITDA	\$19,001	\$51,700	\$53,451	\$75,745	\$127,058	\$195,725
EBITDA %	10%	19%	21%	23%	26%	28%
EPS	\$0.43	\$1.42	\$1.46	\$2.09	\$3.60	\$5.58
Return on equity	12%	34%	27%	32%	61%	81%
Inventory turns	2.3	3.6	3.6	4.5	5.8	6.7
Dividends paid	\$0	\$5,816	\$6,317	\$8,159	\$111,523	\$41,079
Market capitalization (in billions)	\$0.1	\$0.2	\$0.3	\$0.6	\$0.9	\$1.4
Units produced	600,600	934,300	906,200	1,114,700	1,695,900	2,249,500
Units shipped	626,500	925,800	903,200	1,123,100	1,696,400	2,237,400
Distributor Sell- through	631,000	887,400	901,500	1,085,200	1,772,800	2,091,500
Adjusted NICS checks	8,994,000	9,534,000	9,436,000	10,791,000	13,780,000	14,796,900
New product sales	\$24,200	\$50,000	\$62,300	\$98,550	\$182,000	\$195,800
% of firearms sales	13%	18%	25%	30%	38%	29%