UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 1, 2023

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from_______________ to _______________

Commission file number 1-10435

STURM, RUGER & COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware	06-0633559
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
One Lacey Place, Southport, Connecticut	06890
(Address of principal executive offices)	(Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1 par value	RGR	New York Stock Exchange

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 requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically 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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large accelerated filer [X] 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 [X]

The number of shares outstanding of the issuer's common stock as of July 15, 2023: 17,722,682

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STURM, RUGER & COMPANY, INC.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

STURM, RUGER & COMPANY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in thousands)

	July 1, 2023	December 31, 2022
		(Note)
Assets		
Current Assets		
Cash	$ 11,456	$ 65,173
Short-term investments	126,211	159,132
Trade receivables, net	53,066	65,449
Gross inventories (Note 4)	137,251	129,294
Less LIFO reserve	(62,606)	(59,489)
Less excess and obsolescence reserve	(5,229)	(4,812)
Net inventories	69,416	64,993
Prepaid expenses and other current assets	7,912	7,091
Total Current Assets	268,061	361,838
Property, plant and equipment	451,710	447,126
Less allowances for depreciation	(382,444)	(370,273)
Net property, plant and equipment	69,266	76,853
Deferred income taxes	10,059	6,109
Other assets	49,512	39,963
Total Assets	$ 396,898	$ 484,763

Note:

The Condensed Consolidated Balance Sheet at December 31, 2022 has been derived from the audited consolidated financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

See notes to condensed consolidated financial statements.

STURM, RUGER & COMPANY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) (Continued)
(Dollars in thousands, except per share data)

	July 1, 2023	December 31, 2022
		(Note)
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable and accrued expenses	$ 30,348	$ 35,658
Dividends payable	-	88,343
Contract liabilities with customers (Note 3)	100	1,031
Product liability	460	235
Employee compensation and benefits	22,877	30,160
Workers' compensation	6,109	6,469
Income taxes payable	-	1,171
Total Current Liabilities	59,894	163,067
Employee compensation	1,054	1,846
Product liability accrual	47	73
Lease liability (Note 5)	2,727	3,039
Contingent liabilities (Note 13)	-	-
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		
2023 – 24,437,020 issued,		
17,722,682 outstanding		
2022 – 24,378,568 issued,		
17,664,230 outstanding	24,437	24,378
Additional paid-in capital	44,808	45,075
Retained earnings	409,743	393,097
Less: Treasury stock – at cost		
2023 – 6,714,338 shares		
2022 – 6,714,338 shares	(145,812)	(145,812)
Total Stockholders' Equity	333,176	316,738
Total Liabilities and Stockholders' Equity	$ 396,898	$ 484,763

Note:

The Condensed Consolidated Balance Sheet at December 31, 2022 has been derived from the audited consolidated financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

See notes to condensed consolidated financial statements.

STURM, RUGER & COMPANY, INC.

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

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net firearms sales	$141,853	$139,911	$290,746	$305,844
Net castings sales	951	742	1,511	1,384
Total net sales	142,804	140,653	292,257	307,228
Cost of products sold	104,656	97,099	215,623	205,566
Gross profit	38,148	43,554	76,634	101,662
Operating expenses:				
Selling	9,808	8,630	19,033	17,065
General and administrative	9,925	9,734	22,165	20,680
Total operating expenses	19,733	18,364	41,198	37,745
Operating income	18,415	25,190	35,436	63,917
Other income:				
Interest income	1,479	190	2,693	221
Interest expense	(30)	(26)	(55)	(117)
Other income, net	369	750	651	1,602
Total other income, net	1,818	914	3,289	1,706
Income before income taxes	20,233	26,104	38,725	65,623
Income taxes	4,048	5,347	8,190	14,634
Net income and comprehensive income	$ 16,185	$ 20,757	$ 30,535	$ 50,989
Basic earnings per share	$0.91	$1.18	$1.73	$2.89
Diluted earnings per share	$0.91	$1.17	$1.72	$2.87
Weighted average number of common shares outstanding - Basic	17,714,471	17,652,148	17,696,579	17,631,060
Weighted average number of common shares outstanding - Diluted	17,826,205	17,799,707	17,798,521	17,762,765
Cash dividends per share	$0.32	$0.68	$5.74	$1.54

See notes to condensed consolidated financial statements.

STURM, RUGER & COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2022	$24,378	$45,075	$393,097	$(145,812)	$316,738
Net income and comprehensive income			30,535		30,535
Common stock issued – compensation plans	59	(59)			-
Vesting of RSUs		(2,156)			(2,156)
Dividends paid			(13,082)		(13,082)
Unpaid dividends accrued			(807)		(807)
Recognition of stock-based compensation expense		1,948			1,948
Balance at July 1, 2023	$24,437	$44,808	$409,743	$(145,812)	$333,176

See notes to condensed consolidated financial statements.

STURM, RUGER & COMPANY, INC.

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

	Six Months Ended	
	July 1, 2023	July 2, 2022
Operating Activities		
Net income	$ 30,535	$ 50,989
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	13,046	13,464
Stock-based compensation	1,948	3,356
Gain on sale of assets	(2)	(56)
Deferred income taxes	(3,950)	245
Changes in operating assets and liabilities:		
Trade receivables	12,383	793
Inventories	(4,423)	(13,295)
Trade accounts payable and accrued expenses	(5,654)	(9,662)
Contract liability with customers	(931)	-
Employee compensation and benefits	(8,882)	(13,019)
Product liability	199	(333)
Prepaid expenses, other assets and other liabilities	(11,285)	(103)
Income taxes payable	(1,171)	-
Cash provided by operating activities	21,813	32,379
Investing Activities		
Property, plant and equipment additions	(4,873)	(14,330)
Proceeds from sale of assets	3	16
Purchases of short-term investments	(117,977)	(199,992)
Proceeds from maturities of short-term investments	150,898	234,963
Cash provided by investing activities	28,051	20,657
Financing Activities		
Remittance of taxes withheld from employees related to share-based compensation	(2,156)	(3,371)
Dividends paid	(101,425)	(27,170)
Cash used for financing activities	(103,581)	(30,541)
(Decrease) increase in cash and cash equivalents	(53,717)	22,495
Cash and cash equivalents at beginning of period	65,173	21,044
Cash and cash equivalents at end of period	$ 11,456	$ 43,539

See notes to condensed consolidated financial statements.

STURM, RUGER & COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in thousands, except per share)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of the results of the interim periods. Operating results for the three and six months ended July 1, 2023 may not be indicative of the results to be expected for the full year ending December 31, 2023. These financial statements have been prepared on a basis that is substantially consistent with the accounting principles applied in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Organization:

Sturm, Ruger & Company, Inc. (the "Company") is principally engaged in the design, manufacture, and sale of firearms to domestic customers. Approximately 99% of sales are from firearms. Export sales accounted for approximately 7% of total sales for the six month periods ended July 1, 2023 and July 2, 2022. The Company's design and manufacturing operations are located in the United States and almost all product content is domestic. The Company's firearms are sold through a select number of independent wholesale distributors, principally to the commercial sporting market.

The Company also manufactures investment castings made from steel alloys and metal injection molding ("MIM") parts for internal use in its firearms and for sale to unaffiliated, third-party customers. Approximately 1% of sales are from the castings segment.

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition:

The Company recognizes revenue in accordance with the provisions of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). Substantially all product sales are sold FOB (free on board) shipping point. Customary payment terms are 2% 30 days, net 40 days. Generally, all performance obligations are satisfied when product is shipped and the customer takes ownership and assumes the risk of loss. In some instances, sales include multiple performance obligations. The most common of these instances relates to sales promotion programs under which downstream customers are entitled to receive no charge products based on their purchases of certain of the Company's products from the independent distributors. The fulfillment of these no charge products is the Company's responsibility. In such instances, the Company allocates the revenue of the promotional sales based on the estimated level of participation in the sales promotional program and the timing of the shipment of all of the firearms included in the promotional program, including the no charge firearms. Revenue is recognized proportionally as each performance obligation is satisfied, based on the relative customary price of each product. Customary prices are generally determined based on the prices charged to the independent distributors. The net change in contract liabilities for a given period is reported as an increase or decrease to sales.

Fair Value of Financial Instruments:

The carrying amounts of financial instruments, including cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to the short-term maturity of these items.

The Company's short-term investments consist of United States Treasury instruments, which mature within one year, and investments in a bank-managed money market fund that invests exclusively in United States Treasury obligations and is valued at the net asset value ("NAV") daily closing price, as reported by the fund, based on the amortized cost of the fund's securities. The NAV is used as a practical expedient to estimate fair value. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 3 - REVENUE RECOGNITION AND CONTRACTS WITH CUSTOMERS

The impact of ASC 606 on revenue recognized during the three and six months ended July 1, 2023 and July 2, 2022 is as follows:

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Contract liabilities with customers at beginning of period	$ 1,113	$ -	$ 1,031	$ -
Revenue deferred	11	-	212	-
Revenue recognized	(1,024)	-	(1,143)	-
Contract liabilities with customers at end of period	$ 100	$ -	$ 100	$ -

As more fully described in the Revenue Recognition section of Note 2, the deferral of revenue and subsequent recognition thereof relates to certain of the Company’s sales promotion programs that include the future shipment of free products. The Company expects the remaining deferred revenue from this contract liability with customers to be recognized in the third quarter of 2023.

Practical Expedients and Exemptions

The Company has elected to account for shipping and handling activities that occur after control of the related product transfers to the customer as fulfillment activities that are recognized upon shipment of the goods.

NOTE 4 - INVENTORIES

Inventories are valued using the last-in, first-out (LIFO) method. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs existing at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many factors beyond management's control, interim results are subject to the final year-end LIFO inventory valuation.

Inventories consist of the following:

	July 1, 2023	December 31, 2022
Inventory at FIFO		
Finished products	$ 28,486	$ 23,573
Materials and work in process	108,765	105,721
Gross inventories	137,251	129,294
Less: LIFO reserve	(62,606)	(59,489)
Less: excess and obsolescence reserve	(5,229)	(4,812)
Net inventories	$ 69,416	$ 64,993

NOTE 5 - LEASED ASSETS

The Company leases certain of its real estate and equipment. The Company has evaluated all its leases and determined that all are operating leases under the definitions of the guidance of ASU 2016-02, *Leases (Topic 842)*. The Company’s lease agreements generally do not require material variable lease payments, residual value guarantees or restrictive covenants.

Under the provisions of ASU 2016-02, the Company records right-of-use assets equal to the present value of the contractual liability for future lease payments. The table below presents the right-of-use assets and related lease liabilities recognized on the Condensed Consolidated Balance Sheet as of July 1, 2023:

	Balance Sheet Line Item	July 1, 2023
Right-of-use assets	Other assets	$3,385
Operating lease liabilities		
Current portion	Trade accounts payable and accrued expenses	$ 658
Noncurrent portion	Lease liabilities	2,727
Total operating lease liabilities		$3,385

The depreciable lives of right-of-use assets are limited by the lease term and are amortized on a straight line basis over the life of the lease.

The Company's leases generally do not provide an implicit interest rate, and therefore the Company calculates an incremental borrowing rate to determine the present value of its operating lease liabilities. The following table reconciles the undiscounted future minimum lease payments to the total operating lease liabilities recognized on the Condensed Consolidated Balance Sheet as of July 1, 2023:

Remainder of 2023	$ 402
2024	808
2025	702
2026	705
2027	229
Thereafter	1,120
Total undiscounted future minimum lease payments	3,966
Less: Difference between undiscounted lease payments & the present value of future lease payments	(581)
Total operating lease liabilities	$3,385

Certain of the Company's lease agreements contain renewal options at the Company's discretion. The Company does not recognize right-of-use assets or lease liabilities for leases of one year or less or for renewal periods unless it is reasonably certain that the Company will exercise the renewal option at the inception of the lease or when a triggering event occurs. The Company's weighted average remaining lease term for operating leases as of July 1, 2023 is 8.4 years.

NOTE 6 - LINE OF CREDIT

On January 7, 2022, the Company entered into a $40 million unsecured revolving line of credit agreement with a bank that expires January 7, 2025. Borrowings under this new facility bear interest at either 1) the Bloomberg short-Term Bank Yield Index – 1 month plus 150 basis points, or 2) a fluctuating rate per annum equal to the greater of (i) the Bank's prime rate or (ii) the federal funds rate plus 50 basis points. The Company is also charged one-quarter of a percent (0.25%) per year on the unused portion. At

July 1, 2023, the Company was in compliance with the terms and covenants of the credit facility and the line of credit was unused.

NOTE 7 - EMPLOYEE BENEFIT PLANS

The Company sponsors a 401(k) plan that covers substantially all employees. The Company matches a certain portion of employee contributions using the safe harbor guidelines contained in the Internal Revenue Code. Expenses related to these matching contributions totaled $1.0 million and $2.7 million for the three and six months ended July 1, 2023, respectively, and $0.9 million and $2.3 million for the three and six months ended July 2, 2022, respectively. The Company plans to contribute approximately $2.0 million to the plan in matching employee contributions during the remainder of 2023.

In addition, the Company provided supplemental discretionary contributions to the 401(k) plan totaling $1.6 million and $3.7 million for the three and six months ended July 1, 2023, respectively, and $1.5 million and $3.9 million for the three and six months ended July 2, 2022, respectively. The Company plans to contribute approximately $3.0 million in supplemental contributions to the plan during the remainder of 2023.

NOTE 8 - INCOME TAXES

The Company's 2023 and 2022 effective tax rates differ from the statutory federal tax rate due principally to the availability of research and development tax credits, state income taxes, and the nondeductibility of certain executive compensation. The Company’s effective income tax rate was 20.0% and 21.1% for the three and six months ended July 1, 2023, respectively. The Company’s effective income tax rate was 20.5% and 22.3% for the three and six months ended July 2, 2022, respectively.

Income tax payments for the three and six months ended July 1, 2023 totaled $13.5 million and $16.5 million, respectively. Income tax payments for the three and six months ended July 2, 2022 totaled $17.6 million and $20.7 million, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2017.

The Company does not believe it has included any “uncertain tax positions” in its federal income tax return or any of the state income tax returns it is currently filing. The Company has made an evaluation of the potential impact of additional state taxes being assessed by jurisdictions in which the Company does not currently consider itself liable. The Company does not anticipate that such additional taxes, if any, would result in a material change to its financial position.

NOTE 9 - EARNINGS PER SHARE

Set forth below is a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations for the periods indicated:

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Numerator:				
Net income	$16,185	$20,757	$30,535	$50,989
Denominator:				
Weighted average number of common shares outstanding – Basic	17,714,471	17,652,148	17,696,579	17,631,060
Dilutive effect of options and restricted stock units outstanding under the Company's employee compensation plans	111,734	147,559	101,942	131,705
Weighted average number of common shares outstanding – Diluted	17,826,205	17,799,707	17,798,521	17,762,765

The dilutive effect of outstanding options and restricted stock units is calculated using the treasury stock method. There were no stock options that were anti-dilutive and therefore not included in the diluted earnings per share calculation.

NOTE 10 - COMPENSATION PLANS

In May 2017, the Company's shareholders approved the 2017 Stock Incentive Plan (the "2017 SIP") under which employees, independent contractors, and non-employee directors may be granted stock options, restricted stock, deferred stock awards, and stock appreciation rights, any of which may or may not require the satisfaction of performance objectives. Vesting requirements are determined by the Compensation Committee of the Board of Directors. The Company reserved 750,000 shares for issuance under the 2017 SIP.

In June 2023, the Company's shareholders approved the 2023 Stock Incentive Plan (the "2023 SIP") under which employees, independent contractors, and non-employee directors may be granted stock options, restricted stock, deferred stock awards, and stock appreciation rights, any of which may or may not require the satisfaction of performance objectives. Vesting requirements are determined by the Compensation Committee of the Board of Directors. The Company reserved 1,000,000 shares for issuance under the 2023 SIP. Any shares remaining from the 2017 SIP will be available for future grants under the terms of the 2023 SIP. As of June 30, 2023, 121,034 shares remained unawarded from the 2017 SIP. Since the shareholder approval of the 2023 SIP, no additional awards have been or will be granted under the 2017 SIP. Previously granted and outstanding awards under the 2017 SIP will remain subject to the terms of the 2017 SIP.

Restricted Stock Units

The Company grants performance-based and retention-based restricted stock units to senior employees. The vesting of the performance-based awards is dependent on the achievement of corporate objectives established by the Compensation Committee of the Board of Directors and a three-year vesting period. The retention-based awards are subject only to a three-year vesting period. There were 113,862 restricted stock units issued during the six months ended July 2, 2022. Total compensation costs related to these restricted stock units are $6.0 million.

Compensation costs related to all outstanding restricted stock units recognized in the statements of income aggregated $1.1 million and $3.4 million for the three and six months ended July 1, 2023, respectively, and $1.7 million and $3.4 million for the three and six months ended July 2, 2022, respectively.

NOTE 11 - OPERATING SEGMENT INFORMATION

The Company has two reportable segments: firearms and castings. The firearms segment manufactures and sells rifles, pistols, and revolvers principally to a select number of independent wholesale distributors primarily located in the United States. The castings segment manufactures and sells steel investment castings and metal injection molding parts.

Selected operating segment financial information follows:

(in thousands)	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net Sales				
Firearms	$141,853	$139,911	$290,746	$305,844
Castings				
Unaffiliated	951	742	1,511	1,384
Intersegment	8,993	4,515	17,360	9,328
	9,944	5,257	18,871	10,712
Eliminations	(8,993)	(4,515)	(17,360)	(9,328)
	$142,804	$140,653	$292,257	$307,228
Income (Loss) Before Income Taxes				
Firearms	$19,176	$27,096	$37,529	$66,791
Castings	(491)	(1,342)	(1,598)	(1,725)
Corporate	1,548	350	2,794	557
	$20,233	$26,104	$38,725	$65,623
Depreciation				
Firearms	$5,675	$5,805	$11,351	$11,615
Castings	555	584	1,108	1,162
	$6,230	$6,389	$12,459	$12,777
Capital Expenditures				
Firearms	$3,133	$3,383	$4,782	$13,647
Castings	88	109	91	683
	$3,221	$3,492	$4,873	$14,330

	July 1, 2023	December 31, 2022
Identifiable Assets		
Firearms	$214,139	$223,301
Castings	9,131	11,910
Corporate	173,628	249,552
	$396,898	$484,763
Goodwill		
Firearms	$3,055	$3,055
Castings	209	209
	$3,264	$3,264

NOTE 12 - RELATED PARTY TRANSACTIONS

The Company contracts with the National Rifle Association ("NRA") for some of its promotional and advertising activities. Payments made to the NRA in the three and six months ended July 1, 2023 totaled $0.2 million and $0.3 million, respectively. Payments made to the NRA in the three and six months ended July 2, 2022 totaled $0.1 million and $0.2 million, respectively. One of the Company's Directors also serves as a Director on the Board of the NRA.

The Company is a member of the National Shooting Sports Foundation ("NSSF"), the firearm industry trade association. Payments made to the NSSF totaled $0.1 million in both the three and six month periods ended July 1, 2023. Payments made to the NSSF totaled $0.1 million in both the three and six month periods ended July 2, 2022. One of the Company's Directors also serves on the Board of the NSSF.

NOTE 13 - CONTINGENT LIABILITIES

As of July 1, 2023, the Company was a defendant in eight (8) lawsuits and is aware of certain other such claims. The lawsuits fall into three categories: municipal litigation, negligence, and unfair trade practices. Each is discussed in turn below.

<u>Municipal Litigation</u>

Municipal litigation generally includes those cases brought by cities or other governmental entities against firearms manufacturers, distributors and retailers seeking to recover damages allegedly arising out of the misuse of firearms by third parties. There are four lawsuits of this type: the *City of Gary*, filed in Indiana State Court in 1999: *Estados Unidos Mexicanos v. Smith & Wesson, et al.*, filed in the U.S. District Court for the District of Massachusetts in August 2021; *The City of Buffalo*, filed in the Supreme Court of the State of New York for Erie County on December 20, 2022; and *The City of Rochester*, filed in the Supreme Court for the State of New York for Monroe County on December 21, 2022, each of which is described in more detail below.

The *City of Gary* Complaint seeks damages, among other things, for the costs of medical care, police and emergency services, public health services, and other services as well as punitive damages. In addition, nuisance abatement and/or injunctive relief is sought to change the design, manufacture, marketing and distribution practices of the various defendants. The suit alleges, among other claims, negligence in the design of products, public nuisance, negligent distribution and marketing, negligence per se and deceptive advertising. The case does not allege a specific injury to a specific individual as a result of the misuse or use of any of the Company's products. After a long procedural history, during the quarter ended April 3, 2021, the City initiated discovery and the manufacturer defendants reciprocated. Discovery is ongoing.

Estados Unidos Mexicanos v. Smith & Wesson Brands, Inc., et al. was filed by the Country of Mexico and names seven defendants, mostly U.S.-based firearms manufacturers, including the Company. The Complaint advances a variety of legal theories including negligence, public nuisance, unjust enrichment, restitution, and others. Plaintiff essentially alleges that Defendants design, manufacture, distribute, market and sell firearms in a way that they know results in the illegal trafficking of firearms into Mexico, where they are used by Mexican drug cartels for criminal activities. Plaintiff seeks injunctive relief and monetary damages. On November 22, 2021, defendants filed a joint Rule 12(b)(6) motion to dismiss the Mexican Government's complaint. On September 30, 2022, the court entered an order granting defendants' motion. On October 26, 2022, plaintiff filed a Notice of Appeal and the matter is being briefed before the First Circuit Court of Appeals. Oral argument was held on July 24, 2023.

On December 20, 2022, the City of Buffalo, New York filed a lawsuit captioned *The City of Buffalo v. Smith & Wesson Brands, Inc., et al.* in the New York State Supreme Court for Erie County, New York. The suit names a number of firearm manufacturers, distributors, and retailers as defendants, including the Company, and purports to state causes of action for violations of Sections 898, 349 and 350 of the New York General Business Law, as well as common law public nuisance. Generally, plaintiff alleges that the criminal misuse of firearms in the City of Buffalo is the result of the manufacturing, sales, marketing, and distribution practices of the defendants. Defendants timely removed the matter to the U.S. District Court for the Western District of New York. The matter was transferred to the New York Supreme Court for Monroe County and consolidated with *The City of Rochester v. Smith & Wesson Brands, Inc., et al.,* discussed below.

On December 21, 2022, the City of Rochester, New York filed a lawsuit captioned *The City of Rochester v. Smith & Wesson Brands, Inc., et al.* in the New York State Supreme Court for Monroe County, New York. The allegations essentially mirror those in *The City of Buffalo*, discussed in the preceding paragraph. Defendants timely removed the matter to the U.S. District Court for the Western District of New York and the matter was consolidated with *The City of Buffalo*.

Defendants moved to stay the consolidated *Buffalo/Rochester* case pending a decision by the Second Circuit Court of Appeals in *National Shooting Sports Foundation, Inc. et al. v. James*, which challenges the constitutionality of the recently enacted N.Y. GEN. BUS. LAW §§ 898-a–e. On June 8, 2023, the court granted defendants' motion and the matter is currently stayed.

<u>Negligence</u>

Rossiter v. Sturm, Ruger, et al. is a lawsuit arising out of a slip and fall accident by a contract security officer in December 2019. The Complaint was filed in the Superior Court for Sullivan County, New Hampshire on December 13, 2022 and names Pine Hill Construction, a snow removal contractor, as a co-defendant. The Company has tendered the defense of this matter to its insurance carrier and is assisting as required.

The Company was named in two purported class action lawsuits arising out of a data breach at Freestyle Solutions, Inc., the vendor who hosted the Company's ShopRuger.com website at the time of the breach. *Jones v. Sturm, Ruger & Co.,* was filed in the U.S. District Court for Connecticut on October

4, 2022 and *Copeland v. Sturm, Ruger & Company, et al.* was filed in the U.S. District Court for New Jersey on October 27, 2022. *Copeland* also named Freestyle Solutions, Inc. as a defendant. By agreement of the parties, *Copeland* was dismissed, without prejudice, and consolidated with *Jones* in the pending Connecticut case. On January 20, 2023, five plaintiffs filed an Amended Complaint naming the Company and Freestyle Software, Inc. as defendants. The Complaint alleges causes of action for negligence, breach of implied warranties, and unjust enrichment. The Company filed a Motion to Dismiss on a variety of grounds. And the matter has been fully briefed.

Unfair Trade Practices

Estate of Suzanne Fountain v. Sturm, Ruger & Co., Inc., was filed in the Connecticut Superior Court in Stamford and arises out of the criminal shootings at the King Soopers supermarket in Boulder, Colorado on March 22, 2021. On that date, plaintiff's decedent, Suzanne Fountain, was murdered by 21-year-old Ahmad Al Aliwi Al-Issa. The Complaint alleges that the Company's advertising and marketing of the Ruger AR-556 pistol involved in the criminal shootings violate the Connecticut Unfair Trade Practices Act and were a substantial factor in bringing about the wrongful death of Suzanne Fountain. On April 24, 2023, the Connecticut Superior Court in Stamford *sua sponte* transferred the case to the Connecticut Superior Court in Bridgeport.

Estate of Neven Stanisic et al. v. Sturm, Ruger & Co., Inc., was filed in the Connecticut Superior Court in Stamford on behalf of five plaintiffs. Like *Estate of Suzanne Fountain*, the claims arise from the criminal shootings at the King Soopers supermarket in Boulder, Colorado on March 22, 2021. Plaintiffs' decedents were murdered by Ahmad Al Aliwi Al-Issa and plaintiffs allege that the Company's advertising and marketing of the Ruger AR-556 pistol involved in the criminal shootings violate the Connecticut Unfair Trade Practices Act and were a substantial factor in causing the wrongful death of plaintiffs' decedents.

The *Fountain* and *Stanisic* cases have been consolidated for discovery purposes only. The Company recently filed its Answer and Special Defenses to each of the Complaints.

Summary of Claimed Damages and Explanation of Product Liability Accruals

Punitive damages, as well as compensatory damages, are demanded in certain of the lawsuits and claims. In many instances, the plaintiff does not seek a specified amount of money, though aggregate amounts ultimately sought may exceed product liability accruals and applicable insurance coverage. For product liability claims made after July 10, 2000, coverage is provided on an annual basis for losses exceeding $5 million per claim, or an aggregate maximum loss of $10 million annually, except for certain new claims which might be brought by governments or municipalities after July 10, 2000, which are excluded from coverage.

The Company management monitors the status of known claims and the product liability accrual, which includes amounts for asserted and unasserted claims. While it is not possible to forecast the outcome of litigation or the timing of costs, in the opinion of management, after consultation with special and corporate counsel, it is not probable and is unlikely that litigation, including punitive damage claims, will have a material adverse effect on the financial position of the Company, but may have a material impact on the Company's financial results for a particular period.

Product liability claim payments are made when appropriate if, as, and when claimants and the Company reach agreement upon an amount to finally resolve all claims. Legal costs are paid as lawsuits and claims develop, the timing of which may vary greatly from case to case. A time schedule cannot be determined in advance with any reliability concerning when payments will be made in any given case.

Provision is made for product liability claims based upon many factors related to the severity of the alleged injury and potential liability exposure, based upon prior claim experience. Because the Company's experience in defending these lawsuits and claims is that unfavorable outcomes are typically not probable or estimable, only in rare cases is an accrual established for such costs.

In most cases, an accrual is established only for estimated legal defense costs. Product liability accruals are periodically reviewed to reflect then-current estimates of possible liabilities and expenses incurred to date and reasonably anticipated in the future. Threatened product liability claims are reflected in the Company's product liability accrual on the same basis as actual claims; *i.e.*, an accrual is made for reasonably anticipated possible liability and claims handling expenses on an ongoing basis.

A range of reasonably possible losses relating to unfavorable outcomes cannot be made. However, in product liability cases in which a dollar amount of damages is claimed, the amount of damages claimed, which totaled $1.1 million at December 31, 2021, is set forth as an indication of possible maximum liability the Company might be required to incur in these cases (regardless of the likelihood or reasonable probability of any or all of this amount being awarded to claimants) as a result of adverse judgments that are sustained on appeal. At December 31, 2022, the total amount claimed specifically in these cases was de minimis.

NOTE 14 - SUBSEQUENT EVENTS

On August 1, 2023, the Board of Directors authorized a dividend of 36¢ per share, for shareholders of record as of August 15, 2023, payable on August 30, 2023.

The Company has evaluated events and transactions occurring subsequent to July 1, 2023 and determined that there were no other unreported events or transactions that would have a material impact on the Company’s results of operations or financial position.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Overview

Sturm, Ruger & Company, Inc. (the "Company") is principally engaged in the design, manufacture, and sale of firearms to domestic customers. Approximately 99% of sales are from firearms. Export sales accounted for approximately 7% of total sales for the six month periods ended July 1, 2023 and July 2, 2022. The Company's design and manufacturing operations are located in the United States and almost all product content is domestic. The Company's firearms are sold through a select number of independent wholesale distributors, principally to the commercial sporting market.

The Company also manufactures investment castings made from steel alloys and metal injection molding ("MIM") parts for internal use in its firearms and for sale to unaffiliated, third-party customers. Less than 1% of sales are from the castings segment.

Orders for many models of firearms from the independent distributors tend to be stronger in the first quarter of the year and weaker in the third quarter of the year. This is due in part to the timing of the distributor show season, which occurs during the first quarter.

Results of Operations

Demand

The estimated unit sell-through of the Company's products from the independent distributors to retailers decreased 7% in the first half of 2023 compared to the prior year period. For the same period, NICS background checks (as adjusted by the National Shooting Sports Foundation ("NSSF")) decreased 4%. Estimated sell-through from the independent distributors to retailers and total adjusted NICS background checks for the trailing six quarters follow:

	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Estimated Units Sold from Distributors to Retailers (1)	323,000	391,500	397,800	343,500	354,300	411,200
Total adjusted NICS Background Checks (thousands) (2)	3,654	4,168	4,531	3,764	3,917	4,213

(1) The estimates for each period were calculated by taking the beginning inventory at the distributors, plus shipments from the Company to distributors during the period, less the ending inventory at distributors. These estimates are only a proxy for actual market demand as they:

- Rely on data provided by independent distributors that are not verified by the Company,
- Do not consider potential timing issues within the distribution channel, including goods-in-transit, and
- Do not consider fluctuations in inventory at retail.

(2) NICS background checks are performed when the ownership of most firearms, either new or used, is transferred by a Federal Firearms Licensee. NICS background checks are also performed for permit applications, permit renewals, and other administrative reasons.

The adjusted NICS data presented above was derived by the NSSF by subtracting out NICS checks that are not directly related to the sale of a firearm, including checks used for concealed carry ("CCW") permit application checks as well as checks on active CCW permit databases. The adjusted NICS checks represent less than half of the total NICS checks.

Adjusted NICS data can be impacted by changes in state laws and regulations and any directives and interpretations issued by governmental agencies.

Orders Received and Ending Backlog

The Company uses the estimated unit sell-through of its products from the independent distributors to retailers, along with inventory levels at the independent distributors and at the Company, as the key metrics for planning production levels. The Company generally does not use the orders received or ending backlog for planning production levels.

The units ordered, value of orders received, average sales price of units ordered, and ending backlog for the trailing six quarters are as follows (dollars in millions, except average sales price):

(All amounts shown are net of Federal Excise Tax of 10% for handguns and 11% for long guns.)

	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Units Ordered	258,100	408,000	156,000	295,600	250,600	381,600
Orders Received	$102.1	$156.2	$81.0	$124.3	$98.9	$147.0
Average Sales Price of Units Ordered	$396	$383	$519	$421	$395	$385
Ending Backlog	$293.7	$327.3	$314.4	$377.6	$389.6	$420.5
Average Sales Price of Ending Unit Backlog	$496	$488	$486	$427	$405	$384

Production

The Company reviews the estimated sell-through from the independent distributors to retailers, as well as inventory levels at the independent distributors and at the Company, semi-monthly to plan production levels. Consequently, the Company's overall production in the first half of 2023 decreased by 19% from the first half of 2022.

Summary Unit Data

Firearms unit data for the trailing six quarters are as follows (dollar amounts shown are net of Federal Excise Tax of 10% for handguns and 11% for long guns):

	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Units Ordered	258,100	408,000	156,000	295,600	250,600	381,600
Units Produced	387,400	381,000	397,300	382,800	431,800	521,300
Units Shipped	336,400	384,900	393,100	373,800	382,600	491,500
Average Sales Price of Units Shipped	$422	$387	$378	$371	$366	$338
Ending Unit Backlog	592,100	670,400	647,300	884,400	962,600	1,094,600

Inventories

During the second quarter of 2023, the Company's finished goods inventory increased by 51,100 units and distributor inventories of the Company's products increased by 13,400 units.

Inventory unit data for the trailing six quarters follows:

	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Company Inventory	160,000	108,900	112,800	108,600	99,700	50,400
Distributor Inventory (1)	305,200	291,800	298,400	303,100	272,800	244,600
Total Inventory (2)	465,200	400,700	411,200	411,700	372,500	295,000

(1) Distributor ending inventory is provided by the Company's independent distributors. These numbers do not include goods-in-transit inventory that has been shipped from the Company but not yet received by the distributors.

(2) This total does not include inventory at retailers. The Company does not have access to data on retailer inventories of the Company's products.

Net Sales, Cost of Products Sold, and Gross Profit

Net sales, cost of products sold, and gross profit data for the three months ended (dollars in millions):

	July 1, 2023	July 2, 2022	Change	% Change
Net firearms sales	$141.9	$139.9	$2.0	1.4%
Net castings sales	0.9	0.8	0.1	28.2%
Total net sales	142.8	140.7	2.1	1.5%
Cost of products sold	104.7	97.1	7.6	7.8%
Gross profit	$ 38.1	$ 43.6	$(5.5)	(12.4%)
Gross margin	26.7%	31.0%	(4.3%)	(13.9%)

Sales of new products, including the LCP MAX pistol, Marlin lever-action rifles, LC Carbine, Small-Frame Autoloading Rifle, Super Wrangler revolver, and the Security-380 pistol, represented $33.3 million or 24.4% of firearm sales in the three months ended July 1, 2023. New product sales include only major new products that were introduced in the past two years.

The decreased gross profit for the three months ended July 1, 2023 is attributable to the inflationary cost increases in materials, commodities, services, energy, fuel and transportation, as well as increased promotional costs.

The decrease in gross margin for the three months ended July 1, 2023 is attributable to a product mix shift toward products with relatively lower margins that remain in relatively stronger demand. In addition to the shift in product mix, the aforementioned promotional and inflationary cost increases, partially offset by increased pricing, resulted in lower margins.

Net sales, cost of products sold, and gross profit data for the six months ended (dollars in millions):

	July 1, 2023	July 2, 2022	Change	% Change
Net firearms sales	$290.8	$305.8	$(15.0)	(4.9%)
Net castings sales	1.5	1.4	0.1	9.2%
Total net sales	292.3	307.2	(14.9)	(4.9%)
Cost of products sold	215.6	205.5	10.1	4.9%
Gross profit	$76.7	$101.7	$(25.0)	(24.6%)
Gross margin	26.2%	33.1%	(13.9%)	(20.8%)

The decrease in total consolidated net sales and net firearms sales for the three and six months ended July 1, 2023 is attributable to decreased consumer demand for firearms. Sales of new products, including the MAX-9 pistol (during the first quarter only), LCP MAX pistol, Marlin lever-action rifles, LC Carbine, Small-Frame Autoloading Rifle, Super Wrangler revolver, and the Security-380 pistol, represented $63.3 million or 22.6% of firearm sales in the first half of 2023. New product sales include only major new products that were introduced in the past two years.

The decreased gross profit for the six months ended July 1, 2023 is attributable to the decrease in sales and inflationary cost increases in materials, commodities, services, energy, fuel and transportation, as well as increased promotional costs.

The decrease in gross margin for the six months ended July 1, 2023 is attributable to a product mix shift toward products with relatively lower margins that remain in relatively stronger demand, unfavorable deleveraging of fixed costs, including depreciation, engineering and other indirect labor, resulting from decreased production, and decreased labor efficiencies. In addition to the shift in product mix and the unfavorable deleveraging of fixed costs, the aforementioned promotional and inflationary cost increases, partially offset by increased pricing, resulted in lower margins.

Selling and General and Administrative Expenses

Selling and general and administrative expenses data for the three months ended (dollars in millions):

	July 1, 2023	July 2, 2022	Change	% Change
Selling expenses	$ 9.8	$ 8.6	$1.2	13.7%
General and administrative expenses	9.9	9.8	0.1	2.0%
Total operating expenses	$19.7	$18.4	$1.3	7.5%

The increase in selling expenses for the three months ended July 1, 2023 was primarily attributable to the resumption of trade show participation costs, travel expenditures, and advertising, some of which had been deferred in 2022 due to COVID-19 restrictions.

The increase in general, and administrative expenses for the three months ended July 1, 2023 was primarily attributable to increased professional service costs, partially offset by decreased incentive compensation expenses.

Selling and general and administrative expenses data for the six months ended (dollars in millions):

	July 1, 2023	July 2, 2022	Change	% Change
Selling expenses	$19.0	$17.1	$1.9	11.5%
General and administrative expenses	22.2	20.7	1.5	7.2%
Total operating expenses	$ 41.2	$ 37.8	$ 3.4	9.1%

The increase in selling expenses for the six months ended July 1, 2023 was primarily attributable to the resumption of trade show participation costs, travel expenditures, and advertising, some of which had been deferred in 2022 due to COVID-19 restrictions, partially offset by decreased sales volume.

The increase in general, and administrative expenses for the six months ended July 1, 2023 was primarily attributable to increased professional service costs, partially offset by decreased incentive compensation expenses.

Other Income

Other income data for the three months ended (dollars in millions):

	July 1, 2023	July 2, 2022	Change	% Change
Other income	$ 1.8	$ 0.9	$ 0.9	98.9%

The increase in other income for the three months ended July 1, 2023 was the result of increases in interest income, partially offset by decreased royalty and miscellaneous income.

Other income data for the six months ended (dollars in millions):

	July 1, 2023	July 2, 2022	Change	% Change
Other income	$ 3.2	$ 1.7	$ 1.5	92.8%

The increase in other income for the six months ended July 1, 2023 was the result of increases in interest income, partially offset by decreased royalty and miscellaneous income.

The Company's 2023 and 2022 effective tax rates differ from the statutory federal tax rate due principally to research and development tax credits, state income taxes and the nondeductibility of certain executive compensation. The Company’s effective income tax rate was 20.0% and 21.1% for the three and six months ended July 1, 2023, respectively. The Company’s effective income tax rate was 20.5% and 22.3% for the three and six months ended July 2, 2022, respectively.

Non-GAAP Financial Measures

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 two non-GAAP financial measures, EBITDA and EBITDA margin, which management believes provides useful information to investors. These non-GAAP financial measures may not be comparable to similarly titled financial measures being disclosed by other companies. In addition, the Company believes that the non-GAAP financial measures should be considered in addition to, and not in lieu of, GAAP financial measures. The Company believes that EBITDA and EBITDA margin are useful to understanding its operating results and the ongoing performance of its underlying business, 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. The Company believes that this reporting provides better transparency and comparability to its operating results. The Company uses both GAAP and non-GAAP financial measures to evaluate the Company's financial performance.

EBITDA is defined as earnings before interest, taxes, and depreciation and amortization. The Company calculates this 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 to arrive at EBITDA. The Company calculates EBITDA margin by dividing EBITDA by total net sales.

EBITDA was $25.3 million for the three months ended July 1, 2023, a decrease of 22.5% from $32.6 million in the comparable prior year period.

For the six months ended July 1, 2023 EBITDA was $49.1 million, a decrease of 37.8% from $79.0 million in the comparable prior year period.

Non-GAAP Reconciliation – EBITDA

EBITDA

(Unaudited, dollars in thousands)

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net income	$16,185	$20,757	$30,535	$50,989
Income tax expense	4,048	5,347	8,190	14,634
Depreciation and amortization expense	6,510	6,709	13,046	13,464
Interest income	(1,479)	(190)	(2,693)	(221)
Interest expense	30	26	55	117
EBITDA	$25,294	$32,649	$49,133	$78,983
EBITDA margin	17.7%	23.2%	16.8%	25.7%

Financial Condition

Liquidity and Capital Resources

At the end of the second quarter of 2023, the Company's cash and short-term investments totaled $137.7 million. Pre-LIFO working capital of $270.8 million, less the LIFO reserve of $62.6 million, resulted in working capital of $208.2 million and a current ratio of 4.5 to 1.

Operations

Cash provided by operating activities was $21.8 million for the six months ended July 1, 2023, compared to $32.4 million for the comparable prior year period. The decrease in cash provided in the six months ended July 1, 2023 is primarily attributable to the decrease in net income and the increase in prepaid expenses and other assets in the six months ended July 1, 2023, partially offset by the decrease in accounts receivable in the six months ended July 1, 2023 and the increase in inventory in the six months ended July 2, 2022.

Third parties supply the Company with various raw materials for its firearms and castings, such as steel, fabricated steel components, walnut, birch, beech, maple and laminated lumber for rifle stocks, wax, ceramic material, metal alloys, various synthetic products and other component parts. In the six months ended July 1, 2023, the Company's manufacturing operations were impacted by limited deliveries of raw materials. A limited supply of these materials in the marketplace can result in increases to purchase prices and adversely affect production levels. If market conditions result in a significant prolonged inflation of certain prices or if adequate quantities of raw materials cannot be obtained, the Company's manufacturing processes could be interrupted and the Company's financial condition or results of operations could be materially adversely affected.

Investing and Financing

Capital expenditures for the six months ended July 1, 2023 totaled $4.9 million, a decrease from $14.3 million in the comparable prior year period. In 2023, the Company expects capital expenditures related to new product introductions and upgrades to our manufacturing equipment and facilities to total approximately $20 million. Due to market conditions and business circumstances, actual capital expenditures could vary significantly from the projected amount. The Company finances, and intends to continue to finance, all of these activities with funds provided by operations and current cash and cash equivalents.

Dividends of $101.4 million were paid during the six months ended July 1, 2023. This included $88.3 million paid in January 2023 for a $5.00 per share special dividend declared by the Board of Directors in November 2022. The Company has financed its dividends with cash provided by operations and current cash. The quarterly dividend varies every quarter because the Company pays a percentage of earnings rather than a fixed amount per share. The Company's practice is to pay a dividend of approximately 40% of net income.

On August 1, 2023, the Company's Board of Directors authorized a dividend of 36¢ per share to shareholders of record on August 15, 2023, payable on August 30, 2023. The payment of future dividends depends on many factors, including internal estimates of future performance, then-current cash and short-term investments, and the Company's need for funds.

As of July 1, 2023, the Company had $118.0 million of United States Treasury instruments which mature within one year. The Company also invests available cash in a bank-managed money market fund that invests exclusively in United States Treasury instruments which mature within one year. At July 1, 2023, the Company's investment in this money market fund totaled $8.2 million.

The Company did not purchase any shares of its common stock during the six months ended July 1, 2023. As of July 1, 2023, $86.6 million remained authorized for future stock repurchases.

Based on its unencumbered assets, the Company believes it has the ability to raise cash through the issuance of short-term or long-term debt. The Company's unsecured $40 million credit facility, which expires on January 7, 2025, was unused at July 1, 2023.

Other Operational Matters

In the normal course of its manufacturing operations, the Company is subject to occasional governmental proceedings and orders pertaining to workplace safety, firearms serial number tracking and control, waste disposal, air emissions and water discharges into the environment. The Company believes that it is generally in compliance with applicable Bureau of Alcohol, Tobacco, Firearms & Explosives, environmental, and safety regulations and the outcome of any proceedings or orders will not have a material adverse effect on the financial position or results of operations of the Company. If these regulations become more stringent in the future and the Company is not able to comply with them, such noncompliance could have a material adverse impact on the Company.

The Company has 15 independent distributors that service the domestic commercial market. Additionally, the Company has 45 and 25 distributors servicing the export and law enforcement markets, respectively.

The Company self-insures a significant amount of its product liability, workers' compensation, medical, and other insurance. It also carries significant deductible amounts on various insurance policies.

The Company expects to realize its deferred tax assets through tax deductions against future taxable income.

Impact of Covid-19

The global outbreak of the coronavirus disease 2019 ("COVID-19") was declared a pandemic by the World Health Organization and a national emergency by the U.S. Government in March 2020. The Company has taken many proactive steps to maintain the health and safety of its employees and to mitigate the impact on its business. During the six month period ended July 1, 2023, the Company did not experience a significant adverse impact on its business from COVID-19 or related government restrictions. The Company cannot predict the extent to which its business, results of operations, financial condition, or cash flows will ultimately be impacted by COVID-19.

Adjustments to Critical Accounting Policies

The Company has not made any adjustments to its critical accounting estimates and assumptions described in the Company's 2022 Annual Report on Form 10-K filed on February 22, 2023, or the judgments affecting the application of those estimates and assumptions.

Forward-Looking Statements and Projections

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, the impact of COVID-19, 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The interest rate market risk implicit to the Company at any given time is typically low, as the Company does not have significant exposure to changing interest rates on invested cash. There has been no material change in the Company's exposure to interest rate risks during the three months ended July 1, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (the "Disclosure Controls and Procedures"), as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of July 1, 2023.

Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of July 1, 2023, such Disclosure Controls and Procedures are effective to ensure that information required to be disclosed in the Company's periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer or persons performing similar functions, as appropriate, to allow timely decisions regarding disclosure.

The Company's Chief Executive Officer and Chief Financial Officer have further concluded that, as of July 1, 2023, there have been no material changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended July 1, 2023 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. The Company has not experienced any material impact to its internal controls over financial reporting as a result of the COVID-19 pandemic.

The effectiveness of any system of internal controls and procedures is subject to certain limitations, and, as a result, there can be no assurance that the Disclosure Controls and Procedures will detect all errors or fraud. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system will be attained.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The nature of the legal proceedings against the Company is discussed at Note 13 to the financial statements, which are included in this Form 10-Q.

The Company has reported all cases instituted against it through April 1, 2023, and the results of those cases, where terminated, to the SEC on its previous Form 10-Q and 10-K reports, to which reference is hereby made.

There were no lawsuits formally instituted against the Company during the three months ending July 1, 2023.

ITEM 1A. RISK FACTORS

During the three months ended July 1, 2023, there were no material changes in the Company's risk factors from the information provided in Item 1A. Risk Factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

The adoption or termination of contracts, instructions or written plans for the purchase and sale of the Company's securities by our Section 16 officers and directors for the three months ended July 1, 2023, each of which is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act ("Rule 10b5-1 Plan"), were as follows:

Name	Title	Action	Date Adopted	Expiration Date	Aggregate # of Securities to be Purchased/Sold
Kevin B. Reid, Sr. (1)	Vice President and General Counsel	Adoption of Rule 10b5-1 Plan	May 16, 2023	May 1, 2024	10,000
Timothy M. Lowney (2)	Vice President of Operations for Newport, Prescott and RPM Manufacturing	Adoption of Rule 10b5-1 Plan	May 31, 2023	May 1, 2024	2,604
Amir P. Rosenthal (3)	Director	Adoption of Rule 10b5-1 Plan	May 16, 2023	December 29, 2023	1,500

(1) Kevin B. Reid, Sr., an officer of the Company, entered into a Rule 10b5-1 Plan on May 16, 2023. Mr. Reid's Rule 10b5-1 Plan provides for the potential sale of up to 10,000 shares of the Company's common stock. The Rule 10b5-1 Plan expires on May 1, 2024, or upon the earlier completion of all authorized transactions under such Rule 10b5-1 Plan.

(2) Timothy M. Lowney, an officer of the Company, entered into a Rule 10b5-1 Plan on May 31, 2023. Mr. Lowney's Rule 10b5-1 Plan provides for the potential sale of up to 2,604 shares of the Company's common stock. The Rule 10b5-1 Plan expires on May 1, 2024, or upon the earlier completion of all authorized transactions under such Rule 10b5-1 Plan.

(3) Amir P. Rosenthal, a director of the Company, entered into a Rule 10b5-1 Plan on May 16, 2023. Mr. Rosenthal's Rule 10b5-1 Plan provides for the potential sale of up to 1,500 shares of the Company's common stock. The Rule 10b5-1 Plan expires on December 29, 2023, or upon the earlier completion of all authorized transactions under such Rule 10b5-1 Plan.

None of the Company's directors or Section 16 officers adopted or terminated a "non-Rule 10b5-1 trading arrangement" as defined in Item 408 of Regulation S-K during the three months ended July 1, 2023.

ITEM 6. EXHIBITS

(a) Exhibits:

31.1 Certification Pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification Pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

STURM, RUGER & COMPANY, INC.

FORM 10-Q FOR THE THREE MONTHS ENDED JULY 1, 2023

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 thereunto duly authorized.

STURM, RUGER & COMPANY, INC.

Date: August 2, 2023

S/THOMAS A. DINEEN
Thomas A. Dineen
Principal Financial Officer,
Principal Accounting Officer,
Senior Vice President, Treasurer and Chief
Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Christopher J. Killoy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the “Report”) of Sturm, Ruger & Company, Inc. (the “Registrant”);

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

   d) Disclosed in this Report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 2, 2023

S/CHRISTOPHER J. KILLOY
Christopher J. Killoy
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Thomas A. Dineen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the "Report") of Sturm, Ruger & Company, Inc. (the "Registrant");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

   d) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 2, 2023

S/THOMAS A. DINEEN
Thomas A. Dineen
Senior Vice President, Treasurer and
Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Sturm, Ruger & Company, Inc. (the "Company") for the period ended July 1, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Killoy, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respect, the financial condition and results of operations of the Company.

Date: August 2, 2023

S/CHRISTOPHER J. KILLOY
Christopher J. Killoy
Chief Executive Officer

A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Sturm, Ruger & Company, Inc. (the "Company") for the period ended July 1, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. Dineen, Senior Vice President, Treasurer and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respect, the financial condition and results of operations of the Company.

Date: August 2, 2023

S/THOMAS A. DINEEN
Thomas A. Dineen
Senior Vice President, Treasurer and
Chief Financial Officer

A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.