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 September 28, 2024

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 October 15, 2024: 16,790,824

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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)

	September 28, 2024	December 31, 2023
		(Note)
Assets		
Current Assets		
Cash	$ 7,522	$ 15,174
Short-term investments	88,455	102,485
Trade receivables, net	60,157	59,864
Gross inventories (Note 4)	150,460	150,192
Less LIFO reserve	(68,265)	(64,262)
Less excess and obsolescence reserve	(6,159)	(6,120)
Net inventories	76,036	79,810
Prepaid expenses and other current assets	14,944	14,062
Total Current Assets	247,114	271,395
Property, plant and equipment	474,501	462,397
Less allowances for depreciation	(401,972)	(390,863)
Net property, plant and equipment	72,529	71,534
Deferred income taxes	14,918	11,976
Other assets	38,893	43,912
Total Assets	$ 373,454	$ 398,817

Note:

The Condensed Consolidated Balance Sheet at December 31, 2023 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)

	September 28, 2024	December 31, 2023
		(Note)
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable and accrued expenses	$ 31,495	$ 31,708
Contract liabilities with customers (Note 3)	-	149
Product liability	270	634
Employee compensation and benefits	17,413	24,660
Workers' compensation	5,792	6,044
Total Current Liabilities	54,970	63,195
Employee compensation	1,712	1,685
Product liability accrual	61	46
Lease liability (Note 5)	1,766	2,170
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		
2024 – 24,467,983 issued,		
16,790,824 outstanding		
2023 – 24,437,020 issued,		
17,458,620 outstanding	24,468	24,437
Additional paid-in capital	49,441	46,849
Retained earnings	428,014	418,058
Less: Treasury stock – at cost		
2024 – 7,677,159 shares		
2023 – 6,978,400 shares	(186,978)	(157,623)
Total Stockholders' Equity	314,945	331,721
Total Liabilities and Stockholders' Equity	$ 373,454	$ 398,817

Note:

The Condensed Consolidated Balance Sheet at December 31, 2023 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		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net firearms sales	$121,512	$120,368	$387,349	$411,114
Net castings sales	775	525	2,519	2,036
Total net sales	122,287	120,893	389,868	413,150
Cost of products sold	99,615	96,165	308,639	311,788
Gross profit	22,672	24,728	81,229	101,362
Operating expenses:				
Selling	8,998	8,669	28,188	27,702
General and administrative	9,932	9,733	32,796	31,898
Total operating expenses	18,930	18,402	60,984	59,600
Operating income	3,742	6,326	20,245	41,762
Other income:				
Interest income	1,155	1,454	3,839	4,147
Interest expense	(24)	(122)	(66)	(177)
Other income, net	392	431	749	1,082
Total other income, net	1,523	1,763	4,522	5,052
Income before income taxes	5,265	8,089	24,767	46,814
Income taxes	527	658	4,681	8,848
Net income and comprehensive income	$ 4,738	$ 7,431	$ 20,086	$ 37,966
Basic earnings per share	$0.28	$0.42	$1.17	$2.14
Diluted earnings per share	$0.28	$0.42	$1.15	$2.13
Weighted average number of common shares outstanding - Basic	16,847,866	17,722,682	17,207,632	17,705,280
Weighted average number of common shares outstanding - Diluted	17,137,065	17,889,089	17,455,265	17,828,710
Cash dividends per share	$0.19	$0.36	$0.58	$6.10

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, 2023	$24,437	$46,849	$418,058	$(157,623)	$331,721
Net income and comprehensive income			20,086		20,086
Common stock issued – compensation plans	31	(31)			-
Vesting of RSUs		(624)			(624)
Dividends paid			(9,990)		(9,990)
Unpaid dividends accrued			(140)		(140)
Recognition of stock-based compensation expense		3,247			3,247
Repurchase of 698,759 shares of common stock				(29,355)	(29,355)
Balance at September 28, 2024	$24,468	$49,441	$428,014	$(186,978)	$314,945

See notes to condensed consolidated financial statements.

STURM, RUGER & COMPANY, INC.

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

	Nine Months Ended	
	September 28, 2024	September 30, 2023
Operating Activities		
Net income	$ 20,086	$ 37,966
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	16,941	19,576
Stock-based compensation	3,247	2,968
Excess and obsolescence inventory reserve	39	-
Gain on sale of assets	-	(4)
Deferred income taxes	(2,942)	(4,058)
Changes in operating assets and liabilities:		
Trade receivables	(293)	5,550
Inventories	3,735	(14,278)
Trade accounts payable and accrued expenses	(514)	(5,967)
Contract liability with customers	(149)	405
Employee compensation and benefits	(7,360)	(8,129)
Product liability	(349)	144
Prepaid expenses, other assets and other liabilities	3,042	(15,704)
Income taxes payable	-	(1,171)
Cash provided by operating activities	35,483	17,298
Investing Activities		
Property, plant and equipment additions	(17,196)	(11,637)
Proceeds from sale of assets	-	5
Purchases of short-term investments	(100,993)	(141,410)
Proceeds from maturities of short-term investments	115,023	194,091
Cash (used for) provided by investing activities	(3,166)	41,049
Financing Activities		
Remittance of taxes withheld from employees related to share-based compensation	(624)	(2,156)
Repurchase of common stock	(29,355)	-
Dividends paid	(9,990)	(107,805)
Cash used for financing activities	(39,969)	(109,961)
Decrease in cash and cash equivalents	(7,652)	(51,614)
Cash and cash equivalents at beginning of period	15,174	65,173
Cash and cash equivalents at end of period	$ 7,522	$ 13,559

See notes to condensed consolidated financial statements.

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 of America 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 nine months ended September 28, 2024 may not be indicative of the results to be expected for the full year ending December 31, 2024. 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, 2023.

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 5% and 7% of total sales for the nine month periods ended September 28, 2024 and September 30, 2023, respectively. 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 subsidiaries. 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.

Recent Accounting Pronouncements:

In March 2024, the Securities and Exchange Commission (“SEC”) issued the final rule under SEC Release No. 33-11275 and 34-99678, The Enhancement and Standardization of Climate-Related Disclosures for Investors, requiring public companies to provide certain climate-related information in their registration statements and annual reports. The final rules will require information about a company’s climate-related risks that have materially impacted or are reasonably likely to have a material impact on its business strategy, results of operations, or financial condition, and the actual and potential material impacts of any identified climate-related risks on the company’s strategy, business model and outlook, as well as relating to assessment, management, oversight and mitigation of such material risks, material climate-related targets and goals, and material greenhouse gas emissions. Additionally, certain disclosures related to severe weather events and other natural conditions will be required in the audited financial statements. The first phase of the final rule is effective for fiscal years beginning in 2025. Disclosure for prior periods is only required if it was previously disclosed in an SEC filing. On April 4, 2024, the SEC voluntarily stayed implementation of the final rule to facilitate the orderly judicial resolution of pending legal challenges to the rule. We are currently evaluating the impact on our disclosures of adopting this new pronouncement.

In November of 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The updated accounting guidance requires enhanced reportable segment disclosures, primarily related to significant segment expenses which are regularly provided to the chief operating decision maker. The guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Retrospective application is required and early adoption is permitted. The Company is currently evaluating the effect the updated guidance will have on its financial statement disclosures.

In December of 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The updated accounting guidance requires expanded income tax disclosures, including the disaggregation of existing disclosures related to the effective tax rate reconciliation and income taxes paid. The guidance is effective for fiscal years beginning after December 15, 2024. Prospective application is required, with retrospective application permitted. The Company is currently evaluating the effect the updated guidance will have on its financial statement disclosures.

NOTE 3 - REVENUE RECOGNITION AND CONTRACTS WITH CUSTOMERS

The impact of ASC 606 on revenue recognized during the three and nine months ended September 28, 2024 and September 30, 2023 is as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Contract liabilities with customers at beginning of period	$ -	$ 100	$ 149	$ 1,031
Revenue deferred	-	1,468	-	1,680
Revenue recognized	-	(132)	(149)	(1,275)
Contract liabilities with customers at end of period	$ -	$1,436	$ -	$ 1,436

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.

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:

	September 28, 2024	December 31, 2023
Inventory at FIFO		
Finished products	$ 29,987	$ 30,989
Materials and work in process	120,473	119,203
Gross inventories	150,460	150,192
Less: LIFO reserve	(68,265)	(64,262)
Less: excess and obsolescence reserve	(6,159)	(6,120)
Net inventories	$ 76,036	$ 79,810

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 September 28, 2024:

	Balance Sheet Line Item	September 28, 2024
Right-of-use assets	Other assets	$2,328
Operating lease liabilities		
Current portion	Trade accounts payable and accrued expenses	$ 562
Noncurrent portion	Lease liabilities	1,766
Total operating lease liabilities		$2,328

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.

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 table below includes cash paid for our operating lease liabilities, other non-cash information, our weighted average remaining lease term and weighted average discount rate:

	Nine Months Ended	
	September 28, 2024	September 29, 2023
Cash paid for amounts included in the measurement of lease liabilities	$432	$432
Cash amounts paid for short-term leases	$507	$247
Right-of-use assets obtained in exchange for lease liabilities	$ -	$ -
Weighted average remaining lease term (years)	7.6	8.6
Weighted average discount rate	8.0%	5.0%

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 September 28, 2024:

Remainder of 2024	$ 201
2025	702
2026	705
2027	229
2028	160
Thereafter	960
Total undiscounted future minimum lease payments	2,957
Less: Difference between undiscounted lease payments & the present value of future lease payments	(629)
Total operating lease liabilities	$2,328

NOTE 6 - LINE OF CREDIT

On June 6, 2024, the Company amended its existing $40 million unsecured revolving line of credit agreement with a bank, which now expires January 7, 2028. Borrowings under this new facility bear interest at the applicable Secured Overnight Financing Rate (SOFR), plus 150 basis points, plus an additional adjustment of eight basis points. The Company is also charged one-quarter of a percent (0.25%) per year on the unused portion. At September 28, 2024, 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 $0.9 million and $3.1 million for the three and nine months ended September 28, 2024, respectively, and $1.0 million and $3.7 million for the three and nine months ended September 30, 2023, respectively. The Company plans to contribute approximately $1.0 million to the plan in matching employee contributions during the remainder of 2024.

In addition, the Company provided supplemental discretionary contributions to the 401(k) plan totaling $1.5 million and $5.3 million for the three and nine months ended September 28, 2024, respectively, and $1.6 million and $5.3 million for the three and nine months ended September 30 , 2023, respectively. The Company plans to contribute approximately $1.5 million in supplemental contributions to the plan during the remainder of 2024.

NOTE 8 - INCOME TAXES

The Company's 2024 and 2023 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 10.0% and 18.9% for the three and nine months ended September 28, 2024, respectively. The Company’s effective income tax rate was 8.1% and 18.9% for the three and nine months ended September 30, 2023, respectively.

Income tax payments totaled $1.1 million and $10.6 million for the three and nine month periods ended September 28, 2024, respectively. Income tax payments for the three and nine months ended September 30, 2023 totaled $7.3 million and $23.8 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 2019.

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		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Numerator:				
Net income	$4,738	$7,431	$20,086	$37,966
Denominator:				
Weighted average number of common shares outstanding – Basic	16,847,866	17,722,682	17,207,632	17,705,280
Dilutive effect of options and restricted stock units outstanding under the Company's employee compensation plans	289,199	166,407	247,633	123,430
Weighted average number of common shares outstanding – Diluted	17,137,065	17,889,089	17,455,265	17,828,710

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, of which 710,000 shares remain available for future grants as of September 28, 2024. Any shares remaining from the 2017 SIP will be available for future grants under the terms of the 2023 SIP. As of September 28, 2024, approximately 120,000 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 137,516 restricted stock units issued during the nine months ended September 28, 2024. Total compensation costs related to these restricted stock units are $5.9 million.

Compensation costs related to all outstanding restricted stock units recognized in the statements of income aggregated $1.7 million and $4.6 million for the three and nine months ended September 28, 2024, respectively, and $1.6 million and $5.0 million for the three and nine months ended September 30, 2023, 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		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net Sales				
Firearms	$121,512	$120,368	$387,349	$411,114
Castings				
Unaffiliated	775	525	2,519	2,036
Intersegment	7,376	7,947	24,022	25,307
	8,151	8,472	26,541	27,343
Eliminations	(7,376)	(7,947)	(24,022)	(25,307)
	$122,287	$120,893	$389,868	$413,150
Income (Loss) Before Income Taxes				
Firearms	$4,237	$6,108	$21,718	$43,637
Castings	(296)	420	(884)	(1,178)
Corporate	1,324	1,561	3,933	4,355
	$5,265	$8,089	$24,767	$46,814
Depreciation				
Firearms	$5,074	$5,676	$14,818	$17,027
Castings	473	553	1,363	1,661
	$5,547	$6,229	$16,181	$18,688
Capital Expenditures				
Firearms	$6,704	$6,674	$16,829	$11,456
Castings	78	90	367	181
	$6,782	$6,764	$17,196	$11,637

	September 28, 2024	December 31, 2023
Identifiable Assets		
Firearms	$231,342	$228,699
Castings	9,637	11,144
Corporate	132,475	158,974
	$373,454	$398,817
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 nine months ended September 28, 2024 totaled $0.1 million and $0.5 million, respectively. Payments made to the NRA in the three and nine months ended September 30, 2023 totaled $0.1 million and $0.4 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 in the three and nine months ended September 28, 2024 totaled $0.1 million and $0.3 million, respectively. Payments made to the NSSF in the three and nine months ended September 30, 2023 totaled $0.1 million and $0.3 million, respectively. One of the Company's Directors also serves on the Board of the NSSF.

NOTE 13 - CONTINGENT LIABILITIES

As of September 28, 2024, the Company was a defendant in eight (8) lawsuits and is aware of certain other claims. The lawsuits generally fall into four (4) categories: municipal litigation, breach of contract, unfair trade practices, and trademark litigation. Each is discussed in turn below.

Municipal Litigation

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* 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 Complaint 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.

On March 15, 2024, Indiana Governor Eric Holcomb signed into law HB 1235, which reserves to the State of Indiana the right to bring an action on behalf of a political subdivision against a firearm or ammunition manufacturer, trade association, seller, or dealer, concerning certain matters. The new law also prohibits a political subdivision from bringing or maintaining such an action. With the passage of this new law, the Company and other defendants filed a Motion for Judgment on the Pleadings on March 18, 2024. On August 12, 2024, the Court denied Defendants' motion. The Defendants then sought to certify the Order for appeal, which was granted. On October 2, 2024, Defendants filed a motion with the Indiana Court of Appeals to accept jurisdiction over the interlocutory appeal, which is being briefed. On October 16, 2024, the trial court entered an Order staying all proceeding pending the interlocutory appeal.

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 motion to dismiss the Complaint, which was granted on September 30, 2022. Plaintiffs appealed to the First Circuit Court of Appeals and, on January 22, 2024, the Court of Appeals reversed the District Court's dismissal and remanded the case for further proceedings.

The Defendants filed a Petition for Writ of Certiorari seeking review by the United States Supreme Court. The Defendants also sought a stay of the proceedings pending a decision on the Petition. The District Court denied the request for a stay and held that the Defendants should request that the First Circuit recall its mandate or petition for a stay from the Supreme Court. On June 17, 2024, the Court heard argument on Ruger's (and other Defendants') Rule 12(b)(2) motion to dismiss for lack of personal jurisdiction. On August 7, 2024, the Court granted the motions, dismissing Ruger and some of the other Defendants from the case. Subsequently, the Supreme Court granted the Defendants' Petition for Writ of Certiorari. With the dismissal of Ruger and other Defendants on personal jurisdiction grounds, the remaining Defendants will prosecute the appeal before the Supreme Court.

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. The Defendants timely removed the matter to the U.S. District Court for the Western District of New York.

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 suit names the same defendants and makes essentially the same allegations raised in Buffalo, discussed in the preceding paragraph. Defendants timely removed the matter to the U.S. District Court for the Western District of New York.

Defendants moved to consolidate the *Buffalo* and *Rochester* cases for pretrial purposes only and also moved to stay the cases 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' motions and the cases were consolidated for pretrial purposes and stayed.

Breach of Contract

The Company is a defendant in *Jones v. Sturm, Ruger & Co.,* a purported class action lawsuit arising out of a data breach at Freestyle Solutions, Inc., the vendor who was hosting the Company's ShopRuger.com website at the time of the breach. On January 20, 2023, five Plaintiffs filed an Amended Complaint naming the Company and Freestyle Solutions, Inc. as Defendants. The Complaint alleges causes of action for negligence, breach of implied warranties, and unjust enrichment.

The Company moved to dismiss the Amended Complaint. On March 27, 2024, the Court dismissed Plaintiffs' negligence and unjust enrichment claims against the Company. The Court denied the motion with respect to Plaintiffs' breach of contract claim, concluding that development of additional information is required to assess the applicability of the limitation of liability clause contained in the Company's terms and conditions of use. The case is proceeding accordingly.

Unfair Trade Practices

Estate of Suzanne Fountain v. Sturm, Ruger & Co., Inc., was filed in Connecticut Superior Court 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 violate the Connecticut Unfair Trade Practices Act and were a substantial factor in bringing about the wrongful death of Suzanne Fountain.

Estate of Neven Stanisic et al. v. Sturm, Ruger & Co., Inc., was filed in Connecticut Superior Court on behalf of five plaintiffs. Like *Estate of Suzanne Fountain*, the claims arise from the criminal shooting at the King Soopers supermarket in Boulder, Colorado on March 22, 2021. Plaintiffs' decedents were murdered by Ahmad Al Aliwi Al-Issa and Plaintiffs alleged that the Company's advertising and marketing of the Ruger AR-556 pistol 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 were consolidated for discovery purposes only and transferred by the court to the Complex Litigation Docket. Plaintiffs then sought leave to file an Amended Complaint, essentially abandoning their negligent marketing allegations and advancing a new theory predicated upon alleged violations of the Gun Control Act and National Firearms Act. Over the Company's objections, Plaintiffs were permitted to file the Amended Complaint.

The matter was timely removed to the U.S. District Court for the District of Connecticut based upon the new allegations and federal question jurisdiction. Plaintiffs moved to remand the case to state court and, following briefing and oral argument, the matter was remanded on April 25, 2024.

On June 12, 2024, Ruger filed Motions to Dismiss the Connecticut state court cases based upon the doctrine of *forum non conveniens*. Following oral argument on September 9, 2024, the Court allowed Plaintiffs limited, additional discovery and requested further briefing on the matter. That effort is ongoing.

Trademark Litigation

On March 12, 2024, the Company was named as a defendant in *FN Herstal, et al. v. Sturm, Ruger & Company, Inc.*, which is pending in the U.S. District Court for the Middle District of North Carolina. The Complaint alleges that the Company's use of the initialism "SFAR" in connection with the marketing of its Small Frame Autoloading Rifle infringes the Plaintiffs' SCAR trademark. The Complaint alleges violations of the Lanham Act and the North Carolina Unfair and Deceptive Trade Practices Act, as well as trademark infringement under North Carolina common law. The Company believes that the allegations are meritless and is defending the action accordingly.

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 between July 10, 2000 and August 31, 2024, 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. Insurance coverage was not renewed with incumbent carriers effective September 1, 2024. Rather, the Company established a wholly-owned captive insurance company for claims made on or after September 1, 2024.

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 the 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. The dollar amount of damages claimed at December 31, 2023 and December 31, 2022 was *de minimis*. The amount claimed at December 31, 2021 was $1.1 million and 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.

NOTE 14 - SUBSEQUENT EVENTS

On October 25, 2024, the Board of Directors authorized a dividend of 11¢ per share, for shareholders of record as of November 13, 2024, payable on November 27, 2024.

The Company has evaluated events and transactions occurring subsequent to September 28, 2024 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 5% and 7% of total sales for the nine month periods ended September 28, 2024 and September 30, 2023, respectively. 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 increased 4% in the first nine months of 2024 compared to the prior year period. For the same period, National Instant Criminal Background Check System ("NICS") background checks (as adjusted by the National Shooting Sports Foundation ("NSSF")) decreased 3%. Estimated sell-through from the independent distributors to retailers and total adjusted NICS background checks for the trailing seven quarters follow:

	2024			2023			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Estimated Units Sold from Distributors to Retailers (1)	336,300	327,800	396,700	384,700	307,400	323,000	391,500
Total adjusted NICS Background Checks (thousands) (2)	3,432	3,364	3,983	4,742	3,284	3,654	4,168

(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 seven 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.)

	2024			2023			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Units Ordered	316,900	250,500	472,600	316,600	176,300	258,100	408,000
Orders Received	$109.4	$99.5	$198.2	$116.7	$58.8	$102.1	$156.2
Average Sales Price of Units Ordered	$345	$397	$419	$369	$334	$396	$383
Ending Backlog	$268.7	$272.2	$296.2	$229.0	$234.8	$293.7	$327.3
Average Sales Price of Ending Unit Backlog	$572	$567	$523	$522	$510	$496	$488

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 to plan production levels. The Company's overall production in the third quarter of 2024 decreased 11% from the second quarter of 2024.

Summary Unit Data

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

	2024			2023			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Units Ordered	316,900	250,500	472,600	316,600	176,300	258,100	408,000
Units Produced	330,300	370,400	314,500	305,200	324,500	387,400	381,000
Units Shipped	327,400	336,300	345,400	337,800	308,400	336,400	384,900
Average Sales Price of Units Shipped	$371	$386	$394	$383	$390	$422	$387
Ending Unit Backlog	469,700	480,200	566,000	438,800	460,000	592,100	670,400

Inventories

During the third quarter of 2024, the Company's finished goods inventory increased by 2,900 units and distributor inventories of the Company's products decreased by 8,900 units.

Inventory unit data for the trailing seven quarters follows:

	2024			2023			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Company Inventory	149,600	146,700	112,600	143,500	176,100	160,000	108,900
Distributor Inventory (1)	207,600	216,500	208,000	259,300	306,200	305,200	291,800
Total Inventory (2)	357,200	363,200	320,600	402,800	482,300	465,200	400,700

(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):

	September 28, 2024	September 30, 2023	Change	% Change
Net firearms sales	$121.5	$120.4	$1.1	1.0%
Net castings sales	0.8	0.5	0.3	47.6%
Total net sales	122.3	120.9	1.4	1.2%
Cost of products sold	99.6	96.2	3.4	3.6%
Gross profit	$ 22.7	$ 24.7	$(2.0)	(8.3%)
Gross margin	18.5%	20.5%	(2.0%)	(9.8%)

The increase in total consolidated net sales and net firearms sales for the three months ended September 28, 2024 is attributable to strong demand for certain of the Company's firearms. Sales of new products, including the Security-380 pistol, Super Wrangler revolver, Marlin lever-action rifles, LC Carbine, Small-Frame Autoloading Rifle, and American Centerfire Rifle Generation II represented $35.5 million or 31.0% of firearm sales in the three months ended September 28, 2024. 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 September 28, 2024 is attributable to unfavorable deleveraging of fixed costs resulting from decreased production and a product mix shift toward products with relatively lower margins that remain in relatively stronger demand.

The decrease in gross margin for the three months ended September 28, 2024 is attributable to the aforementioned factors, partially offset by increased pricing.

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

	September 28, 2024	September 30, 2023	Change	% Change
Net firearms sales	$387.4	$411.1	$(23.7)	(5.8%)
Net castings sales	2.5	2.1	0.4	23.7%
Total net sales	389.9	413.2	(23.3)	(5.6%)
Cost of products sold	308.7	311.8	(3.1)	(1.0%)
Gross profit	$ 81.2	$101.4	$(20.2)	(19.9%)
Gross margin	20.8%	24.5%	(3.7%)	(15.1%)

The decrease in total consolidated net sales and net firearms sales for the nine months ended September 28, 2024 is attributable to decreased consumer demand for firearms. Sales of new products, including the Security-380 pistol, Super Wrangler revolver, Marlin lever-action rifles, LC Carbine, Small-Frame Autoloading Rifle, and American Centerfire Rifle Generation II, represented $113.3 million or 31.2% of firearm sales in the first nine months of 2024. New product sales include only major new products that were introduced in the past two years.

The decreased gross profit for the nine months ended September 28, 2024 is attributable to unfavorable deleveraging of fixed costs resulting from decreased production, a product mix shift toward products with relatively lower margins that remain in relatively stronger demand, and the decrease in sales.

The decrease in gross margin for the nine months ended September 28, 2024 is attributable to the aforementioned factors, partially offset by increased pricing.

Selling and General and Administrative Expenses

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

	September 28, 2024	September 30, 2023	Change	% Change
Selling expenses	$ 9.0	$ 8.7	$0.3	3.8%
General and administrative expenses	9.9	9.7	0.2	2.0%
Total operating expenses	$18.9	$18.4	$0.5	2.9%

The increase in selling expenses for the three months ended September 28, 2024 was attributable to increased spending on advertising, partially offset by modest reductions in several selling and marketing initiatives.

The increase in general and administrative expenses for the three months ended September 28, 2024 was primarily attributable to increased professional service costs.

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

	September 28, 2024	September 30, 2023	Change	% Change
Selling expenses	$28.2	$27.7	$0.5	1.8%
General and administrative expenses	32.8	31.9	0.9	2.8%
Total operating expenses	$61.0	$59.6	$1.4	2.3%

The increase in selling expenses for the nine months ended September 28, 2024 was attributable increased spending on advertising, partially offset by modest reductions in several selling and marketing initiatives.

The increase in general and administrative expenses for the nine months ended September 28, 2024 was primarily attributable to accrued severances of $1.5 million taken in the first quarter of 2024 related to a reduction in force involving approximately 80 employees, partially offset by decreased incentive compensation expenses. The aforementioned accrued severances are expected to be settled in cash and consist of one-time termination charges arising from severance obligations and other customary employee benefit payments in connection with a reduction in force.

The reduction in force is expected to result in approximately $9 million of annualized cash savings. This action is part of the Company's initiatives to reallocate its resources and cost structure into prioritized areas that will drive long-term growth and improve margins.

Other Income

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

	September 28, 2024	September 30, 2023	Change	% Change
Other income	$1.5	$1.8	$(0.3)	(13.6%)

The decrease in other income for the three months ended September 28, 2024 was attributable to decreased interest income.

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

	September 28, 2024	September 30, 2023	Change	% Change
Other income	$4.5	$ 5.1	$(0.6)	(10.5%)

The decrease in other income for the nine months ended September 28, 2024 was the result of decreases in interest income and miscellaneous income.

Income Taxes and Net Income

The Company's 2024 and 2023 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 10.0% and 18.9% for the three and nine months ended September 28, 2024, respectively. The Company's effective income tax rate was 8.1% and 18.9% for the three and nine months ended September 30, 2023, respectively.

As a result of the foregoing factors, consolidated net income was $4.7 million for the three months ended September 28, 2024, a decrease of 36.2% from $7.4 million in the comparable prior year period.

Consolidated net income was $20.1 million for the nine months ended September 28, 2024, a decrease of 47.1% from $38.0 million in the comparable prior year period.

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 $9.9 million for the three months ended September 28, 2024, a decrease of 25.2% from $13.3 million in the comparable prior year period.

For the nine months ended September 28, 2024 EBITDA was $37.9 million, a decrease of 39.2% from $62.4 million in the comparable prior year period.

Non-GAAP Reconciliation – EBITDA

EBITDA
(Unaudited, dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net income	$ 4,738	$ 7,431	$20,086	$37,966
Income tax expense	527	658	4,681	8,848
Depreciation and amortization expense	5,804	6,530	16,941	19,576
Interest income	(1,155)	(1,454)	(3,839)	(4,147)
Interest expense	24	122	66	177
EBITDA	$ 9,938	$13,287	$37,935	$62,420
EBITDA margin	8.1%	11.0%	9.7%	15.1%
Net income margin	3.9%	6.1%	5.2%	9.2%

Financial Condition

Liquidity and Capital Resources

At the end of the third quarter of 2024, the Company’s cash and short-term investments totaled $96.0 million. Pre-LIFO working capital of $260.4 million, less the LIFO reserve of $68.3 million, resulted in working capital of $192.1 million and a current ratio of 4.5 to 1.

Operations

Cash provided by operating activities was $35.5 million for the nine months ended September 28, 2024, compared to $1.3 million for the comparable prior year period. The increase in cash provided in the nine months ended September 28, 2024 is primarily attributable to decreases in inventory and prepaid expenses and other assets in the nine months ended September 28, 2024, partially offset by the decrease in net income in the nine months ended September 28, 2024.

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. 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 nine months ended September 28, 2024 totaled $17.2 million, an increase from $11.6 million in the comparable prior year period. In 2024, the Company expects capital expenditures related to new product introductions and upgrades to our manufacturing equipment and facilities to total approximately $20 million. Actual capital expenditures could vary significantly from the projected amount due to the timing of capital projects. 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 $10.0 million were paid during the nine months ended September 28, 2024. 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 October 25, 2024, the Company’s Board of Directors authorized a dividend of 11¢ per share to shareholders of record on November 13, 2024, payable on November 27, 2024. 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 September 28, 2024, the Company had $61.5 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 September 28, 2024, the Company’s investment in this money market fund totaled $27.0 million.

During the nine months ended September 28, 2024 the Company purchased 698,759 shares of its common stock for $29.3 million in the open market. The average price per share purchased was $41.99.

These purchases were funded with cash on hand. As of September 28, 2024, $45.3 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, 2028, was unused at September 28, 2024.

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 44 and 26 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. In September 2024, the Company did not renew its product liability coverage with its incumbent carriers and established a wholly-owned captive insurance company for claims made on or after September 1, 2024.

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

Adjustments to Critical Accounting Policies

The Company has not made any adjustments to its critical accounting estimates and assumptions described in the Company's 2023 Annual Report on Form 10-K filed on February 21, 2024, 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, 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 September 28, 2024.

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 September 28, 2024.

Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of September 28, 2024, 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 September 28, 2024, 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 September 28, 2024 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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 June 29, 2024, 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 September 28, 2024.

ITEM 1A. RISK FACTORS

During the three months ended September 28, 2024, 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, 2023.

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

Share repurchase activity during the nine months ended September 28, 2024 was as follows. These purchases were funded with cash on hand.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
First Quarter 2024				
January 1 to January 27	7,317	$43.42	7,317	
January 28 to February 24	20,307	$42.93	20,307	
February 25 to March 30	47,400	$42.79	47,400	
Second Quarter 2024				
March 31 to April 27	-	-	-	
April 28 to May 25	28,924	$42.92	28,924	
May 26 to June 29	373,969	$42.27	373,969	
Third Quarter 2024				
June 30 to July 27	156,517	$41.27	156,517	
July 28 to August 24	-	-	-	
August 25 to September 28	64,325	$40.66	64,325	
Total	698,759	$41.99	698,759	$45,300,000

All of these purchases were made with cash held by the Company and no debt was incurred.

As of September 28, 2024, the Company was authorized by the Board of Directors to repurchase up to $100 million of the Company's common stock under a share repurchase program announced on May 8, 2017, of which $54.7 million had been used and approximately $45.3 million remained authorized for share repurchases, in each case as of such date.

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 the Company's Section 16 officers or directors for the three months ended September 28, 2024, 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
Amir P. Rosenthal (1)	Director	Adoption of Rule 10b5-1 Plan	August 6, 2024	May 30, 2025	1,000

(1) Amir P. Rosenthal, a director of the Company, entered into a Rule 10b5-1 Plan on August 6, 2024. Mr. Rosenthal's Rule 10b5-1 Plan provides for the potential sale of up to 1,000 shares of the Company's common stock. The Rule 10b5-1 Plan expires on May 30, 2025, 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 September 28, 2024.

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)

*Filed herewith
**Furnished herewith

STURM, RUGER & COMPANY, INC.

FORM 10-Q FOR THE THREE MONTHS ENDED SEPTEMBER 28, 2024

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: October 30, 2024

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: October 30, 2024

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: October 30, 2024

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 September 28, 2024, 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: October 30, 2024

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 September 28, 2024, 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: October 30, 2024

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.