

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

**FORM 8-K**

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

**Date of Report (Date of earliest event reported)  
August 2, 2018**

**STURM, RUGER & COMPANY, INC.**

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

### **Item 5.03 Amendments to Articles of Incorporation or By-Laws; Change in Fiscal Year**

At its meeting on July 31, 2018, the Board of Directors (the “Board”) approved an amendment to Article 2, Section 15 of the Company’s By-Laws to change the date by which any shareholder proposal sought to be included in any proxy statement must be submitted to the Company. This change was made to align the By-Laws provisions regarding the submission of shareholder proposals with the time period for the submission of shareholder proposals under Rule 14a-8 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The amendment will shorten the period referenced in the 2018 proxy statement for the submission of shareholder proposals for inclusion in the 2019 proxy statement. Following the adoption of this amendment to the Company’s By-Laws, all such proposals are now due no later than November 27, 2018. This amendment is effective immediately.

The description above of the amendment to the Company’s By-Laws does not purport to be complete, and is qualified in its entirety by reference to the full text of Article 2, Section 15 of the bylaws as amended, as set forth in Exhibit 3.1 to this Form 8-K and incorporated in this Item by reference.

### **Item 7.01 Regulation FD Disclosure**

We are furnishing this Report on Form 8-K with respect to Item 7.01 thereof in connection with the disclosure of information during a conference call and webcast on August 2, 2018, discussing our second quarter 2018 financial results. The transcript of the conference call and webcast is included as Exhibit 99.1 to this Report on Form 8-K.

This information (including Exhibit 99.1) is furnished pursuant to Item 7.01 and shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. This Report on Form 8-K will not be deemed an admission as to the materiality of any information in the Report that is required to be disclosed solely by Regulation FD.

The text included with this Report on Form 8-K and the replay of the conference call and webcast on August 2, 2018, is available on our website located at [Ruger.com/corporate](http://Ruger.com/corporate), although we reserve the right to discontinue that availability at any time.

Certain statements contained in this Report on Form 8-K (including the exhibit) may be deemed to be forward-looking statements under federal securities laws, and we intend that such forward-looking statements be subject to the safe harbor created thereby. Such forward-looking statements include, but are not limited to, statements regarding 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. 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 9.01 Financial Statements and Exhibits**

Exhibit No.    Description

3.1    Amended and Restated Bylaws of the Company, as of July 31, 2018.

99.1    Transcript of conference call and webcast conducted on August 2, 2018.

**SIGNATURES**

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

STURM, RUGER & COMPANY, INC.

By: \_\_\_\_\_  
Name: Thomas A. Dineen  
Title: Principal Financial Officer,  
Principal Accounting Officer,  
Senior Vice President, Treasurer and  
Chief Financial Officer

Dated: August 2, 2018

AMENDED AND RESTATED

BY-LAWS

OF

STURM, RUGER & COMPANY, INC.

(A Delaware Corporation)

*As of July 31, 2018*

**ARTICLE 1.**

Offices

**Section 1. Registered Office.** The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

**Section 2. Additional Offices.** The corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the corporation may require.

**ARTICLE 2.**

Shareholders

**Section 1. Annual Meeting.** An annual meeting of shareholders shall be held on such day and at such time as may be designated by the Board of Directors for the purpose of electing Directors and for the transaction of such other business as properly may come before such meeting. Any previously scheduled annual meeting of the shareholders may be postponed by resolution of the Board of Directors upon public notice given on or prior to the date previously scheduled for such annual meeting of the shareholders. If the election of Directors shall not be held on the day designated herein for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as conveniently may be.

**Section 2. Special Meetings.** Special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors, and shall be called by the President at the request of the holders of not less than a majority of all the shares of the corporation issued and outstanding and entitled to vote at the meeting.

**Section 3. Place of Meetings.** Meetings of the shareholders shall be held at the office of the corporation in Fairfield, Connecticut, or at such other suitable place within or without the State of Delaware as may be designated by the President or the Board of Directors of the corporation.

**Section 4. Notice of Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called,

shall be given by or at the direction of the President or Secretary to each shareholder of record entitled to vote at such meeting, by leaving such notice with him or at his residence or usual place of business, or by mailing a copy thereof addressed to him at his last known post-office address as last shown on the stock records of the corporation, postage prepaid, not less than ten (10) nor more than sixty (60) days before the date of such meeting. Without limiting the manner by which notice otherwise may be given to the shareholders, any notice shall be effective if given by a form of electronic transmission consented to (in a manner consistent with Delaware General Corporation Law (the "Act")) by the shareholder to whom the notice is given. If notice is given by electronic transmission, such notice shall be deemed given at the time specified in Section 232 of the Act.

**Section 5. Closing of Transfer Books or Fixing of Record Date.** For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, sixty (60) days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than sixty (60) days and, in case of a meeting of the shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of the shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

**Section 6. Voting Lists.** The officer or agent having charge of the stock transfer books for shares of the corporation shall make, at least five (5) days before each meeting of shareholders of which at least seven (7) days' notice is given, a complete list or other equivalent record of the shareholders entitled to vote at such meeting, arranged in alphabetical order, with the address of, and the number and class of shares held by each. Such list or other equivalent record shall, for a period of five (5) days prior to such meeting, be kept on file at the principal office of the corporation and shall be subject to inspection by any shareholder during usual business hours for any proper purpose in the interest of the shareholder as such or of the corporation and not for speculative or trading purposes, or for any purpose inimical to the interest of the corporation or of its shareholders. Such list or other equivalent record shall also be produced and kept open at the time and place of the meeting and shall be subject for any such proper purpose to such inspection during the whole time of the meeting. The original share transfer books shall be prima facie evidence as to who are the shareholders entitled to inspect such list or other equivalent record.

**Section 7. Voting Rights.** Except as otherwise provided by law or by the certificate of incorporation or by these by-laws, each holder of record of shares of stock entitled to vote on any matter shall have one vote for each such share held of record by him and a proportionate vote for any fractional shares so held by him. Only persons in whose names shares entitled to vote stand on the stock records of the corporation on the record date for determining the shareholders entitled to vote at a meeting shall be

entitled to vote at such meeting. Shares standing in the names of two (2) or more persons shall be voted or represented in accordance with the determination of the majority of such persons, or, if only one (1) of such persons is present in person or represented by proxy, such person shall have the right to vote such shares and such shares shall be deemed to be represented for the purpose of determining a quorum.

**Section 8. Proxies.** At any meetings of the shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless it specifies the length of time for which it is to continue in force or limits its use to a particular meeting not yet held. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by any one of them unless at or prior to the exercise of the proxy the corporation receives a specific written notice to the contrary from any one of them.

**Section 9. Quorum.** A majority of the outstanding shares of the corporation, entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of the shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

**Section 10. Voting of Shares at a Meeting.** When a quorum is present at any meeting, the affirmative vote of the holders of shares of stock representing a majority of the votes cast on a matter (or if there are two or more classes of stock entitled to vote as a separate class, then in the case of each such class, the holders of shares of stock of that class representing a majority of the votes cast on the matter) shall decide any matter to be voted upon by the shareholders at such meeting and shall be valid and binding on the corporation, except when a different vote is required by express provision of law, the certificate of incorporation or these by-laws.

**Section 11. Voting of Shares by Certain Holders.** Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the by-laws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name.

Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver may be voted by such receiver and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledges, and thereafter the pledge shall be entitled to vote the shares so transferred.

Shares of its own stock belonging to the corporation or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

At all shareholders meetings, any vote, if so requested by any shareholder, shall be by ballot, and the name of each shareholder so voting shall be written upon each ballot with the number of shares held by him.

**Section 12. Order of Business.** So far as consistent with the purposes of the meeting, the order of business at all shareholders meetings shall be as follows:

- Roll call of shareholders;
- Reading of notice of meeting;
- Minutes of preceding meeting and action thereon;
- Reports of Directors, officers and committees;
- Unfinished business;
- New business;
- Election of Directors, if an annual meeting.

**Section 13. Informal Action by Shareholders.** Any action required to be taken at a meeting of the shareholders, or any other action which may be taken at a meeting of the shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

**Section 14. Nomination of Directors at Annual Meeting.** Except for directors elected in accordance with Article 3, Section 3 of these by-laws by the Board of Directors to fill a vacancy or newly-created directorship or as otherwise required by applicable law or stock market regulation, only persons who are nominated in accordance with the procedures in this Section 14 shall be eligible for election as directors at an annual meeting of the shareholders or any adjournment thereof. Nomination for election to the Board of Directors of the corporation at an annual meeting of the shareholders may be made by the Board of Directors or by any shareholder of the corporation entitled to vote for the election of directors at such meeting who complies with the notice procedures set forth in this Section 14. Such nominations, other than those made by or on behalf of the Board of Directors, shall be made by notice, in writing delivered or mailed by first class United States mail, postage prepaid, to the Secretary, and received not later than the close of business on the ninetieth (90th) day, nor earlier than the close of business on the one hundred twentieth (120th) day, prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the shareholder must be so delivered and received not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the corporation. In no event shall the adjournment or postponement of an annual meeting (or the public announcement thereof) commence a new time period (or extend any time period) for the giving of a shareholder's

notice. A shareholder's notice of the nomination of a director shall set forth (a) as to each proposed nominee, (i) the name, age, business address and, if known, residence address of each such nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the corporation which are beneficially owned by each such nominee, and (iv) any other information concerning the nominee that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to be named as a nominee and to serve as a director if elected); (b) as to the shareholder giving the notice, (i) the name and address, as they appear on the corporation's books, of such shareholder, (ii) the number of shares of the corporation which are beneficially owned by such shareholder and (iii) a representation that such shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination; and (c) as to the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and address of such person and (ii) the class and number of shares of the corporation which are beneficially owned by such person. The corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the corporation.

The officer presiding at a meeting of the shareholders may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Nothing in the foregoing provision shall obligate the corporation or the Board of Directors to include in any proxy statement or other shareholder communication distributed on behalf of the corporation or the Board of Directors information with respect to any nominee for directors submitted by a shareholder.

**Section 15. Shareholder Business.** At any meeting of the shareholders, only such business shall be conducted as shall have been (a) specified in the notice of meeting (or any supplement thereto), (b) brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, if such business relates to the election of directors of the corporation, the procedures in Section 14 of this Article 2 must be complied with. For business to be properly brought before a special meeting by a shareholder, and for business other than the election of directors to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary. For notice by the shareholder to be timely such notice must be delivered or mailed by first class United States mail, postage prepaid, to the Secretary, and received not later than the close of business on the ninetieth (90th) day, nor earlier than the close of business on the one hundred twentieth (120th) day, prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the shareholder must be so delivered and received not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the corporation. For special meetings of the shareholders, a shareholder's notice to be timely must be delivered to or mailed and received at the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that if less than seventy (70) days' notice or prior public

disclosure of the date of the meeting is given or made to the shareholders, a shareholder's notice to be timely must be delivered or mailed to the Secretary not later than the close of business on the tenth (10<sup>th</sup>) day following the date on which the notice of the meeting was mailed or public disclosure was made, whichever occurs first. In no event shall the adjournment or postponement of an annual meeting (or the public announcement thereof) commence a new time period (or extend any time period) for the giving of a shareholder's notice. With respect to director nominees at a special meeting of the shareholders, a shareholder's notice to the Secretary shall set forth the information required by Section 14 of this Article 2 and the corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the corporation. With respect to all other business at a special meeting of the shareholders, a shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the meeting (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on the corporation's books, of the shareholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made, (c) the class and number of shares of the corporation which are beneficially owned by such shareholder and such person, if any, and (d) any material interest of the shareholder, and such person, if any, in such business. Notwithstanding anything in these by-laws to the contrary, no business shall be conducted at any meeting of the shareholders except in accordance with the procedures set forth in this Section 15 and except that any shareholder proposal which complies with Rule 14a-8 of the proxy rules (or any successor provision) promulgated under the Securities Exchange Act of 1934, as amended, and is to be included in the corporation's proxy statement for an annual meeting of the shareholders shall be deemed to comply with the requirements of this Section 15; provided, however, that as to any shareholder proposal sought to be included in any proxy statement of the corporation pursuant to SEC Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (or any successor rule), the shareholder proponent of such proposal shall comply with SEC Rule 14a-8, rather than this Section 15 to the extent that any of the requirements of this Section 15 conflict with SEC Rule 14a-8.

The officer presiding at a meeting of the shareholders shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 15, and if he should so determine, he shall so declare to the meeting that any such business not properly brought before the meeting shall not be transacted.

Nothing in the foregoing provision shall obligate the corporation or the Board of Directors to include in any proxy statement or other shareholder communication distributed on behalf of the corporation or the Board of Directors information with respect to any nominee for directors submitted by a shareholder.

### **ARTICLE 3.**

#### **Board of Directors**

**Section 1. General Powers.** The business and affairs of the corporation shall be managed by its Board of Directors.

**Section 2. Number, Tenure and Qualifications.** The number of directors constituting the Board of Directors of the corporation shall be the number, not less than five (5) nor more than nine (9), unless the Certificate of Incorporation of the corporation provides otherwise, fixed from time to time by a

majority vote of the Whole Board of Directors; provided, no decrease in the number of Directors shall have the effect of shortening or terminating the term of office of any incumbent director. Directors need not be shareholders of the corporation when first elected. Directors shall hold office until the next annual meeting and until their successors shall be duly elected and qualified.

**Section 3. Vacancies.** Vacancies in the Board of Directors, because of death, resignation, or increase in the number of Directors by Board resolution or for any other reason, shall be filled by a majority of the Directors remaining in office, even if less than a quorum, and the Director elected to fill such vacancy shall serve for the unexpired portion of his predecessors term and until his successor is elected and qualified. In the event that the Whole Board (as hereinafter defined) is not elected at the Annual Meeting of the shareholders, an additional Director or additional Directors may be elected at any special meeting of the shareholders to hold office until the next annual meeting of the shareholders, or until a successor or successors shall be elected, and shall at no time exceed the Whole Board. Election shall be by written ballot.

As used herein, the term “Whole Board” shall mean the total number of Directors authorized at the time.

**Section 4. Regular Meetings.** A regular meeting of the Board of Directors shall be held without other notice than this by-law immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Delaware, for the holding of additional regular meetings without other notice than such resolution. Non-management Directors will meet in regularly scheduled executive sessions outside the presence of management Directors in accordance with the rules of the New York Stock Exchange for the purpose of full and frank discussion of the corporation’s affairs. An executive session will generally be held as part of each regularly scheduled Board meeting.

**Section 5. Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Chief Executive Officer or the President and shall be called on the written request of a majority of the Board. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Delaware, as the place for holding any special meeting of the Board of Directors called by them.

**Section 6. Notice.** Notice of any special meeting of the Board of Directors shall be addressed to each Director at such Director's residence or business address and shall be sent to such Director by mail, electronic mail, telecopier, telegram or telex or telephoned or delivered to such Director personally. If such notice is sent by mail, it shall be sent not later than three days before the day on which the meeting is to be held. If such notice is sent by electronic mail, telecopier, telegram or telex, it shall be sent not later than twenty-four (24) hours before the time at which the meeting is to be held. If such notice is telephoned or delivered personally, it shall be received not later than twenty-four (24) hours before the time at which the meeting is to be held. Such notice shall state the time, place and purpose or purposes of the meeting.

**Section 7. Quorum.** A majority of the Board of Directors as fixed from time to time in accordance with Article 3, Section 2 of these by-laws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided however that if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

**Section 8. Manner of Acting.** The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

**Section 9. Compensation.** By resolution of the Board of Directors, the Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as Director. No such payment shall preclude any Director from serving the corporation in any other capacity and receiving compensation therefor.

**Section 10. Presumption of Assent.** A Director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

**Section 11. Annual Reports.** At the annual meeting of the shareholders, the Board of Directors shall submit a report on the condition of the corporation's business.

**Section 12. Committees of Directors.** The Board of Directors may, by resolution or resolutions passed by a majority of the Whole Board, designate a nominating and corporate governance committee, a compensation committee, an audit committee or one or more additional committees, each committee to consist of two or more of the Directors of the Corporation and to be established and governed in accordance with a written charter adopted by a majority of the Whole Board. Any nominating and corporate governance committee, compensation committee or audit committee of the Board of Directors shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, subject to any limitations provided by the applicable written charter and by-law. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The term of office of the members of each committee shall be as fixed from time to time by the Board of Directors; provided, however, that any committee member who ceases to be a member of the Board of Directors shall automatically cease to be a committee member.

At any meeting of a committee, the presence of one-third, but not less than two, of its members then in office shall constitute a quorum for the transaction of business; and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee; provided, however, that in the event that any member or members of the committee is or are in any way interested in or connected with any other party to a contract or transaction being approved at such meeting, or are themselves parties to such contract or transaction, the act of a majority of the members present who are not so interested or connected, or are not such parties, shall be the act of the committee. Each committee may provide for the holding of regular meetings, make provision for the

calling of special meetings and, except as otherwise provided in these by-laws or by resolution of the Board of Directors, make rules for the conduct of its business.

The committees shall keep minutes of their proceedings and report the same to the Board of Directors when required; but failure to keep such minutes shall not affect the validity of any acts of the committee or committees.

#### **ARTICLE 4.**

##### Officers

**Section 1. Number.** The officers of the corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

**Section 2. Election and Term of Office.** The officers of the corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed as hereinafter provided.

**Section 3. Removal.** Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

**Section 4. Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

**Section 5. Chairman of the Board, Vice- Chairman, President and Chief Executive Officer.**

The Chairman of the Board shall be an independent, non-management Director, shall preside at all meetings of the shareholders and Directors, including the executive sessions of non-management Directors, and shall have such other powers and perform such other duties as may be prescribed from time to time by the Board. An independent, non-management Director shall be elected as Vice-Chairman of the Board by the non-management Directors (the "Lead Vice-Chairman"), and shall preside at meetings of the shareholders and Directors in the absence or disability of the Chairman of the Board and shall have such other duties as may be prescribed from time to time by the Board. The full Board may also elect a second Vice-Chairman of the Board, who may, but need not be, an independent, non-management Director, to assist the Chairman of the Board and the Lead Vice-Chairman and who shall have such other duties as may be prescribed from time to time by the Board.

The President shall be the chief executive officer of the Corporation, unless a separate Chief Executive Officer has been so designated by the Board. The Chief Executive Officer shall have

general supervision and direction of the business of the Corporation, including supervision of the other officers of the Corporation, shall have all the general powers and duties usually vested in the chief executive officer of a corporation, shall see that all orders and resolutions of the Board are carried into effect and shall have such other powers and perform such other duties as may be prescribed from time to time by the Board. If a separate Chief Executive Officer is designated by the Board, the President shall have such powers and duties as may be prescribed from time to time by the Board.

**Section 6. The Vice Presidents.** In the absence of the President, or the Chief Executive Officer, if a separate Chief Executive Officer has been designated by the Board, or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President or Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President or Chief Executive Officer. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the corporation; and shall perform such other duties as from time to time may be assigned to him by the President, or the Chief Executive Officer, if a separate Chief Executive Officer has been designated by the Board, or by the Board of Directors.

**Section 7. Secretary.** The Secretary shall: (a) keep the minutes of the shareholders' and of the Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) keep a register of the post-office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) sign with the President, or the Chief Executive Officer, if a separate Chief Executive Officer has been designated by the Board, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President, or the Chief Executive Officer, if a separate Chief Executive Officer has been designated by the Board, or by the Board of Directors.

**Section 8. Treasurer.** If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected by the Board of Directors; and (b) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President, or the Chief Executive Officer, if a separate Chief Executive Officer has been designated by the Board, or by the Board of Directors.

**Section 9. Assistant Secretaries and Assistant Treasurers.** The Assistant Secretaries, when authorized by the Board of Directors, may sign with the President, or the Chief Executive Officer, if a separate Chief Executive Officer has been designated by the Board, or a Vice President certificates for shares of the corporation the issuance of which shall have been authorized by a resolution of the Board of

Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President, or the Chief Executive Officer, if a separate Chief Executive Officer has been designated by the Board, or the Board of Directors.

**Section 10. Delegation of Duties and Powers.** In case of the absence or disability of any officer, or for any other reason that the Board may deem sufficient, the Board may delegate the powers and duties of such officer to any other officer, or to any Director, for the time being; provided, a majority of the entire Board concurs therein.

**Section 11. Salaries.** The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the corporation.

## **ARTICLE 5.**

### **Indemnification**

**Section 1. Indemnification of Officers and Directors.** Except to the extent prohibited by law, the corporation shall indemnify each person who was or is a party or is threatened to be made a party to, or is involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including without limitation, any action, suit or proceeding by or in the right of the corporation (a "Proceeding"), by reason of the fact that he or she (a) is or was a director or officer of the corporation, or (b) is or was a director or officer of the corporation and is or was serving at the request of the corporation any other corporation or any partnership, joint venture, trust or other enterprise (including service with respect to employee benefit plans) in any capacity, or (c) is or was an officer or director of any subsidiary of the corporation (except as set forth in Section 8 of this Article 5), against all expenses, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred by such person in connection with such Proceeding. Except to the extent prohibited by law, the right of each officer and director to indemnification hereunder (x) shall pertain both as to action or omission to act in his official capacity and as to action or omission to act in another capacity while holding such office; (y) shall be a contract right and (z) shall include the right to be paid by the corporation the expenses incurred in any such Proceeding in advance of the final disposition of such Proceeding upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be ultimately determined that such director or officer is not entitled to indemnification hereunder or otherwise. The contract right to indemnification (including the advancement of expenses) described in the provisions of this section shall be deemed to vest immediately and no amendment to or repeal of this provision shall operate retroactively to deprive any current director or officer or any former director or officer of the right to indemnification (including the advancement of expenses) pursuant to the provisions of this section for acts or omissions that occurred prior to such amendment or repeal.

**Section 2. Right of Claimant to Bring Suit.** If the corporation receives a written claim for indemnification under Sections 1 or 3 of this Article 5 which it has not paid in full within ninety (90) days after it receives such claim, the claimant may at any time thereafter bring an action against the

corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with (a) any Proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation or (b) any Proceeding in which the claimant was successful on the merits or otherwise) that the claimant has not met the standards of conduct which make it permissible under the Act for the corporation to indemnify the claimant for the amount claimed, but the burden of providing such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Act nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its shareholders) that the claimant had not met such applicable standard of conduct shall be a defense to the action or create a presumption that the claimant had not met the applicable standard of conduct.

**Section 3. Indemnification of Employees and Agents.** Except to the extent prohibited by law, the corporation may indemnify each person who was or is a party or is threatened to be made a party to, or is involved in, any Proceeding by reason of the fact that he or she (a) is or was an employee or agent of the corporation or (b) is or was an employee or agent of the corporation and is or was serving at the request of the corporation any other corporation or any partnership, joint venture, trust or other enterprise (including service with respect to employee benefit plans) in any capacity, or (c) is or was an employee or agent of any subsidiary of the corporation, against all expenses, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred by such person in connection with such Proceeding. The power of the corporation to indemnify each employee and agent hereunder (x) shall pertain both as to action in such person's official capacity and as to action in another capacity while holding such office and (y) shall include the power (but not the obligation) to pay the expenses incurred in any such Proceeding in advance of the final disposition of such Proceeding upon such terms and conditions, if any, as the Board of Directors of the corporation deems appropriate.

**Section 4. Procedure for Obtaining Indemnification Award.** Except as set forth in Section 5 of this Article 5, any indemnification under Sections 1 or 3 of this Article 5 (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she acted in good faith in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, and, in case of any Proceeding by or in the right of the corporation, that such person shall have not been adjudged to be liable to the corporation, and, in the case of any indemnification under Section 3 of this Article 5, because the Board of Directors in its discretion deems such indemnification appropriate. The determination referred to in this Section shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who are not parties to such Proceeding or (b) if such a quorum is not obtainable or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion or (c) by the shareholders or (d) any court having jurisdiction.

**Section 5. Indemnification of Expenses.** To the extent that any person who is either (i) described in the first sentence of Section 1 of this Article 5 or (ii) an employee or agent of the corporation has been

successful on the merits or otherwise in defense of any Proceeding, or in defense of any claim, issue or matter therein, he or she shall be indemnified by the corporation against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

**Section 6. Non-Exclusivity of Rights.** The rights conferred on any person by this Article shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, by-law, agreement, vote of shareholders or disinterested directors or otherwise.

**Section 7. Insurance.** The corporation may purchase and maintain insurance at its expense, to protect itself and any person who is or was a director, officer, employee or agent of the corporation or of any subsidiary of the corporation, or is or was serving at the request of the corporation, any other corporation, or any partnership, joint venture, trust or other enterprise (including service with respect to employee benefit plans) in any capacity against any asserted loss, liability or expense, whether or not the corporation would be required, or permitted, to indemnify him or her against such loss, liability or expense under the provisions of the Act or this Article.

**Section 8. Limitation of Indemnity with respect to Subsidiaries.** The indemnity provided for in Section 1(c) in this Article 5 for officers and directors of any subsidiary of the corporation is hereby expressly limited to actions or omissions to act from and after the later of the date the subsidiary becomes a wholly-owned subsidiary of the corporation or the date on which any person becomes an officer or director of such subsidiary.

**Section 9. Severability.** Any invalidity, illegality or unenforceability of any provision of this Article in any jurisdiction shall not invalidate or render illegal or unenforceable the remaining provisions hereof in such jurisdiction and shall not invalidate or render illegal or unenforceable such provision in any other jurisdiction.

**Section 10. Benefits of Article.** The rights conferred on any person by this Article shall inure to the benefit of the heirs, executors, administrators and other legal representatives of such person.

## **ARTICLE 6.**

### **Contracts, Loans, Checks and Deposits**

**Section 1. Contracts.** The Board Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

**Section 2. Loans.** No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

**Section 3. Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

**Section 4. Deposits.** All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

**Section 5. Endorsements.** No officer or agent of this corporation shall have power to endorse in the name of and on behalf of the corporation any note, bill of exchange, draft, check or other written instrument for the payment of money, other than notes issued for purposes of sale, save only for the purpose of collection of said instrument, except upon the express authority of the Board of Directors.

## **ARTICLE 7.**

### **Certificates for Shares and Their Transfer**

**Section 1. Certificates for Shares.** Certificates representing shares of the corporation may be certificated or uncertificated, as provided by the General Corporation Law of the State of Delaware. Each Shareholder, upon written request to the transfer agent or registrar of the Corporation, shall be entitled to a certificate for shares in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman of the Board of Directors, the President or the Chief Executive Officer, if a separate Chief Executive Officer has been designated by the Board, or a Vice President and by the Treasurer, Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except and in the case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors may prescribe.

**Section 2. Transfer of Shares.** Transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by a power of attorney duly executed and filed with the Secretary, and if such shares are certificated, on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

## **ARTICLE 8.**

### **Miscellaneous**

**Section 1. Fiscal Year.** The fiscal year of the corporation shall begin on the first day of January and end on the thirty-first day of December in each year.

**Section 2. Dividends.** The Board of Directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Articles of Incorporation.

**Section 3. Seal.** The corporation shall have a common seal which shall include the words “STURM, RUGER & CO., INC.” in a circle within which are the words and figures “Corporate Seal 1969 Delaware.”

**Section 4. Waiver of Notice.** Whenever any notice is required to be given to any shareholder or Director of the corporation under the provisions of these by-laws or under the provisions of the Delaware Corporation Law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

## **ARTICLE 9.**

**Section 1. Amendments.** These by-laws may be altered, amended or repealed and new by-laws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors provided that notice of the proposed action is contained in the written notice of such meeting, and by the shareholders at a meeting duly called and properly noticed for that purpose.

THOMSON REUTERS STREETEVENETS

# EDITED TRANSCRIPT

RGR - Q2 2018 Sturm Ruger & Company Inc Earnings Call

EVENT DATE/TIME: AUGUST 02, 2018 / 1:00PM GMT



## AUGUST 02, 2018 / 1:00PM, RGR - Q2 2018 Sturm Ruger &amp; Company Inc Earnings Call

**CORPORATE PARTICIPANTS**

**Chris Killoy** *Sturm, Ruger & Co., Inc. - President and CEO*

**Kevin Reid** *Sturm, Ruger & Co., Inc. - VP and General Counsel*

**Tom Dineen** *Sturm, Ruger & Co., Inc. - SVP of Finance, Treasurer, and CFO*

**CONFERENCE CALL PARTICIPANTS**

**Brian Rafn** *Morgan Dempsey - Analyst*

**Rommel Dionisio** *Aegis Capital - Analyst*

**PRESENTATION****Operator**

Good day, ladies and gentlemen, and welcome to the Sturm, Ruger second quarter 2018 earnings conference call. (Operator Instructions). As a reminder, this conference call may be recorded.

I would now like to turn the conference over to Chris Killoy, President and CEO. You may begin.

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Good morning and welcome to the Sturm, Ruger & Company second-quarter 2018 conference call. I would like to ask Kevin Reid, our General Counsel, to read the caution on forward-looking statements. Then Tom Dineen, our Chief Financial Officer, will give an overview of the second-quarter financial results. And then I will discuss the state of the market and update you on our operations, and then we'll get to your questions. Kevin, let's get started.

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**Kevin Reid** - *Sturm, Ruger & Co., Inc. - VP and General Counsel*

Sure, Chris. We'd like to remind everyone that statements made in the course of this meeting that state the Company's or management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements. It is important to note that the Company's actual results could differ materially from those projected in such forward-looking statements.

Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company's SEC filings, including but not limited to the Company's reports on Form 10-K for the year ended December 31, 2017, and of course Form 10-Q for the fiscal quarter ended June 30, 2018. Copies of these documents may be obtained by contacting the Company or the SEC, or on the Company website at [www.ruger.com/corporate](http://www.ruger.com/corporate), or the SEC website at [www.sec.gov](http://www.sec.gov).

We do reference non-GAAP EBITDA. Please note that the reconciliation of GAAP net income to non-GAAP EBITDA can be found in our Form 10-K for the year ended December 31, 2017; and our Form 10-Q for the quarter ended June 30, 2018, which are also posted to our website. Furthermore, the Company disclaims all responsibility to update forward-looking statements.

Chris?

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Thank you, Kevin. Now Tom will provide a financial summary of the second quarter.



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**Tom Dineen** - *Sturm, Ruger & Co., Inc. - SVP of Finance, Treasurer, and CFO*

Thanks, Chris. For the second quarter of 2018, net sales were \$128.4 million and diluted earnings were \$0.86 per share. For the comparable prior-year period, net sales were \$131.9 million and diluted earnings were \$0.57 per share.

In the second quarter of 2018, earnings per share benefited by the following: the adoption of a new revenue recognition standard, known as ASC 606, increased EPS by \$0.05; the reduced federal income tax rate from 35% to 21% increased EPS by \$0.12; and the repurchase of 1.3 million shares of common stock in 2017 increased EPS by \$0.06. For the first half of 2018, net sales were \$259.6 million and diluted earnings were \$1.68 per share. For the corresponding period in 2017, net sales were \$299.2 million and diluted earnings were \$1.79 per share. For the second quarter of 2018, and our EBITDA was \$28.2 million or 22% of sales compared to \$25.0 million or 19% of sales in the second quarter of 2017.

The balance sheet. At June 30, 2018, our cash and cash equivalents totaled \$131.7 million. Our current ratio was 3.3 to 1, and we have no debt.

At June 30, 2018, stockholders' equity totaled \$249.4 million, which equates to a book value of \$14.29 per share. In the first half of 2018, we generated \$81 million of cash from operations.

Cash returned to shareholders: in the first half of 2018, the Company returned \$9.6 million to its shareholders through the payment of dividends. Our Board of Directors declared a \$0.30 per share quarterly dividend for shareholders of record as of August 17, 2018, payable on August 31, 2018. As a reminder, our quarterly dividend is approximately 40% of net income and therefore varies quarter to quarter.

That's the financial update for the second quarter. Chris?

**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Thanks, Tom. We are pleased with the second quarter financial results and our financial condition as we enter the second half of the year. In the second quarter of 2017, we implemented a strategy to lower production and reduce our workforce. As a result, we performed well in the latter half of 2017, a period of relatively soft demand, without becoming overextended with promotions and discounts. We ended the year with a strong balance sheet, reduced inventories in our warehouses and at the independent distributors, and a healthy sellthrough at distributor level.

Demand: the estimate unit sellthrough of our products from the independent distributors to retailers in the second quarter of 2018 increased 5% from the comparable prior-year period. For the same period, the National Instant Criminal Background Check System background checks, or NICS checks, decreased 8%. The estimated unit sellthrough of our products from the independent distributors to retailers decreased 1% in the first half of 2018 from the comparable prior-year period. For the same period, NICS checks decreased 3%.

We believe our outperformance of NICS in both the second quarter and first half of 2018 is attributable to the strong reception out four major new products that we launched this past December: the Pistol Caliber Carbine, commonly referred to as PCC; the EC9s pistol; the Security-9 pistol; and the Precision Rimfire Rifle. New product sales represented \$75.5 million or 29% of firearms sales in the first half of 2018.

New product sales include only major new products that were introduced in the past two years, like the four that I just mentioned. Derivatives and line extensions are not included in the new product sales calculation.

Production and inventory: we base our production and manage our inventory levels primarily through semi-monthly reviews of the estimated sellthrough of our products from the independent distributors to retailers. We also review our inventory and the independent distributors' inventories.

Based on these reviews, we increased the second-quarter total unit production by 7% from the first quarter of 2018. Despite this increase, our total unit production for the first half of 2018 was 17% below the first half of last year.



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The reduced production levels allowed our finished goods inventory to decrease 48,200 units in the first half of 2018. Distributor inventories of our products decreased by 38,600 units during the same period. The combined inventory in our warehouses and at the independent distributors decreased over 200,000 units since last June. This is a reduction of almost 40%. We plan to increase production in the latter half of 2018 to replenish inventories of the products in the strongest demand. Remember, unlike most of our competitors, effectively all of our domestic firearms sales go through distribution.

Capital expenditures: capital expenditures in the first half of the year were \$2.4 million, which is very low for us. However, this is not indicative of a lack of activity related to new product development nor a change in our mindset about the importance of new products. Rather, it can be attributed to two key factors.

First: the first is timing. Earlier we discussed the four major new products that we introduced last December. The capital expenditures related to those new products were recognized in the fourth quarter of 2017. Consequently, our capital expenditures in that quarter totaled \$20 million, which is uncommonly high. If one or two of those products lagged into 2018, our year-to-date 2018 capital expenditures would have been significantly greater.

The second reason is the repurposing of machinery and equipment. Remember, we built 2.1 million units in 2016. Production has been reduced over the past couple of years, and we are working to better employ underutilized equipment.

Cash: as Tom mentioned a few minutes ago, our cash generation in the first half of the year was very strong. The key contributors were our solid operating performance, the cash generation of which was bolstered by the reduced federal income tax rate; the \$16 million inventory reduction, as demand outstripped production in the first half of the year; continued solid accounts receivable collections despite some headwinds in the industry; and a relatively low level of capital expenditures, which we just covered.

Our cash balance of \$132 million is more than we need to support our normal daily operations. Nevertheless, our capital allocation philosophy has not changed. Our primary responsibility is the stewardship of our shareholders' assets and the creation of shareholder value. We are constantly looking for opportunities to generate strong returns with our capital. If we get to a point where we decide that we will not be able to employ our capital, we will return the cash to our shareholders in the form of dividends.

Operator, may we have the first question?

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Brian Rafn, Morgan Dempsey.

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### Brian Rafn - Morgan Dempsey - Analyst

Yes, give me a sense, Chris, kind of the cadence or tempo of business through the quarter, kind of maybe month by month. And then give your overall kind of strategic sense -- are we through, maybe, some of the darkest days of the inventory destocking and the discounts from MSRP? And maybe with the two quarters of increased booked orders, that maybe the tone of business is more normalizing? Just your sense.

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### Chris Killoy - Sturm, Ruger & Co., Inc. - President and CEO

Thanks, Brian. Well, I think what we saw through the second quarter -- as you know, we don't disclose monthly results, but typically the months of June, July, and August are always slow for the firearms industry. We saw this year what I would call a return to that normal seasonality.

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However, I think because we managed this year very closely in terms of production, with an eye towards both our inventory and our distributors' inventory, we felt pretty comfortable as we ended Q2 with the inventory levels at Ruger in our warehouses, as well as what we saw at each of our distributors, as a fairly balanced inventory. So one of the things you may recall -- at this time last year we were in the midst of an additional summer promotional program. This year we did not implement a summer program. We had our normal winter and spring programs that concluded at the end of May. And then just the other day we launched a fall promotion, as we've done the last couple of years, kicking off August 1. But we did not have the promotion that we had last summer, which is a little indicative of the -- a better overall environment, hopefully less promotionally driven and less discounting out there at the retail and wholesale level.

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**Brian Rafn** - *Morgan Dempsey - Analyst*

Got you. No, I appreciate that.

And I think you call it your SIOP planning -- the sales, inventory, operations planning. Do you guys have any planned summer idle shutdowns in any of the plants?

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

We already went through that, Brian. We did that during 4th of July week just up in the Newport plant.

So Prescott did not shut down. Mayodan had, I think, normal operations as well. So it was just up in Newport, to allow them to take care of some maintenance matters and things of that nature. But other than that, no additional shutdowns planned for the year.

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**Brian Rafn** - *Morgan Dempsey - Analyst*

Yes, okay, okay. Given the sense that you guys have really focused and been extremely productive in your new product launches, what is your -- what's the sense -- would you say there's a heightened appetite for new product in this environment amongst your wholesalers and retailers, more so maybe in the past when you were at more of a frenzied business days?

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

I kind of think maybe just the opposite. When you are at a really -- chasing the business, trying to keep up with demand at retail on the consumer level, sometimes the new products are not quite as important as overall production. When things slow down to a more normalized pace, I think new products rule the day.

And so as a result, products like the Pistol Caliber Carbine produced up in New Hampshire have done extremely well. We've got probably one of the most in-demand items, both at the national account level as well as the independent retailers. And so we've been very pleased with the results of those new products, the Big Four, as we call them: Pistol Caliber Carbine, Security-9 pistol, EC9s pistol, and the Precision Rimfire out of North Carolina.

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**Brian Rafn** - *Morgan Dempsey - Analyst*

Okay. Yes, all right. And so from your standpoint, the appetite -- I understand your focus on production, but the appetite from -- demand-side from your wholesale distributors and the retailers for new products is very, very strong from your vantage point?

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Absolutely. We've got -- throughout the quarter, we've got meetings that we have with our distributors, both formal and informal, and they love the new products. It helps a little bit what we would call a halo effect around the entire Ruger product line. When a distributor sales person is making an outbound call, and he's got hot new Ruger products to talk about, it really has a halo effect on their business and on our business.

**Brian Rafn** - *Morgan Dempsey - Analyst*

Got you. Anything in the quarter relative to some of the wholesale exclusive specials that you guys run with your distributors? Has that been important, maybe in a more normalized environment -- and/or how important was it in the second quarter?

**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

It remains a big part of our business. We've got some real powerhouse distributors that do very well with everything from No.1 Rifles, single-action revolvers, Cerakote models, dipped camouflage pattern models, and all of that has been very important to them.

And then and even when things are at higher levels of production, we always try to make sure we spend some of our resources on those special makeups to keep that appetite out there at the consumer level. Because that's still an important part of our business.

**Brian Rafn** - *Morgan Dempsey - Analyst*

Yes, yes. Let me ask you, just from a design standpoint -- and I've asked this in the past: when you look at the cycle time between engineering, design, concept, prototyping, and production, building inventory -- I want to say back in Bill Ruger's day, that was as much as four years to get a product to market. How has that compressed for you guys in overall? Or is it still a gun-by-gun situation?

**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Well, I would say we are getting better all the time, but we're not there yet. We're not where we want to be. Probably best, most recent example is that Pistol Caliber Carbine.

We had a very focused engineering and manufacturing team that really spent a lot of time doing the upfront homework, the deep dive on the engineering front as well as working from day one on the right manufacturing processes before we bought the first machine. So, I mean, that -- we've learned a lot of lessons. We're getting better, but we're not there yet. That's an area of continuous improvement for us.

And some things you hit an engineering obstacle or a challenge that you're not counting on, and that may throw you back in a rework loop to make sure you've got the right product when you get ready for production. So it's improving all the time. And I'd say Pistol Caliber Carbine was the most recent best example of a success story, but we've still got work to do.

**Brian Rafn** - *Morgan Dempsey - Analyst*

Got you. I'll ask one more and get back in line. The Trump administration's overall -- you know, the gun export surveillance from the Department of State, the Commerce, the [IDNSF] and NSSF said that might add 20% sales growth in the industry. Does that at all -- you guys have primarily been a domestic manufacturer for hunters and sportsmen and that. Does that at all help you guys over the long-term next, say, 3 to 5 years?

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Well, I think, Brian, what it does for us is, as you likely recall, Ruger's typically in the 4%, 5% or 6% level of our overall sales go to our export customers. And we've got some great international distributors that represent Ruger very well for us overseas.

But it's not been a very significant part of our business, so I think that that change is a welcome change. It will certainly help the efficiencies and helps impact of the throughput of those orders here at Ruger, but we have to remember that the countries that are receiving those imports -- whether it's Germany, France, et cetera -- they haven't changed any of their import laws.

So certain guns that may be restricted in their countries are still going to be restricted. So I don't see it having a measurable or appreciable difference on Ruger's export business.

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**Brian Rafn** - *Morgan Dempsey - Analyst*

Got you, Chris. I'll get back in line. Thanks.

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**Operator**

(Operator Instructions). Rommel Dionisio, Aegis.

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**Rommel Dionisio** - *Aegis Capital - Analyst*

A couple questions to start on gross margin. First, could you talk about the impact of potential raw material price increases as well as the impact of the tariffs on steel and some others?

And also, with regards to the gross margin, I knew that in the 10-Q you talked about promotion -- reclassifying certain promotional expenses from selling to cost of goods. You quantified that; but that summer promotion, Chris, that you talked about, did that mostly -- the impact of not running that, did that fall entirely in 2Q? Or will some of that filter into the third quarter as well? Thanks.

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Okay, Rommel. Well, first off, maybe the question on -- as it relates to tariffs. To date we have not been impacted directly by the tariffs, because we order the vast majority of our raw materials domestically.

However, the tariffs have impacted us indirectly. Take steel, for example. We've been sourcing our steel domestically for decades. The tariffs have made domestic steel more attractive, so demand has risen tremendously recently, as manufacturers who had been getting their steel from overseas look to find domestic sources.

This has led to some price increases and some shortages of raw materials. Our purchasing folks really have been working very closely with our suppliers to ensure that we have adequate inventory to support what we need for production. Our projections currently indicate that our production will not be indicated, but it's a tighter inventory situation than we would like and than we've seen in quite a while. So that's something we're keeping a close eye on.

Your second question -- I think it was really as it related to the promotions and also the margins. There were a couple things -- remember, when you look at margins up in 2Q versus the prior year, a couple contributing factors. First, in the second quarter of 2017, you may recall the Mark IV recall expense of \$2.5 million cost us about 2 points of margin.



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And then production in the second quarter of 2018 increased about 7% from the first quarter due to the production and ramp-up of our new products that were introduced in December 2017 and continued strong demand for those products. That increased production and some improved manufacturing efficiencies helped boost the gross margin.

And then I think -- your last question, I believe, was on promotions for last year. I believe, if I recall, that -- what I was talking about in the summer promotions, I think, straddled Q2 and Q3.

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**Rommel Dionisio** - *Aegis Capital - Analyst*

Okay. Thanks very much. That was very helpful.

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**Operator**

(Operator Instructions). Brian Rafn, Morgan Dempsey.

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**Brian Rafn** - *Morgan Dempsey - Analyst*

Yes, going to ask my legacy questions. Up at Newport, any changes in the mix of -- you know, with the furnaces, between the main integrated and then any of your mini furnace foundries? Are you still running two, I think, the minis?

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Brian, yes, we are. We were just up at the Newport facility, and we were over at Pine Tree Casting for our recent Board meeting and got a great tour of the latest updates from the folks on the shop floor. And really some nice improvements, some great impact of the daily kaizen events that are being run.

And the folks up there have done a great job. They've got the two rollover or mini foundries really in full operation. The legacy foundry is down to a very small -- a few parts that we haven't qualified over into the furnace and some of the -- or into the rollover foundries. And then a small amount of the -- what we call revert material, but really we're 95% there with the two mini foundries. And the folks up there have done a really good job of integrating those into the production flow.

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**Brian Rafn** - *Morgan Dempsey - Analyst*

Okay. And then is there still -- I think Mike at one time said that at some point the distant future you might have five or six, seven foundry -- mini foundries up there. Is there still floor space for that type of thing? Or might they be in other -- maybe not just at Newport, but maybe at Mayodan or Prescott?

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Well, it's hard to say. We still have some floor space. As we get more efficient, we free up floor space in the existing facilities.

Right now the two rollover foundries that we've got going up in Pine Tree and New Hampshire we think are going to be sufficient for our needs. We've also got, you'll recall, the RPM, Ruger Precision Metals, out in Missouri that provides a lot of our MIM capability.



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And to date we haven't put any of those processes into the existing gun plants, but you never know. That could be in the future, something we've talked about; but at this point in time we haven't made any firm plans to move either the casting or the metal injection molding processes in with the existing gun plants.

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**Brian Rafn** - *Morgan Dempsey - Analyst*

Yes, okay. And then you guys launched a summer package of new products: the SR1911 Officer .45; a 10/22 target, the Ruger 77/17, and then the Security-9. Any kind of preliminary indications? Because again, summer seasonally is a little quieter market. Is it tougher to launch new products during summer, or do you like to keep an even pace?

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Well, as you heard me say before, Brian, even like the Big Four that we launched last December -- I wish I could say that all four were planned for December. Some were -- a couple of them were absolutely on time; a couple of them were late. Typically on the less significant product introductions -- and I don't mean any disrespect to any of the guns you just mentioned, but the ones that are more of a line extension, like the different versions of the 1911 -- we do like to have those coming out every quarter. It gives us some chance to make sure we get visibility with -- from an editorial standpoint with writers, both at the print and TV level.

If everybody introduces everything at SHOT Show, there's a mad dash to get their attention. And we like to spread it out when we can and be able to take writers -- whether it's on trips to Gunsite or down at FTW Ranch in Texas, to be able to bring these products out; try them out; write about them; talk about them; put them on TV. And so for us it's been a good strategy where we can spread out those line extensions throughout the year.

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**Brian Rafn** - *Morgan Dempsey - Analyst*

Yes. And on that comment, Chris, do you guys -- as you spread that out during the year, do you try to batch a launch for -- you know, Black Friday has continued to be in November a big kind of pre-Christmas. Is that also an important date point now for new product launches?

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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

I think probably not as significant, because the planning for those national account retailers is so far in advance that you really have to be -- you know, in Q2 to be significant for them in terms of volume and get out in front of their planning needs for their flyers, their circulars, their mailers. And so that planning cycle has really gotten so much earlier than it used to be.

So if we come out with a new product just before Black Friday, we may get into some of the bigger independents quickly, but we lose a lot of traction with the big box stores. And so we like to make sure we don't give anybody any last-minute surprises just before they -- just after over or before they print their circulars and such.

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**Brian Rafn** - *Morgan Dempsey - Analyst*

Right, right. That's a good -- very good comment. Let me ask you, the launch of Doug Koenig's -- and excuse me if I get the name wrong -- his Team Ruger shooting, the competitive shooting. What's the thought process there? Is that building brand? Is it field testing weapons? Is it just brand ambassador? What is Doug's team -- or is he just strictly competing and bringing the Ruger name into competitive -- shooting competition?



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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Well, it's a little of everything you just mentioned. It's really building the brand, representing Ruger at these events where our customers are at -- and I think really implementing some of the best practices that we see in the competitive shooting world and some of those disciplines -- bringing that back to the factory.

We've already had -- in our new product planning sessions that we have each month that we rotate around to the factories, we've had members of our Ruger Shooting Team attend these events and really give us firsthand feedback to our engineers on what we should be looking at for key features and benefits.

So I think it's a little bit of both. I think you're going to see continued -- some influence and some of the things we learn from our pro shooters are really going to help us out in designing new, exciting products down the road.

**Brian Rafn** - *Morgan Dempsey - Analyst*

Yes. Thank you, appreciate it.

As we kind of enter -- you talked a little bit about entering the fall -- the hunting season, and I'm just kind of looking for your experience now that we've got a couple more years. How has the modern sporting rifle, the AR 15, competed against kind of your normal legacy bolt-action rifles with scopes for hunting? Does that continue to be popular, or was that -- is there a bit of an ebb and flow there?

**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

I think it continues to be popular with a lot of our shooters who also hunt, but what we saw over the last year or so was really some of the -- some extra attention to some of the newer calibers, particularly things like 6.5 Creedmoor, .450 Bushmaster, where we had a lot of attention on those new calibers in some of the existing platforms -- and then some old calibers, like 7.62 by 39, incorporated in things like the Ruger American Ranch Rifle. I mean, really a good combination, and beyond just traditional Hawkeye or American Rifle in 30.06 or .270, for example.

**Brian Rafn** - *Morgan Dempsey - Analyst*

Got you. No, I appreciate that. Have you done any repurposing -- or as you guys call it, shifting -- of machinery between -- or gun lines between Newport, Prescott, and Mayodan, anything? Or how have you maybe built out the floor space at Mayodan?

**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

That's an excellent point, Brian. As 2017 was a tough year for a lot of us in the firearms business, as we decided to change our production strategy; we had to rightsize our workforce; and along with that, it meant repurposing a lot of that equipment.

So we had a lot of machines that were freed up, depending on which product line was going down in production versus which was coming up. And that's been very helpful in both CapEx avoidance and being able -- obviously if you don't have -- you don't have any lead times on buying new equipment if you are just moving it from one of your existing factories to another.

So as an example, just the other day we were up in New Hampshire at the Newport facility, and one of the product lines that the folks are working on for a new product that we haven't launched yet -- 100% of the CNC machines that were in use and on the line had come from the Prescott facility. So it was a good example of repurposing those big machines from one facility to the other.



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**Brian Rafn** - Morgan Dempsey - Analyst

Got you, okay. And then specifically with Mayodan, what's your -- it's been a couple years since we were down there. What does the factory floor space look like? I think it was about 50% maybe two years ago. What have you built it out at?

**Chris Killoy** - Sturm, Ruger & Co., Inc. - President and CEO

I think they are probably maybe at the 75% level. I mean, the folks down there have done a great job with that facility. The team down there really makes good use of the new equipment. They've got a good team of engineers now that are coming out with cool new products -- for example, the Precision Rimfire -- so that has proved to be very popular.

And as those new products take hold, they are adding some capacity to existing lines. And we are also looking at should we shift other lines from the other factories as they get their new products. So that remains a work in process, but again, the folks down there have done an awesome job in running that factory and getting ready for both new products that are homegrown as well as moving lines from the other facilities.

**Brian Rafn** - Morgan Dempsey - Analyst

As you take a look, Chris, at the future of Mayodan -- and I'm -- correct me if I'm wrong: Newport has kind of been rifles and revolvers; and Prescott, pistols. Does Mayodan have any specific flavor? Is it more new guns? Or does it tend to be more AR 15? What's its profile?

**Chris Killoy** - Sturm, Ruger & Co., Inc. - President and CEO

Mayodan has got a little bit of everything right now with the exception of revolvers. They've got most of our American Rifle production, Centerfire. They've got all of our American Rimfire. They've got our MSR business. They've got the SR22 pistol that originally was built out in Prescott. And they've actually got the LCP original version, the LCP1 as we call it, is also down in Mayodan.

So they've got a real good mix. The only thing they don't have down there is anything from the revolver product line.

**Brian Rafn** - Morgan Dempsey - Analyst

Okay, I got you. As we move into 2018, 2018 a little bit of a recovery, how do you see headcount? Are you still kind of -- are you replacing any of the attrition? Are you extending any shifts or any overtime? What's the factory floor labor situation?

**Chris Killoy** - Sturm, Ruger & Co., Inc. - President and CEO

Well, we've actually been working overtime in all three of the major facilities, and we're looking for additional associates right now. We are hiring at all three locations for new sale associates.

So I think in the Q, we've got the -- you can see the units produced going up. And as Tom mentioned, and we are looking to increase production further on some of those lines. So it's a much better picture than we saw at this time in 2017.

**Brian Rafn** - Morgan Dempsey - Analyst

Got you, got you. And just M&A -- as always, you guys have certainly done a great job in managing your capital. By far your competitors from the standpoint of Wall Street stock voting down much, much further. And you guys have really looked at organic development of new products instead of trying to be an umbrella holding company for sporting goods in general.



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But what are you seeing on the M&A front? You guys have been very selective. And then I have always had an interest in seeing you guys develop the accessories side of the business, so just maybe a comment of what you're seeing, and what's available, and how pricing is on the M&A side.

**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Well, I know for a while things in the accessory world, which you mentioned, seemed to be pretty pricey. And we looked at a couple companies, and we didn't think we were going to bring much to the party other than our cash. And so we did not participate in a couple recent accessory companies that were out there on the market.

We still -- you know, the accessory part of the business is good margins; it's strong. Typically for Ruger, most of our revenue is generated from the magazines that go with our firearms, additional sales of magazines.

And then on the firearms side, it is an active landscape. You've got -- the folks at Remington have come through their bankruptcy, it looks like, in pretty good order. I don't know if there will be some activity down there, if the folks at Remington decide that they -- they may want to move forward with selling all or parts of their business.

And then recently we've seen articles in the paper, and the folks at Vista have talked about sale of not only their several units that came with Bushnell, their Serengeti and Bollé sunglass brands, but also potentially the Savage Arms business. So we're going to keep an eye on that and see where that goes, but at this point too early to make any predictions.

**Brian Rafn** - *Morgan Dempsey - Analyst*

Yes, no, I appreciate that. Let me ask -- you made a comment or a point a couple of quarters ago; I thought it was very -- it was a very interesting comment. When you design something like your SR -- or your AR MSR lines, you mentioned that we don't want to put too much furniture on them, because it really kind of drives out -- so the CCH, the mag holder, the [Weaver], all of that stuff. Does that kind of limit you guys from going out and maybe acquiring an accessories brand, because if you too much customize something like that, then you may limit the actual unit volume of the actual core gun?

**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

I don't think that would be the -- what would limit that. I think what we would watch, if we were going to acquire an accessory company, is: would we put their existing base of business that they may do with some of our competitors at risk? If we were to buy a company that made optics, for example, and they were currently selling objects to other rifle manufacturers, would that business now be at risk from a -- that OEM business be at risk?

And -- just something we'd have to consider. And do we discount that in the process?

But you're right on new products. When we do a -- we do a few what we call package guns, where we're including, say, optics with the firearm. And usually those are intended to hit a price point, particular -- you know, maybe a short run of products.

What we have found over the years is exactly what you said, is -- you know, if we -- we can over-niche a gun if we're not careful. If we pick the optics, pick the case, pick too many of the accessories, we might think we have a very cool product; but we might have overlooked a big part of the market who says, well, I want to put a different optic on it.

So that is something we watch from the configuration standpoint. And I think we just have to -- if it was an M&A activity, we'd just have to watch to make sure we weren't convincing ourselves that that OEM business would somehow not be affected from other manufacturers who are currently using that accessory company.



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**Brian Rafn** - Morgan Dempsey - Analyst

Yes, no, I appreciate that. The CapEx -- \$10 million, I think, you talked about for the balance of the year. How much of that is maintenance CapEx versus just tooling or that, or machinery for a specific product?

**Chris Killoy** - Sturm, Ruger & Co., Inc. - President and CEO

That's probably -- maybe half-and-half. I mean, that's a ballpark. It's the typical things with the amount of facilities we have: just the physical plants, trying to maintain those, new rooms and things like that that we have to be mindful of.

So we try not to ever overlook that. We try to always take care of that as the needs come up. But on the other hand, we're not out there building new factories and breaking ground.

**Brian Rafn** - Morgan Dempsey - Analyst

Yes, no, I got you on that. And then just one final one. You guys have continued to be a fortress balance sheet, no debt, tons of cash. I mean, you've really been a miracle on that side. Any thought process beyond Treasury repurchases on a special dividend? Or do you really see your demand for CapEx calling some of that cash on the balance sheet?

**Chris Killoy** - Sturm, Ruger & Co., Inc. - President and CEO

Well, I mean, at this point we really don't plan to change our approach. With \$130 million cash balance, a lot of people have asked, are we considering a special dividend now? It certainly comes up in discussions at the Board level, but as I said earlier, our primary responsibility is the stewardship of the shareholders' assets and creation of value. We're constantly looking at opportunities to continue to generate those returns.

And if -- it may be something like either continued share buybacks, or things like a special dividend; or it might be something on the M&A front. Right now we think we are positioned in a good way for any one of those three to happen.

**Brian Rafn** - Morgan Dempsey - Analyst

Got you. And then one more on the raw materials. Are you seeing anything on lumber, wood stocks, or resins or waxes, or any chemical from a standpoint of commodity inflation? You talk a little bit about tooling steel. Anything on any of the other raw material feedstocks?

**Chris Killoy** - Sturm, Ruger & Co., Inc. - President and CEO

No. I think we're in pretty good shape on wood and the rest of the raw materials that we consume at Ruger. So I think it's primarily steel is what we're keeping our eye on and making sure from an allocation standpoint that -- we don't lose our spot in line, so to speak.

**Brian Rafn** - Morgan Dempsey - Analyst

Okay. All right, guys. Hey, appreciate it. Thanks very much. Good luck.

**Operator**

Thank you. And I'm showing no further questions at this time.



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**Chris Killoy** - *Sturm, Ruger & Co., Inc. - President and CEO*

Okay. Thank you, operator.

In closing, I would like to thank you for your continued interest in Ruger, and I look forward to speaking with you on our third-quarter earnings call in November. I would also like to thank the over 1,800 Ruger associates at our facilities throughout the United States for their hard work and commitment to building great firearms. Thank you very much.

**Operator**

Ladies and gentlemen, thank you for participating in today's conference. That does conclude today's program. You may all disconnect. Everyone have a great day.

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