

STURM RUGER & CO INC
Form 10-Q
August 01, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-10435

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

Delaware 06-0633559
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification no.)

Lacey Place, Southport, Connecticut 06890
(Address of principal executive offices) (Zip code)

(203) 259-7843

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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's common stock as of July 31, 2018: Common Stock, \$1 par value -17,458,020.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

STURM, RUGER & COMPANY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	June 30, 2018	December 31, 2017 (Note)
Assets		
Current Assets		
Cash	\$131,711	\$63,487
Trade receivables, net	50,138	60,082
Gross inventories	71,104	87,592
Less LIFO reserve	(45,097)	(45,180)
Less excess and obsolescence reserve	(1,994)	(2,698)
Net inventories	24,013	39,714
Prepaid expenses and other current assets	2,597	3,501
Total Current Assets	208,459	166,784
Property, plant and equipment	360,554	365,013
Less allowances for depreciation	(270,576)	(261,218)
Net property, plant and equipment	89,978	103,795
Other assets	14,321	13,739
Total Assets	\$312,758	\$284,318

Note:

The consolidated balance sheet at December 31, 2017 has been derived from the audited consolidated financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

See notes to condensed consolidated financial statements.

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STURM, RUGER & COMPANY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(Dollars in thousands, except per share data)

	June 30, 2018	December 31, 2017 (Note)
Liabilities and Stockholders' Equity		
Current Liabilities		
Trade accounts payable and accrued expenses	\$28,900	\$32,422
Contract liabilities with customers (Note 3)	6,674	—
Product liability	813	729
Employee compensation and benefits	19,755	14,315
Workers' compensation	4,997	5,211
Income taxes payable	1,221	—
Total Current Liabilities	62,360	52,677
Product liability	78	90
Deferred income taxes	889	1,402
Contingent liabilities – Note 12	—	—
Stockholders' Equity		
Common Stock, non-voting, par value \$1:		
Authorized shares 50,000; none issued	—	—
Common Stock, par value \$1:		
Authorized shares – 40,000,000		
2018 – 24,123,418 issued, 17,458,020 outstanding	24,123	24,092
2017 – 24,092,488 issued, 17,427,090 outstanding		
Additional paid-in capital	30,150	28,329
Retained earnings	338,753	321,323
Less: Treasury stock – at cost		
2018 – 6,665,398 shares	(143,595)	(143,595)
2017 – 6,665,398 shares		
Total Stockholders' Equity	249,431	230,149
Total Liabilities and Stockholders' Equity	\$312,758	\$284,318

Note:

The consolidated balance sheet at December 31, 2017 has been derived from the audited consolidated financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

See notes to condensed consolidated financial statements.

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STURM, RUGER & COMPANY, INC.

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net firearms sales	\$127,017	\$130,510	\$256,899	\$296,876
Net castings sales	1,394	1,344	2,670	2,334
Total net sales	128,411	131,854	259,569	299,210
Cost of products sold	91,812	96,908	187,150	208,511
Gross profit	36,599	34,946	72,419	90,699
Operating expenses:				
Selling	9,785	12,505	18,123	26,044
General and administrative	7,446	7,145	16,332	15,488
Total operating expenses	17,231	19,650	34,455	41,532
Operating income	19,368	15,296	37,964	49,167
Other income:				
Interest expense, net	(22)	(32)	(49)	(66)
Other income, net	703	426	1,035	780
Total other income, net	681	394	986	714
Income before income taxes	20,049	15,690	38,950	49,881
Income taxes	4,860	5,491	9,497	17,458
Net income and comprehensive income	\$15,189	\$10,199	\$29,453	\$32,423
Basic earnings per share	\$0.87	\$0.58	\$1.69	\$1.81
Diluted earnings per share	\$0.86	\$0.57	\$1.68	\$1.79
Cash dividends per share	\$0.32	\$0.48	\$0.55	\$0.92

See notes to condensed consolidated financial statements.

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STURM, RUGER & COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2017	\$ 24,092	\$ 28,329	\$ 321,323	\$(143,595)	\$ 230,149
Net income and comprehensive income			29,453		29,453
Dividends paid			(9,599)		(9,599)
Unpaid dividends accrued			(197)		(197)
Adoption of ASC 606 (Note 3)			(2,227)		(2,227)
Recognition of stock-based compensation expense		2,668			2,668
Vesting of RSU's		(816)			(816)
Common stock issued-compensation plans	31	(31)			—
Balance at June 30, 2018	\$ 24,123	\$ 30,150	\$ 338,753	\$(143,595)	\$ 249,431

See notes to condensed consolidated financial statements.

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STURM, RUGER & COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in thousands)

	Six Months Ended	
	June 30,	July 1,
	2018	2017
Operating Activities		
Net income	\$29,453	\$32,423
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	16,344	18,653
Slow moving inventory valuation adjustment	(348)	321
Stock-based compensation	2,668	1,643
(Gain) loss on sale of assets	(4)	31
Deferred income taxes	(513)	428
Changes in operating assets and liabilities:		
Trade receivables	9,944	13,880
Inventories	16,049	