

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS  
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2021

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 0-4776

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

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**06-0633559**

(I.R.S. Employer  
Identification No.)

**1 Lacey Place, Southport, Connecticut**

(Address of Principal Executive Offices)

**06890**

(Zip Code)

**(203) 259-7843**

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
<b>Common Stock, \$1 par value</b>	<b>RGR</b>	<b>New York Stock Exchange</b>

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

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES  NO

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES  NO

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the registered public accounting firm that prepared or issued its audit report. [  ]

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2021:

*Common Stock, \$1 par value - \$1,568,608,300*

The number of shares outstanding of the registrant's common stock as of February 15, 2022: *Common Stock, \$1 par value - 17,596,600 shares*

**DOCUMENTS INCORPORATED BY REFERENCE.**

Portions of the registrant's Proxy Statement relating to the 2022 Annual Meeting of Stockholders to be held May 9, 2022 are incorporated by reference into Part III (Items 10 through 14) of this Report.

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**EXPLANATORY NOTE:**

In this Annual Report on Form 10-K, Sturm, Ruger & Company, Inc. and Subsidiary (the “Company”) makes forward-looking statements and projections concerning future expectations. Such statements are based on current expectations and are subject to certain qualifying risks and uncertainties, such as market demand, sales levels of firearms, anticipated castings sales and earnings, the need for external financing for operations or capital expenditures, the results of pending litigation against the Company, the impact of future firearms control and environmental legislation, and accounting estimates, any one or more of which could cause actual results to differ materially from those projected. Words such as “expect,” “believe,” “anticipate,” “intend,” “estimate,” “will,” “should,” “could” and other words and terms of similar meaning, typically identify such forward-looking statements. 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.

# **PART I**

## **ITEM 1—BUSINESS**

### **Company Overview**

Sturm, Ruger & Company, Inc. and Subsidiary (the “Company”) is principally engaged in the design, manufacture, and sale of firearms to domestic customers. Virtually all of the Company’s sales for the year ended December 31, 2021 were from the firearms segment, with less than 1% from the castings segment. Export sales represent approximately 4% of firearms sales. The Company’s design and manufacturing operations are located in the United States and almost all product content is domestic.

The Company has been in business since 1949 and was incorporated in its present form under the laws of Delaware in 1969. The Company primarily offers products in three industry product categories – rifles, pistols, and revolvers. The Company’s firearms are sold through independent wholesale distributors, principally to the commercial sporting market.

The Company manufactures and sells investment castings made from steel alloys and metal injection molding (“MIM”) parts for internal use in the firearms segment and has minimal sales to outside customers. The castings and MIM parts are sold to outside customers, either directly or through manufacturers’ representatives.

On November 23, 2020, the Company acquired substantially all of the Marlin Firearms assets. The agreement to purchase these assets emanated from the Remington Outdoor Company, Inc. bankruptcy and was approved by the United States Bankruptcy Court for the Northern District of Alabama on September 30, 2020. The purchase price of approximately \$28.3 million was paid with available cash on hand. Shipments of Ruger-made, Marlin lever action rifles commenced late in the fourth quarter of 2021.

For the years ended December 31, 2021, 2020, and 2019, net sales attributable to the Company’s firearms operations were \$728.1 million, \$565.9 million and \$406.3 million. The balance of the Company’s net sales for the aforementioned periods was attributable to its castings operations.

### **Firearms Products**

The Company presently manufactures firearm products, under the “Ruger” name and trademark, in the following industry categories:

#### **Rifles**

- Single-shot
- Autoloading
- Bolt-action
- Modern sporting

#### **Revolvers**

- Single-action
- Double-action

#### **Pistols**

- Rimfire autoloading
- Centerfire autoloading

In addition, the Company manufactures lever-action rifles under the “Marlin” name and trademark.

Most firearms are available in several models based upon caliber, finish, barrel length, and other features.

### Rifles

A rifle is a long gun with spiral grooves cut into the interior of the barrel to give the bullet a stabilizing spin after it leaves the barrel. Net sales of rifles by the Company accounted for \$317.5 million, \$234.3 million, and \$200.6 million of total net sales for the years 2021, 2020, and 2019, respectively.

### Pistols

A pistol is a handgun in which the ammunition chamber is an integral part of the barrel and which typically is fed ammunition from a magazine contained in the grip. Net sales of pistols by the Company accounted for \$278.4 million, \$198.1 million, and \$124.8 million of revenues for the years 2021, 2020, and 2019, respectively.

### Revolvers

A revolver is a handgun that has a cylinder that holds the ammunition in a series of chambers which are successively aligned with the barrel of the gun during each firing cycle. There are two general types of revolvers, single-action and double-action. To fire a single-action revolver, the hammer is pulled back to cock the gun and align the cylinder before the trigger is pulled. To fire a double-action revolver, a single trigger pull advances the cylinder and cocks and releases the hammer. Net sales of revolvers by the Company accounted for \$84.4 million, \$79.1 million, and \$56.8 million of revenues for the years 2021, 2020, and 2019, respectively.

### Accessories

The Company also manufactures and sells accessories and replacement parts for its firearms. These sales accounted for \$47.8 million, \$54.1 million, and \$24.1 million of total net sales for the years 2021, 2020, and 2019, respectively.

### **Castings Products**

Net sales attributable to the Company’s casting operations (excluding intercompany transactions) accounted for \$2.6 million, \$3.0 million, and \$4.2 million, for 2021, 2020, and 2019, respectively. These sales represented less than 1% of total net sales in each of 2021 and 2020 and approximately 1% of total net sales for 2019.

### **Manufacturing**

#### Firearms

The Company produces one model of pistol, all of its revolvers and most of its rifles at the Newport, New Hampshire facility. Most of the Company’s pistols are produced at the Prescott, Arizona facility. Some rifle models and pistol models are produced at the Mayodan, North Carolina facility.

Many of the basic metal component parts of the firearms manufactured by the Company are produced by the Company's castings segment through processes known as precision investment casting. The Company also uses many MIM parts in its firearms. See "Manufacturing- Investment Castings and Metal Injected Moldings" below for a description of these processes. The Company believes that investment castings and MIM parts provide greater design flexibility and result in component parts which are generally close to their ultimate shape and, therefore, require less machining than processes requiring machining a solid billet of metal to obtain a part. Through the use of investment castings and MIM parts, the Company endeavors to produce durable and less costly component parts for its firearms.

All assembly, inspection, and testing of firearms manufactured by the Company are performed at the Company's manufacturing facilities. Every firearm, including every chamber of every revolver manufactured by the Company, is test-fired prior to shipment.

#### Investment Castings and Metal Injection Moldings

To produce a product by the investment casting method, a wax model of the part is created and coated ("invested") with several layers of ceramic material. The shell is then heated to melt the interior wax, which is poured off, leaving a hollow mold. To cast the desired part, molten metal is poured into the mold and allowed to cool and solidify. The mold is then broken off to reveal a near net shape cast metal part.

Metal injection molding is a three part powder metallurgy process by which a feedstock consisting of finely powdered metal and binders is processed through injection molding, debinding, and sintering equipment to produce steel, stainless steel, and alloy parts of complex shape and geometry. This process allows for high volume production while eliminating many of the wastes of traditional metal working methods, yielding net shape and near net shape parts.

### **Marketing and Distribution**

#### Firearms

The Company's firearms are primarily marketed through a network of federally licensed, independent wholesale distributors who purchase the products directly from the Company. They resell to federally licensed, independent retail firearms dealers who in turn resell to legally authorized end users. All retail purchasers are subject to a point-of-sale background check by law enforcement. These end users include sportsmen, hunters, people interested in self-defense, law enforcement and other governmental organizations, and gun collectors. Each domestic distributor carries the entire line of firearms manufactured by the Company for the commercial market. Currently, 14 distributors service the domestic commercial market, with an additional 25 distributors servicing the domestic law enforcement market and 44 distributors servicing the export market.

In 2021, the Company's largest customers and the percent of firearms sales they represented were as follows: Lipsey's - 21%; Sports South - 19%; and Davidson's - 19%.

In 2020, the Company's largest customers and the percent of firearms sales they represented were as follows: Sports South - 22%; Lipsey's - 22%; and Davidson's - 18%.

In 2019, the Company's largest customers and the percent of firearms sales they represented were as follows: Lipsey's - 26%; Sports South - 22%; and Davidson's - 15%.

The Company employs 15 employees who service these distributors and call on retailers and law enforcement agencies. Because the ultimate demand for the Company's firearms comes from end users rather than from the independent wholesale distributors, the Company believes that the loss of any distributor would not have a material, long-term adverse effect on the Company, but may have a material adverse effect on the Company's financial results for a particular period. The Company considers its relationships with its distributors to be satisfactory.

The Company also exports its firearms through a network of selected commercial distributors and directly to certain foreign customers, consisting primarily of law enforcement agencies and foreign governments. Foreign sales were no more than 5% of the Company's consolidated net sales for each of the past three fiscal years.

The Company does not consider its overall firearms business to be predictably seasonal; however, orders of many models of firearms from the distributors tend to be stronger in the first quarter of the year and weaker in the third quarter of the year. This is due in part to the timing of the distributor show season, which occurs during the first quarter.

#### Investment Castings and Metal Injection Moldings

The castings segment provides castings and MIM parts for the Company's firearms segment. In addition, the castings segment produces some products for a number of customers in a variety of industries.

### **Competition**

#### Firearms

Competition in the firearms industry is intense and comes from both foreign and domestic manufacturers. While some of these competitors concentrate on a single industry product category such as rifles or pistols, several competitors manufacture products in all four industry categories (rifles, shotguns, pistols, and revolvers). The principal methods of competition in the industry are product innovation, quality, availability, brand, and price. The Company believes that it can compete effectively with all of its present competitors.

#### Investment Castings and Metal Injection Moldings

There are a large number of investment castings and MIM manufacturers, both domestic and foreign, with which the Company competes. Competition varies based on the type of investment castings products and the end use of the product. Companies offering alternative methods of manufacturing such as wire electric discharge machining (EDM) and advancements in computer numeric controlled (CNC) machining also compete with the Company's castings segment. Many of these competitors are larger corporations than the Company with substantially greater financial resources than the Company, which could affect the Company's ability to compete with these

competitors. The principal methods of competition in the industry are quality, price, and production lead time.

## **Human Capital**

The Company is an equal opportunity employer dedicated to the attraction, development, and retention of our employees by providing a preferred work environment that promotes and celebrates our core values of Integrity, Respect, Innovation and Teamwork. Our goal is to develop, retain and reward passionate and dedicated employees.

As of February 1, 2022, the Company employed approximately 1,912 full-time employees, approximately 25% of whom had at least ten years of service with the Company.

The Company attracts candidates and retains employees by offering competitive compensation packages, which include:

- Base wages or salary,
- Profit sharing,
- Medical and welfare coverage,
- Holidays and other “paid time off” (PTO), and
- 401(k) plan participation and matching program.

The Company believes its compensation packages:

- Provide a base level of compensation to reflect an individual’s role and responsibilities;
- Recognize and reward employees for the Company’s success; and
- Provide for the safety, security and well-being of employees.

Our primary vehicle for human capital development is Ruger University, whose mission is to:

- Enhance the understanding of our industry, Company and culture,
- Strengthen the technical, interpersonal and leadership skills of each employee, and
- Allow employees to positively change their own lives while creating value for all Ruger stakeholders.

In addition to providing a competitive compensation package and emphasizing the development of employees, the Company retains its employees by maintaining a safe, responsible, and preferred workplace. The Company is committed to conducting business in conformance with the highest ethical standards and in compliance with all relevant legal and regulatory requirements. The “Code of Business Conduct and Ethics” and the “Corporate Compliance Program” are two active programs that guide the Company’s practices to achieve these goals.

Since the beginning of the global outbreak of the Coronavirus disease 2019 (“COVID-19”) in March 2020, the Company continues to take multiple proactive steps to maintain the health and safety of its employees and maintain a preferred workplace. These actions include:



- Providing all employees with additional COVID-19 PTO;
- Encouraging employees to work remotely, wherever possible, and implementing social distancing throughout each manufacturing facility, including in every manufacturing cell;
- Through dedicated facility nurses, confidentially communicating with and assisting employees with potential health issues and contact tracing;
- Restricting visitor access to avoid introducing new people to the factory environment;
- Implementing additional cleaning, sanitizing, improved ventilation and other health and safety processes to maintain a clean and safe workplace; and
- Providing all employees with multiple face coverings and other personal protective equipment and mandating their use in our facilities.

To assess and improve employee retention and engagement, the Company surveys employees on an annual basis with the assistance of a third-party consultant, and takes actions to address areas of employee concern and build on the competencies that are important for our future success.

### **Research and Development**

In 2021, 2020, and 2019, the Company spent approximately \$11.7 million, \$8.0 million, and \$8.2 million, respectively, on research and development activities relating to new products and the improvement of existing products. Research and development expenses are included in costs of products sold. As of February 1, 2022, the Company had approximately 72 employees whose primary responsibilities were research and development activities.

### **Patents and Trademarks**

The Company owns various United States and foreign patents and trademarks which have been secured over a period of years and which expire at various times. It is the policy of the Company to apply for patents and trademarks whenever new products or processes deemed commercially valuable are developed or marketed by the Company. The Company deems its patents and trademarks to be valuable and therefore works to police and protect them.

### **Environmental Matters**

The Company is committed to achieving high standards of environmental quality and product safety, and strives to provide a safe and healthy workplace for its employees and others in the communities in which it operates. The Company has programs in place that monitor compliance with various environmental regulations. However, in the normal course of its manufacturing operations the Company is subject to governmental proceedings and orders pertaining to waste disposal, air emissions, and water discharges into the environment. These regulations are integrated into the Company's manufacturing, assembly, and testing processes. The Company believes that it is generally in compliance with applicable environmental regulations and that the outcome of any environmental proceedings and orders will not have a material adverse effect on the financial position of the Company, but could have a material adverse effect on the financial results for a particular period.

### **Information about our Executive Officers**

Set forth below are the names, ages, and positions of the executive officers of the Company. Officers serve at the discretion of the Board of Directors of the Company.

<u>Name</u>	<u>Age</u>	<u>Position With Company</u>
Christopher J. Killoy	63	President and Chief Executive Officer
Thomas A. Dineen	53	Senior Vice President, Treasurer, and Chief Financial Officer
Thomas P. Sullivan	61	Senior Vice President of Operations
Kevin B. Reid, Sr.	61	Vice President, General Counsel, and Corporate Secretary
Shawn C. Leska	50	Vice President, Sales

Christopher J. Killoy became President & Chief Executive Officer on May 9, 2017. Previously he served as President and Chief Operating Officer since January 1, 2014. Prior to that he served as Vice President of Sales and Marketing since November 27, 2006. Mr. Killoy originally joined the Company in 2003 as Executive Director of Sales and Marketing, and subsequently served as Vice President of Sales and Marketing from November 1, 2004 to January 25, 2005.

Thomas A. Dineen became Senior Vice President on July 10, 2017. Previously he served as Vice President since May 24, 2006. Prior to that he served as Treasurer and Chief Financial Officer since May 6, 2003 and had been Assistant Controller since 2001. Mr. Dineen joined the Company as Manager, Corporate Accounting in 1997.

Thomas P. Sullivan became Senior Vice President of Operations on July 1, 2017. Mr. Sullivan joined the Company as Vice President of Newport Operations for the Newport, New Hampshire Firearms and Pine Tree Castings divisions on August 14, 2006.

Kevin B. Reid, Sr. became Vice President and General Counsel on April 23, 2008. Previously he served as the Company's Director of Marketing from June 4, 2007. Mr. Reid joined the Company in July 2001 as an Assistant General Counsel.

Shawn C. Leska became Vice President, Sales on November 6, 2015. Mr. Leska joined the Company in 1989 and has served in a variety of positions in the sales department. Most recently, Mr. Leska served as Director of Sales since 2011.

### **Where You Can Find More Information**

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and accordingly, files its Annual Report on Form 10-K,

Quarterly Reports on Form 10-Q, Definitive Proxy Statements, Current Reports on Form 8-K, and other information with the Securities and Exchange Commission (the "SEC"). As an electronic filer, the Company's public filings are maintained on the SEC's Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that website is <http://www.sec.gov>.

The Company makes its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Definitive Proxy Statements, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act accessible free of charge through the Company's Internet site after the Company has electronically filed such material with, or furnished it to, the SEC. The address of that website is <http://www.ruger.com>. However, such reports may not be accessible through the Company's website as promptly as they are accessible on the SEC's website.

Additionally, the Company's corporate governance materials, including its Corporate Governance Guidelines, the charters of the Audit, Compensation, Nominating and Corporate Governance, Risk Oversight and Capital Policy committees, and the Code of Business Conduct and Ethics may also be found under the "Investor Relations" subsection of the "Corporate" section of the Company's Internet site at <http://www.ruger.com/corporate>. A copy of the foregoing corporate governance materials is available upon written request to the Corporate Secretary at Sturm, Ruger & Company, Inc., 1 Lacey Place, Southport, Connecticut 06890.

## **ITEM 1A—RISK FACTORS**

The Company's operations could be affected by various risks, many of which are beyond its control. Based on current information, the Company believes that the following identifies the most significant risk factors that could adversely affect its business. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

In evaluating the Company's business, the following risk factors, as well as other information in this report, should be carefully considered.

### **Changes in government policies and firearms legislation could adversely affect the Company's financial results.**

The sale, purchase, ownership, and use of firearms are subject to thousands of federal, state and local governmental regulations. The basic federal laws are the National Firearms Act, the Federal Firearms Act, and the Gun Control Act of 1968. Federal law generally prohibits the private ownership of fully automatic weapons manufactured after 1986 and places certain restrictions on the interstate sale of firearms unless certain licenses are obtained. The Company does not manufacture fully automatic weapons and holds all necessary licenses under these federal laws. If the scope of the National Firearms Act is expanded to regulate firearms currently regulated by the Gun Control Act, it could make acquisition of commonly owned and used firearms more expensive and complicated for consumers, which could have a material adverse impact on demand for Company products. Several states currently have laws in effect similar to the aforementioned legislation.

In 2005, Congress enacted the Protection of Lawful Commerce in Arms Act (“PLCAA”). The PLCAA was enacted to address abuses by cities and agenda-driven individuals who wrongly sought to make firearms manufacturers liable for legally manufactured and lawfully sold products if those products were later used in criminal acts. The Company believes the PLCAA merely codifies common sense and long standing tort principles. If the PLCAA is repealed or efforts to circumvent it are successful and lawsuits similar to those filed by cities and agenda-driven individuals in the late 1990s and early 2000s are allowed to proceed, it could have a material adverse impact on the Company.

Currently, federal and several states’ legislatures are considering additional legislation relating to the regulation of firearms. These proposed bills are numerous and extremely varied, but many seek either to restrict or ban the sale and, in some cases, the ownership of various types of firearms. Other legislation seeks to require new technologies, such as microstamping and so-called “smart gun” technology, which are not proven, reliable or feasible. Such legislation became effective in California in 2013, which has limited our ability to sell certain products in California. If similar legislation is enacted in other states, or at the Federal level, it could effectively ban or severely limit the sale of affected firearms. There also are legislative proposals to limit magazine capacity.

The Company believes that the lawful private ownership of firearms is guaranteed by the Second Amendment to the United States Constitution and that the widespread private ownership of firearms in the United States will continue. However, there can be no assurance that the regulation of firearms will not become more restrictive in the future and that any such restriction would not have a material adverse effect on the business of the Company. Numerous bills regulating the ownership of firearms have been proposed at the state and federal levels, and these bills propose a wide variety of restrictions including, for example, limiting the number of firearms that may be purchased in a specified time, increasing the age for ownership, imposing additional licensing or registration requirements, creating additional restrictions on certain, common firearm features, and levying new taxes on firearms and/or ammunition.

**The Company’s results of operations could be further adversely affected if legislation with diverse requirements is enacted.**

With literally thousands of laws being proposed at the federal, state and local levels, if even a small percentage of these laws are enacted and they are incongruent, the Company could find it difficult, expensive or even practically impossible to comply with them, impeding new product development and distribution of existing products.

**The COVID-19 pandemic could have a significant adverse impact on the Company’s operations, financial results, cash flow, and financial condition.**

The COVID-19 pandemic has created significant uncertainty and adversely impacted many industries throughout the global economy. Thus far, the Company has been able to mitigate the impact of COVID-19 through its proactive measures. However, as this pandemic continues, it is unknown how it may impact the Company in the future. The extent to which it impacts the Company’s operations, financial results, cash flow, and financial condition is difficult to predict and dependent upon many factors over which the Company has no control. These factors include, but are not limited to, the duration and severity of the pandemic; government restrictions on businesses and individuals; potential significant adverse impacts on the Company’s employees,

customers, suppliers, or service providers; the impact on U.S. and global economies and the timing and rate of economic recovery; and potential adverse effects on the financial markets, any of which could negatively impact the Company.

**The Company's results of operations could be adversely affected by litigation.**

The Company faces risks arising from various asserted and unasserted litigation matters. These matters include, but are not limited to, assertions of allegedly defective product design or manufacture, alleged failure to warn, purported class actions against firearms manufacturers, generally seeking relief such as medical expense reimbursement, property damages, and punitive damages arising from accidents involving firearms or the criminal misuse of firearms, and those lawsuits filed on behalf of municipalities alleging harm to the general public. Various factors or developments can lead to changes in current estimates of liabilities such as final adverse judgment, significant settlement or changes in applicable law. A future adverse outcome in any one or more of these matters could have a material adverse effect on the Company's financial results. See Note 20 to the financial statements which are included in this Annual Report on Form 10-K.

**The Company relies upon relationships with financial institutions.**

The Company utilizes the services of numerous financial institutions, including banks, insurance carriers, transfer agents, and others. Anti-gun politicians, gun-control activists, and others may target these institutions and attempt to pressure them into ceasing to do business with the Company, or to use financial relationships to impose unacceptable and improper restrictions on the Company's business, which could have a material adverse impact on our business, operating results, and financial condition.

**Our insurance may be insufficient to protect us from claims or losses.**

We maintain insurance coverage with third-party insurers. However, not every risk or liability is or can be protected by insurance, and, for those risks we insure, the limits of coverage we purchase or that are reasonably obtainable in the market may not be sufficient to cover all actual losses or liabilities incurred. Moreover, there is a risk that commercially available liability insurance will not continue to be available to us at a reasonable cost, if at all. If liability claims or losses exceed our current or available insurance coverage, our business and prospects may be harmed.

**The Company's results of operations could be adversely affected by a decrease in demand for Company products.**

If demand for the Company's products decreases significantly, the Company would be unable to efficiently utilize its capacity, and profitability would suffer. Decreased demand could result from a macroeconomic downturn, or could be specific to the firearms industry as a result of social, political, or other factors. If the decrease in demand occurs abruptly, the adverse impact would be even greater.

**The financial health of our independent distributors is critical to our success.**

Over 90% of our sales are made to 14 federally licensed, independent wholesale distributors. We review our distributors' financial statements and have credit insurance for many of them. However, our credit evaluations of distributors and credit insurance may not be completely effective, especially if an interest rate increase exacts an additional financial strain. If one or more independent distributors experience financial distress or liquidity issues, our sales could be

adversely affected and we may not be able to collect our accounts receivable on a timely basis, which would have an adverse impact on our operating results and financial condition.

**The Company must comply with various laws and regulations pertaining to workplace safety and environment, environmental matters, and firearms manufacturing.**

In the normal course of its manufacturing operations, the Company is subject to numerous federal, state and local laws and governmental regulations, and governmental proceedings and orders. These laws and regulations pertain to matters like workplace safety and environment, firearms serial number tracking and control, waste disposal, air emissions and water discharges into the environment. Noncompliance with any one or more of these laws and regulations could have a material adverse impact on the Company.

**Misconduct of our employees or contractors could cause us to lose customers and could have a significant adverse impact on our business and reputation.**

Misconduct, fraud or other improper activities by our employees or contractors could have a material adverse impact on our business and reputation. Such misconduct could include the failure to comply with federal, state, local or foreign government procurement regulations, regulations regarding the protection of personal information, laws and regulations relating to antitrust and any other applicable laws or regulations.

**Product quality and performance is important to the Company's success.**

The Company has a long history of producing rugged, reliable firearms for the commercial market. While we believe our record of designing, manufacturing, and selling high-quality products demonstrates our commitment to safety and quality, we have occasionally identified design and/or manufacturing issues with respect to some firearms and, as a result, issued a product safety bulletin or initiated a product recall. Depending upon the volume of products we have shipped into the market, any future recall or safety bulletin could harm our reputation, cause us to lose business, and cause us to incur significant support and repair costs.

**Business disruptions at one of the Company's manufacturing facilities could adversely affect the Company's financial results.**

The Newport, New Hampshire, Prescott, Arizona, Mayodan, North Carolina, and Earth City, Missouri facilities are critical to the Company's success. These facilities house the Company's principal production, research, development, engineering, design, and shipping operations. Any event that causes a disruption of the operation of any of these facilities for even a relatively short period of time could have a material adverse effect on the Company's ability to produce and ship products and to provide service to its customers.

**We rely on our information and communications systems in our operations. Security breaches and other disruptions could adversely affect our business and results of operations.**

Cyber-security threats are significant and evolving and include, among others, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in mission critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. In addition to security threats, we are also subject to other systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, natural disasters, power shortages, terrorist attacks or other events.

The unavailability of our information or communications systems, the failure of these systems to perform as anticipated or any significant breach of data security could cause loss of data, disrupt our operations, lead to financial losses from remedial actions, require significant management attention and resources, and negatively impact our reputation among our customers and the public, which could have a negative impact on our financial condition, results of operations and liquidity.

**The lack of available raw materials or component parts could disrupt or even cease the Company's manufacturing operations. Even if manufacturing operations are not disrupted, increased costs of raw materials and component parts could adversely affect the Company's financial results.**

Third parties supply the Company with various raw materials for its firearms and castings, such as fabricated steel components, walnut, birch, beech, maple and laminated lumber for rifle stocks, wax, ceramic material, metal alloys, various synthetic products and other component parts. There is a limited supply of these materials in the marketplace at any given time, which can cause the purchase prices to vary based upon numerous market factors. If market conditions result in a significant prolonged inflation of certain prices or if adequate quantities of raw materials cannot be obtained, the Company's manufacturing processes could be interrupted and the Company's financial condition or results of operations could be materially adversely affected.

**We rely primarily on third parties for transportation of the products we manufacture as well as delivery of our raw materials.**

Any increase in the cost of the transportation of our raw materials or products, as a result of increases in fuel or labor costs, higher demand for logistics services, consolidation in the transportation industry or otherwise, may adversely affect our results of operations. If any of these providers were to fail to deliver raw materials to us in a timely manner, we may be unable to manufacture and deliver our products in a timely manner. In addition, if any of these third parties were to cease operations or cease doing business with us, we may be unable to replace them at a reasonable cost. And such failure of a third-party transportation provider could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our financial position and results of operations

**The integration of Marlin branded firearms may be more difficult than anticipated.**

If we are unable to execute our strategy related to the acquisition of Marlin assets and we are not able to manufacture Marlin branded firearms to the planned level of quality, quantity, cost effectiveness, or timeliness as planned, our financial condition, results of operations, and reputation would suffer.

**Availability and retention of our labor force, especially our key management, is critical to the success of the Company.**

We have observed an overall tightening and increasingly competitive labor market, which could inhibit our ability to recruit, train and retain the employees we require at efficient costs and could lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees. We rely on the management and leadership skills of our senior management team. Our senior executives are not bound by employment agreements. The loss of the services of one or more of our senior executives or other key personnel could have a significant adverse impact on our business.

## ITEM 1B—UNRESOLVED STAFF COMMENTS

None

## ITEM 2—PROPERTIES

The Company's manufacturing operations are carried out at four facilities. The following table sets forth certain information regarding each of these facilities:

	Approximate Aggregate Usable Square Feet	Status	Segment
Newport, New Hampshire	350,000	Owned	Firearms/Castings
Prescott, Arizona	230,000	Leased	Firearms
Mayodan, North Carolina	220,000	Owned	Firearms
Earth City, Missouri	35,000	Leased	Castings

Each firearms facility contains enclosed ranges for testing firearms. The lease of the Prescott facility provides for rental payments which are approximately equivalent to estimated rates for real property taxes.

The Company has other facilities that were not used in its manufacturing operations in 2021:

	Approximate Aggregate Usable Square Feet	Status	Segment
Southport, Connecticut	25,000	Owned	Corporate
Newport, New Hampshire (Dorr Woolen Building)	45,000	Owned	Firearms
Enfield, Connecticut	10,000	Leased	Firearms
Rochester, New Hampshire	2,000	Leased	Firearms
Fairport, New York	3,700	Leased	Corporate
Mayodan, North Carolina	250,000	Leased	Firearms
Madison, North Carolina	130,000	Leased	Firearms

There are no mortgages or any other major encumbrance on any of the real estate owned by the Company.

The Company's principal executive offices are located in Southport, Connecticut.



### **ITEM 3—LEGAL PROCEEDINGS**

The nature of the legal proceedings against the Company is discussed at Note 20 to the financial statements, which are included in this Form 10-K.

The Company has reported all cases instituted against it through October 2, 2021, and the results of those cases, where terminated, to the SEC on its previous Form 10-Q and 10-K reports, to which reference is hereby made.

There were no lawsuits formally instituted against the Company during the three months ending December 31, 2021.

### **ITEM 4—MINE SAFETY DISCLOSURES – NOT APPLICABLE**

## PART II

### ITEM 5—MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on the New York Stock Exchange under the symbol "RGR." At February 7, 2022, the Company had 1,807 stockholders of record.

#### Issuer Repurchase of Equity Securities

In 2019 the Company repurchased shares of its common stock. In 2020 and 2021, the Company did not repurchase any shares of its common stock. Details of the purchases in 2019 follow:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
Third Quarter 2019 July 28 to August 24	44,500	44.83	44,500	\$86,710,000

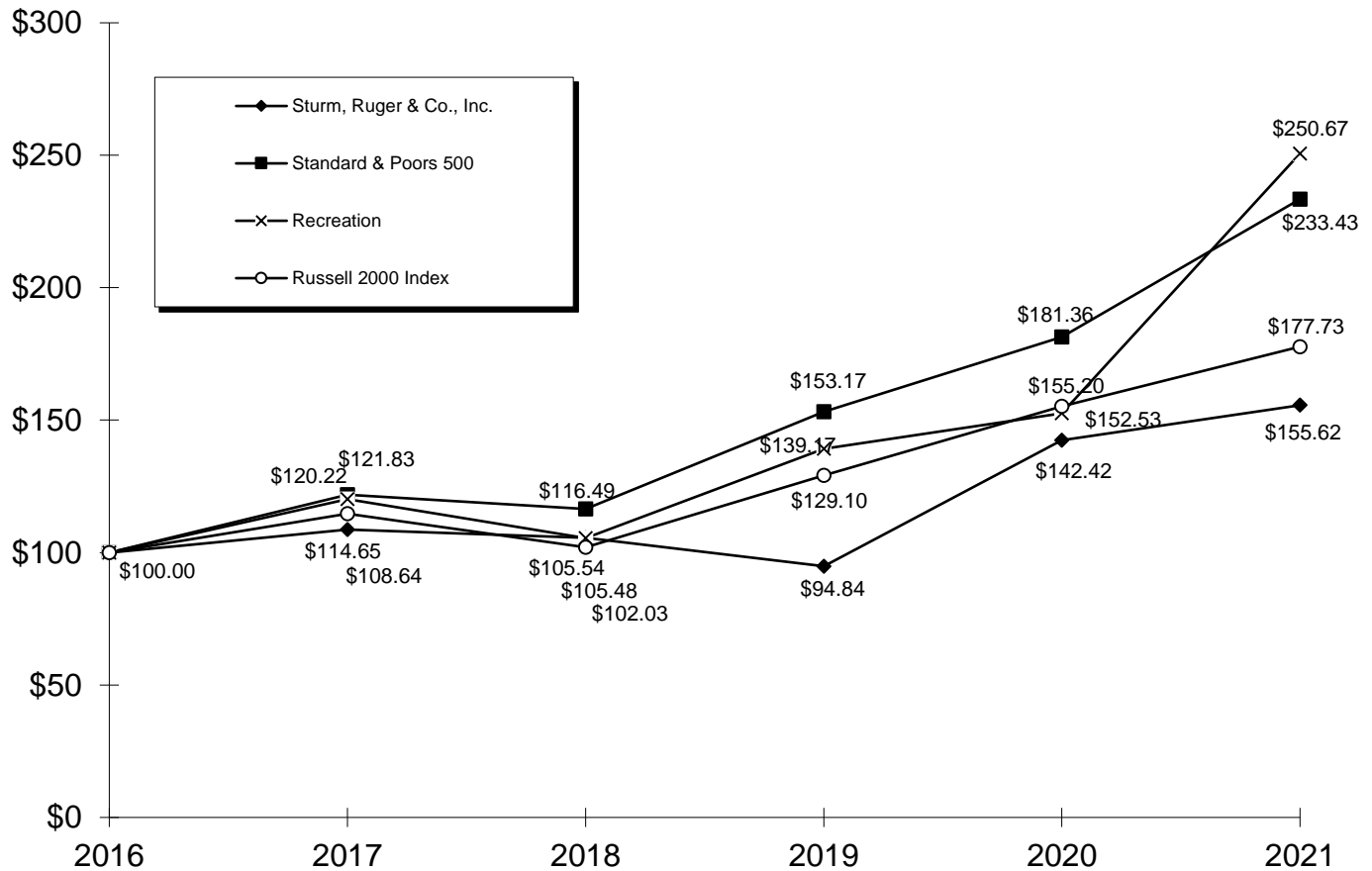
All of these purchases were made with cash held by the Company and no debt was incurred.

At December 31, 2021 approximately \$86.7 million remained authorized for share repurchases.

## Comparison of Five-Year Cumulative Total Return\*

**Sturm, Ruger & Co., Inc., Standard & Poor's 500, Recreation and Russell 2000 Index**

(Performance Results Through 12/31/21)



Assumes \$100 invested at the close of trading 12/16 in Sturm, Ruger & Co., Inc. common stock, Standard & Poor's 500, Recreation, and Russell 2000 Index.

\* Cumulative total return assumes reinvestment of dividends.

Source: Value Line Publishing LLC

	2016	2017	2018	2019	2020	2021
Sturm, Ruger & Co., Inc.	100.00	108.64	105.54	94.84	142.42	155.62
Standard & Poor's 500	100.00	121.83	116.49	153.17	181.36	233.43
Recreation	100.00	120.22	105.48	139.17	152.53	250.67
Russell 2000 Index	100.00	114.65	102.03	129.10	155.20	177.73

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information regarding compensation plans under which equity securities of the Company are authorized for issuance as of December 31, 2021:

<b>Equity Compensation Plan Information</b>			
<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> <b>(a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b> <b>(b) *</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> <b>(c)</b>
<b>Equity compensation plans approved by security holders</b>			
			-
2017 Stock Incentive Plan	<b>312,420</b>	-	<b>217,927</b>
<b>Equity compensation plans not approved by security holders</b>			
None.			
<b>Total</b>	<b>312,420</b>	-	<b>217,927</b>

\* Restricted stock units are settled in shares of common stock or the cash equivalent. Accordingly, the weighted-average exercise price is not applicable.

**ITEM 6—[RESERVED]**

## **ITEM 7—MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Company Overview**

Sturm, Ruger & Company, Inc. (the “Company”) is principally engaged in the design, manufacture, and sale of firearms to domestic customers. Approximately 99% of sales are from firearms. Export sales represent approximately 5% of total sales. The Company’s design and manufacturing operations are located in the United States and almost all product content is domestic. The Company’s firearms are sold through a select number of independent wholesale distributors, principally to the commercial sporting market.

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

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

### **Impact of COVID-19**

The global outbreak of the Coronavirus disease 2019 was declared a pandemic by the World Health Organization and a national emergency by the U.S. Government in March 2020. The COVID-19 pandemic has created significant uncertainty and adversely impacted many industries throughout the global economy. In 2021, the Company was able to mitigate the adverse impact on its business resulting from government restrictions on the movement of people, goods, and services. The impact of the COVID-19 pandemic is fluid and continues to evolve, and, therefore, the Company cannot predict the extent to which its business, results of operations, financial condition, or cash flows will ultimately be impacted. Management, with guidance from a dedicated Company COVID-19 Task Force, continues to monitor and assess the situation and prepare for potential implications for the Company’s business, supply chain and customer demand.

From a liquidity perspective, the Company believes it is currently well positioned to continue to manage through this global crisis. At the end of 2021, the Company was debt-free and had cash and short-term investments totaling \$221.0 million.

The Company has taken many proactive steps to maintain the health and safety of its employees and to mitigate the impact on its business. These actions include:

- Providing all employees with additional paid time off for COVID-19-related purposes since 2020,
- Offering cash and other incentives for employees who receive COVID-19 vaccinations,

- Holding multiple onsite COVID-19 vaccination clinics at our manufacturing facilities,
- Encouraging employees to continue to work remotely, wherever possible, and maintaining social distancing throughout each manufacturing facility, including in every manufacturing cell,
- Confidentially communicating with and assisting employees with potential health issues and positive case contact tracing through our dedicated facility nurses,
- Restricting visitor access to minimize the introduction of new people to the factory environment,
- Implementing additional cleaning and sanitizing, improved ventilation, and other health and safety processes to maintain a clean and safe workplace,
- Delivering multiple face coverings and other personal protective equipment to employees free of charge and mandating their use in our facilities,
- Giving employees access to free COVID-19 testing through our facility nurses, and
- Issuing periodic guidance, tools, and reminders to all associates to encourage them to engage in safe and responsible behaviors.

The costs of these actions totaled approximately \$1.5 million in 2021 and \$3.6 million in 2020. The Company has also experienced expense reductions and deferrals in certain areas of our business, including reductions or delays in sponsorships and advertising, reduced conference and trade show participation costs, and reduced travel expenditures. These expense reductions and deferrals approximated \$0.4 million in 2021 and \$2.9 million in 2020. In 2021 some business activities that had previously been cancelled or deferred as a result of the pandemic began to resume and related expenses increased. As COVID-19 restrictions ease, these expense reductions and deferrals could lessen and may ultimately be eliminated.

The Company has been able to keep all of its facilities safe and open with only limited restrictions on operations. While certain parts of the economy have begun to reopen as restrictions have been lifted, it is possible that additional restrictions will be put in place in the future that could adversely impact the Company's business for an indeterminate period.

From the latter stages of the first quarter of 2020 to early in 2021, there was a significant increase in consumer demand for firearms, as evidenced by the increase in the National Instant Criminal Background Check System ("NICS") background checks (as adjusted by the National Shooting Sports Foundation ("NSSF")). This increased demand may have been related, in part, to COVID-19.

The impact of COVID-19 in 2022 and future years on consumer demand and the Company's business, operations, financial results financial condition, and cash flows is dependent on future developments, including the duration of the pandemic and the related impact on the global economy, which remains uncertain.

## Results of Operations - 2021

### Product Demand

The estimated sell-through of the Company's products from the independent distributors to retailers in 2021 increased 3.5% from 2020. For the same period, adjusted NICS decreased 12%.

The increase in the sell-through of the Company's products compared favorably to the decrease in adjusted NICS background checks in 2021 and may be attributable to the following:

- Strong consumer demand for the Company's products,
- Increased production in 2021, and
- The introduction of popular new products.

Estimated sell-through from distributors to retailers and total adjusted NICS background checks:

	2021	2020	2019
Estimated Units Sold from Distributors to Retailers (1)	2,017,800	1,948,900	1,355,500
Total Adjusted NICS Background Checks (2)	18,515,000	21,084,000	13,199,000

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

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

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

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

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

### Orders Received and Ending Backlog

The Company uses the estimated unit sell-through of our products from the independent distributors to retailers, along with inventory levels at the independent distributors and at the Company, as the key metrics for planning production levels.

Orders Received in 2021 decreased 39.7% from 2020. Our ending order backlog of 1,204,500 units at December 31, 2021 decreased 307,400 units from a backlog of 1,511,900 units at December 31, 2020.

The units ordered, value of orders received and ending backlog, net of Federal Excise Tax, for the trailing three years are as follows (dollars in millions, except average sales price):

	2021	2020	2019
Orders Received	\$606.5	\$992.9	\$398.4
Average Sales Price of Orders Received	\$330	\$326	\$293
Ending Backlog	\$429.7	\$516.6	\$57.8
Average Sales Price of Ending Backlog	\$357	\$342	\$308

### Production

The Company reviews the estimated sell-through from the independent distributors to retailers, as well as inventory levels at the independent distributors and at the Company, to plan production levels and manage inventories. These reviews resulted in an increase in total unit production of 29.9% in 2021 compared to 2020.



## Annual Summary Unit Data

Firearms unit data for orders, production, and shipments follows:

	2021	2020	2019
Units Ordered	1,835,500	3,041,700	1,361,100
Units Produced	2,154,600	1,659,100	1,313,400
Units Shipped	2,142,900	1,717,700	1,326,200
Average Sales Price	\$340	\$329	\$306
Units – Backlog	1,204,500	1,511,900	187,900

## Inventories

The Company's finished goods inventory increased by 11,800 units during 2021, but remain significantly below pre-COVID-19 pandemic levels.

Distributor inventories of the Company's products increased by 125,000 units during 2021, but remain significantly below the level needed to support rapid fulfillment of retailer demand for most product families.

Inventory data follows:

	2021	2020	2019
Units – Company Inventory	20,600	8,800	67,400
Units – Distributor Inventory (3)	164,200	39,200	270,400
Total inventory (4)	184,800	48,000	337,800

- (3) Distributor ending inventory as provided by the independent distributors of the Company's products. These numbers do not include goods-in-transit inventory that has been shipped from the Company but not yet received by the distributors.
- (4) This total does not include inventory at retailers. The Company does not have access to data on retailer inventories.

*Year ended December 31, 2021, as compared to year ended December 31, 2020:*

Net Sales, Cost of Products Sold, and Gross Profit

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

	December 31, 2021	December 31, 2020	Change	% Change
Net firearms sales	\$728.1	\$565.9	\$162.2	28.7%
Net casting sales	\$ 2.6	\$ 3.0	\$ (0.4)	(13.6)%
Total net sales	\$730.7	\$568.9	\$161.8	28.5%
Cost of products sold	\$451.2	\$377.5	\$ 73.7	19.5%
Gross profit	\$279.5	\$191.4	\$ 88.1	46.0%
Gross margin	38.3%	33.7%	4.6%	13.6%

Firearms unit shipments increased 24.8% in 2021. New products represented \$155.5 million or 22% of firearms sales in 2021, compared to \$111.2 million or 22% of firearms sales in 2020. New product sales include only major new products that were introduced in the past two years. In 2021, new products included the Ruger-57 pistol, the PC Charger, the MAX-9 pistol, the LCP II in .22 LR pistol, the LCP MAX pistol, the Wrangler revolver, and the Marlin 1895 lever-action rifle.

The increased gross profit for the year ended December 31, 2021 is attributable to the significant increase in sales and profitability.

The increase in gross margin for the year ended December 31, 2021 is attributable to favorable leveraging of fixed costs, including depreciation, engineering and other indirect labor, resulting from the increased sales and production, labor efficiencies, and reduced sales promotional activities.

Selling, General and Administrative

Selling, general and administrative expenses were \$76.5 million in 2021, an increase of \$4.2 million from \$72.3 million in 2020, and a decrease from 12.7% of sales in 2020 to 10.5% of sales in 2021. The increase in expense was primarily attributable to increased sales and incentive compensation expenses and the decrease in the percentage of sales was attributable to the significant increase in sales.

### Other Operating Income, net

Other operating income, net was \$0.1 million in 2021 and was de minimis in 2020.

### Operating Income

Operating income was \$203.1 million or 27.8% of sales in 2021. This is an increase of \$84.0 million from 2020 operating income of \$119.1 million or 20.9% of sales.

### Royalty Income

Royalty income was \$2.0 million in 2021 and \$0.8 million in 2020.

### Interest Income

Interest income was de minimis in 2021, a decrease from \$1.1 million in 2020, due to significantly decreased interest rates earned on short-term investments in 2021.

### Interest Expense

Interest expense was \$0.2 million in 2021 and 2020.

### Other Income, Net

Other income, net was \$1.6 million in 2021, an increase of \$1.5 million from \$0.1 million in 2020.

### Income Taxes and Net Income

The effective income tax rate was 24.5% in 2021 and 25.3% in 2020. The Company's 2021 effective tax rate differs from the statutory federal tax rate due principally to state income taxes and the nondeductibility of certain executive compensation. The Company's 2020 effective tax rate differs from the statutory federal tax rate due principally to state income taxes.

As a result of the foregoing factors, consolidated net income was \$156.9 million in 2021. This represents an increase of \$65.5 million from 2020 consolidated net income of \$90.4 million.

### **Non-GAAP Financial Measure**

In an effort to provide investors with additional information regarding its results, the Company refers to various United States generally accepted accounting principles (“GAAP”) financial measures and two non-GAAP financial measures, EBITDA and EBITDA margin, which management believes provides useful information to investors. These non-GAAP measures may not be comparable to similarly titled measures being disclosed by other companies. In addition, the Company believes that the non-GAAP financial measures should be considered in addition to, and not in lieu of, GAAP financial measures. The Company believes that EBITDA and EBITDA margin are useful to understanding its operating results and the ongoing performance of its

underlying business, as EBITDA provides information on the Company’s ability to meet its capital expenditure and working capital requirements, and is also an indicator of profitability. The Company believes that this reporting provides better transparency and comparability to its operating results. The Company uses both GAAP and non-GAAP financial measures to evaluate its financial performance.

#### Non-GAAP Reconciliation – EBITDA

#### EBITDA

*(Unaudited, dollars in thousands)*

<i>Year ended December 31,</i>	<b>2021</b>	2020
Net income	\$155,899	\$90,398
Income tax expense	50,695	30,583
Depreciation and amortization expense	26,152	27,576
Interest expense	164	191
Interest income	(49)	(1,126)
<b>EBITDA</b>	<b>\$232,861</b>	<b>\$147,622</b>
<b>EBITDA margin</b>	<b>31.9%</b>	<b>26.0%</b>

EBITDA is defined as earnings before interest, taxes, and depreciation and amortization. The Company calculates this by adding the amount of interest expense, income tax expense and depreciation and amortization expenses that have been deducted from net income back into net income, and subtracting the amount of interest income that was included in net income from net income to arrive at EBITDA. The Company’s EBITDA calculation also excludes any one-time non-cash, non-operating expense.

## Quarterly Data

To supplement the summary annual unit data and discussion above, the same data for the last eight quarters follows:

	2021			
	Q4	Q3	Q2	Q1
Units Ordered	373,000	218,800	453,400	790,300
Units Produced	512,100	525,200	575,400	541,900
Units Shipped	502,300	524,800	580,800	535,000
Estimated Units Sold from Distributors to Retailers	458,200	457,400	583,300	518,900
Total Adjusted NICS Background Checks	4,763,000	3,971,000	4,298,000	5,483,000
Average Unit Sales Price	\$334	\$338	\$343	\$343
Units – Backlog	1,204,500	1,333,800	1,639,800	1,767,200
Units – Company Inventory	20,600	10,900	10,400	15,700
Units – Distributor Inventory (5)	164,200	120,100	52,800	55,300
	2020			
	Q4	Q3	Q2	Q1
Units Ordered	733,200	935,200	746,600	626,700
Units Produced	491,000	430,400	374,400	363,300
Units Shipped	493,000	430,700	395,100	398,900
Estimated Units Sold from Distributors to Retailers	513,100	457,400	501,600	476,800
Total Adjusted NICS Background Checks	5,626,000	5,165,000	5,452,000	4,841,000
Average Unit Sales Price	\$342	\$337	\$328	\$285
Units – Backlog	1,511,900	1,271,700	767,200	415,700
Units – Company Inventory	8,800	10,700	11,100	31,900
Units – Distributor Inventory (5)	39,200	59,300	86,000	192,500

- (5) Distributor ending inventory as provided by the independent distributors of the Company's products.

(in millions except average sales price, net of Federal Excise Tax)

	2021			
	Q4	Q3	Q2	Q1
Orders Received	\$119.2	\$61.1	\$158.3	\$267.9
Average Sales Price of Orders Received	\$320	\$279	\$349	\$339
Ending Backlog	\$429.7	\$471.7	\$582.3	\$612.3
Average Sales Price of Ending Backlog	\$357	\$354	\$355	\$346

	2020			
	Q4	Q3	Q2	Q1
Orders Received	\$277.1	\$284.0	\$228.8	\$203.0
Average Sales Price of Orders Received	\$352	\$304	\$306	\$324
Ending Backlog	\$516.6	\$410.1	\$255.6	\$142.7
Average Sales Price of Ending Backlog	\$342	\$322	\$333	\$343

#### Fourth Quarter Net Sales and Gross Profit Analysis

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

	December 31, 2021	December 31, 2020	Change	% Change
Net firearms sales	\$167.5	\$168.5	\$ (1.0)	(0.6)%
Net casting sales	\$ 0.5	\$ 0.8	\$ (0.3)	(34.6)%
Total net sales	\$168.0	\$169.3	\$ (1.3)	(0.7)%
Cost of products sold	\$104.6	\$105.1	\$ (0.5)	(0.4)%
Gross profit	\$ 63.4	\$ 64.2	\$ (0.8)	(1.2)%
Gross margin	37.7%	37.9%	(0.2)%	(0.5)%

## **Results of Operations - 2020**

*Year ended December 31, 2020, as compared to year ended December 31, 2019:*

### **Annual Summary Unit Data**

Firearms unit data for orders, production, shipments and ending inventory, and castings setups (a measure of foundry production) are as follows:

	2020	2019	2018
Units Ordered	3,041,700	1,361,100	1,531,100
Units Produced	1,659,100	1,313,400	1,610,300
Units Shipped	1,717,700	1,326,200	1,633,000
Average Sales Price	\$329	\$306	\$300
Units – Backlog	1,511,900	187,900	153,000
Units – Company Inventory	8,800	67,400	80,300
Units – Distributor Inventory (1)	39,200	270,400	299,700
Castings Setups	66,044	62,548	83,401

### **Orders Received and Ending Backlog**

(in millions except average sales price, net of Federal Excise Tax):

	2020	2019	2018
Orders Received	\$992.9	\$398.4	\$430.0
Average Sales Price of Orders Received (2)	\$326	\$293	\$281
Ending Backlog	\$516.6	\$57.8	\$55.6
Average Sales Price of Ending Backlog (2)	\$342	\$308	\$364

(1) Distributor ending inventory as provided by the independent distributors of the Company's products.

(2) Average sales price for orders received and ending backlog is net of Federal Excise Tax of 10% for handguns and 11% for long guns.



## Product Demand

The estimated sell-through of the Company's products from the independent distributors to retailers in 2020 increased 44% from 2019. For the same period, the National Instant Criminal Background Check System ("NICS") background checks (as adjusted by the National Shooting Sports Foundation ("NSSF")) increased 60%.

These substantial increases may be attributable to increased public concern about personal protection and home defense in reaction to:

- Some political and public leaders calling for a reduction in funding and limitations on law enforcement activities,
- Protests, demonstrations, and civil unrest in many cities throughout the United States,
- The continuing COVID-19 pandemic, and
- Concern about possible legislation that could curtail or limit gun ownership rights by both state and Federal governments.

New products represented \$111.2 million or 22% of firearms sales in 2020, compared to \$102.0 million or 26% of firearms sales in 2019. New product sales include only major new products that were introduced in the past two years. In 2020, new products included the Wrangler revolver, the Ruger-57 pistol, the LCP II in .22 LR pistol, the PC Charger, and the AR-556 pistol.

Estimated sell-through from distributors to retailers and total adjusted NICS background checks:

	2020	2019	2018
Estimated Units Sold from Distributors to Retailers (1)	1,948,900	1,355,500	1,654,600
Total Adjusted NICS Background Checks (2)	21,084,000	13,199,000	13,116,000

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

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

(2) NICS background checks are performed when the ownership of most firearms, either new or used, is transferred by a Federal Firearms Licensee. NICS

background checks are also performed for permit applications, permit renewals, and other administrative reasons.

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

Adjusted NICS data can be impacted by changes in state laws and regulations and any directives and interpretations issued by governmental agencies. For example, the use of state issued permits to carry firearms, in lieu of NICS background checks, for certain transactions was significantly curtailed in 2020. This resulted in increases in adjusted NICS background checks for Alabama and Michigan of 95% and 180%, respectively. Excluding these states, adjusted NICS increased 56%, compared with a reported increase of 60%, in 2020.

### Production

The Company reviews the estimated sell-through from the independent distributors to retailers, as well as inventory levels at the independent distributors and at the Company, semi-monthly to plan production levels and manage inventories. These reviews resulted in an increase in total unit production of 26% in 2020 compared to 2019. Reduced hiring to help maintain the health and safety of employees and the cleanliness of our facilities during the COVID-19 pandemic negatively impacted production in 2020.

### Inventories

The Company’s finished goods inventory decreased by 58,600 units during 2020.

Distributor inventories of the Company’s products decreased by 231,200 units during 2020 and are significantly below the level needed to support rapid fulfillment of retailer demand. In the aggregate, total Company and distributor inventories decreased by 86% in 2020.

Inventory data follows:

	2020	2019	2018
Units – Company Inventory	8,800	67,400	80,300
Units – Distributor Inventory (3)	39,200	270,400	299,700
Total inventory (4)	48,000	337,800	380,000

- (3) Distributor ending inventory as provided by the independent distributors of the Company's products. These numbers do not include goods-in-transit inventory that has been shipped from the Company but not yet received by the distributors.
- (4) This total does not include inventory at retailers. The Company does not have access to data on retailer inventories.

### Quarterly Summary Unit Data

To supplement the summary annual unit data and discussion above, the same data for the last eight quarters follows:

	2020			
	Q4	Q3	Q2	Q1
Units Ordered	733,200	935,200	746,600	626,700
Units Produced	491,000	430,400	374,400	363,300
Units Shipped	493,000	430,700	395,100	398,900
Estimated Units Sold from Distributors to Retailers	513,100	457,400	501,600	476,800
Total Adjusted NICS Background Checks	5,626,000	5,165,000	5,452,000	4,841,000
Average Unit Sales Price	\$342	\$337	\$328	\$285
Units – Backlog	1,511,900	1,271,700	767,200	415,700
Units – Company Inventory	8,800	10,700	11,100	31,900
Units – Distributor Inventory (5)	39,200	59,300	86,000	192,500
	2019			
	Q4	Q3	Q2	Q1
Units Ordered	413,900	362,200	257,900	327,100
Units Produced	355,000	286,500	297,900	374,000
Units Shipped	387,500	328,400	288,300	322,000
Estimated Units Sold from Distributors to Retailers	397,000	295,100	316,300	347,100
Total Adjusted NICS Background Checks	4,001,000	2,956,000	2,828,000	3,414,000
Average Unit Sales Price	\$269	\$286	\$329	\$351
Units – Backlog	187,900	161,500	127,700	158,100
Units – Company Inventory	67,400	100,000	141,900	132,300
Units – Distributor Inventory (5)	270,400	280,000	246,700	274,700

- (5) Distributor ending inventory as provided by the independent distributors of the Company's products.

(in millions except average sales price, net of Federal Excise Tax)

	2020			
	Q4	Q3	Q2	Q1
Orders Received	\$277.1	\$284.0	\$228.8	\$203.0
Average Sales Price of Orders Received	\$352	\$304	\$306	\$324
Ending Backlog	\$516.6	\$410.1	\$255.6	\$142.7
Average Sales Price of Ending Backlog	\$342	\$322	\$333	\$343

	2019			
	Q4	Q3	Q2	Q1
Orders Received	\$121.5	\$102.3	\$70.3	\$104.3
Average Sales Price of Orders Received	\$294	\$283	\$273	\$319
Ending Backlog	\$57.8	\$44.7	\$37.8	\$58.9
Average Sales Price of Ending Backlog	\$308	\$277	\$296	\$372

### Net Sales

Consolidated net sales were \$568.9 million in 2020. This represents an increase of \$158.4 million or 38.6% from 2019 consolidated net sales of \$410.5 million.

Firearms segment net sales were \$565.9 million in 2020. This represents an increase of \$159.6 million or 39.3% from 2019 firearms net sales of \$406.3 million. Firearms unit shipments increased 29.5% in 2020.

Casting segment net sales were \$3.0 million in 2020. This represents a decrease of \$1.2 million or 28.1% from 2019 casting sales of \$4.2 million

### Cost of Products Sold and Gross Profit

Consolidated cost of products sold was \$377.4 million in 2020. This represents an increase of \$66.4 million or 21.4% from 2019 consolidated cost of products sold of \$311.0 million.

The gross margin was 33.7% in 2020. This represents an increase from 24.3% in 2019 as illustrated below:

(in thousands)

<u>Year Ended December 31,</u>	<u>2020</u>		<u>2019</u>	
Net sales	\$568,868	100%	\$410,506	100%
Cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, product liability, and product safety bulletins and recalls	375,489	65.9%	313,769	76.4%
LIFO expense	879	0.2%	796	0.2%
Overhead rate adjustments to inventory	472	0.1%	(3,710)	(0.9)%
Labor rate adjustments to inventory	318	0.1%	(415)	(0.1)%
Product liability	1,139	0.2%	718	0.2%
Product safety bulletins and recalls	(870)	(0.2)%	(200)	(0.1)%
<u>Total cost of products sold</u>	<u>377,427</u>	<u>66.3%</u>	<u>310,958</u>	<u>75.7%</u>
<u>Gross profit</u>	<u>\$191,441</u>	<u>33.7%</u>	<u>\$ 99,548</u>	<u>24.3%</u>

Cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, product liability, and product safety bulletins and recalls- In 2020, cost of products sold, before LIFO, overhead and labor rate adjustments to inventory, product liability and safety bulletins and recalls decreased 10.5% as a percentage of sales compared to 2019. This decrease was due primarily to the significant increase in sales and production which resulted in favorable leveraging of fixed costs and a reduction in promotional activities.

LIFO- The Company recognized LIFO expense in 2020 and 2019 of \$0.9 million and \$0.8 million, respectively, which increased cost of products sold in both periods.

Overhead Rate Change- The net impact on inventory in 2020 and 2019 from the change in the overhead rates used to absorb overhead expenses into inventory was a decrease of \$0.5 million and an increase of \$3.7 million, respectively, reflecting increased overhead efficiency in 2020 and

decreased overhead efficiency in 2019. The increase in inventory value in 2020 resulted in a corresponding decrease to cost of products sold and the decrease in inventory value in 2019 resulted in a corresponding increase to cost of products sold.

Labor Rate Adjustments- In 2020, the change in inventory value resulting from the change in the labor rates used to absorb labor expenses into inventory was a decrease of \$0.3 million, reflecting increased labor efficiency. This decrease in inventory value resulted in a corresponding increase to cost of products sold. In 2019, the change in inventory value resulting from the change in the labor rates used to absorb labor expenses into inventory was an increase of \$0.4 million, reflecting decreased labor efficiency. This increase in inventory value resulted in a corresponding decrease to cost of products sold.

Product Liability- This expense includes the cost of outside legal fees, insurance, and other expenses incurred in the management and defense of product liability matters. These costs totaled \$1.1 million and \$0.7 million in 2020 and 2019, respectively. See Note 20 in the notes to the financial statements “Contingent Liabilities” for further discussion of the Company’s product liability.

Product Safety Bulletins and Recalls- In October 2018, the Company issued a safety bulletin announcing that some Ruger American Pistols chambered in 9mm may exhibit premature wear of the locking surfaces between the slide and barrel. The Company offered a free retrofit to customers of affected pistols and recorded a \$1.0 million expense in 2018, which was the expected total cost of the safety bulletin. In 2019 and 2020, the estimated costs remaining for the product safety bulletin was reduced, which decreased cost of sales by \$0.2 million and \$0.9 million in 2019 and 2020, respectively.

Gross Profit- Gross profit was \$191.4 million or 33.7% of sales in 2020. This is an increase of \$91.9 million from 2019 gross profit of \$99.5 million or 24.3% of sales in 2019.

#### Selling, General and Administrative

Selling, general and administrative expenses were \$72.3 million in 2020, an increase of \$12.2 million from \$60.1 million in 2019, and a decrease from 14.6% of sales in 2019 to 12.7% of sales in 2020. The increase in expense was primarily attributable to increased sales and incentive compensation expenses and the decrease in the percentage of sales was attributable to the significant increase in sales.

#### Other Operating Income, net

Other operating income, net was de minimis in 2020 and 2019.

#### Operating Income

Operating income was \$119.1 million or 20.9% of sales in 2020. This is an increase of \$79.7 million from 2019 operating income of \$39.4 million or 9.6% of sales.

### Royalty Income

Royalty income was \$0.8 million in 2020 and \$0.7 million in 2019.

### Interest Income

Interest income was \$1.1 million in 2020, a decrease of \$1.5 million from \$2.6 million in 2019, due to decreased interest rates earned on short-term investments in 2020.

### Interest Expense

Interest expense was \$0.2 million and \$0.2 million in 2020 and 2019, respectively.

### Other Income, Net

Other income, net was \$0.1 million in 2020, a decrease of \$0.5 million from \$0.6 million in 2019.

### Income Taxes and Net Income

The effective income tax rate was 25.3% in 2020 and 25.0% in 2019.

As a result of the foregoing factors, consolidated net income was \$90.4 million in 2020. This represents an increase of \$58.1 million from 2019 consolidated net income of \$32.3 million.

### **Non-GAAP Financial Measure**

In an effort to provide investors with additional information regarding its results, the Company refers to various United States generally accepted accounting principles (“GAAP”) financial measures and two non-GAAP financial measures, EBITDA and EBITDA margin, which management believes provides useful information to investors. These non-GAAP measures may not be comparable to similarly titled measures being disclosed by other companies. In addition, the Company believes that the non-GAAP financial measures should be considered in addition to, and not in lieu of, GAAP financial measures. The Company believes that EBITDA and EBITDA margin are useful to understanding its operating results and the ongoing performance of its underlying business, as EBITDA provides information on the Company’s ability to meet its capital expenditure and working capital requirements, and is also an indicator of profitability. The Company believes that this reporting provides better transparency and comparability to its operating results. The Company uses both GAAP and non-GAAP financial measures to evaluate its financial performance.



## Non-GAAP Reconciliation – EBITDA

### EBITDA

*(Unaudited, dollars in thousands)*

<i>Year ended December 31,</i>	<b>2020</b>	2019
Net income	\$ 90,398	\$32,291
Income tax expense	30,583	10,736
Depreciation and amortization expense	27,576	29,331
Interest expense	191	192
Interest income	(1,126)	(2,594)
<b>EBITDA</b>	<b>\$147,622</b>	<b>\$69,956</b>
<b>EBITDA margin</b>	<b>26.0%</b>	<b>17.0%</b>

EBITDA is defined as earnings before interest, taxes, and depreciation and amortization. The Company calculates this by adding the amount of interest expense, income tax expense and depreciation and amortization expenses that have been deducted from net income back into net income, and subtracting the amount of interest income that was included in net income from net income to arrive at EBITDA. The Company's EBITDA calculation also excludes any one-time non-cash, non-operating expense.

## **Financial Condition**

### Liquidity

At December 31, 2021, the Company had cash and cash equivalents of \$21.0 million and \$200.0 million in short term investments. Our pre-LIFO working capital of \$303.4 million, less the LIFO reserve of \$51.8 million, resulted in working capital of \$251.6 million and a current ratio of 4.3 to 1.

### Operations

Cash provided by operating activities was \$172.3 million, \$143.8 million, and \$49.6 million in 2021, 2020, and 2019, respectively. The increase in cash provided in 2021 compared to 2020 is primarily attributable to significantly increased earnings in 2021.

The increase in cash provided in 2020 compared to 2019 is primarily attributable to significantly increased earnings in 2020, decreased inventories in 2020, and increased employee compensation and benefit accruals in 2020.

Third parties supply the Company with various raw materials for its firearms and castings, such as fabricated steel components, walnut, birch, beech, maple and laminated lumber for rifle stocks, wax, ceramic material, metal alloys, various synthetic products and other component parts. There is a limited supply of these materials in the marketplace at any given time, which can cause the purchase prices to vary based upon numerous market factors. If market conditions result in a significant prolonged inflation of certain prices or if adequate quantities of raw materials cannot be obtained, the Company's manufacturing processes could be interrupted and the Company's financial condition or results of operations could be materially adversely affected.

### Investing and Financing

Capital expenditures were \$28.8 million, \$24.2 million, and \$20.3 million in 2021, 2020, and 2019, respectively. In 2022, the Company expects capital expenditures to approximate \$20 million, much of which will relate to tooling and fixtures for new product introductions and to upgrade and modernize manufacturing equipment. Due to market conditions and business circumstances, actual capital expenditures could vary significantly from the budgeted amount. The Company finances, and intends to continue to finance, all of these activities with funds provided by operations and current cash.

On November 23, 2020, the Company acquired substantially all of the Marlin Firearms assets, consisting of inventory, machinery and equipment, and intangible assets. The agreement to purchase these assets emanated from the Remington Outdoor Company, Inc. bankruptcy and was approved by the United States Bankruptcy Court for the Northern District of Alabama on September 30, 2020. The purchase price of approximately \$28.3 million was paid with available cash on hand. Shipments of Ruger-made, Marlin lever-action rifles commenced late in the fourth quarter of 2021.

As of December 31, 2021, the Company had \$200.0 million of United States Treasury instruments which mature within one year.

In 2019, the Company repurchased 44,500 shares of its common stock for \$2.0 million in the open market. The average price per share purchased was \$44.83. These purchases were funded with cash on hand. No shares were repurchased in 2020 or 2021.

At December 31, 2021, approximately \$86.7 million remained authorized for future share repurchases.

The Company paid dividends totaling \$59.1 million, \$113.9 million, and \$14.3 million in 2021, 2020, and 2019, respectively. The increased dividends paid in 2020 were attributable to a \$5.00 per share special dividend paid in August 2020. The quarterly dividend varies every quarter because the Company pays a percentage of earnings rather than a fixed amount per share. The Company's practice is to pay a dividend of approximately 40% of net income.

On February 18, 2022, the Company's Board of Directors authorized a dividend of 86¢ per share to shareholders of record on March 11, 2022. The payment of future dividends depends on many factors, including internal estimates of future performance, then-current cash, and the Company's need for funds.

The Company provides supplemental discretionary contributions to substantially all employees' individual 401(k) accounts.

Based on its unencumbered assets, the Company believes it has the ability to raise cash through issuance of short-term or long-term debt.

### Contractual Obligations

At December 31, 2021, the Company had approximately \$64.2 million in agreements to purchase goods or services that are enforceable and legally binding on the Company, all of which are expected to be settled in less than one year. Additionally, the Company has approximately \$2.3 million in operating lease obligations, which will be payable through 2034. The Company expects to fund all of these commitments with cash flows from operations and current cash.

### **Firearms Legislation and Litigation**

See Item 1A - Risk Factors and Note 20 to the financial statements which are included in the Annual Report on Form 10-K for a discussion of firearms legislation and litigation.

### **Other Operational Matters**

In the normal course of its manufacturing operations, the Company is subject to occasional governmental proceedings and orders pertaining to workplace safety, firearms serial number tracking and control, waste disposal, air emissions and water discharges into the environment. The Company believes that it is generally in compliance with applicable Bureau of Alcohol, Tobacco, Firearms & Explosives, environmental, and safety regulations and the outcome of any proceedings

or orders will not have a material adverse effect on the financial position or results of operations of the Company. If these regulations become more stringent in the future and we are not able to comply with them, such noncompliance could have a material adverse impact on the Company.

Three of the Company's smaller independent domestic wholesale distributors discontinued their firearms distribution operations in 2019. Currently, there are 14 domestic distributors. Additionally, the Company has 44 and 25 distributors servicing the export and law enforcement markets, respectively.

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

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

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities as of the balance sheet date and net sales and expenses recognized and incurred during the reporting period then ended. The Company bases estimates on prior experience, facts and circumstances, and other assumptions, including those reviewed with actuarial consultants and independent counsel, when applicable, that are believed to be reasonable. However, actual results may differ from these estimates.

The Company believes the determination of its product liability accrual is a critical accounting policy. The Company's management reviews every lawsuit and claim and is in contact with independent and corporate counsel on an ongoing basis. The provision for product liability claims is based upon many factors, which vary for each case. These factors include the type of claim, nature and extent of injuries, historical settlement ranges, jurisdiction where filed, and advice of counsel. An accrual is established for each lawsuit and claim, when appropriate, based on the nature of each such lawsuit or claim.

Amounts are charged to product liability expense in the period in which the Company becomes aware that a claim or, in some instances a threat of a claim, has been made when potential losses or costs of defense are probable and can be reasonably estimated. Such amounts are determined based on the Company's experience in defending similar claims. Occasionally, charges are made for claims made in prior periods because the cumulative actual costs incurred for that claim, or reasonably expected to be incurred in the future, exceed amounts already provided with respect to such claims. Likewise, credits may be taken if cumulative actual costs incurred for that claim, or reasonably expected to be incurred in the future, are less than amounts previously provided.

While it is not possible to forecast the outcome of litigation or the timing of related costs, in the opinion of management, after consultation with independent and corporate counsel, there is a remote likelihood that litigation, including punitive damage claims, will have a material adverse

effect on the financial position of the Company, but such litigation may have a material impact on the Company's financial results and cash flows for a particular period.

The Company believes the valuation of its inventory and the related excess and obsolescence reserve is also a critical accounting policy. Inventories are carried at the lower of cost, principally determined by the last-in, first-out (LIFO) method, or market. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and the Company's estimates of the prevailing costs of the many components of inventory existing at that time.

The Company determines its excess and obsolescence reserve by projecting the year in which inventory will be consumed into a finished product. Given ever-changing market conditions, customer preferences and the anticipated introduction of new products, projecting the future usage of inventory is subjective. As such, it does not seem prudent to carry inventory at full cost beyond what the Company projects to be needed during the next 36 months.

The methodologies applied for determining the estimates related to the product liability accrual, the LIFO reserve, and the excess and obsolescence reserve have not changed from the prior year.

### **Recent Accounting Pronouncements**

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment. The new guidance simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The new guidance for accelerated filing companies will be effective for annual periods or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and all other entities should adopt the amendments in this update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2022. The amendment should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Management does not anticipate that this adoption will have a significant impact on its consolidated financial position, results of operations, or cash flows. The adoption of the new guidance did not have a material impact to the Company.

### **Forward-Looking Statements and Projections**

The Company may, from time to time, make forward-looking statements and projections concerning future expectations. Such statements are based on current expectations and are subject to certain qualifying risks and uncertainties, such as market demand, sales levels of firearms, anticipated castings sales and earnings, the need for external financing for operations or capital expenditures, the results of pending litigation against the Company, the impact of future firearms control and environmental legislation and accounting estimates, any one or more of which could cause actual results to differ materially from those projected. Words such as “expect,” “believe,” “anticipate,” “intend,” “estimate,” “will,” “should,” “could” and other words and terms of similar

meaning, typically identify such forward-looking statements. 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 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is exposed to changing interest rates on its investments, which consist primarily of United States Treasury instruments with short-term (less than one year) maturities and cash. The interest rate market risk implicit in the Company's investments at any given time is low, as the investments mature within short periods and the Company does not have significant exposure to changing interest rates on invested cash.

The Company has not undertaken any actions to cover interest rate market risk and is not a party to any interest rate market risk management activities.

A hypothetical 100 basis point change in market interest rates over the next year would not materially impact the Company's earnings or cash flows. A hypothetical 100 basis point change in market interest rates would not have a material effect on the fair value of the Company's investments.

## ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Sturm, Ruger & Company, Inc. and Subsidiary

### Opinion on the Internal Control Over Financial Reporting

We have audited Sturm, Ruger & Company, Inc. and Subsidiary's (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and our report dated February 23, 2022 expressed an unqualified opinion.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/RSM US LLP  
Stamford, Connecticut  
February 23, 2022



# Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Sturm, Ruger & Company, Inc. and Subsidiary

## Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sturm, Ruger & Company, Inc. and Subsidiary (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and schedule (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 23, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

## Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which it relates.

### **Last-In, First-Out Inventory Reserve**

As described in Notes 1 and 5 to the financial statements, substantially all of the Company's inventories are valued at the lower of cost, determined by the last-in, first-out (LIFO) method, or market, and the Company's consolidated net inventories balance of \$43.9 million as of December 31, 2021, included a LIFO inventory reserve of \$51.8 million. The Company records its net inventories under the LIFO method at the end of each year based on the inventory levels at the measurement date and a complex manual calculation that estimates the prevailing inventory costs existing at that time.

We identified the LIFO inventory reserve as a critical audit matter because of the complexities of the manual calculations performed by management to estimate the prevailing inventory costs, which includes calculations to estimate current year price level changes through the development of a prior year and a current year cumulative price index. Auditing management's estimate of the LIFO inventory reserve was complex and required a high degree of auditor judgement and increased audit effort due to the complexities of management's manual calculations.

Our audit procedures related to the Company's LIFO inventory reserve included the following, among others:

- We obtained an understanding of the relevant controls related to the LIFO inventory reserve and tested such controls for design and operating effectiveness, including controls related to the review of the calculations related to the estimate of the current year price level changes, the calculation of the cumulative price indexes, and the estimate of the LIFO inventory reserve.
- We tested the completeness, accuracy, and relevance of the underlying data used in management's estimate of the current year price level changes, the calculation of cumulative price index and the LIFO inventory reserve.
- We tested the mathematical accuracy of the Company's calculation to estimate the LIFO inventory reserve.
- We evaluated the appropriateness of management's methodologies to develop the estimate of the LIFO inventory reserve.
- We evaluated the reasonableness of management's estimate of the current year price level changes by comparing management's estimate to external market data.

/s/RSM US LLP

We have served as the Company's auditor since 2005.

Stamford, Connecticut  
February 23, 2022

Consolidated Balance Sheets  
(Dollars in thousands, except per share data)

<i>December 31,</i>	<b>2021</b>	2020
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 21,044	\$ 20,147
Short-term investments	199,971	121,007
Trade receivables, net	57,036	57,876
Gross inventories	100,023	80,487
Less LIFO reserve	(51,826)	(48,016)
Less excess and obsolescence reserve	(4,347)	(3,394)
Net inventories	43,850	29,077
Prepaid expenses and other current assets	6,832	6,266
Total Current Assets	328,733	234,373
Property, Plant, and Equipment	421,282	393,843
Less allowances for depreciation	(347,651)	(323,110)
Net property, plant and equipment	73,631	70,733
Deferred income taxes	536	1,530
Other assets	39,443	41,622
Total Assets	\$ 442,343	\$ 348,258

*See accompanying notes to consolidated financial statements.*

<i>December 31,</i>	<b>2021</b>	2020
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Trade accounts payable and accrued expenses	\$ 36,400	\$ 37,078
Contract liabilities with customers (Note 3)	-	84
Product liability	795	1,052
Employee compensation and benefits	33,154	37,275
Workers' compensation	6,760	6,272
<b>Total Current Liabilities</b>	<b>77,109</b>	<b>81,761</b>
Lease liability (Note 8)	1,476	1,724
Product liability accrual	97	74
Contingent liabilities (Note 20)	-	-
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		
2021 – 24,306,486 issued, 17,596,588 outstanding		
2020 – 24,205,749 issued, 17,495,851 outstanding	24,306	24,206
Additional paid-in capital	46,847	43,468
Retained earnings	438,098	342,615
Less: Treasury stock – at cost		
2021 – 6,709,898 shares		
2020 – 6,709,898 shares	(145,590)	(145,590)
<b>Total Stockholders' Equity</b>	<b>363,661</b>	<b>264,699</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 442,343</b>	<b>\$ 348,258</b>

*See accompanying notes to consolidated financial statements.*

Consolidated Statements of Income and Comprehensive Income  
(In thousands, except per share data)

<i>Year ended December 31,</i>	<b>2021</b>	2020	2019
Net firearms sales	\$728,141	\$565,863	\$406,326
Net castings sales	2,595	3,005	4,180
Total net sales	730,736	568,868	410,506
Cost of products sold	451,179	377,427	310,958
Gross profit	279,557	191,441	99,548
Operating Expenses:			
Selling	33,259	33,332	29,775
General and administrative	43,289	39,013	30,344
Other operating expense (income), net	(127)	(52)	54
Total operating expenses	76,421	72,293	60,173
Operating income	203,136	119,148	39,375
Other income:			
Royalty income	1,975	814	698
Interest income	49	1,126	2,594
Interest expense	(164)	(191)	(192)
Other income, net	1,598	84	552
Total other income, net	3,458	1,833	3,652
Income before income taxes	206,594	120,981	43,027
Income taxes	50,695	30,583	10,736
Net income and comprehensive income	\$155,899	\$ 90,398	\$ 32,291
Basic Earnings Per Share	\$8.87	\$5.17	\$1.85
Diluted Earnings Per Share	\$8.78	\$5.09	\$1.82
Weighted average number of common shares outstanding - Basic	17,585,604	17,486,054	17,461,421
Weighted average number of common shares outstanding - Diluted	17,757,834	17,769,856	17,778,832
Cash Dividends Per Share	\$3.36	\$6.51	\$0.82

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity  
(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at December 31, 2018	\$24,123	\$33,291	\$350,423	\$ (143,595)	\$264,242
Net income			32,291		32,291
Dividends paid			(14,319)		(14,319)
Stock-based compensation		6,330			6,330
Vesting of RSU's		(901)			(901)
Common stock issued – compensation plans	37	(37)			-
Unpaid dividends accrued			(190)		(190)
Repurchase of 44,500 shares of common stock				(1,995)	(1,995)
Balance at December 31, 2019	24,160	38,683	368,205	(145,590)	285,458
Net income			90,398		90,398
Dividends paid			(113,896)		(113,896)
Stock-based compensation		6,128			6,128
Vesting of RSU's		(1,297)			(1,297)
Common stock issued – compensation plans	46	(46)			-
Unpaid dividends accrued			(2,092)		(2,092)
Balance at December 31, 2020	24,206	43,468	342,615	(145,590)	264,699
Net income			155,899		155,899
Dividends paid			(59,104)		(59,104)
Stock-based compensation		8,280			8,280
Vesting of RSU's		(4,801)			(4,801)
Common stock issued – compensation plans	100	(100)			-
Unpaid dividends accrued			(1,312)		(1,312)
Balance at December 31, 2021	\$24,306	\$46,847	\$438,098	\$(145,590)	\$363,661

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows  
(In thousands)

<i>Year ended December 31,</i>	<b>2021</b>	2020	2019
<b>Operating Activities</b>			
Net income	\$ 155,899	\$ 90,398	\$ 32,291
Adjustments to reconcile net income to cash provided by operating activities, net of effects of acquisition:			
Depreciation and amortization	26,152	27,576	29,331
Stock-based compensation	8,280	6,128	6,330
Excess and obsolescence inventory reserve	953	-	1,046
(Gain) loss on sale of assets	(127)	(52)	54
Deferred income taxes	994	3,863	(2,424)
Changes in operating assets and liabilities:			
Trade receivables	840	(5,236)	(7,609)
Inventories	(15,726)	10,624	2,073
Trade accounts payable and accrued expenses	(392)	7,954	(3,646)
Contract liability with customers	(84)	(9,539)	2,146
Employee compensation and benefits	(5,433)	20,910	(6,646)
Product liability	(234)	308	(354)
Prepaid expenses, other assets and other liabilities	1,217	(7,905)	(888)
Income taxes receivable/payable	-	(1,223)	(2,117)
Cash provided by operating activities	172,339	143,806	49,587
<b>Investing Activities</b>			
Property, plant, and equipment additions	(28,776)	(24,229)	(20,296)
Purchase of Marlin assets	-	(28,316)	-
Purchases of short-term investments	(681,940)	(369,439)	(282,738)
Proceeds from maturity of short-term investments	602,976	377,920	267,576
Net proceeds from sale of assets	203	178	14
Cash used for investing activities	(107,537)	(43,886)	(35,444)
<b>Financing Activities</b>			
Dividends paid	(59,104)	(113,896)	(14,319)
Repurchase of common stock	-	-	(1,995)
Payment of employee withholding tax related to share-based compensation	(4,801)	(1,297)	(901)
Cash used for financing activities	(63,905)	(115,193)	(17,215)
Increase (decrease) in cash and cash equivalents	897	(15,273)	(3,072)
Cash and cash equivalents at beginning of year	20,147	35,420	38,492
Cash and cash equivalents at end of year	\$ 21,044	\$ 20,147	\$ 35,420

See accompanying notes to consolidated financial statements.

## **Notes to Consolidated Financial Statements**

*(Dollars in thousands, except per share)*

### **1. Summary of Significant Accounting Policies**

#### **Organization**

Sturm, Ruger & Company, Inc. (the “Company”) is principally engaged in the design, manufacture, and sale of firearms to domestic customers. Approximately 99% of sales were from firearms. Export sales represented approximately 4% of firearms sales. The Company’s design and manufacturing operations are located in the United States and almost all product content is domestic. The Company’s firearms are sold through a select number of independent wholesale distributors principally to the commercial sporting market.

The Company manufactures investment castings made from steel alloys and metal injection molding (“MIM”) parts for internal use in its firearms and utilizes available capacity to manufacture and sell investment castings and MIM parts to unaffiliated, third-party customers. Castings were less than 1% of the Company’s total sales for the year ended December 31, 2021.

#### **Preparation of Financial Statements**

The Company follows United States generally accepted accounting principles (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The significant accounting policies described below, together with the notes that follow, are an integral part of the consolidated financial statements.

#### **Principles of Consolidation**

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

#### **Revenue Recognition**

The Company recognizes revenue in accordance with the provisions of Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“ASC 606”), which became effective January 1, 2018. Substantially all product sales are sold FOB (free on board) shipping point. Customary payment terms are 2% 30 days, net 40 days. Generally, all performance obligations are satisfied when product is shipped and the customer takes ownership and assumes the risk of loss. In some instances, sales include multiple performance obligations. The most common of these instances relates to sales promotion programs under which downstream customers are entitled to receive no charge products based on their purchases of certain of the Company’s products from the independent distributors. The fulfillment of these no charge products



is the Company's responsibility. In such instances, the Company allocates the revenue of the promotional sales based on the estimated level of participation in the sales promotional program and the timing of the shipment of all of the firearms included in the promotional program, including the no charge firearms. Revenue is recognized proportionally as each performance obligation is satisfied, based on the relative customary price of each product. Customary prices are generally determined based on the prices charged to the independent distributors. The net change in contract liabilities for a given period is reported as an increase or decrease to sales. The Company accounts for cash sales discounts as a reduction in sales. Amounts billed to customers for shipping and handling fees are included in net sales and costs incurred by the Company for the delivery of goods are classified as selling expenses. Federal excise taxes are excluded from net sales.

### Business Combination

On September 26, 2020, the Company entered into an Asset Purchase Agreement (the "Agreement") with the Remington Outdoor Company, Inc. and each of the subsidiaries of the Remington Outdoor Company, Inc. (collectively, "Remington") to purchase substantially all of the assets (the "Marlin Assets") used to manufacture Marlin Firearms (the "Marlin Acquisition"). The agreement to purchase these assets emanated from the Remington Outdoor Company, Inc. bankruptcy and was approved by the United States Bankruptcy Court for the Northern District of Alabama on September 30, 2020. The Marlin Acquisition was conducted through a Bankruptcy Court-supervised process, subject to Bankruptcy Court-approved bidding procedures, approval of the transactions by the Bankruptcy Court, and the satisfaction of certain closing conditions. The Company closed on the Marlin Acquisition on November 23, 2020.

The Agreement provided that, upon the terms and subject to the conditions set forth therein, Remington sold, transferred and assigned to the Company the Marlin Assets (as defined in the Agreement) for a purchase price of \$28.3 million in cash. The Marlin Assets include the following assets, among other things, equipment, inventory, and all intellectual property related to Marlin, including the Marlin names and marks, and all derivatives thereof.

The primary purpose of the Marlin Acquisition was to manufacture and sell Marlin branded firearms and generate shareholder value. The Marlin brand aligns with the Ruger brand and the Marlin product portfolio will widen the Company's diverse product offerings. The transaction was funded by the Company with cash on hand and has been accounted for in accordance with ASC 805 - *Business Combinations*. ASC 805 requires, among other things, an assignment of the acquisition consideration transferred to the sellers for the tangible and intangible assets acquired, using the bottom up approach, to estimate their value at acquisition date. Any excess of the fair value of the purchase consideration over these identified net assets was recorded as goodwill. Our estimates of fair value were based upon assumptions believed to be reasonable, yet were inherently uncertain. During the measurement period, which did not exceed one year from the date of acquisition, we recorded adjustments totaling \$2.2 million to the estimated fair values of the assets acquired and liabilities assumed with a corresponding adjustment to goodwill. These adjustments were recorded in the year ended December 31, 2021.

### Cash and Cash Equivalents

The Company considers interest-bearing deposits with financial institutions with remaining maturities of three months or less at the time of acquisition to be cash equivalents.

### Fair Value Measurements of Short-term Investments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date. Fair value is established according to a hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. Level 3 inputs are given the lowest priority in the fair value hierarchy.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2021, all of the Company's short-term investments are U.S. Treasury instruments (Level 1), maturing within one year. Such securities are classified as held to maturity, since the Company has the intent and ability to do so, and are carried at cost plus accrued interest, which approximates fair value.

The fair value of inventory acquired as part of business combination is based on a third-party valuation utilizing the comparable sales method which is based on Level 2 and Level 3 inputs. The fair value of property, plant and equipment acquired as part of business combination is based on a third-party valuation utilizing the indirect method of cost approach, which is based on Level 2 and Level 3 inputs. The fair value of patents acquired as part of business combination is based on a third-party valuation utilizing the replacement cost method, which is based on Level 2 and Level 3 inputs. The fair value of the remaining intangible assets as part of business combination are based on a third-party valuation utilizing discounted cash flow methods that involves inputs, which are not observable in the market (Level 3).

### Accounts Receivable

The Company establishes an allowance for doubtful accounts based on the creditworthiness of its customers and historical experience. While the Company uses the best information available to make its evaluation, future adjustments to the allowance for doubtful accounts may be necessary

if there are significant changes in economic and industry conditions or any other factors considered in the Company's evaluation. Bad debt expense has been immaterial during each of the last three years. The Company mitigates its credit risk by maintaining credit insurance on most of its significant customers.

### Inventories

Substantially all of the Company's inventories are valued at the lower of cost, principally determined by the last-in, first-out (LIFO) method, or market. Elements of cost in inventories include raw materials, direct labor and manufacturing overhead.

### Property, Plant, and Equipment

Property, plant, and equipment are carried at cost. Depreciation is computed over useful lives using the straight-line and declining balance methods predominately over 15 years for buildings, 7 years for machinery and equipment and 3 years for tools and dies. When assets are retired, sold or otherwise disposed of, their gross carrying values and related accumulated depreciation are removed from the accounts and a gain or loss on such disposals is recognized when appropriate.

Maintenance and repairs are charged to operations; replacements and improvements are capitalized.

### Long-lived Assets

The Company evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances indicate the carrying value may not be recoverable. In performing this review, the carrying value of the assets is compared to the projected undiscounted cash flows to be generated from the assets. If the sum of the undiscounted expected future cash flows is less than the carrying value of the assets, the assets are considered to be impaired. Impairment losses are measured as the amount by which the carrying value of the assets exceeds their fair value. The Company bases fair value of the assets on quoted market prices if available or, if not available, quoted market prices of similar assets. Where quoted market prices are not available, the Company estimates fair value using the estimated future cash flows generated by the assets discounted at a rate commensurate with the risks associated with the recovery of the assets.

### Goodwill

Our goodwill represents the excess of the purchase price of business combinations over the fair value of the net assets acquired. We assess goodwill for impairment on an annual basis during the fourth quarter of each year, and between annual tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment exists by the amount the fair value of a reporting unit to which goodwill has been allocated is less than their respective carrying values. The impairment for goodwill is limited to the total amount of goodwill allocated to the reporting unit. Goodwill impairment testing requires significant judgment and management estimates, including, but not limited to, the determination of (i) the number of reporting units, (ii) the goodwill and other assets and liabilities to be allocated to the reporting units and (iii) the fair values of the reporting units. The estimates and assumptions described above, along with other

factors such as discount rates, will significantly affect the outcome of the impairment tests and the amounts of any resulting impairment losses.

### Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of “temporary differences” by applying enacted statutory rates applicable to future years to temporary differences between the financial statement carrying amounts and the tax basis of the Company’s assets and liabilities.

### Product Liability

The Company provides for product liability claims including estimated legal costs to be incurred defending such claims. The provision for product liability claims is charged to cost of products sold.

### Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for 2021, 2020, and 2019, were \$2.6 million, \$2.7 million, and \$2.6 million, respectively.

### Shipping Costs

Costs incurred related to the shipment of products are included in selling expense. Such costs totaled \$4.2 million, \$3.9 million, and \$3.9 million in 2021, 2020, and 2019, respectively.

### Research and Development

In 2021, 2020, and 2019, the Company spent approximately \$11.7 million, \$8.0 million, and \$8.2 million, respectively, on research and development activities relating to new products and the improvement of existing products. These costs are expensed as incurred.

### Earnings per Share

Basic earnings per share is based upon the weighted-average number of shares of common stock outstanding during the year. Diluted earnings per share reflect the impact of options, restricted stock units, and deferred stock outstanding using the treasury stock method.

### Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment. The new guidance simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The new guidance for accelerated filing companies will be effective for annual periods or any interim

goodwill impairment tests in fiscal years beginning after December 15, 2019 and all other entities should adopt the amendments in this update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2022. The amendment should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of the new guidance did not have a material impact to the Company.

## 2. Acquisition of Marlin Assets

As described in Note 1, the Company closed on the Marlin Acquisition on November 23, 2020. The Company paid \$28.3 million dollars in cash for the Marlin Assets from Remington.

The Marlin Acquisition was accounted for in accordance with ASC Topic 805, Business Combinations. Accordingly, the total purchase price has been allocated to tangible assets based on their fair value and the intangibles and goodwill have been allocated on a provisional basis at the date of acquisition. The Company assumed no liabilities in this transaction. These allocations reflect various provisional estimates that were available at the time and are subject to change during the purchase price allocation period until the valuations are finalized.

The Company recorded measurement period adjustments in accordance with FASB's guidance regarding business combinations in the fourth quarter of 2021 based on its valuation and purchase price allocation procedures, to better reflect the facts and circumstances that existed at the acquisition date. The measurement period adjustments, which were completed during the fourth quarter of 2021, resulted in an increase to goodwill of \$2.4 million, primarily due to a decrease in the estimated fair value of inventory received.

The following table summarizes the Company's allocation of the purchase price:

	Initial Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation
Purchase Price			
Cash paid to sellers	\$ 28,316	\$ -	\$ 28,316
Purchase Price Allocation			
<u>Assets Acquired</u>			
Inventory	\$ 11,400	\$ (2,414)	\$ 8,986
Machinery and equipment	5,000	(25)	4,975
Tradename and trademarks	7,800		7,800
Patents	2,500		2,500
Customer Relationships	1,000		1,000
Goodwill	616	2,439	3,055
Net Assets Acquired	\$ 28,316	\$ -	\$ 28,316

Identifiable assets acquired were recorded at their estimated fair values based on the methodology described under “Fair Value Measurements” in Note 1 - Significant Accounting Policies.

The Machinery and Equipment acquired in the Marlin Acquisition were classified as deposits on capital items in Other Assets on the Company’s Consolidated Balance Sheet at December 31, 2021. Certain of these items were reclassified as Machinery and Equipment when they were placed in service in 2021.

Intangible assets acquired in the Marlin Acquisition are reflected in Other Assets on the Company’s Consolidated Balance Sheet at December 31, 2021. Intangible assets are amortized over their estimated remaining useful lives using a straight-line methodology.

	Remaining Economic Useful Life
Tradename and trademarks	20 years
Patents	20 years
Customer Relationships	15 years

The excess purchase price over the fair value of the assets acquired was recorded as goodwill in the amount of \$3.1 million. The Company incurred acquisition related costs of \$1.7 million, which are included in selling, general and administrative expenses in the Company’s Consolidated Statements of Income and Comprehensive Income for the fiscal year ended December 31, 2021.

The pro forma impact of the acquisition and the results of operations attributable to Marlin in 2019 and 2020 have not been presented, as they are not material to the Company’s consolidated results of operations. The impact on sales and gross margin was no more than 5% of the reported amounts in either period, the trend in annual sales growth was unchanged, and the impact on gross margin percentage was less than 1%, in both periods.

### 3. Revenue Recognition and Contracts with Customers

The impact of ASC 606 on revenue recognized during the years ended December 31, 2021, December 31, 2020, and December 31, 2019 is as follows:

	2021	2020	2019
Contract liabilities with customers at January 1,	\$ 84	\$ 9,623	\$ 7,477
Revenue recognized	(84)	(14,570)	(16,352)
Revenue deferred	-	5,031	18,498
Contract liabilities with customers at December 31,	\$ -	\$ 84	\$ 9,623

During the year ended December 31, 2021, there were no promotions giving rise to deferred contract liabilities and, therefore, there was no additional deferred revenue. Previously deferred revenue of \$0.1 million was recognized in the first quarter of 2021.

During the year ended December 31, 2020, the Company deferred \$5.0 million of revenue, offset by the recognition of \$14.6 million of revenue previously deferred as the performance obligations relating to the shipment of free products were satisfied. This resulted in a net increase in firearms sales for the year ended December 31, 2020 of \$9.6 million and a deferred contract revenue liability at December 31, 2020 of \$0.1 million. The deferred revenue balance was significantly reduced due to the absence of promotions in the fourth quarter of 2020.

During the year ended December 31, 2019, the Company deferred \$18.5 million of revenue, offset by the recognition of \$16.4 million of revenue previously deferred as the performance obligations relating to the shipment of free products were satisfied. This resulted in a net decrease in firearms sales for the year ended December 31, 2019 of \$2.1 million and a deferred contract revenue liability at December 31, 2019 of \$9.6 million.

#### Practical Expedients and Exemptions

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

#### **4. Trade Receivables, Net**

Trade receivables consist of the following:

<i>December 31,</i>	<b>2021</b>	2020
Trade receivables	\$58,605	\$59,442
Allowance for doubtful accounts	(400)	(400)
Allowance for discounts	(1,169)	(1,166)
	<b>\$57,036</b>	<b>\$57,876</b>

In 2021, the largest individual trade receivable balances accounted for 34%, 17%, and 17% of total trade receivables, respectively.

In 2020, the largest individual trade receivable balances accounted for 30%, 15%, and 14% of total trade receivables, respectively.

## 5. Inventories

Inventories consist of the following:

<i>December 31,</i>	<b>2021</b>	2020
Inventory at FIFO		
Finished goods	\$ 7,322	\$ 2,878
Materials and products in process	92,701	77,609
Gross inventories	100,023	80,487
Less: LIFO reserve	(51,826)	(48,016)
Less: excess and obsolescence reserve	(4,347)	(3,394)
Net Inventories	\$ 43,850	\$ 29,077

## 6. Property, Plant and Equipment

Property, plant and equipment consist of the following:

<i>December 31,</i>	<b>2021</b>	2020
Land and improvements	\$ 2,686	\$ 2,686
Buildings and improvements	62,781	55,076
Machinery and equipment	302,241	285,869
Dies and tools	53,574	50,212
Property, plant and equipment	421,282	393,843
Less allowances for depreciation	(347,651)	(323,110)
Net property, plant and equipment	\$ 73,631	\$ 70,733

Depreciation expense totaled \$25.8 million, \$27.3 million, and \$29.0 million in 2021, 2020, and 2019, respectively.

## 7. Other Assets

Other assets consist of the following:

<i>December 31,</i>	<b>2021</b>	2020
Patents, at cost	\$ 10,024	\$ 9,859
Accumulated amortization	(5,360)	(5,071)
Deposits on capital items	18,026	22,255
Marlin trade name	7,800	7,800
Other	8,953	6,779
	\$39,443	\$41,622

The capitalized cost of patents is amortized using the straight-line method over their useful lives. Expenses related to patent amortization was \$0.3 million in 2021, 2020, and 2019. The estimated annual patent amortization expense for each of the next five years is \$0.2 million. Costs incurred



to maintain existing patents are charged to expense in the year incurred. The Marlin trade name will be amortized using the straight-line method over its useful life. The estimated annual trade name amortization cost for each of the next five years is \$0.4 million. The intangible asset related to Marlin customer relationships are included in Other above and will be amortized using the straight-line method over its useful life. The estimated annual customer relationship name amortization expense for each of the next five years is \$0.1 million.

## 8. Leased Assets

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

The Company adopted the provisions of ASU 2016-02 using the effective interest method on January 1, 2019 and recorded right-of-use assets equal to the present value of the contractual liability for future lease payments. The table below presents the right-of-use assets and related lease liabilities recognized on the condensed consolidated balance sheet as of December 31, 2021:

	Balance Sheet Line Item	December 31, 2021	December 31, 2020
Right-of-use assets	Other assets	\$1,694	\$2,124
Operating lease liabilities			
Current portion	Trade accounts payable and accrued expenses	\$ 249	\$ 451
Noncurrent portion	Lease liabilities	1,476	1,724
<b>Total operating lease liabilities</b>		<b>\$1,725</b>	<b>\$2,175</b>

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

The Company's leases generally do not provide an implicit interest rate, and therefore the Company calculates an incremental borrowing rate to determine the present value of its operating lease liabilities. The following table reconciles the undiscounted future minimum lease payments to the total operating lease liabilities recognized on the condensed consolidated balance sheet as of December 31, 2021:

2022	\$ 244
2023	213
2024	215
2025	160
2026	160
Thereafter	1,280
Total undiscounted future minimum lease payments	<u>2,272</u>
Less: Difference between undiscounted lease payments & the present value of future lease payments	<u>(547)</u>
Total operating lease liabilities	<u><u>\$1,725</u></u>

Certain of the Company's lease agreements contain renewal options at the Company's discretion. The Company does not recognize right-of-use assets or lease liabilities for leases of one year or less or for renewal periods unless it is reasonably certain that the Company will exercise the renewal option at the inception of the lease or when a triggering event occurs. The Company's weighted average remaining lease term for operating leases as of December 31, 2021 is 12.1 years.

## 9. Trade Accounts Payable and Accrued Expenses

Trade accounts payable and accrued expenses consist of the following:

<i>December 31,</i>	<b>2021</b>	2020
Trade accounts payable	\$12,209	\$12,796
Federal excise taxes payable	15,734	14,332
Accrued other	8,457	9,950
	<u>\$36,400</u>	<u>\$37,078</u>

## 10. Line of Credit

Throughout 2020 and during 2021 the Company had a \$40 million unsecured revolving line of credit with a bank. This facility terminated on September 30, 2021. On January 7, 2022, the Company entered into a new \$40 million unsecured revolving line of credit agreement with a different bank that expires January 7, 2024. Borrowings under this new facility bear interest at either 1) the Bloomberg short-Term Bank Yield Index – 1 month plus 150 basis points, or 2) a fluctuating rate per annum equal to the greater of (i) the Bank's prime rate or (ii) the federal funds rate plus 50 basis points. The Company is also charged one-quarter of a percent (0.25%) per year on the unused portion. Had this agreement been in effect at December 31, 2021, the Company would have been in compliance with the terms and covenants of the credit facility. At December

31, 2020, the Company was in compliance with the terms and covenants of the previous credit facility.

## 11. Employee Benefit Plans

The Company sponsors a qualified defined-contribution 401(k) plan that covers substantially all of its employees. Under the terms of the 401(k) plan, the Company matches a certain portion of employee contributions to their individual 401(k) accounts using the “safe harbor” guidelines provided in the Internal Revenue Code. Expenses related to matching employee contributions to the 401(k) plan were \$4.0 million, \$3.3 million, and \$3.2 million in 2021, 2020, and 2019, respectively.

Additionally, in 2021, 2020, and 2019 the Company provided discretionary supplemental contributions to the individual 401(k) accounts of substantially all employees. Each employee received a supplemental contribution to their account based on a uniform percentage of qualifying compensation established annually. The cost of these supplemental contributions totaled \$7.4 million, \$5.6 million, and \$5.0 million in 2021, 2020, and 2019, respectively.

## 12. Other Operating Income, Net

Other operating income, net consists of the following:

<i>Year ended December 31,</i>	<b>2021</b>	2020	2019
Gain (loss) on sale of operating assets	\$127	\$52	\$(54)

## 13. Income Taxes

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

The federal and state income tax provision consisted of the following:

<i>Year ended December 31,</i>	<b>2021</b>		2020		2019	
	Current	Deferred	Current	Deferred	Current	Deferred
Federal	\$42,422	\$863	\$20,201	\$3,696	\$10,705	\$(1,911)
State	7,279	131	6,519	167	2,455	(513)
	\$49,701	\$994	\$26,720	\$3,863	\$13,160	\$(2,424)

The effective income tax rate varied from the statutory federal income tax rate as follows:

<i>Year ended December 31,</i>	<b>2021</b>	2020	2019
Statutory federal income tax rate	21.0%	21.0%	21.0%
State income taxes, net of federal tax benefit	3.4	4.4	3.6
Other items	0.1	(0.1)	0.4
Effective income tax rate	24.5%	25.3%	25.0%

The Company estimates that its effective tax rate in 2022 will approximate 25%.

Significant components of the Company's deferred tax assets and liabilities are as follows:

<i>December 31,</i>	<b>2021</b>	2020
<b>Deferred tax assets</b>		
Product Liability	\$ 224	\$ 285
Employee compensation and benefits	2,643	2,548
Allowances for doubtful accounts and discounts	418	445
Inventories	1,224	954
Stock-based compensation	1,538	3,353
Other	1,538	1,443
Total deferred tax assets	7,585	9,028
<b>Deferred tax liabilities:</b>		
Depreciation	6,235	6,638
Other	814	860
Total deferred tax liabilities	7,049	7,498
Net deferred tax assets	\$ 536	\$1,530

The Company made income tax payments of approximately \$49.5 million, \$30.6 million, and \$16.0 million, during 2021, 2020, and 2019, respectively. The Company expects to realize its deferred tax assets through tax deductions against future taxable income.

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

#### 14. Earnings Per Share

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

<i>Year ended December 31,</i>	<b>2021</b>	2020	2019
Numerator:			
Net income	\$155,899	\$90,398	\$32,291
Denominator:			
Weighted average number of common shares outstanding – Basic	17,585,604	17,486,054	17,461,421
Dilutive effect of options and restricted stock units outstanding under the Company’s employee compensation plans	172,230	283,802	317,411
Weighted average number of common shares outstanding – Diluted	17,757,834	17,769,856	17,778,832

#### 15. Stock Repurchases

In 2019 the Company repurchased shares of its common stock. Details of these purchases are as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
Third Quarter 2019				
July 28 to August 24	44,500	\$44.83	44,500	
Total	44,500	\$44.83	44,500	\$86,710,000

All of these purchases were made with cash held by the Company and no debt was incurred. No shares were repurchased in 2020 and 2021.

At December 31, 2021, approximately \$86.7 million remained authorized for share repurchases.

#### 16. Compensation Plans

In May 2017, the Company’s shareholders approved the 2017 Stock Incentive Plan (the “2017 SIP”) under which employees, independent contractors, and non-employee directors may be granted stock options, restricted stock, deferred stock awards, and stock appreciation rights, any

of which may or may not require the satisfaction of performance objectives. Vesting requirements are determined by the Compensation Committee of the Board of Directors. The Company has reserved 750,000 shares for issuance under the 2017 SIP, of which 218,000 shares remain available for future grants as of December 31, 2021.

Compensation expense related to deferred stock, restricted stock, and restricted stock units is recognized based on the grant-date fair value of the Company's common stock, using either the actual share price or an estimated value using the Monte Carlo valuation model. The total stock-based compensation cost included in the Statements of Income was \$8.3 million, \$6.1 million, and \$6.3 million in 2021, 2020, and 2019, respectively.

### Stock Options

There were no stock options granted in 2021, 2020, or 2019 and no stock options outstanding at December 31, 2021.

The following table summarizes the stock option activity of the 2007 SIP:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2018	5,472	\$9.60	\$7.20	0.9
Granted	-	-	-	-
Exercised	(5,472)	9.60	7.20	-
Canceled	-	-	-	-
Outstanding at December 31, 2019	-	-	-	-
Granted	-	-	-	-
Exercised	-	-	-	-
Canceled	-	-	-	-
Outstanding at December 31, 2020	-	-	-	-
Granted	-	-	-	-
Exercised	-	-	-	-
Canceled	-	-	-	-
Outstanding at December 31, 2021	-	-	-	-
Exercisable Options Outstanding at December 31, 2021	-	-	-	-
Non-Vested Options Outstanding at December 31, 2021	-	\$ -	\$ -	-

### Deferred Stock

Deferred stock awards vest based on the passage of time or the Company's attainment of performance objectives. Upon vesting, these awards convert one-for-one to common stock.

In 2021, 5,113 deferred stock awards were issued to non-employee directors that will vest in May 2022 and 6,615 deferred stock awards were issued to non-employee directors that will vest in May 2024.

In 2020, 6,244 deferred stock awards were issued to non-employee directors that vested in May 2021 and 8,078 deferred stock awards were issued to non-employee directors that will vest in May 2023.

In 2019, 6,337 deferred stock awards were issued to non-employee directors that vested in May 2020 and 7,720 deferred stock awards were issued to non-employee directors that will vest in May 2022.

Compensation expense related to these awards is amortized ratably over the vesting period. Compensation expense related to these awards was \$0.8 million in 2021, \$0.8 million in 2020, and \$0.7 in 2019.

At December 31, 2021, there was \$0.8 million of unrecognized compensation cost related to deferred stock that is expected to be recognized over a period of three years.

#### Restricted Stock Units

The Company grants restricted stock units (RSU's) to senior employees. Some of these RSU's are retention awards and have only time-based vesting. Other RSU's have a vesting "double trigger." The vesting of these RSU's is dependent on the achievement of corporate objectives established by the Compensation Committee of the Board of Directors, including stock performance relative to industry indices, return on net operating assets, and the passage of time.

During 2021, 82,000 restricted stock units were issued. Compensation costs related to these restricted stock units was \$5.6 million, of which \$1.6 million was recognized in 2021. The costs are being recognized ratably over the remaining periods required before the units vest, which range from 24 to 26 months.

During 2020, 95,000 restricted stock units were issued. Compensation costs related to these restricted stock units was \$5.7 million, of which \$1.1 million was recognized in 2020. The costs are being recognized ratably over the remaining periods required before the units vest, which range from 24 to 26 months.

During 2019, 68,000 restricted stock units were issued. Compensation costs related to these restricted stock units was \$3.7 million, of which \$1.0 million was recognized in 2019. The costs are being recognized ratably over the remaining periods required before the units vest, which range from 24 to 26 months.

At December 31, 2021, there was \$7.1 million of unrecognized compensation cost related to restricted stock units that is expected to be recognized over a period of 2.3 years.

## 17. Operating Segment Information

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

Corporate segment income relates to interest income, the sale of non-operating assets, and other non-operating activities. Corporate segment assets consist of cash and other non-operating assets.

The Company evaluates performance and allocates resources, in part, based on income (loss) before taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies (see Note 1). Intersegment sales are recorded at the Company's cost plus a fixed profit percentage.

<i>Year ended December 31,</i>	<b>2021</b>	2020	2019
Net Sales			
Firearms	\$728,141	\$565,863	\$406,326
Castings			
Unaffiliated	2,595	3,005	4,180
Intersegment	24,711	22,254	18,425
	27,306	25,259	22,605
Eliminations	(24,711)	(22,254)	(18,425)
	\$730,736	\$568,868	\$410,506
Income (Loss) Before Income Taxes			
Firearms	\$207,657	\$120,732	\$40,814
Castings	(2,732)	(1,000)	(797)
Corporate	1,669	1,249	3,010
	\$206,594	\$120,981	\$43,027
Identifiable Assets			
Firearms	\$188,290	\$174,500	\$163,792
Castings	13,889	11,959	11,332
Corporate	240,164	161,799	173,837
	\$442,343	\$348,258	\$348,961
Goodwill			
Firearms	\$3,055	\$616	\$ -
Castings	209	209	209
	\$3,264	\$825	\$209
Depreciation			
Firearms	\$22,842	\$25,126	\$27,149
Castings	2,959	2,158	1,875
	\$25,801	\$27,284	\$29,024
Capital Expenditures			
Firearms	\$25,239	\$19,253	\$19,570
Castings	3,537	4,976	726
	\$28,776	\$24,229	\$20,296



In 2021, the Company's largest customers and the percent of firearms sales they represented were as follows: Lipsey's - 21%; Sports South - 19%; and Davidson's - 19%.

In 2020, the Company's largest customers and the percent of firearms sales they represented were as follows: Sports South - 22%; Lipsey's - 22%; and Davidson's - 18%.

In 2019, the Company's largest customers and the percent of firearms sales they represented were as follows: Lipsey's - 26%; Sports South - 22%; and Davidson's - 15%.

The Company's assets are located entirely in the United States and domestic sales represented at least 95% of total sales in 2021, 2020, and 2019.

## 18. Quarterly Results of Operations (Unaudited)

The following is a tabulation of the unaudited quarterly results of operations for the two years ended December 31, 2021:

	<b>Three Months Ended</b>			
	<b>4/3/21</b>	<b>7/3/21</b>	<b>10/2/21</b>	<b>12/31/21</b>
Net Sales	\$184,377	\$200,072	\$178,246	\$168,041
Gross profit	72,566	78,757	64,802	63,432
Net income	38,192	44,384	35,202	38,121
Basic earnings per share	2.18	2.52	2.00	2.17
Diluted earnings per share	\$2.16	\$2.50	\$1.98	\$2.14

	<b>Three Months Ended</b>			
	<b>3/28/20</b>	<b>6/27/20</b>	<b>9/26/20</b>	<b>12/31/20</b>
Net Sales	\$123,639	\$130,264	\$145,705	\$169,260
Gross profit	36,009	40,085	51,152	64,195
Net income	15,338	18,594	24,753	31,713
Basic earnings per share	0.88	1.06	1.42	1.81
Diluted earnings per share	\$0.87	\$1.05	\$1.39	\$1.78

## 19. Related Party Transactions

From time to time, the Company contracts with the National Rifle Association ("NRA") for some of its promotional and advertising activities. The Company paid the NRA \$0.5 million, \$0.6 million and \$0.8 million in 2021, 2020 and 2019, respectively. One of the Company's Directors also serves as a Director on the Board of the NRA.

## 20. Contingent Liabilities

As of December 31, 2021, the Company was a defendant in four (4) lawsuits and is aware of certain other such claims. The lawsuits fall into two categories: traditional product liability litigation, and municipal litigation. Each is discussed in turn below.

### Traditional Product Liability Litigation

Two lawsuits mentioned above involve a claim for damages related to an allegedly defective product due to its design and/or manufacture. The lawsuits stem from a specific incident of personal injury and are based on traditional product liability theories such as strict liability, negligence, and/or breach of warranty.

The Company management believes that the allegations in these cases are unfounded, that the incidents are unrelated to the design or manufacture of the firearms involved, and that there should be no recovery against the Company.

### Municipal Litigation

Municipal litigation generally includes those cases brought by cities or other governmental entities against firearms manufacturers, distributors and retailers seeking to recover damages allegedly arising out of the misuse of firearms by third parties. There are two lawsuits of this type. The *City of Gary*, filed in Indiana State Court in 1999, and *Estado Unidos Mexicanos v. Smith & Wesson, et al.*, which was filed in August 2021.

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

After a long procedural history, the case was scheduled for trial on June 15, 2009. The case was not tried on that date and was largely dormant until a status conference was held on July 27, 2015. At that time, the court entered a scheduling order setting deadlines for plaintiff to file a Second Amended Complaint, for defendants to answer, and for defendants to file dispositive motions. The plaintiff did not file a Second Amended Complaint by the deadline.

In 2015, Indiana passed a new law such that Indiana Code §34-12-3-1 became applicable to the City's case. The defendants filed a joint motion for judgment on the pleadings, asserting immunity under §34-12-3-1 and asking the court to revisit the Court of Appeals' decision holding the Protection of Lawful Commerce in Arms Act inapplicable to the City's claims.

On September 29, 2016, the court entered an order staying the case pending a decision by the Indiana Supreme Court in *KS&E Sports v. Runnels*, which presented related issues. The Indiana Supreme Court decided *KS&E Sports* on April 24, 2017, and the *City of Gary* court lifted the stay. The *City of Gary* court also entered an order setting a supplemental briefing schedule under which the parties addressed the impact of the *KS&E Sports* decision on defendants' motion for judgment on the pleadings.

A hearing on the motion for judgment on the pleadings was held on December 12, 2017. On January 2, 2018, the court issued an order granting defendants' motion for judgment on the pleadings, but denying defendants' request for attorney's fees and costs. On January 8, 2018, the court entered judgment for the defendants. The City filed a Notice of Appeal on February 1, 2018. Defendants cross-appealed the order denying attorney's fees and costs.

Briefing in the Indiana Court of Appeals was completed on the City's appeal and Defendants' cross appeal on September 10, 2018. The Court of Appeals issued its ruling on May 23, 2019, affirming dismissal of the City's negligent design and warnings count on the basis that the City had not alleged that Manufacturer Defendants' conduct was unlawful. However, the court reversed dismissal of the City's negligent sale and distribution and related public nuisance counts for damages and injunctive relief.

The Manufacturer Defendants filed a Petition to Transfer the case to the Indiana Supreme Court on July 8, 2019. The Petition was denied on November 26, 2019. The case was remanded to the trial court for further proceedings.

During the quarter ended April 3, 2021, the City initiated discovery and the Manufacturer Defendants reciprocated. Discovery is ongoing.

*Estado Unidos Mexicanos v. Smith & Wesson Brands, Inc., et al.* was filed by the Country of Mexico and names seven defendants, mostly U.S.-based firearms manufacturers, including the Company. The Complaint advances a variety of legal theories including negligence, public nuisance, unjust enrichment, restitution, and others. Plaintiff essentially alleges that the defendants design, manufacture, distribute, market and sell firearms in a way that they know results in the illegal trafficking of firearms into Mexico, where they are used by Mexican drug cartels for criminal activities. Plaintiff seeks injunctive relief and monetary damages. The Company believes that the allegations are without merit and is defending itself accordingly.

#### Summary of Claimed Damages and Explanation of Product Liability Accruals

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

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

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

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

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

A range of reasonably possible losses relating to unfavorable outcomes cannot be made. However, in product liability cases in which a dollar amount of damages is claimed, the amount of damages claimed, which totaled \$0.9 million and \$1.1 million at December 31, 2021 and 2020, respectively, are set forth as an indication of possible maximum liability the Company might be required to incur in these cases (regardless of the likelihood or reasonable probability of any or all of this amount being awarded to claimants) as a result of adverse judgments that are sustained on appeal.

During 2021, one (1) traditional product liability lawsuit was filed against the Company. As of December 31, 2021, the Company was a defendant in four (4) lawsuits involving its products, including two (2) traditional lawsuits and two (2) municipal lawsuits.

During 2020, one (1) traditional product liability lawsuit was filed against the Company and one (1) was resolved. As of December 31, 2020, the Company was a defendant in three (3) lawsuits involving its products, including two (2) traditional lawsuits and one (1) municipal lawsuit.

The Company's product liability expense was \$1.1 million in 2021, \$1.1 million in 2020, and \$0.7 million in 2019. This expense includes the cost of outside legal fees, and other expenses incurred in the management and defense of product liability matters.

A roll-forward of the product liability reserve and detail of product liability expense for the three years ended December 31, 2021 follows:

**Balance Sheet Roll-forward for Product Liability Reserve**

	Balance Beginning of Year (a)	Accrued Legal Expense (Income) (b)	Cash Payments		Balance End of Year (a)
			Legal Fees (c)	Settlements (d)	
2019	\$1,172	(37)	(240)	(77)	\$ 818
2020	\$ 818	300	8	-	\$1,126
2021	\$1,126	(7)	(227)	-	\$ 892

**Income Statement Detail for Product Liability Expense**

	Accrued Legal Expense (b)	Insurance Premium Expense (e)	Total Product Liability Expense
2019	\$ (37)	755	\$ 718
2020	\$ 300	839	\$1,139
2021	\$ (7)	1,119	\$1,112

**Notes**

- (a) The beginning and ending liability balances represent accrued legal fees only. Settlements and administrative costs are expensed as incurred. Only in rare instances is an accrual established for settlements.
- (b) The expense accrued in the liability is for legal fees only. In 2021 and 2019, the costs incurred related to cases that were settled or dismissed were less than the amounts accrued for these cases in prior years.
- (c) Legal fees represent payments to outside counsel related to product liability matters.
- (d) Settlements represent payments made to plaintiffs or allegedly injured parties in exchange for a full and complete release of liability.
- (e) Insurance expense represents the cost of insurance premiums.

There were no insurance recoveries during any of the above years.

## **21. Financial Instruments**

The Company does not hold or issue financial instruments for trading or hedging purposes, nor does it hold interest rate, leveraged, or other types of derivative financial instruments. Fair values of accounts receivable, accounts payable, accrued expenses and income taxes payable reflected in the December 31, 2021 and 2020 balance sheets approximate carrying values at those dates.

## **22. Subsequent Events**

As described in Note 10, on January 7, 2022, the Company entered into a \$40 million unsecured revolving line of credit agreement with a bank that expires January 7, 2024.

On February 18, 2022, the Company's Board of Directors authorized a dividend of 86¢ per share to shareholders of record on March 11, 2022.

The Company's management has evaluated transactions occurring subsequent to December 31, 2021 and determined that there were no events or transactions during that period that would have a material impact on the Company's results of operations or financial position.

## **ITEM 9—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A—CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

The Company conducted an evaluation, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of December 31, 2021. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2021, the Company's disclosure controls and procedures over financial reporting were effective.

#### **Management's Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company conducted an evaluation, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its internal control over financial reporting as of December 31, 2021. This evaluation was performed based on the criteria established in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013.

Management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2021, based on criteria established in "Internal Control — Integrated Framework" issued by the COSO in 2013.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by RSM US LLP, an independent registered public accounting firm, as stated in their report which is included in this Form 10-K.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **New York Stock Exchange Certification**

Pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Company submitted an unqualified certification of our Chief Executive Officer to the New York Stock Exchange in 2021. The Company has also filed, as exhibits to this Annual Report on Form 10-K, the Chief Executive Officer and Chief Financial Officer Certifications required under the Sarbanes-Oxley Act of 2002.

## **ITEM 9B—OTHER INFORMATION**

None.

## **PART III**

### **ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information concerning the Company's directors, including the Company's separately designated standing audit committee, and on the Company's code of business conduct and ethics required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2022 Annual Meeting of Stockholders scheduled to be held May 9, 2022, which will be filed with the SEC in April 2022.

Information concerning the Company's executive officers required by this Item is set forth in Item 1 of this Annual Report on Form 10-K under the caption "Executive Officers of the Company."

Information concerning beneficial ownership reporting compliance required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2022 Annual Meeting of Stockholders scheduled to be held May 9, 2022, which will be filed with the SEC in April 2022.

### **ITEM 11—EXECUTIVE COMPENSATION**

Information concerning director and executive compensation required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2022 Annual Meeting of Stockholders scheduled to be held May 9, 2022, which will be filed with the SEC in April 2022.

### **ITEM 12—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information concerning the security ownership of certain beneficial owners and management and related stockholder matters required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2022 Annual Meeting of Stockholders scheduled to be held May 9, 2022, which will be filed with the SEC in April 2022.



**ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND  
DIRECTOR INDEPENDENCE**

Information concerning certain relationships and related transactions required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2022 Annual Meeting of Stockholders scheduled to be held May 9, 2022.

**ITEM 14—PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information concerning the Company's principal accountant fees and services and the pre-approval policies and procedures of the audit committee of the board of directors required by this Item is incorporated by reference from the Company's Proxy Statement relating to the 2022 Annual Meeting of Stockholders scheduled to be held May 9, 2022, which will be filed with the SEC in April 2022.

## PART IV

### ITEM 15—EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) Exhibits and Financial Statement Schedule

- (1) Financial Statements can be found under Item 8 of Part II of this Form 10-K
- (2) Schedule can be found on Page 94 of this Form 10-K

(3) Listing of Exhibits:

Exhibit 3.1	Certificate of Incorporation of the Company, as amended (Incorporated by reference to Exhibits 4.1 and 4.2 to the Form S-3 Registration Statement previously filed by the Company File No. 33-62702).
Exhibit 3.2	<a href="#"><u>Bylaws of the Company, as amended through November 12, 2019.</u></a>
Exhibit 4.1	Description of the Company's Securities.
Exhibit 10.1	<a href="#"><u>Severance Agreement, dated as of April 10, 2008, by and between the Company and Thomas A. Dineen</u></a> (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.2	<a href="#"><u>Severance Agreement, dated as of April 10, 2008, by and between the Company and Thomas P. Sullivan</u></a> (Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).
Exhibit 10.3	<a href="#"><u>Severance Agreement, dated as of May 2, 2008 by and between the Company and Kevin B. Reid, Sr.</u></a> (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 5, 2008).
Exhibit 10.4	<a href="#"><u>Transition Services and Consulting Agreement, dated August 1, 2016, by and between the Company and Michael O. Fifer</u></a> (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 2, 2016).
Exhibit 10.5	<a href="#"><u>Amended and Restated Agreement, dated November 10, 2020, by and between the Company and Christopher J. Killoy</u></a> (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on November 12, 2020).

Exhibit 10.6	<a href="#"><u>Executive Severance Agreement, dated August 1, 2016, by and between the Company and Shawn C. Leska</u></a> (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on August 2, 2016).
Exhibit 10.7	<a href="#"><u>Loan Agreement, dated January 7, 2022 between Sturm, Ruger &amp; Company, Inc. and Regions Bank</u></a> . (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 11, 2022).
Exhibit 10.8	<a href="#"><u>The Sturm, Ruger &amp; Company, Inc. 2017 Stock Incentive Plan</u></a> (incorporated by reference to Annex A of the Company's Definitive Proxy Statement of Schedule 14A, filed with the SEC on March 27, 2017)
Exhibit 10.9	<a href="#"><u>Asset Purchase Agreement, dated September 26, 2020, by and among Sturm, Ruger &amp; Co., Inc. and Remington Outdoor Company, Inc. and each of the subsidiaries of Remington Outdoor Company, Inc.</u></a> (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on October 1, 2020).
Exhibit 23.1	Consent of RSM US LLP
Exhibit 31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act.
Exhibit 31.2	Certification of Treasurer and Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act.
Exhibit 32.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of the Treasurer and Chief Financial Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101.INS*	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH*	Inline XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document

Exhibit 101.LAB\*     Inline XBRL Taxonomy Extension Label Linkbase Document

Exhibit 101.PRE\*     Inline XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit 104\*         Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

\*Filed herewith

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STURM, RUGER & COMPANY, INC.

(Registrant)

S/THOMAS A. DINEEN

Thomas A. Dineen  
Principal Financial Officer  
Principal Accounting Officer, Senior Vice President,  
Treasurer, and Chief Financial Officer

February 23, 2022

Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

S/CHRISTOPHER J. KILLOY 2/23/22

Christopher J. Killoy  
Chief Executive Officer, Director  
(Principal Executive Officer)

S/JOHN A. COSENTINO, JR. 2/23/22

John A. Cosentino, Jr.  
Director

S/C. MICHAEL JACOBI 2/23/22

C. Michael Jacobi  
Director

S/RONALD C. WHITAKER 2/23/22

Ronald C. Whitaker  
Director

S/AMIR P. ROSENTHAL 2/23/22

Amir P. Rosenthal  
Director

S/PHILLIP C. WIDMAN 2/23/22

Phillip C. Widman  
Director

S/TERRENCE G. O'CONNOR 2/23/22

Terrence G. O'Connor  
Director

S/SANDRA S. FROMAN 2/23/22

Sandra S. Froman  
Director

S/MICHAEL O. FIFER 2/23/22

Michael O. Fifer  
Director

S/THOMAS A. DINEEN 2/23/22

Thomas A. Dineen  
Principal Financial Officer  
Principal Accounting Officer, Senior Vice  
President, Treasurer, and Chief Financial Officer

## EXHIBIT INDEX

		<u>Page</u> <u>No.</u>
Exhibit 3.1	Certificate of Incorporation of the Company, as amended (Incorporated by reference to Exhibits 4.1 and 4.2 to the Form S-3 Registration Statement previously filed by the Company File No. 33-62702).	
Exhibit 3.2	<a href="#">Bylaws of the Company, as amended through November 12, 2019.</a>	
Exhibit 4.1	Description of the Company's Securities.	
Exhibit 10.1	<a href="#">Severance Agreement, dated as of April 10, 2008, by and between the Company and Thomas A. Dineen</a> (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on April 11, 2008).	
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EXHIBIT INDEX (continued)

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\*Filed herewith

YEAR ENDED DECEMBER 31, 2021  
STURM, RUGER & COMPANY, INC.

ITEMS 15(a)  
FINANCIAL STATEMENT SCHEDULE



Sturm, Ruger & Company, Inc.

Item 15(a)--Financial Statement Schedule

Schedule II—Valuation and Qualifying Accounts

*(In Thousands)*

COL. A	COL. B	COL. C		COL. D	COL. E
Description	Balance at Beginning of Period	ADDITIONS		Deductions	Balance at End of Period
		(1) Charged (Credited) to Costs and Expenses	(2) Charged to Other Accounts –Describe		
Deductions from asset accounts:					
Allowance for doubtful accounts:					
Year ended December 31, 2021	\$400	\$ -		\$ -	\$400
Year ended December 31, 2020	\$ 400	\$ -		\$ -	\$ 400
Year ended December 31, 2019	\$ 400	\$ -		\$ -	\$ 400
Allowance for discounts:					
Year ended December 31, 2021	\$1,166	\$16,116		\$ 16,113(a)	\$1,169
Year ended December 31, 2020	\$1,070	\$12,482		\$12,386 (a)	\$1,166
Year ended December 31, 2019	\$ 929	\$ 9,222		\$ 9,081 (a)	\$1,070
Excess and obsolete inventory reserve:					
Year ended December 31, 2021	\$3,394	\$ 953		\$ - (b)	\$4,347
Year ended December 31, 2020	\$3,573	\$ (179)		\$ - (b)	\$3,394
Year ended December 31, 2019	\$2,527	\$1,199		\$ 153 (b)	\$3,573

(a) Discounts taken

(b) Inventory written off

**Consent of Independent Registered Public Accounting Firm**

We consent to incorporation by reference in the Registration Statements (Nos. 333-84677 and 333-53234) on Form S-8 of Sturm, Ruger & Company, Inc. of our reports dated February 23, 2022 relating to the consolidated financial statements, the financial statement schedule and the effectiveness of internal control over financial reporting of Sturm, Ruger & Company, Inc. as it appears in our reports, appearing in the Annual Report on Form 10-K of Sturm, Ruger & Company, Inc. for the year ended December 31, 2021.

/s/ RSM US LLP  
Stamford, Connecticut  
February 23, 2022

## CERTIFICATION

I, Christopher J. Killoy, certify that:

1. I have reviewed this Annual Report on Form 10-K (the “Report”) of Sturm, Ruger & Company, Inc. (the “Registrant”);
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects, the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - d) Disclosed in this Report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting.

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 23, 2022

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

## CERTIFICATION

I, Thomas A. Dineen, certify that:

1. I have reviewed this Annual Report on Form 10-K (the “Report”) of Sturm, Ruger & Company, Inc. (the “Registrant”);
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects, the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - d) Disclosed in this Report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting.

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 23, 2022

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

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

In connection with the Annual Report on Form 10-K of Sturm, Ruger & Company, Inc. (the “Company”) for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher J. Killoy, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respect, the financial condition and results of operations of the Company.

Date: February 23, 2022

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

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

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

In connection with the Annual Report on Form 10-K of Sturm, Ruger & Company, Inc. (the “Company”) for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas A. Dineen, Senior Vice President, Treasurer and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respect, the financial condition and results of operations of the Company.

Date: February 23, 2022

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

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