

# THE WALL STREET JOURNAL.

## Shareholders Win Vote Urging Smith & Wesson Maker to Review Safety Efforts

Gun-maker stocks have climbed as demand firmed and reduced discounting lifted earnings



Smith & Wesson guns on display at a weapons fair in Nuremberg, Germany. On Tuesday investors voted to push the company to do more to combat gun violence.

PHOTO: DANIEL KARMANN/DPA/ZUMA PRESS

By [Doug Cameron](#) and [Asjylyn Loder](#)

Sept. 25, 2018 6:09 pm ET

Investors in [American Outdoor Brands](#) Corp. on Tuesday won a shareholder vote urging the top U.S. firearm maker to do more to address gun violence.

The proposal asks the maker of Smith & Wesson guns to track shootings involving their products and consider investing more in technology to prevent their unauthorized use. Nearly 70% of investors in Sturm, Ruger & Co. [backed a similar shareholder proposal at that company in May.](#)

The percentage of shareholders who backed the proposal at American will be disclosed in later financial filings. American Outdoor said it would prepare the required report by February, but made no further concessions to investors who have won backing from some large fund managers.

American Outdoor Chief Executive James Debney said at Tuesday's annual meeting that he was "disappointed" by the vote. The company had said illegal use of its guns was a law-enforcement issue.

The resolutions at both gun makers were put forward by [a coalition of investors who began buying gun stocks](#) some two years ago to pressure executives for change, Sister Judy Byron, an organizer of the effort said in an interview earlier this year. That work efforts gained wider attention after a Feb. shooting at a Parkland, Fla., high school left 17 people dead.

**Michael Passoff, chief executive of Proxy Impact**, a shareholder-advocacy group that worked with investors pushing gun makers to review their business, said those groups would keep pressing for deeper changes.

"Halfhearted responses to majority shareholder votes never work out well," **Mr. Passoff** said. "The company comes under more scrutiny and shareholders come back asking for even more."

Index giants like [BlackRock](#) Inc., Vanguard Group and [State Street](#) Corp. have come under increasing pressure to weigh in on issues from climate change to gender pay parity. BlackRock and Vanguard are the two largest shareholders of both Sturm, Ruger and American Outdoor Brands. The two own a combined 20% of American Outdoor, and 27% of Sturm, Ruger, according to FactSet. Because many of their investments track indexes that group companies by size, location or industry, they typically buy and sell less frequently than more active money managers. In April, BlackRock said it would strip firearms retailers from some funds that invest based on environmental, social and governance criteria.

This year, shareholders have voted on 179 proposals related to environmental, social and governance issues, according to the Sustainable Investments Institute. Nine—including the Sturm, Ruger initiative—won a majority, according to the report.

Meanwhile, analysts expect the industry to return to sales growth in the fall. American Outdoor forecasts its sales will rise about 3% annually in the year through April 30.

Sturm, Ruger shares are up 30% this year and the company has said it is boosting production in anticipation of higher sales this fall including on Black Friday, an increasingly popular day to buy guns. American Outdoor Brands on Aug. 30 forecast higher-than-expected sales over the next nine months. The company's shares surged 40% the next day.

That is a rebound from last year, when nationwide gun sales fell around 9% to 14 million, according to analysts at IFS Securities, and manufacturers cut production and shed hundreds of jobs. Revenue at American Outdoor fell by a third in the year to April 30.

Big gun makers introduced dozens of new weapons and marketing campaigns to reverse last year's sales slump and rampant discounting as retailers worked through a huge inventory of weapons built up ahead of President Trump's election.

As sales began to recover this spring, Sturm, Ruger executives said they would prepare the report shareholders had asked for on safety measures and reputational risks. But they said they wouldn't take additional steps such as investing in smart-gun technology.

"What the proposal does not and cannot do is force us to change our business, which is lawful and constitutionally protected," CEO Chris Killoy said at Sturm, Ruger's annual meeting in May.