



## **FUNDING BUSINESS PLAN**



**PREPARED BY:**

INSERT YOUR NAME

YOUR ADDRESS

**Last updated:**

INSERT DATE



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## 1. EXECUTIVE SUMMARY

Utilizing the unique experiences and skillsets of four owners with an extensive amount of project and business management experience, Morgan Ammunition LLC was founded in May of 2014 for the purpose of supplying ammunition to private and public sector clients. Headquartered in Austin TX, we intend to reach our target customers located in surrounding states by directly pursuing contracting opportunities as a direct supplier, along with establishing relationships with brick and mortar gun stores to supply ammunition as a wholesale distributor.

### MISSION STATEMENT

***“OUR MISSION*** IS TO  
PROVIDE HIGH QUALITY  
AND RELIABLE  
AMMUNITION THROUGH  
TRIED AND TRUE  
MANUFACTURING AND  
BUSINESS PRACTICES.”

### VISION STATEMENT

***“OUR VISION*** IS TO BE  
RECOGNIZED AS THE  
PREMIER SUPPLIER  
OF AMMUNITION  
THROUGHOUT THE  
STATE OF TEXAS.”

In accordance with our stated company mission and company vision, we practice attention to detail from start to finish in every aspect of our company whether it be on the manufacturing floor, customer service, or business relations. Morgan Ammunition seeks relationships with ammunition suppliers who mirror our vision and who are known for upholding and perpetuating the quality of the industry.



## 2. COMPANY VALUES

In order to successfully fulfill our mission and realize our vision, Morgan Ammunition subscribes to the following values that govern how we do business, and how we treat our employees:

- ✓ Professionalism: Conducting ourselves in accordance with industry standards
- ✓ Dependability: Following through on our stated promises
- ✓ Integrity: Acting in an ethical manner
- ✓ Quality: Producing products that meet and exceed our customer's expectations



## 3. COMPANY PRODUCTS

At the company's initial inception, Morgan Ammunition shall manufacture and supply the following types of ammunition to public customers and governmental agencies:

- ❖ 9mm Luger 115gr
- ❖ 40mm S&W Auto 15p5gr



In an effort to achieve the company's vision as the company grows and expands, Morgan Ammunition shall diversify its product offerings to include the manufacture and supply of the following types of ammunition:

- ❖ .45
- ❖ .38
- ❖ 5.56
- ❖ .223
- ❖ .338
- ❖ .308

Morgan Ammunition shall also produce brass casings for each caliber we produce and we may also expand into producing Jacketed Hollow Point (JHP) for each caliber.

#### 4. KEYS TO SUCCESS

Morgan Ammunition has identified the following elements and important factors contributing to the success of the company:

- ✓ **Access To Capital** – Being able to obtain financing to support the company's growth
- ✓ **Access To Equipment** – Being able to secure needed assets to manufacture products
- ✓ **Business Development**– Being able to develop relationships with target customers
- ✓ **Supplier Relationships**– Being able to secure favorable pricing from suppliers
- ✓ **Good Reputation** – Being known for providing quality and reliable products

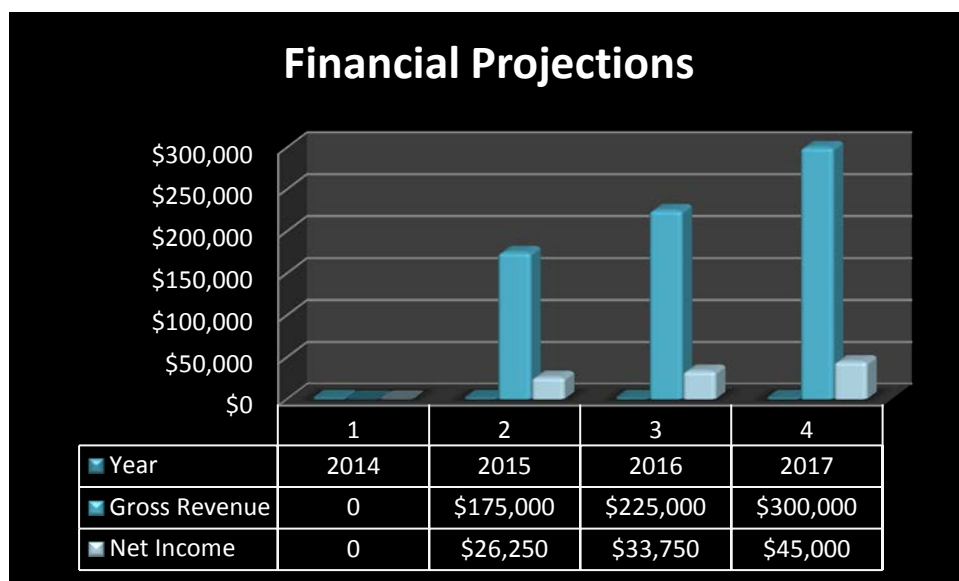


- ✓ **Supply Chain Management** – Being able to effectively manage the dynamic between supply and demand

## 5. SHORT TERM COMPANY GOALS

Below is a summary of the company's short term goals to be achieved by Dec. 2017:

- Secure \$150,000 in startup capital from an angel investor
- Secure needed equipment to begin operations
- Secure Commercial Real Estate For Production
- Develop Company Website
- Complete Registration Process to pursue government contracts
- Obtain FFL License
- Achieve \$300,000 in annual revenue sales
- Maintain a 10% Profit Margin
- Maintain \$15,000 in retained earnings as working capital





## 6. TARGET MARKETS

Morgan Ammunition has identified the following potential target market segments:

### Distributing To Retailers:

- Gun Stores
- Hobby Shops
- General Retailers

### Governmental Agencies:

- Department of Defense (Air Force, Army, Navy, etc.)
- Local Governments (Municipal Agencies, School Districts, etc.)

### Individual Gun Owners:

- Persons possessing concealed guns

## 7. SALES STRATEGY

Morgan Ammunition shall implement the following sales strategy to market the company to each of the identified target market segments:

### ***Distributing To Retailers:***

STEP #1: Morgan Ammunition will identify potential retailers within our geographic sales area and prequalify/vet them as potential clients.

STEP #2: For those retailers who are vetted as potential clients, the company representative responsible for business development shall market the company's product offerings to the retailer's manager in an effort to secure a distribution agreement to become a distributor to the retailer

### ***Governmental Agencies:***

Step #1: Morgan Ammunition shall obtain the applicable small business certifications to enhance our ability to do to business with governmental agencies.





Step #2: Morgan Ammunition shall register as a vendor with all target governmental agencies.

Step #3: Utilizing our company's marketing materials; Morgan Ammunition shall send introductions to each agency's small business specialist to request a meeting in an effort to develop a relationship with our target customer.

Step #4: Morgan Ammunition shall search the applicable governmental agency websites to receive notices of contracting opportunities that are consistent with the company's capabilities.

#### ***Individual Gun Owners:***

Step #1: Morgan Ammunition shall develop a comprehensive website highlighting the company's offered products, along with an on-line shopping cart portal where customers can purchase directly while online. Additionally, the company will incorporate keywords consistent with our industry in an effort to promote search engine optimization to be identified by target customers.

Step #2: Morgan Ammunition shall implement free social media platforms such as facebook, twitter and LinkedIn to promote the company's brand to target customers, and to maintain a relationship with them via the internet spotlighting any deals, upcoming events or new product offerings as they occur.

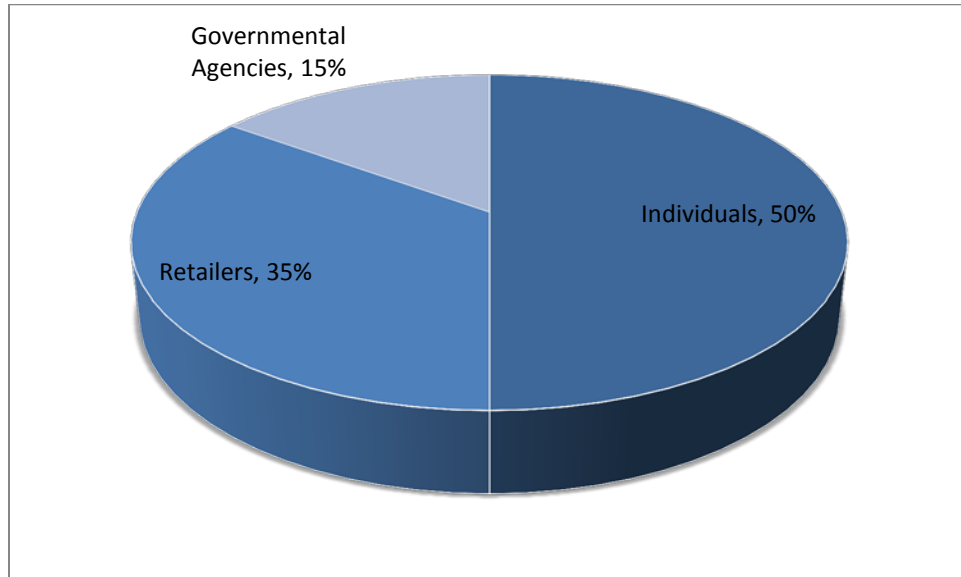
Step #3: Representatives from Morgan Ammunition shall join and participate in events hosted by local Chambers of Commerce to promote the company's brand within the local business community.

Step #4: Morgan Ammunition shall participate in gun-related trade shows by hosting an exhibit table to promote the company's products directly to target customers.

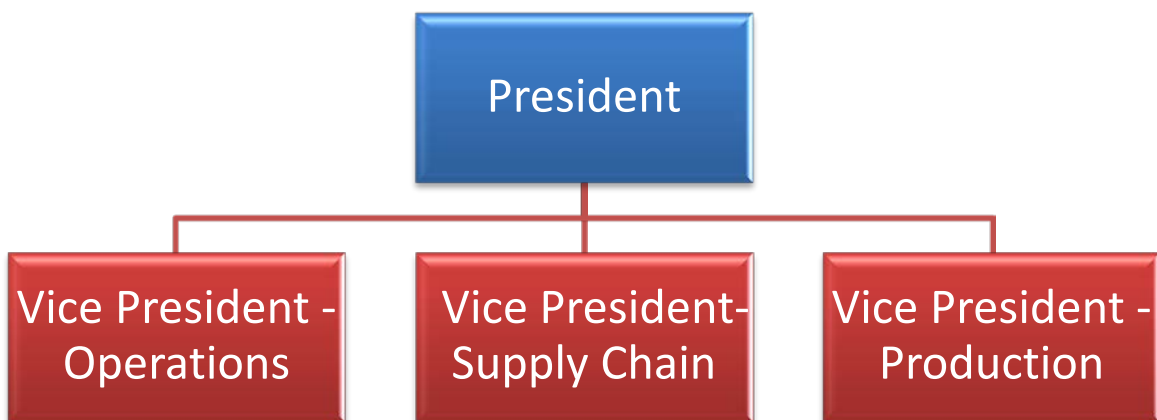




## PROJECTED MARKET REVENUE SEGMENTATION



## 8. MANAGEMNET PLAN





Duties	President	VP of Ops	VP of Prod.	VP of SC
<b>Business Development</b>	X			
<b>Production</b>			X	
<b>Logistics/Supply Chain/Inventory</b>				X
<b>Customer Service/Account Mgt.</b>	X			
<b>HR: Hiring/Firing/Interviewing</b>	X	X	X	X
<b>Program/Project Management</b>		X		
<b>Budgeting/Purchasing</b>	X	X		

**\*Duties To Be Outsourced:**

- *Payroll*
- *Bookkeeping*
- *Financial Reporting*



## **9. KEY PERSONNEL**

**INSERT NAME**

### **Work Experience**

#### **Risk Agent**

W Austin Hotel in Austin, Texas (April 2012-January 2014, October 2014-Current)

- Maintain safety and security of property, employees and guests
- Monitor all surveillance footage of property
- Operate all software and hardware of Security command office
- Maintain knowledge of all rules and regulations to provide proper compliance and enforcement
- Assist in training of all new hires
- Provide excellent customer service in the W way

#### **VIP Host/Security**

Haven Nightclub in Austin, Texas (August 2011-April 2012)

- Recognize VIP guests and expedite entry into Venue
- Assist in selling tables for bottle service
- Assist in Day to Day Function of Venue
- Maintain Club Security

#### **Director of Operations**

Longhorn Moving & Storage Inc. in Austin, Texas (May 2011-August 2011)

- Manage 25+ employee's including Full-time and Part-time
- Delegating tasks to senior staff to ensure optimal productivity and customer service
- Acquire and Maintain proper supplies, equipment and vehicles for daily operations
- Set pricing for products and services
- Oversee and manage client bookings schedule
- Interview and hire new employees
- Employee scheduling
- Maintain compliance of all local and state rules & regulations
- Obtain & maintain business contacts to grow and sustain the company



### **68P Radiology Specialist/Training NCO/Corporal**

US ARMY RESERVES 5501st USAH in San Antonio, Texas (April 2005-April 2011)

- Training NCO responsible for assisting and conducting training for over 200 soldiers
- NCO in charge of weapons training
- Laser Marksmanship Training Simulation Instructor/Operator
- Engagement Skills Trainer 2000 Instructor
- Small Arms/Artillery Simulator Operator
- H.E.A.T (Humvee Rollover) Simulator Operator
- Multitask effectively
- Communicate clearly
- Awarded Army Achievement Medal
- Awarded Multiple Army Certificates of Achievement
- Utilize knowledge and judgment in regard to imaging factors, imaging technique, and patient treatment needed to produce optimal radiological images
- Skills: Microsoft Office, Internet Explorer, PACS, Teleradiology, AGFA imaging, Kodak imaging
- Certified GE OEC 9800 plus C-arm

### **Sales Associate**

The Mobile Solution in Austin, Texas (April 2009-May 2009)

- Provide Excellent Customer Service
- Knowledgeable in all T-Mobile products and services
- Draw customers into sales conversations
- Efficiently close sales
- Communicate clearly

### **Security**

The Ranch in Austin, Texas (Oct. 2008-April 2009)

- Maintain Club Security
- TABC Certified
- Assist in Day to Day function of Venue
- Maintain Club cleanliness



### **Senior Security Officer/Promoter**

Qua Ultra Lounge in Austin, Texas (Oct. 2007-Oct. 2008)

- Maintain Club Security
- TABC Certified
- Assist in Day to Day function of Venue
- Promoter for Venue
- Assist in selling tables for bottle service
- Trained in knowledge specifics of Champagne and Wine

### **Lead Radiology Technician**

Bee Caves Urgent Care Clinic in Austin, Texas (April 2007-Nov. 2007)

- Set up Radiology Department for initial opening of clinic in accordance with all current rules and regulations
- Coordinate with vendors for required maintenance of all hardware and software equipment for department
- Train radiology tech staff and physicians on operations of all hardware and software
- Schedule Radiology Tech staff
- Utilize knowledge and judgment in regard to imaging factors, imaging technique, and patient treatment needed to produce optimal radiological images
- Document and maintain patient care records
- Administrative access for radiology
- Cross-trained to work in full-service lab
- Take Vitals and room patients

### **Elite Guest Coordinator**

Marriott Rivercenter in San Antonio, Texas (Oct. 2006-Feb. 2007)

- Recognized for excellent customer service and attention to detail
- Entrusted with handling all high-profile and elite guest accounts
- Document and maintain guest records
- Computer Skills: Microsoft Word and Excel, Internet Explorer
- Excellent customer service
- Answer phones and make reservations
- Assist guest with any questions or concerns during their stay
- Maintain a balanced cash register



### **Front Desk Agent**

Best Western Eastern Shore Inn in Exmore, Virginia (Jan. 2003-April 2005)

- Document and maintain guest records
- Ability to communicate clearly
- Ability to multitask effectively
- Computer Skills: Microsoft Word and Excel, Internet Explorer
- Provide excellent customer service to guests
- Answer phones and make reservations
- Assist guest with any questions or concerns during their stay
- Maintain a balanced cash register

### **Education History**

**Northampton High School** in Eastville, Virginia

(Sept. 1998-June 2002)

- Diploma Advanced Studies
- Certificate of Completion Business Administration

**US ARMY AMEDDC&S Radiology School(Classroom)** in San Antonio, Texas

(Aug. 2005-March 2006)

**Dwight D. Eisenhower Army Medical Center Radiology School(Clinical)** in

Augusta, Georgia (March 2006-Aug. 2006)

- Certificate of Completion Radiology Specialist
- Certified in GE OEC 9800 plus C-arm

**Bee Caves Urgent Care** in Austin, Texas

(April 2007-Nov. 2007)

- Lab Technician
- Medical Technician

### **TABC Certification**

Valid July 2013-July 2015



**INSERT NAME**

**SUMMARY:**

Results-oriented product/test engineer with extensive experience in mixed signal ICs, new product introduction (NPI), device and package qualifications, test program development/optimization and device verification/characterization. Innovative, multi-tasking problem solver with the ability to adapt in a fast-paced, rapidly changing environment. Proficient knowledge of the manufacturing processes.

**SKILLS & KNOWLEDGE**

- Device/Package Qualification
- Device Characterization
- Device/Program Verification
- Test Program Development
- Cost Reduction
- Prototype Deliveries
- Teradyne J750 tester
- Yield Enhancement
- Customer Return Processing
- DVT/DFT/Fault Grading
- Statistical Analysis
- UNIX





## **PROFESSIONAL EXPERIENCE**

### **FREESCALE SEMICONDUCTOR, Austin, Texas**

Product/ Test Engineer, Microcontroller Solutions Group      2004-2009

NPI product engineer for 8-bit microcontrollers. In addition to the standard Product Engineering duties performed, the main tasks performed were test program enhancement through device characterization and test program optimization. Other duties included product yield enhancement, cost reduction, lab and tester device characterization, debugging test hardware, programs and silicon, liaison with design, fab, assembly, failure analysis labs, factory manufacturing/test and mentoring and training peers.

#### **Key Results:**

- Met all product and launch schedules.
- Optimized test programs resulting in an average test time reduction of 37%.
- Enhanced test program performance with Visual Basic coding designed to clean up device power supply distribution resulting in more efficient and reliable tests.

### **MOTOROLA, INC, Austin, Texas**

Product/ Test Engineer, Transportation and Standard Products Group   2001-2004

NPI lead product engineer for 16-bit microcontrollers. Duties included liaison for design, device fabrication, assembly, factory manufacturing test, quality assurance/control, and failure analysis. Tasks performed include test hardware design and development, test program development and optimization, parametric pattern coding and generation, functional pattern generation, silicon verification, qualifications and product manufacturing release within a very aggressive product



design to launch schedule. Other duties included product yield enhancement, cost reduction, lab and tester device characterization, debugging test hardware, programs and silicon, liaison with design, fab, assembly, failure analysis labs and mentoring and training peers.

#### Key Results:

- Met all product qualification and launch schedules.
- Optimized test programs resulting in an average test time reduction of 43%.
- Enhanced test program performance with Visual Basic coding designed to clean up device power supply distribution resulting in more efficient and reliable tests.

### **MOTOROLA, INC, Austin, Texas**

Design For Test (DFT) Engineer, Information Systems Division 2000-2001

Hired to perform DFT engineering work generating (Fastscan) and verifying (Verilog simulations) scan test patterns to meet the required fault coverage using Mentor Graphics' Fastscan and Cadence's Verilog.

#### Key Results:

- Met all product and launch schedules.
- Developed pattern generation reporting tool to track and report pattern development status and received acknowledgment from customers.

### **MOTOROLA, INC, Austin, Texas**

Test/Fault Grade Engineer, Transportation Systems Group 1996-2001

Product Engineer/Project leader hired to perform product development tasks which included developing resource analysis and providing project schedules to achieve CDF-AEC (Chrysler, Delco Electronics and Ford- Automotive Electronics



Council) Specification requirements for all 16 bit microcontrollers. Wrote scripts to automate the fault grading process. Initiated and documented fault grade strategies. Automated the generation of fault grade reports. Mentored design and verification engineers in the fault grading process. Supported Chip builds by being a member of the design, verification and test teams. Leader in developing targeted IDDQ diagnostics.

#### Key Results:

- Increased device fault coverage – 90% to 98%.
- Increased product quality and reliability.
- New product cycle time reduced by 50%.
- Customer relations strengthened resulting in increased design wins.

#### **MOTOROLA, INC, Austin, Texas**

Product/Test Engineer, Transportation Systems Group 1990-1996

Product engineer for 8-bit microcontrollers responsible for device fabrication (fab), test hardware and program development and optimization, parametric pattern coding and generation, functional pattern generation, silicon verification, assembly, qualification, product manufacturing release within a very aggressive product design to launch schedule. Other duties included product yield enhancement, cost reduction, scheduling, lab and tester device characterization, debugging test hardware, programs and silicon, liaison with design, fab, assembly, failure analysis labs, factory manufacturing/test and mentoring and training peers.

#### **EDUCATION**

B.S., Electrical/Electronic Engineering Technology, Texas Tech University

Lubbock, Texas



## **INSERT NAME**

### **Manufacturing Engineer**

Innovative, technically sophisticated manufacturing engineer, passionate advocate for Lean, 5S, and 6 $\sigma$  (sigma) methodologies. Keen eye evaluating manufacturing processes on the production floor. Skillful analysis of nonconforming parts, deviations from standard procedures, always looking for better, faster, higher quality, more efficient processes. Fanatical attention to detail engineering support for prototyping and first article builds, transitioning to release of new products. Lean manufacturing implementation and step-by-step work instructions for assembly, test and quality procedures related to assembly of mechanical/electric products.

### **Professional Strengths**

Customer Relationship Cultivation

Continuous Process Improvement

Cost Reduction & Avoidance

Design Fixtures & Production Tooling

Environmental Health & Safety/OSHA

Team Building & Leadership

Original Equipment Manufacturing

Failure Mode Effect Analysis (FMEA)

High-Volume Production

New Product Introduction (NPI)



Program & Project Management

Vendor Management

Supply Chain Management

Material Review Board (MRB) Multi-Site Operations

First Article Development

Work Instructions, VOS, SOE Plant Design & Layout

Production Management Process Development

Oracle & Agile

Auto-Cad (solidworks) 5+yrs

Production Assembly

Optimization

Product Development

Lean Manufacturing

Six Sigma

JIT/WIP/MRP

OSHA/Safety

Kaizen



## **Significant Accomplishments:**

- Setup the new Apple Mac Pro services production line to service all countries in the world that will have defective returns, contributing to Apple being half of the sites annual income. Flextronics
- Increased production time 100% by implementing alternative processes for a detailed operation, while decreasing errors. Sanmina-SCI
- Saved \$1M annually by creating a new process and training employee for a maintenance program for injection molds. Lancer Corporation

## **Career Highlights**

### **Flextronics Corporation, Austin, TX 2013-2014**

#### **Product Engineer**

The lead engineer of a successful launch of the new Apple Mac Pro services line. Responsible for the ROI, acquiring, and installation of needed machines and equipment. Responsible for setting up and maintaining product routings in the FlexFlow(shop floor control) MES system on the Customer products, including the process flow, layout and fit-up of multiple test, ECO and repair lines. Interacted with the customer and various departments on product related issues – engineering changes, new model development.

- Setup the new Apple Mac Pro services production line to service all countries in the world that will have defective returns, contributing to having Apple be half of the sites annual income.
- Set up a new complex production line with in 1 quarter.
- Creating and sustaining new controlled documents such as customer spec's, BOMs, process flows, Shop floor controls systems.



- Major equipment purchases were under budget by 10% to make any final unforeseen purchase that might have occurred and on time.
- Setup and validated machines on the production line for essential repair of components on pc boards.
- Responsible for the quoting, getting authorizations, and final purchasing of machines.
- Assisted to create the shop floor control flow and processing of serialized and Non serialized parts.

### **Sanmina-SCI, Austin, TX 2011-2012**

#### **Manufacturing Engineer**

Reviewed and inputted all drawings and manufacturability information for all NPI coming into plant from the semiconductor, oil and natural gas fields. Assisted plant production as liaison between manufacturer to customer needing parts in a timely manner. Created new work instructions for new products introductions, coming into the plant and revised old, out dated instructions on an as needed basis through random inspection.

- Self-initiated Kaizen project discovered miscommunications and misconceptions regarding waste disposal. Ceased production; enlisted external experts to evaluate procedures; MSDS reviewed and procedures revised, preventing EPA investigation and sanctions.
- Eliminated reworks on by adding additional processes step in order to meet customer specifications.
- Developed root cause analysis of rejected, nonconforming materials parts bi-weekly in the Material Review Board.





## **Lancer Corporation, San Antonio, TX 2009-2010**

### **Manufacturing Engineer**

Led and orchestrated production of soda fountain machines (injection molding, press break (sheet metal), valve assembly, sonic welding and main assembly). Aided assembly process with time studies, value stream mapping, and Kaizen events. Worked across multiple departments to get all the details possible about each event, and produce optimal solutions.

- Saved \$1M annually by creating a preventative maintenance program for injection molds. Creating a plastic 3x5 tag and attached to each mold. Every cycle variable required a punch out on the card. Once the card ran out of numbers it would go in for maintenance.
- Managed mold setters by implementing a grid and tracking system. Collaborated across 3 shifts in an effort to work symbiotically as one team, reducing warehouse searching by 50%.
- Created Auto-CAD scale drawing of production plant to re-designed floor layout of the production floor. Measured and electronically drew out 300,000sf facility including all offices, production lines, machines, walls, utilities and safety protocols. Collaborated with executive leadership and process managers to improve space utilization and manufacturing efficiency and emergency evacuation plan.

### **Education ~ Training ~ Awards**

Bachelor of Science, Manufacturing Engineering Technology, Tarleton State University (Texas A&M system), Stephenville, TX

Eagle Scout L.E.A.D.S. (40 hrs. of leadership training) Distinguished Service Key (DSK)

Green Belt 6σ      Lean manufacturing      5S (methodology)



**INSERT NAME**

## **QUALIFICATIONS PROFILE**

Skilled medical professional with extensive experience in business management. Dynamic thinker with the ability to assess critical situations while effectively prioritizing operational responsibilities enabling adaptation to situations as they change and evolve. Trustworthy and resourceful professional adept at working in high stress environments. Experienced leader and trainer with extensive expertise in developing and maintaining internal and external client and professional relationships.

## **CORE COMPETENCIES**

- ❖ Supply Chain Management
- ❖ Inventory Consolidation
- ❖ Medical Documentation
- ❖ Budgeting
- ❖ Operations
- ❖ Process Development
- ❖ Metal Manufacturing
- ❖ Quality Control
- ❖ Business Development
- ❖ Client Service
- ❖ Communications
- ❖ Web Design
- ❖ Property Acquisition
- ❖ Structural Design
- ❖ Human Resource



## **PROFESSIONAL EXPERIENCE**

**2010-2014 (Present)      SouthernCross Ambulance      New Braunfels, TX**

Paramedic

- Primary responsibility: Providing emergency and non- emergency medical care and transport.
- Regional Supervisor: Managed seventy company personnel. Time card verification of employees, implementation of regulations and disciplinary action, scheduling workload and employee logistics. Facilitated conflict resolution and team cohesion.
- Supply Officer: Tasked with ordering up to fifty medications for the regional ambulance fleet. Assured medication distribution was compliant by documenting and utilizing proper procedures through validation and completion of legal paperwork on narcotic documentation and transfers.
- Field Training Officer: Instruct employees in operation of driving company fleet vehicles and adhering to state regulations, laws and company driving guidelines. Tasked with assuring individuals maintain company policy and procedure with regards to risk mitigation, narcotic transfer procedure, and medical documentation.

**2011-2014 (Present)      Department of Health and Human Services  
San Marcos, TX**

Paramedic - Disaster Medical Assistance Team (DMAT)

- Respond to national and international disasters, providing full mobile medical hospital services.



- Erect hospital medical environments from mobile trucks and shipped supplies and equipment.
- Triage patients and disaster victims during disaster relief efforts. Assists local medical and law enforcement personnel.

**2013 (Summer)      Boy Scouts of America – Lost Pines      Bastrop, TX**

**Medic**

- Provided preventative health care to Boy Scout campers during summer camp session.
- Treated basic common injuries and illnesses and assisted with facility management of medical lodge.
- Trained Boy Scouts in blacksmithing/metalsmithing techniques and safety protocols.

**2008-2012   Mad Irish Blades      Austin, TX**

**Owner and Managing Partner**

- Hand-forged custom knives and specialty cutlery to customer specification using recycled, rare, and exotic materials.
- Oversaw all supply acquisitions including the purchasing of tools, equipment, materials, and other consumables based on market demand projections.
- Managed day-to-day financial operations, analyzed monthly financial data, and forecasted budget requirements.
- Developed and implemented a marketing plan that included a presence on social media, the design and maintenance of the company's website and the hosting of booths at various conventions to display product offerings, build company reputation, process custom orders, and sell existing stock.



- Interacted with current and potential client base through various social media outlets.

**2008-2009 Acadian Ambulance Service Austin, TX**

Emergency Medical Technician

- Providing emergency care and non-emergency medical care and transport.
- Emergency Vehicle Driving Safety Instructor: Trained company personnel on safe driving of company vehicles. Created safe working environment and provided support to medical team.

**2004-2009 University of Texas Emergency Medical Services Austin, TX**

Emergency Medical Technician

- Providing emergency care for the students, staff, and visitors of the University of Texas.
- Attended to injuries and evaluated patients as needed during sporting events.

**EDUCATION AND CREDENTIALS**

Independent Study of American Gunsmithing Institute courses

Austin Community College – Blacksmithing & Metalsmithing class

**Certifications and Training:**

Technical and Manufacturing Equipment Experience

High speed grinders Milling machine

Heat treating and tempering Kiln work

Drill press Multi process welding



## 10. COMPETITORS

Below is a list of identified competitors in our industry”

- I. <http://www.ammunitiontogo.com/>
  - a. An online ammunition wholesaler/retailer – based in Houston
- II. <https://alamoammo.com/>
  - a. Another online ammunition retailer – based in San Antonio
- III. San Antonio Ammo – [www.sanantonioammo.com](http://www.sanantonioammo.com)
  - a. Brick and mortar distributor of ammunition in San Antonio
- IV. GT Distributors - [www.gtdist.com](http://www.gtdist.com)
  - a. Distributor of ammunition with retail stores throughout TX.



## 11. SWOT ANALYSIS

<p><i>Strengths</i></p> <ul style="list-style-type: none"> <li>✓ Over 30 yrs. of Manufacturing experience in supply chain, Product introduction, and process refinement.</li> <li>✓ 10yrs collective experience assembling ammunition.</li> <li>✓ Expert knowledge of the ammunition industry.</li> </ul>	<p><i>Weaknesses</i></p> <ul style="list-style-type: none"> <li>✓ Limited access to capital</li> <li>✓ Limited access to equipment</li> <li>✓ Lack of established customer base</li> <li>✓ Lack of established relationships with potential retailers</li> </ul>
<p><i>Opportunities</i></p> <ul style="list-style-type: none"> <li>✓ Establishing relationships with suppliers</li> <li>✓ Attending gun/trade shows</li> <li>✓ Pursuing contracts with governmental agencies</li> </ul>	<p><i>Threats</i></p> <ul style="list-style-type: none"> <li>✓ Regulatory compliance regarding stricter gun laws</li> <li>✓ Increased competition from additional firms</li> <li>✓ Decreased governmental spending</li> </ul>





## **12. BUSINESS/EXPANSION STRATEGY**

### *Phase I*

In phase 1 of our business strategy, Morgan Ammunition shall focus on establishing the infrastructure for the company by completing tasks such as obtaining our FFL license, along with securing our supply chains and distribution channels. Morgan Ammunition shall also begin small scale production and sale of 9mm ammunition at this time.

### **Period of Phase I: 12 months**

### *Phase II*

In phase 2 of our business strategy, Morgan Ammunition shall expand our caliber offerings along with increasing our productivity abilities by way of purchasing larger output machines. In this phase, Morgan Ammunition shall also begin production of our own brass in order to lower production costs and increase profits. We shall begin focusing on partnering with companies and other industry entities to further expand our customer base.

### **Period of Phase II: 24-36 months**

### *Phase III*

By the start of phase 3, Morgan Ammunition shall have a well-established supply and distribution chain, as well as a consistent customer base. We shall continue to expand our customer base in this phase, while also focusing on increasing our rifle calibers to large scale production and also increase our brass production to an excess of personal supply. This will provide the company with additional revenue outside of ammunition sales.

### **Period of Phase II: 36 months +**



### 13. INVENTORY MANAGEMENT/PRICING

During phase I, Morgan Ammunition intends to purchase the following piece of equipment for manufacturing purposes:



#### **Dillon S 1050**

- Auto indexing shellplate
- Built in primer pocket swager
- Auto powder measure system
- Automatic priming system
- Electric casefeeder
- Low Primer Alarm

*This is a commercial grade machine, is capable of loading 1,000 to 1,200 rounds per hour and carries a one year warranty.*

Based on the company's first year of projected revenue (approximately \$ 170,000), Morgan Ammunition needs to manufacture a total of approximately 485,000 rounds of ammunition during the calendar year. Based on this amount of projected rounds needed, the company shall initially manufacture 60,000 rounds at inception for inventory purposes (60 days to manufacture). When the company's inventory reaches less than 10,000 rounds, Morgan Ammunition shall begin the process of manufacturing enough ammunition to bring the company's inventory amount up to 40,000 rounds.

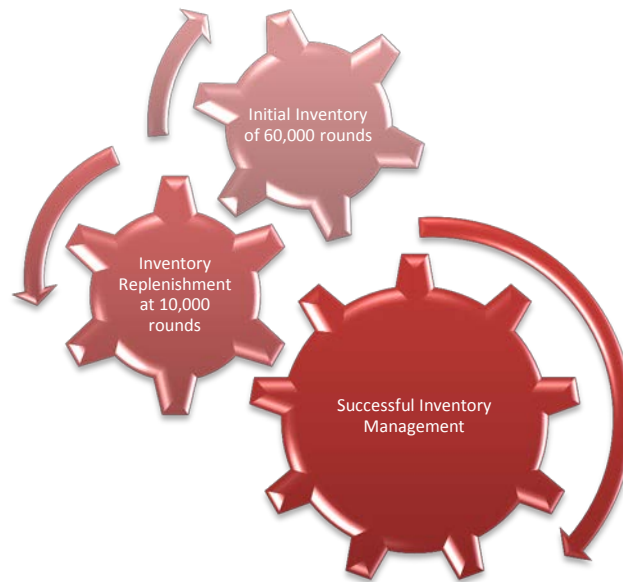
#### *Pricing*

9mm Luger 115gr & 40mm S&W Auto 15p5gr - Amount in parentheses

\*(50) = \$16.70 - \$17.75 (100) = \$31.25 - \$32.75 (500) = \$150.60 - \$155.15



## SUPPLY CHAIN MANAGEMENT



## 14. PROJECTED START UP EXPENSES

ITEM	COST
LLC Formation	\$300
Manufacturing Equipment	\$2,000
Initial Ammunition/Supplies	\$21,000
Office Space - 6 months	\$9,000
Utilites - 6 months	\$1,600
Phone/Internet - 6 months	\$900
Website/Logo Development	\$6,500
Initial Advertising/Marketing	\$3,000
Initial Office Expenses	\$5,000
Professional Fees	\$4,000
Working Capital	\$20,000
Meals and Entertainment/Travel	\$10,000
<b>Subtotal Initial Start Up Expenses</b>	<b>\$83,300</b>
Contingency (20%)	\$16,660
<b>Total Initial Start Up Expenses</b>	<b>\$99,960</b>



## 15. ACTION ITEMS

Task	POC	Date To Completed
Apply for financing	President	Dec 2014
Secure commercial real estate	President	Feb 2015
Secure bookkeeping/accounting firm	President	Feb 2015
Purchase manufacturing equipment	President	Mar 2015
Purchase needed supplies for initial inventory	President	Mar 2015
Develop website/marketing materials	President	Apr 2015
Obtain FFL license	President	Jul 2015
Develop relationships with retailers	President	Aug 2015
Complete vendor registration process with governmental agencies	President	Aug 2015
Attend/Exhibit at trade shows	President	Aug 2015



## 16. FINANCIAL PROJECTIONS

### *Assumptions*

- The company secures \$100k in startup financing
- The company shall obtain its FFL in Jul 2015 to
- Direct Wages represents 20% of the company's revenue
- Materials/Supplies represents 45% of the company's revenue

### 1 Year Cash Flow Projection

Small Business Cash Flow Projection  
Morgan Ammunition

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Total
Cash on hand (beg. of month)	\$0	\$300	\$600	\$900	\$1,200	\$1,500	\$1,800	\$3,150	\$4,500	\$5,850	\$8,075	\$10,300	

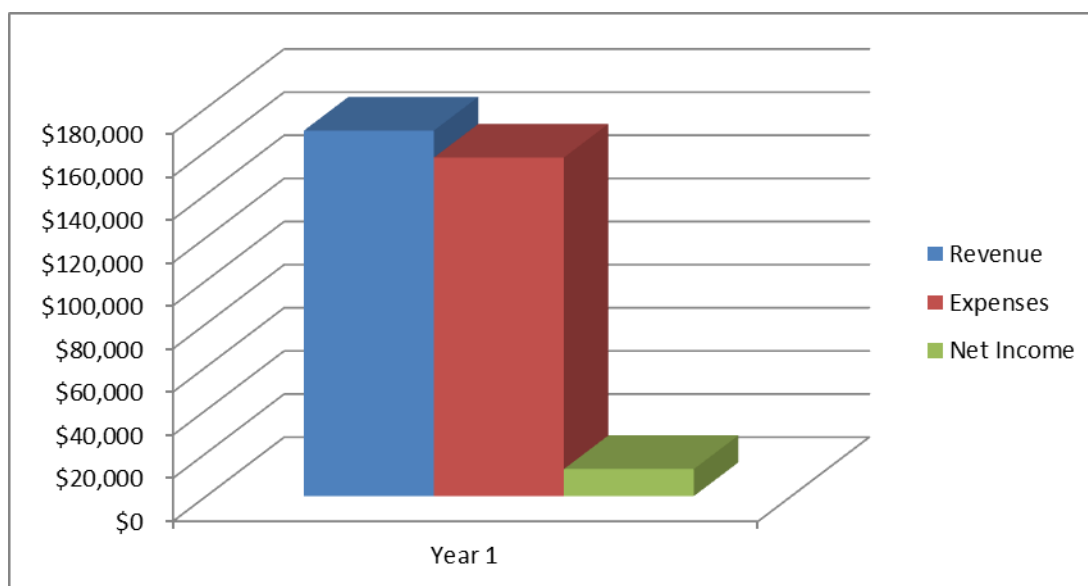
CASH RECEIPTS													
Cash sales	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$15,000	\$15,000	\$15,000	\$17,500	\$17,500	\$17,500	\$169,500
COST OF GOODS SOLD													
Direct Wages	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$3,000	\$3,000	\$3,000	\$3,500	\$3,500	\$3,500	\$33,900
Direct Materials/Supplies	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$5,400	\$6,750	\$6,750	\$6,750	\$7,875	\$7,875	\$7,875	\$76,275
<b>Total Gross Profit</b>	<b>\$4,200</b>	<b>\$4,200</b>	<b>\$4,200</b>	<b>\$4,200</b>	<b>\$4,200</b>	<b>\$4,200</b>	<b>\$5,250</b>	<b>\$5,250</b>	<b>\$5,250</b>	<b>\$6,125</b>	<b>\$6,125</b>	<b>\$6,125</b>	

CASH PAID OUT													
Advertising/Marketing	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
Insurance	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Meals and entertainment	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
Office expense	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
Rent/Lease	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$14,400
Utilities	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Professional Fees	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$3,000
Phone/Internet	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
Miscellaneous	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
<b>SUBTOTAL</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$2,600</b>	<b>\$31,200</b>
Loan principal payment	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$1,300	\$15,600
<b>TOTAL CASH PAID OUT</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$46,800</b>
<b>Net Income/Loss</b>	<b>\$300</b>	<b>\$300</b>	<b>\$300</b>	<b>\$300</b>	<b>\$300</b>	<b>\$300</b>	<b>\$1,350</b>	<b>\$1,350</b>	<b>\$1,350</b>	<b>\$2,225</b>	<b>\$2,225</b>	<b>\$2,225</b>	



## 1<sup>st</sup> Year Annual Financial Projection

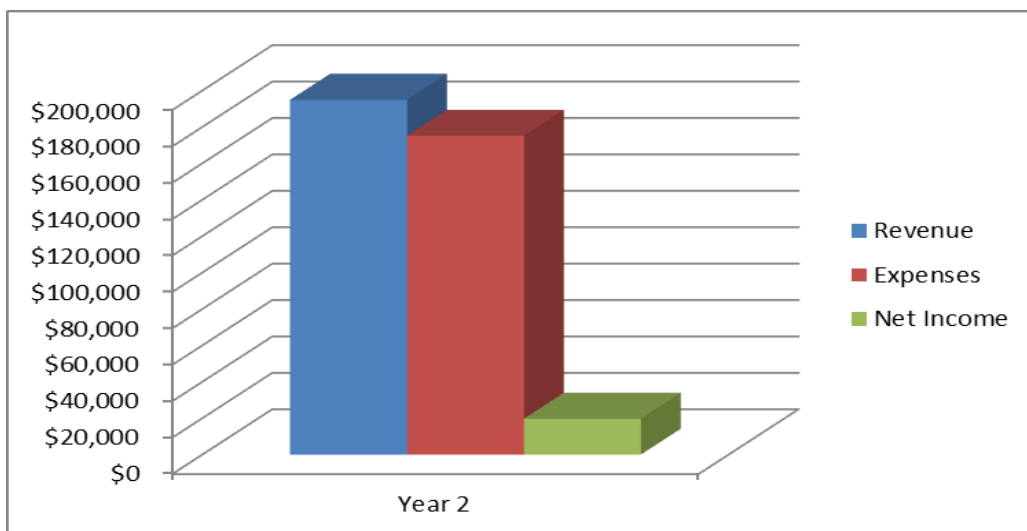
REVENUES		EXPENSES	
Total Revenues	\$169,500	Advertising/Marketing	\$2,400
		Insurance	\$1,200
<b>COST OF GOODS SOLD</b>		Meals and entertainment	\$1,800
Direct Labor (20% of Revenue)	\$33,900	Office expense	\$1,800
Materials/Supplies (45% of Revenue)	\$76,275	Rent/Lease	\$14,400
		Utilities	\$3,600
<b>Total Cost of Goods Sold</b>	<b>\$110,175</b>	Professional Fees	\$3,000
		Phone/Internet	\$1,800
<b>GROSS PROFIT</b>	<b>\$59,325</b>	Miscellaneous	\$1,200
		Loan Repayment	\$15,600
		<b>Total Operating Expenses</b>	<b>\$46,800</b>
<b>AVAILABLE CASH FLOW</b>	<b>\$12,525</b>		





## 2<sup>nd</sup> Year Annual Financial Projection

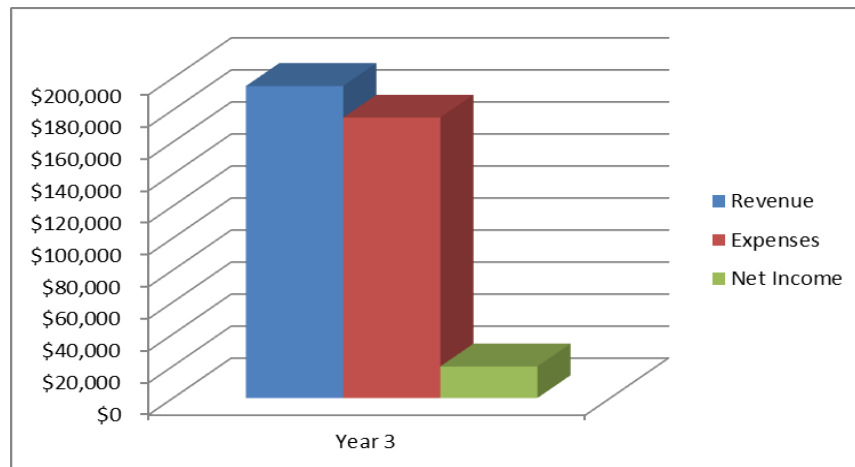
REVENUES		EXPENSES	
Total Revenues	\$194,925	Advertising/Marketing	\$2,700
		Insurance	\$1,300
<b>COST OF GOODS SOLD</b>		Meals and entertainment	\$2,000
Direct Labor (20% of Revenue)	\$38,985	Office expense	\$2,000
Materials/Supplies (45% of Revenue)	\$87,716	Rent/Lease	\$14,400
		Utilities	\$3,600
<b>Total Cost of Goods Sold</b>	<b>\$126,701</b>	Professional Fees	\$3,500
		Phone/Internet	\$1,900
<b>GROSS PROFIT</b>	<b>\$68,224</b>	Miscellaneous	\$1,500
		Loan Repayment	\$15,600
		<b>Total Operating Expenses</b>	<b>\$48,500</b>
<b>AVAILABLE CASH FLOW</b>	<b>\$19,724</b>		





### 3<sup>rd</sup> Year Annual Financial Projection

REVENUES		EXPENSES	
Total Revenues	\$224,165	Advertising/Marketing	\$3,000
		Insurance	\$1,400
<b>COST OF GOODS SOLD</b>		Meals and entertainment	\$2,200
Direct Labor (20% of Revenue)	\$44,833	Office expense	\$2,350
Materials/Supplies (45% of Revenue)	\$100,874	Rent/Lease	\$14,500
		Utilities	\$3,700
<b>Total Cost of Goods Sold</b>	<b>\$145,707</b>	Professional Fees	\$4,000
		Phone/Internet	\$2,000
<b>GROSS PROFIT</b>	<b>\$78,458</b>	Miscellaneous	\$1,750
		Loan Repayment	\$15,600
		<b>Total Operating Expenses</b>	<b>\$50,500</b>
<b>AVAILABLE CASH FLOW</b>	<b>\$27,958</b>		



## 17. MARKET RESEARCH/INDUSTRY TRENDS



Firing on some cylinders: Industry growth will be tempered as fears of stricter regulation subside

# IBISWorld Industry Report 33299a Guns & Ammunition Manufacturing in the US

October 2014

Maksim Soshkin

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# About this Industry

## Industry Definition

This industry manufactures small arms (including shotguns, rifles, revolvers, pistols, machine guns and grenade launchers), small arms and other ammunition, ordnance and accessories.

## Main Activities

### The primary activities of this industry are

Machine guns manufacturing  
 Shotguns and rifles manufacturing  
 Handguns manufacturing  
 Gun magazines manufacturing  
 Small arms ammunition manufacturing  
 Ammunition (except small arms) manufacturing  
 Grenades manufacturing  
 Mines manufacturing  
 Artillery and tank ammunition manufacturing  
 Howitzers and man-portable and vehicle installed rockets and rocket launchers manufacturing

### The major products and services in this industry are

Small arms  
 Small arms ammunition  
 Other ammunition  
 Other ordnance and accessories

## Similar Industries

### 32592 Explosives Manufacturing in the US

This industry manufactures blasting caps, detonating caps and safety fuses.

### 32622 Hose & Belt Manufacturing in the US

This industry manufactures complete military armored vehicles, combat tanks and specialized components for combat tanks, including self-propelled weapons.

### 33641a Aircraft, Engine & Parts Manufacturing in the US

This industry manufactures military aircraft, including bombers, fighter jets and attack helicopters.

### 33699b Tank & Armored Vehicle Manufacturing in the US

This industry manufactures guided missiles, which are similar to ordnance products, such as mortars, rocket launchers and howitzers.

# About this Industry

## Additional Resources

### For additional information on this industry

**[www.atf.gov](http://www.atf.gov)**

Bureau of Alcohol, Tobacco, Firearms and Explosives

**[www.nra.org](http://www.nra.org)**

National Rifle Association

**[www.nssf.org](http://www.nssf.org)**

National Shooting Sports Foundation

**[www.defense.gov](http://www.defense.gov)**

US Department of Defense

IBISWorld writes over 700 US industry reports, which are updated up to four times a year. To see all reports, go to [www.ibisworld.com](http://www.ibisworld.com)

# Industry at a Glance

Guns & Ammunition Manufacturing in 2014

## Key Statistics Snapshot

Revenue

**\$13.0bn**

Profit

**\$1.4bn**

Annual Growth 09-14

**3.2%**

Exports

**\$4.3bn**

Annual Growth 14-19

**2.0%**

Businesses

**482**

### Market Share

Alliant  
Techsystems Inc.  
**27.2%**

General Dynamics  
Corporation **13.2%**

BAE Systems PLC  
**8.9%**

Freedom Group  
Inc. **6.8%**

p. 28

Revenue vs. employment growth

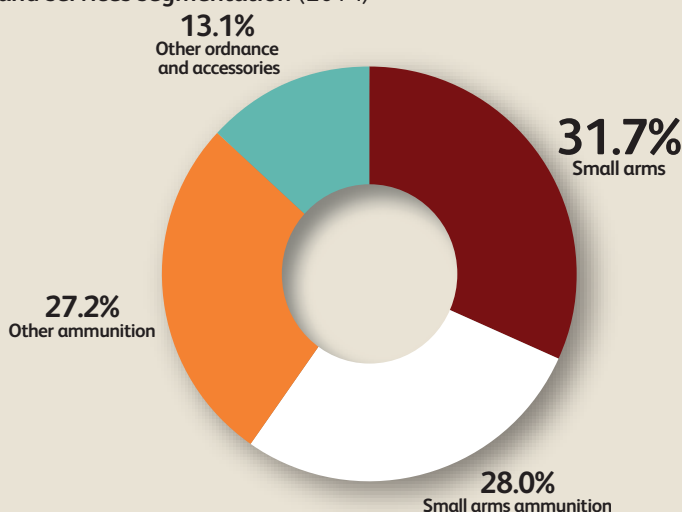


Federal funding for defense



SOURCE: WWW.IBISWORLD.COM

Products and services segmentation (2014)



SOURCE: WWW.IBISWORLD.COM

### Key External Drivers

Federal funding  
for defense  
Trade-weighted index  
Local and state  
government investment  
World price of steel  
Crime rate

p. 5

## Industry Structure

Life Cycle Stage	Mature	Regulation Level	Heavy
Revenue Volatility	Medium	Technology Change	Medium
Capital Intensity	Medium	Barriers to Entry	Medium
Industry Assistance	Medium	Industry Globalization	High
Concentration Level	Medium	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 39

# Industry Performance

Executive Summary | Key External Drivers | Current Performance  
Industry Outlook | Life Cycle Stage

## Executive Summary

The Guns and Ammunition Manufacturing industry was in decline until the start of the 2000s, when the September 11 terrorist attacks renewed demand for industry products. Favorable conditions existed throughout the next decade and possible tightening of gun laws and fear of a potential rise in crime have contributed to unprecedented industry growth in the five years to 2014. Revenue is estimated to grow at an annualized rate of 3.2% over the period. During the past five years, the wars in

control legislation and fears over a possible increase in crime resulting from the poor economy. However, many of these trends are now coming to an end. Since 2011, troop withdrawals from the Middle East and defense budget cuts have severely reduced military spending on industry products. Moreover, with fears over stricter gun regulation dying down, consumers have reduced gun purchases. As a result, industry revenue is expected to decline 3.7% to \$13.0 billion in 2014.

With demand for industry products surging in recent years, domestic manufacturers have been unable to completely satisfy domestic demand; consumers have therefore increasingly relied on imports to fill that gap. Over the five years to 2014, imports are expected to grow at an average annual rate of 3.8% to \$3.7 billion. However, the industry is still expected to be a net exporter over the next five years, as emerging market growth and geopolitical tensions increase industry exports. Nonetheless, industry growth is forecast to temper over the next five years as defense spending continues to fall and fears of rising crime rates and gun law changes subside. In the five years to 2019, revenue is projected to grow at an annualized 2.0% to \$14.3 billion.

**Growth will let up slightly, as fears about rising crime and stricter laws subside**

Iraq and Afghanistan have ushered in a substantial increase in the amount of military spending by the government, resulting in an increase in purchases of the industry's military-related products. Enduring conflicts in these regions and US troop surges spurred industry demand. The budgets of federal, state and local law enforcement agencies also grew during the five years to 2014 due to the sustained threat of terrorism. Meanwhile, civilian gun sales spiked because of concerns about potential gun

## Key External Drivers

### Federal funding for defense

The US government, especially the Department of Defense, is a major purchaser of industry products, particularly those of a higher caliber and complexity. As the amount of expenditure allocated for these items increases, sales and revenue typically grow. Government funding for defense is influenced by fears over terrorism, defense expenditures of rival nations, outbreaks of conflict and other geopolitical factors. Federal funding for defense is expected to decrease during

2015, representing a potential threat to the industry.

### Trade-weighted index

The trade-weighted index (TWI) measures the strength of the US dollar relative to the currencies of countries with which it trades. Because exports account for a moderate portion of industry revenue and imports account for a growing portion of domestic demand, the TWI can significantly affect sales volumes. The trade-weighted index is expected to increase over 2015.

# Industry Performance

## Key External Drivers continued

### Local and state government investment

Growth in government spending on state and local agencies generally coincides with increased funding of law enforcement. When law enforcement funding increases, gun and ammunition purchases also grow. Local and state government investment is expected to increase in 2015, representing a potential opportunity for the industry.

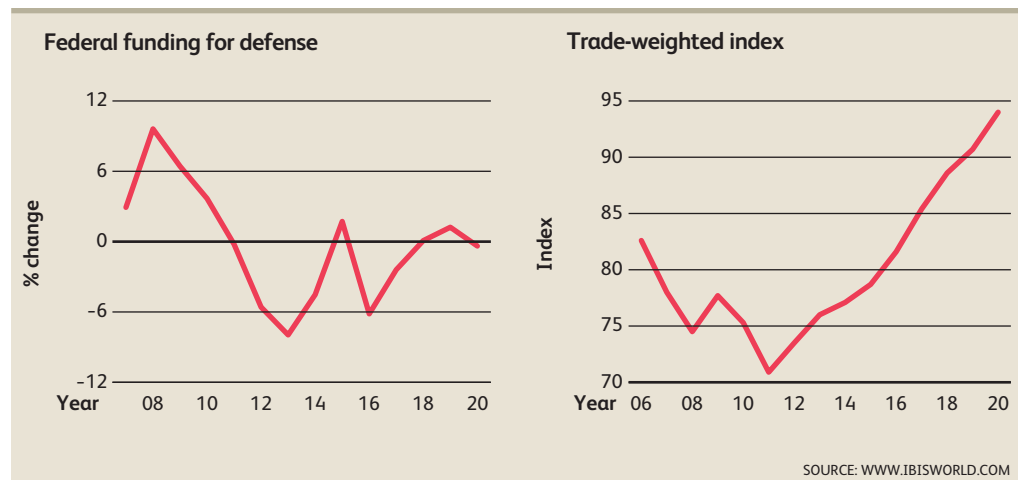
### World price of steel

Purchases of raw materials, such as steel, form a large component of the average firm's cost structure. The ability of manufacturers to pass on

price increases depends upon the specific product being manufactured. For example, if demand is strong enough, lower steel prices can translate to higher profit margins. The world price of steel is expected to increase over 2015.

### Crime rate

As the crime rate, or the fear of an increase in the crime rate rises, people purchase more guns and ammunition for self-protection. Therefore, a rising crime rate positively affects the industry. The crime rate is expected to decrease slowly in 2015.



# Industry Performance

## Current Performance

The Guns and Ammunition Manufacturing industry has experienced strong growth over the five years to 2014. Despite the economic fallout generated by the global financial crisis, many individuals continued to perceive guns and ammunition as essential items. The industry experienced aggressive revenue growth during the recession, as consumers' recessionary fears about rising crime and more restrictive gun control laws overrode their financial restrictions. Revenue growth was bolstered over the five-year period by the United States' involvement in military conflicts abroad; increased need for local, state and federal law enforcement because of the perceived threat of terrorism further drove industry growth. However, as the US military began to withdraw from the Middle East and budget issues arose, federal funding for defense dropped, greatly tempering overall revenue growth.



As a result of these factors, revenue is expected to grow at an average annual rate of 3.2% to \$13.0 billion in the five years to 2014. However, revenue is expected to decline 3.7% in 2014 as fears over gun regulation subside and defense spending continues to drop.

## War and government expenditure

Prior to the September 11 terrorist attacks and ensuing US military deployment, most manufacturers of warfare products were in a state of decline. The wars in Iraq and Afghanistan ushered in substantial increases in military spending by the government, resulting in additional purchases of the industry's products. In particular, sales of the industry's military-grade, larger caliber weapons systems and munitions, such as tank ammo and howitzers, increased.

However, this initial boon to industry growth has recently become a detriment. In 2011, the United States withdrew its troops from Iraq and has more recently begun ending combat operations in Afghanistan. The withdrawal of US troops in the Middle East has resulted in a sharp decline in demand for industry-relevant products, as warfare requires

extensive resupply of ammunition and worn-out weapon systems. Additionally, the recession and budget sequestration has cut military spending. IBISWorld expects that federal funding for defense will drop from \$749.7 billion in 2010 to \$620.6 billion in 2014.

Federal, government and local law enforcement agencies' budgets also grew during the past five years. As a result of the sustained risk of terrorism, the responsibilities of federal, state and local departments have expanded to include terrorist attack prevention, thereby increasing budgets for guns and ammunition. Nevertheless, falling tax receipts caused by poor economic conditions have put pressure on law enforcement budgets, with local and state government investment declining at an annualized 3.8% in the five years to 2014.

# Industry Performance

## Private-sector demand

Overall, private-sector demand has been the biggest driver of industry revenue growth, even picking up the slack caused by declining military spending. While most Americans have cut back on their purchases of cars, clothing and other luxuries, purchases of firearms and ammunition have managed to grow rapidly during the past few years. Although gun and ammunition sales rates are driven by a number of factors, the recent spike is mainly attributable to fears of potential tougher gun control legislation. In 2012, with the presidential election looming, many consumers looking to buy industry products wondered what another four years under the Obama administration might hold for gun laws, and whether purchasing a firearm in the future would prove to be more difficult. The situation was further exacerbated by recent mass shootings, such as the Aurora, CO and Sandy Hook Elementary School shootings, which both took place in 2012, making gun control legislation a greater possibility. In December 2012, the Obama administration announced its intention

## Fears about the possible tightening of gun control laws has fueled demand

to reform gun laws to prevent similar tragedies from occurring.

As a result, consumers purchased firearms and ammunition at record rates. The number of FBI National Instant Criminal Background Checks (NICS) has risen every year since 2002 to reach all-time highs, indicating that consumer interest in gun ownership is rising. From 2009 to 2013, for example, the number of background checks rose at an average annual rate of 10.7%. In addition, during the first three months of 2013, the number of background checks rose 44.5% compared with the same period in 2012.

Fears about increasing crime and civil disorder due to the economic downturn have also influenced civilian gun purchases. While crime has not risen in the past five years, guns sales have still grown, ostensibly providing people with a sense of security during uncertain times.

## International trade

Domestic consumers have increasingly turned to imports to satisfy their rapidly growing demand for guns and ammunition. With demand for industry products surging during the past five years, domestic manufacturers have struggled to keep up. The industry gets a large portion of its firearm imports from Austria and Italy thanks to the popularity of the Glock and Beretta brands, respectively. Additionally, Germany and the United Kingdom are the most popular sources of imports of ammunition and ordnance products, with the United Kingdom's BAE Systems being a major supplier to the US military. Consequently, imports are expected to grow at an average annual

rate of 3.8% to \$3.7 billion over the five years to 2014.

Nevertheless, the United States is a net exporter, effectively maintaining a trade surplus. Canada, the United Kingdom and Australia purchase the majority of the industry's firearm exports, accounting for about 39.0% of total exports in 2014. Furthermore, Canada is a large buyer of US exports in this industry because of its proximity to the United States and the North American Free Trade Agreement (NAFTA). Israel, the United Kingdom and Japan are the United States' largest customers for ammunition and ordnance products. In addition, all of these countries are major US allies, and their armed forces extensively use



# Industry Performance

## International trade continued

US-manufactured guns and ammunition. Therefore, industry exports are expected to grow at a rate of 3.8% per year on average to \$4.3 billion over the five years to 2014.

Overall, profitability has increased due to rising demand for guns and ammunition; however, the increasing level of import penetration into the US market has tempered growth. The rising

presence of imports limits the extent to which domestic producers can increase prices and profit margins. Additionally, military spending cuts have squeezed profit for those companies that are heavily reliant on defense contracts, but have also encouraged them to export products to overseas markets. As a result, profit is only expected to increase from 10.6% in 2009 to 10.9% in 2014.

## Consolidation

Overall industry consolidation, defined as the top player's share of industry revenue, has declined over the five years to 2014. However, there are two trends underneath this all-encompassing one. First, dropping revenue of the industry's biggest defense suppliers has driven the decline in consolidation. The military market has high barriers to entry and the products produced tend to be more sophisticated and expensive. Therefore, this segment makes up a large portion of industry revenue and is dominated by a few large companies such as General Dynamics Corporation and BAE Systems PLC. As a consequence of this segment's concentration, overall industry concentration is skewed. Thus, when defense spending declined, the resulting loss in revenue among defense contractors caused overall industry concentration to drop.

However, in the private sector, mergers and acquisitions have been more rampant. For example, over the five years to 2014, private-equity firm Cerberus went on an acquisition spree for weapons manufacturers prior to gun and

**Mergers and acquisitions have been more rampant in the private sector over the past five years**

ammunition conglomerate Freedom Group's attempted public offering. This trend toward consolidation indicates that major players within this segment are realizing the benefits of economies of scale and are attempting to gain a competitive advantage through acquisition and growth. The industry's defense contractors, such as Alliant Techsystems, have also expanded into the private sector to offset losses from the military market.

In the five years to 2014, the number of establishments is expected to grow at an average annual rate of 0.9% to 521, with the number of employees increasing at an average annual rate of 2.9% to 46,012. Over this period, wages are estimated to increase at an average annual rate of 3.0% to \$2.9 billion.

# Industry Performance

## Industry Outlook

The Guns and Ammunition Manufacturing industry's trajectory over the next five years will largely depend on the United States' defense spending and perceptions about the future of firearms legislation. While revenue has surged during the past five years, it is forecast to move more in line with historical growth rates over the five years to 2019. Revenue is expected to increase 2.2% in 2015 to \$13.3 billion, with growth continuing to be fueled by consumer concerns over potential changes in gun legislation, albeit to a much lower degree. IBISWorld forecasts that revenue will grow at an annualized rate of 2.0% per year to \$14.3 billion over the five years to 2019.

Lower government spending domestically and abroad will continue to dampen industry demand. Federal, state and local law enforcement agencies are projected to cut back on spending as budgetary constraints persist. Military spending abroad is also forecast to decline over the next five years as the United States winds down combat operations in Afghanistan, thereby reducing the need to replenish weapons systems and ammunition. On the other hand, the perceived threat of terrorism

**As the US withdraws from the Middle East, military spending will slow**

and rising geopolitical tensions will likely stabilize declining demand from the military. In particular, recent combat operations in Iraq and Syria, combined with arms support for US allies on the ground should support demand for industry products. In addition, fears about terrorism are anticipated to lead to continued funding of federal, state and local law enforcement to expand terrorism prevention and response capabilities, bolstering demand for industry products.

After record growth in civilian small arms and ammunition sales during the past few years, demand is expected to moderate over the five years to 2019. As the economy continues to recover, fears about increased crime due to the recession and concerns about changes to gun laws will begin to subside, causing this segment's uncharacteristically fast growth rate to slow to more reasonable historical rates.

## International trade, establishments and employment

The Guns and Ammunition Manufacturing industry faces challenges ahead, many of which are part of long-term trends within the industry. Domestic producers have dealt with rising import competition for years. In response, some domestic producers have moved production to emerging economies with lower-cost labor or acquired foreign weapons manufacturers. Import competition will continue in the future, with imports growing at a faster rate than exports during the next five years. Imports are forecast to grow at an average annual rate of 3.5% to \$4.4 billion in the five years to 2019, while

exports are forecast to grow at an annualized rate of 3.1% to \$5.0 billion over the same period. Military suppliers, in particular, will try to offset declining defense spending in the United States with more exports to growing markets, such as Asia and the Middle East. Profitability is projected to decline slightly over the next five years as demand and revenue growth slows to a more moderate pace and the industry is forced to compete with foreign imports. In particular, defense contractors will have a hard time increasing profit in amid a declining defense budget and increased government emphasis on cost

# Industry Performance

## International trade, establishments and employment continued

control. The world price of steel is also forecast to climb over the next five years, putting pressure on input prices.

IBISWorld projects the number of establishments will grow because of sustained demand for guns and ammunition. Market share is also expected to shift in favor of the industry's larger participants, though mostly through acquisitions. These operators have sizable manufacturing facilities with lower production costs, enabling them to capture an increasing portion of the

market at the expense of smaller players. Over the next five years, the number of establishments is projected to grow 1.0% per year on average to 548. On the other hand, employment is forecast to decline at an annualized 0.2% to 45,534 people, as companies increase automation and defense contractors cut payroll. As a result, the average number of employees per establishment is forecast to decline from 88 in 2014 to 83 in 2019, while the average wage is expected to increase from \$63,068 in 2014 to \$65,121 in 2019.

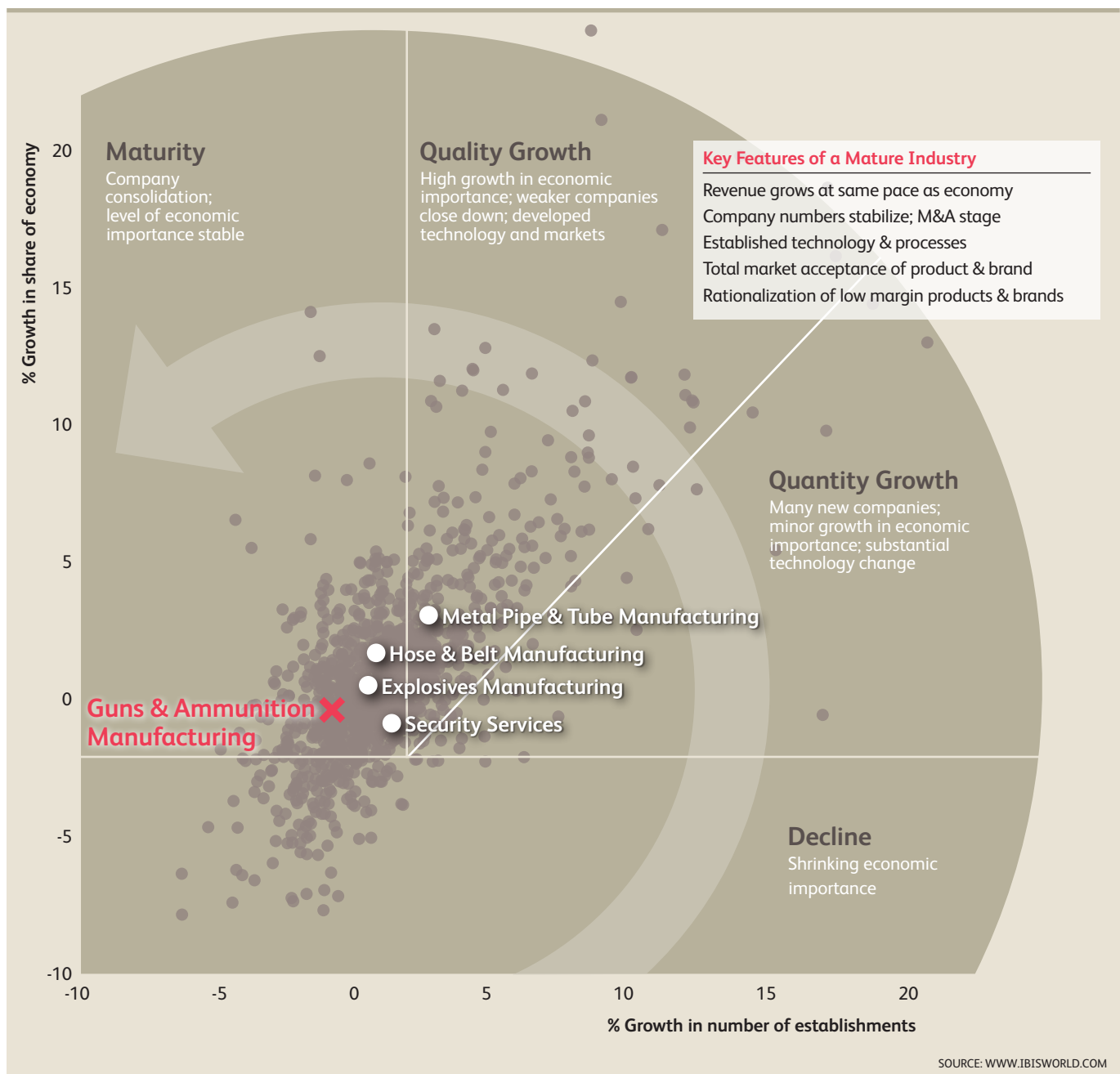
# Industry Performance

## Life Cycle Stage

Industry firms are undergoing consolidation

The industry is slowing down from a growth phase

Innovation is improving existing products rather than creating new markets



# Industry Performance

## Industry Life Cycle

This industry  
is **Mature**

After years of a few years of growth, the industry has entered a mature stage of its life cycle. Due to a number of factors, including a resurgence of demand from the civilian sector, industry revenue has surged over the past few years. However, as fears over gun regulation subside and the government continues to cut defense spending, the industry's growth is expected to significantly slow down, returning to historic levels. In the 10 years to 2019, industry value added (IVA), which measures an industry's contribution to GDP, is expected to grow at an annual rate of 1.6% per year, compared with GDP growth over the same period of 2.5%.

Over the past five years, significant players have engaged in a multitude of mergers and acquisitions, including Freedom Group's recent acquisition spree and both Smith & Wesson's and Sturm, Ruger & Company's acquisitions of small companies to expand their product lines. Large players within this industry have observed the spike in

demand and have been scrambling to expand their product lines to accommodate growing customer bases. IBISWorld estimates the number of firms will only grow at an average rate of 0.7% per year over the five years to 2014, despite strong revenue growth in 2012 and 2013.

While the industry is constantly innovating existing products, its core products and major markets have essentially been established and its participants are mostly focused on winning market share from competing countries and companies. However, over the next five years a number of technological advancements are expected to begin changing how the industry operates. Smart guns, which use fingerprint or RFID technology to identify their owners, are anticipated to carve out market from more conventional firearms. Moreover, 3D-printing technology also has the potential to increase the speed and efficiency at which industry products are made.

# Products & Markets

Supply Chain | Products & Services | Demand Determinants  
Major Markets | International Trade | Business Locations

## Supply Chain

### KEY BUYING INDUSTRIES

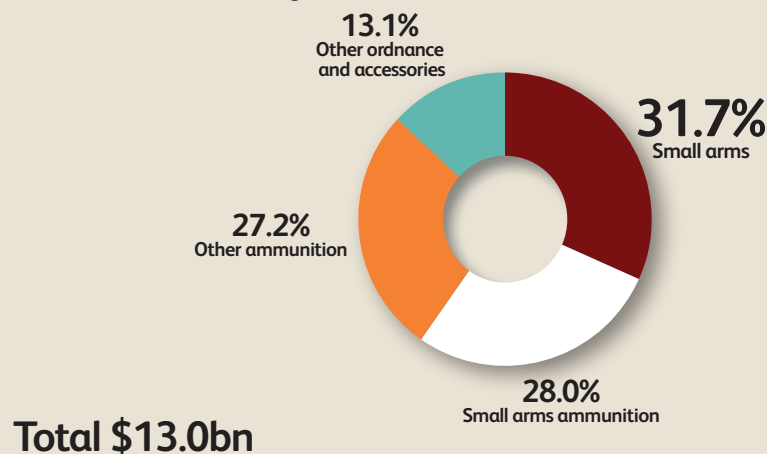
- 45111 Sporting Goods Stores in the US**  
This industry sells hunting rifles, other firearms, and ammunition.
- 56161 Security Services in the US**  
The industry purchases firearms and ammunition.

### KEY SELLING INDUSTRIES

- 32592 Explosives Manufacturing in the US**  
Smokeless powder is utilized in the manufacture of small arms ammunition.
- 33121 Metal Pipe & Tube Manufacturing in the US**  
Iron and steel pipes and tubes are used in the manufacture of gun barrels.
- 33142 Copper Rolling, Drawing & Extruding in the US**  
Copper and copper-base alloy shapes and forms (except castings, forgings, and fabricated metal products) are used in the manufacturing of small arms ammunition.
- 33152 Nonferrous Metal Foundry Products Manufacturing in the US**  
Small arms ammunition manufacturers use in their manufacturing processes aluminum and aluminum-base alloy castings (rough and semifinished).

## Products & Services

Products and services segmentation (2014)



The Guns and Ammunition manufacturing industry can be broken down into four distinct product segments: small arms, small arms ammunition, ammunition (excluding small arms), and other ordnance and accessories.

### Small arms

Small arms manufacturers produce ammunition carts, gun barrels, machine gun belts, gun clips, gun cylinders and

clips, firearms, gun magazines, machine guns, pistols, recoil mechanisms, revolvers, rifles, shotguns and submachine guns. Over the five years to 2014, revenue from this segment is expected to experience strong growth. In 2009, small arms made up 26.2% of industry revenue, while in 2014 it is expected to make up 31.7% of revenue. A large portion of this growth has been led by climbing demand from the civilian

# Products & Markets

## Products & Services continued

market due to anticipation of more stringent gun control laws. However, falling orders from the military market has tempered this growth.

### Ammunition

The ammunition segment (including small arms and other) includes ammunition, ammunition loading and assembly plants, arming and fusing devices, bomb loading and assembly plants, bomb cluster adaptors, bombs, canisters, bomb caps, depth charges, ammunition detonators, grenades, mines, missile warheads and mortar shells.

Over the five years to 2014, revenue generated by small arms ammunition sales has increased. In 2009, this segment made up 26.1% of industry revenue, while in 2014 it will grow to 28.0% of industry revenue. Like with small arms, this rise is dependent on rising civilian demand. Other

ammunition account for an estimated 27.2% of industry revenue. The military and law enforcement agencies make up the vast majority of this segment's market and have recently cut down on spending.

### Ordnance and accessories

Ordnance manufacturing involves more explosive weaponry and includes aircraft and antiaircraft artillery, antitank rocket, cannons, field artillery, gun turrets, howitzers, mortars, naval artillery, rocket projectors, tampions, line throwing guns, tank artillery, torpedo tubes, flamethrowers and gun turrets. This segments products are almost exclusively bought by the military and has thus dropped in value as defense spending fell. In 2009, it made up 22.4% of industry revenue, though by 2014 it will fall to 13.1% of industry revenue.

## Demand Determinants

### Economic conditions

With unemployment levels rising over the course of 2009 and maintaining into 2012, both consumer confidence and disposable income levels have fallen. Declining incomes have generally reduced consumers' ability to purchase big-ticket luxury items. If consumers doubt their ability to maintain their current income levels into the future due to economic uncertainty, they will reduce their consumption. However, this has not been observed within the Guns and Ammunition Manufacturing industry. People have increased their gun and ammunition purchases despite rising unemployment and declining income.

### Regulation

Regulations can have strong impact on demand for guns and ammunition. Certain states restrict the types of

ammo and small arms that consumers can purchase, thus limiting consumption of industry goods. Strict licensing requirements can also reduce the industry's customer base, as fewer people can make gun purchases. On the opposite end of the spectrum, loose gun law regulations in other states increases not only the customer base, but also the range of products manufacturers can offer.

### Public perception of gun laws and crime

Over the past few years a major driver of gun and ammunition consumption has been the public perception of gun regulations. Recent shootings have brought the idea of stricter gun regulations to the national forefront. As a result, many consumers began to fear that they only have a limited amount of time to purchase small arms and



# Products & Markets

## Demand Determinants continued

ammunition and have therefore gone on a buying spree. The crime rate can also impact demand. When people feel or see that crime has increased they may wish to purchase guns for protection. Even without an actual rise in crime rates, gun purchases can increase when people anticipate an increase in crime. In times of high unemployment, people expected crime to increase (though there is no actual connection between the two), which results in an increase in industry sales.

### Defense funding

The military is a major purchaser of industry goods and is almost the exclusive buyer of the industry's more sophisticated and heavier weapon systems and munitions. Examples of such weapons include naval artillery, howitzers, tank munitions and warheads. When defense spending and combat operations increase, industry sales rise. However, with the United States ending

its wars in the Middle East and military spending declining due to budgetary issues, industry sales of related products has severely declined.

### International trade

The level of industry imports also affects demand for domestically produced industry products. Imports have been on the rise for the past decade, with the United States importing \$622.4 million more industry products in 2014 than it did in 2009. Certain imported brands, like the Italian Beretta are popular in the United States. Export markets are also a key source of industry demand. The industry is a net exporter and American gun and ammunition are popular in many international markets. Export sales are particularly important for military suppliers. Recent defense cuts in the United States have encouraged contractors to look for clients in overseas markets like Asia and the Middle East.

## Major Markets

### Civilian and law enforcement

The three major domestic markets for industry purchases are civilians, military and law enforcement. Civilians constitute the largest market for guns and ammunition purchases. Guns and ammunition purchases by civilians are made through gun stores, sporting goods stores and some large retail stores like Walmart. This market segment has experienced surprisingly strong growth over the past five years. Despite the fact that most Americans have cut back on their purchases of luxury items, purchases of firearms and ammunition have surged. The spike in sales is attributable to fears surrounding the possibility of the Obama administration enacting tougher gun control legislation. Another factor influencing civilian gun purchases has been fears about

increasing crime and civil disorder due to the economic downturn. Although there is no evidence of any such link, guns still provide people with a sense of security during times of uncertainty.

Law enforcement agencies purchase industry products directly from manufacturers and wholesalers, in addition to retail stores. Historically this segment has had steady revenue growth, though as of late law enforcement agencies have received additional funding in response to the increased threat of terrorism and from the stimulus package. The civilian and law enforcement market makes up an estimated 42.9% of industry revenue.

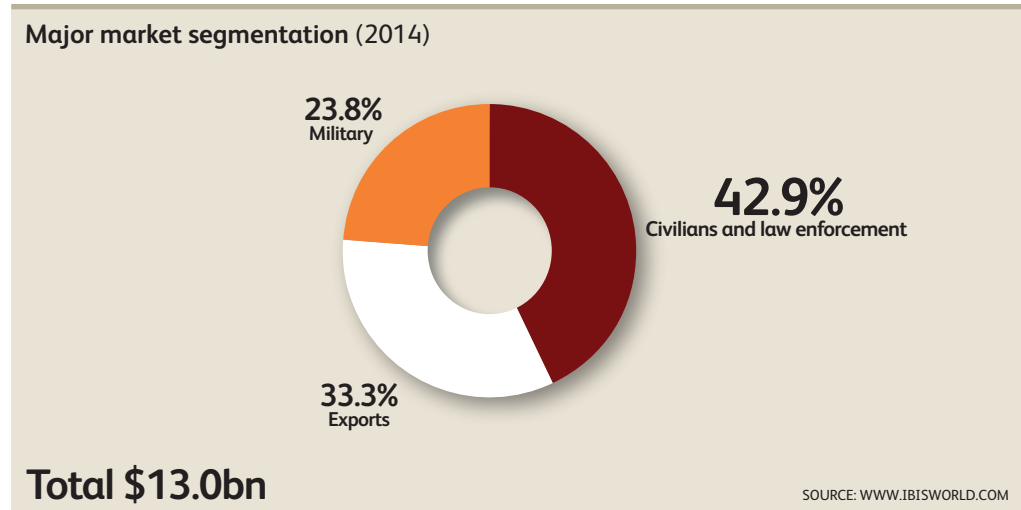
### Military

The military and law enforcement makes up the rest of the domestic market. There



# Products & Markets

## Major Markets continued



are certain companies, such as General Dynamics, that produce guns and ammunition, ordnance and accessories primarily for military customers. The military market also purchases firearms designed for the consumer market by mainstream companies, such as Smith & Wesson and Sturm, Ruger & Company. Over the past five years, revenue from the military market segment has been declining. The wars in Iraq and Afghanistan ushered in a substantial increase in the amount of military spending by the government, resulting in additional purchases of the industry's related products. However, since 2011 defense spending has declined because of the winding down of combat operations in the Middle East and budget cuts, thus wiping out earlier increases. The

military makes up an estimated 23.8% of industry revenue.

### Exports

Over the five years to 2014 exports are also expected grow strongly due to rising international demand for domestically produced products. The majority of the industry's firearm exports are purchased by Canada, Israel, United Kingdom and Australia, who together will purchase about 42.7% of total exports in 2014. One of the reasons these countries make up such a large portion of exports is the close defense ties the United States shares with them. All four countries are close allies of the United States and extensively use US manufactured military equipment and supplies. Exports will make up about 33.3% of industry revenue in 2014.

# Products & Markets

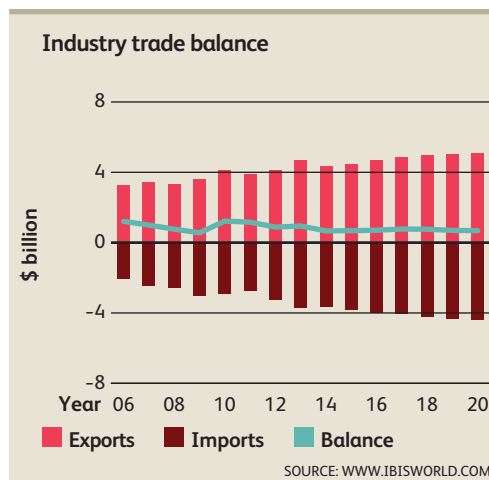
## International Trade

### Level & Trend

Exports in the industry are **High and Increasing**

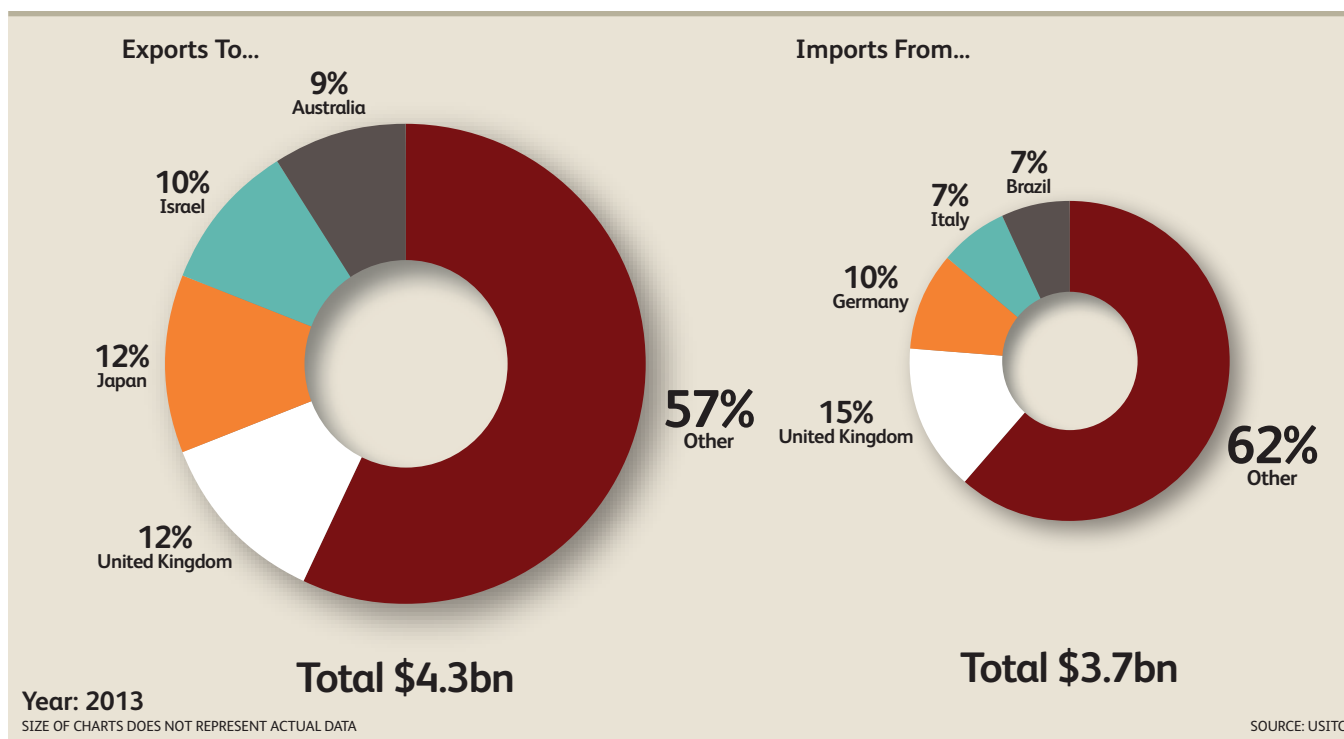
Imports in the industry are **Medium and Increasing**

Domestic consumers have increasingly turned to imports to satisfy their rapidly growing demand for guns and ammunition. With demand for civilian industry products surging over the past five years, domestic manufacturers have struggled to keep up with growing demand. Many customers have turned to imports to satisfy their needs. The United States is a net exporter of industry products. In 2009, the industry exported \$660.8 million more than it imported, though that is expected to remain about that same 2014. The industry gets a large portion of its firearm imports from Austria and Italy, due to the popularity of the Glock and Beretta brands. Germany and the United Kingdom are the most popular sources of imports of ammunition and ordnance products. Over the five years to 2014, imports are expected to grow at a rate of 3.8% per year to \$3.7 billion. The top import origins for the industry as a whole include United Kingdom, Germany, Italy



and Brazil. Countries like the United Kingdom are also home to large suppliers of the United States military, which helps explain their strong position in the import market.

Over the five years to 2014 exports are also expected to grow strongly due to rising international demand for domestically produced products. The majority of the



# Products & Markets

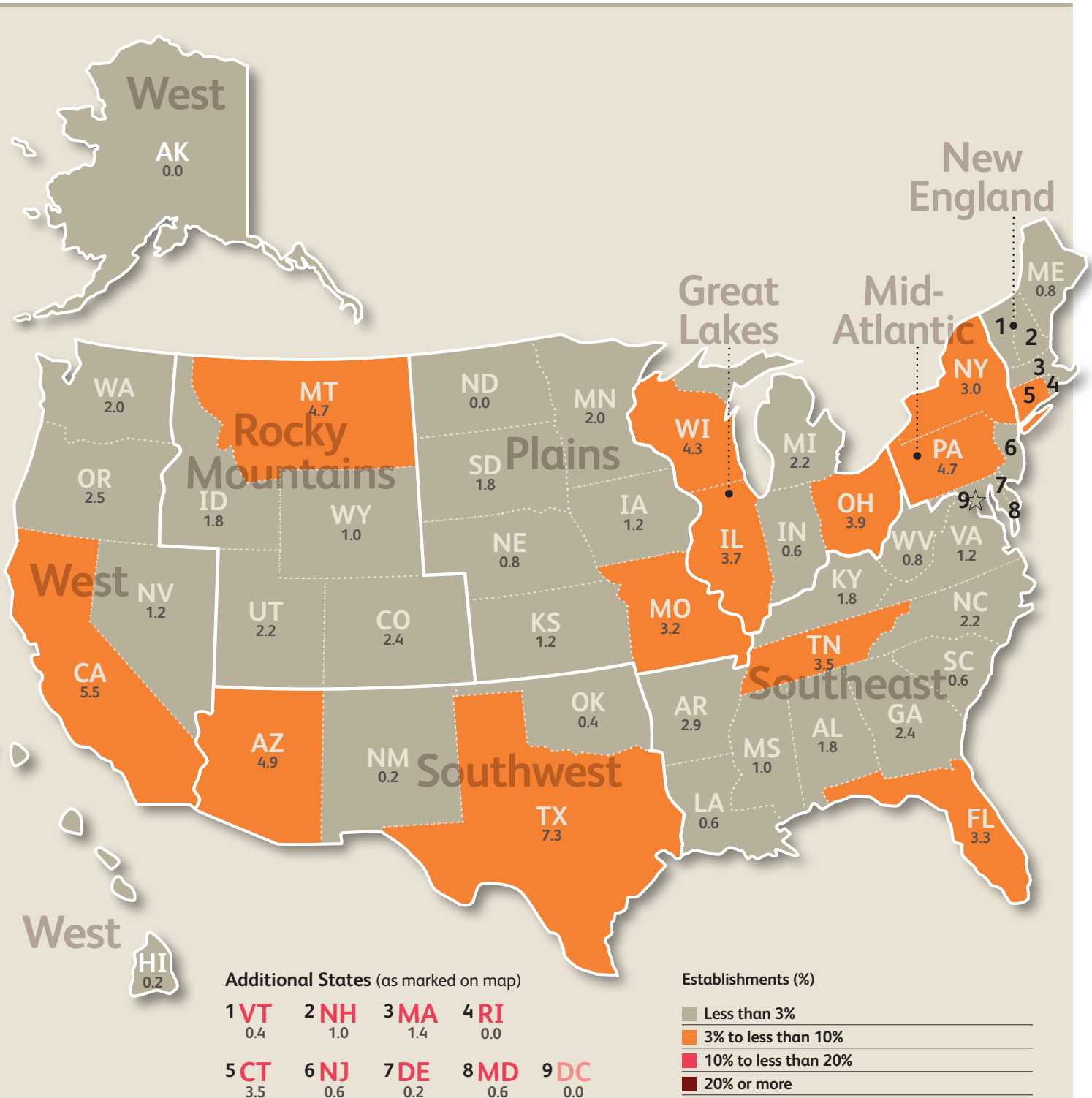
## International Trade continued

industry's firearm exports are purchased by Canada, United Kingdom and Australia, who together will purchase about 39.0% of total firearm exports in 2013. Canada is a large purchaser of US exports in this industry due to its geographic proximity to the United States and NAFTA. Israel, United Kingdom and Japan are the United States' largest customers for ammunition and ordnance products. Industry exports are expected to grow at a rate of 3.8% per year to \$4.3

billion over the five years to 2014. The top export destinations for the industry as a whole include United Kingdom, Japan, Israel and Australia. These countries also have close defense ties with the United States and their armed forces are heavily dependent on US made armaments and ammunition. For example, Israel, a very small country, imports over 10.0% of US exports primarily because its armed forces are big buyers of US weapon systems.

# Products & Markets

## Business Locations 2014



# Products & Markets

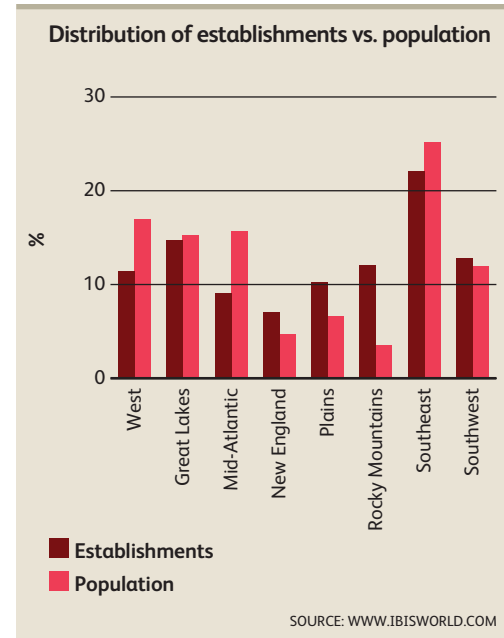
## Business Locations

The location of manufacturing establishments is generally influenced by their proximity to major markets, as well as material and supply industries. Manufacturing establishments also tend to be highly correlated with population density. IBISWorld estimates that in 2013 the industry will be concentrated in the Southeast, Great Lakes, Southwest and West regions of the United States, due to their proximity to major supply industries as well as population centers. These regions combined will account for 51.0% of industry establishments.

IBISWorld forecasts that in 2013, the Southeast region will account for an estimated 22.2% of industry establishments. This is the most populous region in the United States. The high percentage of establishments in this region indicates manufacturers' desire to be near their customer base and lower transportation costs.

The Great Lakes region will account for an estimated 14.8% of industry establishments in 2013. The Great Lakes region is a manufacturing hub in the United States, with many large manufacturing industries located there. This region also has a large presence of steel and other metal refineries. During the final two decades of the 20th century, Ohio became the second leading steel producer. Industry products require various metal inputs.

The Southwest region will account for 12.9% of industry establishments in 2013.



This is mostly due to Texas, which housed 7.3% of industry establishments (most in the United States). This region also has easy access to the Gulf of Mexico for shipping exports.

Among ammunition manufacturers, California, Pennsylvania, South Dakota and Missouri have a high concentration of establishments. Wisconsin, Texas, Pennsylvania, Montana, Connecticut and Arizona have the most gun manufacturing establishments, while California, Ohio, Texas and Wisconsin have a high proportion of establishments servicing the ordnance and other accessories segment.

# Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks  
Basis of Competition | Barriers to Entry | Industry Globalization

## Market Share Concentration

Level  
Concentration in this industry is **Medium**

The Guns and Ammunition Manufacturing industry consists of a large number of small to medium operators. The wide variety of products produced in this industry and the diverse buying markets make it difficult for individual companies to grab a large portion of industry's entire market share. Overall industry market concentration is medium and has declined over the five years to 2014, with the top four players accounting for an estimated 56.0% of industry revenue. However, this drop has been led by the huge exposure the top players have to defense spending.

Due to the high barriers to entry and sophistication of the military market, concentration in the defense segment of the industry is very high and is dominated by General Dynamics, BAE Systems and Alliant Techsystems. Additionally, because the military is

such a big buyer of guns and ammunition and the increased prices of more complex weapon systems, this segment also represents a large portion of overall industry revenue. Thus, overall industry concentration is increased and hides trend in the civilian market. Defense bias also explains why concentration decreased when falling military spending caused defense contractors to lose money.

On the other hand concentration in the civilian market has been increasing. Within the past five years, major players such as the Freedom Group have undergone acquisition sprees. Smith & Wesson and Sturm, Ruger & Company have also acquired small gun manufacturers to expand their product lines. However, the recent drop in commercial gun sale has caused reversals for many of these companies.

## Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

### Having a loyal customer base

There is a distinct competitive advantage in cultivating and maintaining strong long-term customer relationship.

### Access to high quality inputs

Companies within this industry group must be able to source a variety of raw materials, both from within the United States and overseas.

### Effective quality control

In providing high-quality products and services, firms must maintain detailed and extensive quality assurance programs.

### Having a good technical knowledge of the product

Having a good technical knowledge of the product is a key success factor within this industry group because firms must provide strong engineering, design and technical support to clients.

### Establishment of brand names

Strong brand recognition is considered to be a major basis of competition.

### Control of distribution arrangements

The cultivation, maintenance and control of downstream distribution channels are a distinct advantage.

## Cost Structure Benchmarks

The Guns and Ammunition Manufacturing industry has been making the gradual shift toward higher levels of

capital investment in manufacturing automation with the goal of creating more efficient and profitable enterprises.

# Competitive Landscape

## Cost Structure Benchmarks continued

### Profit

Industry profit is based on earnings before interest and taxes recorded by industry operators. Profit will vary between players depending on the size of the manufacturing facility that they operate, with larger operators generally benefiting from economies of scale. IBISWorld estimates that in 2014, the industry will obtain profit equivalent to 10.9% of an average firm's revenue.

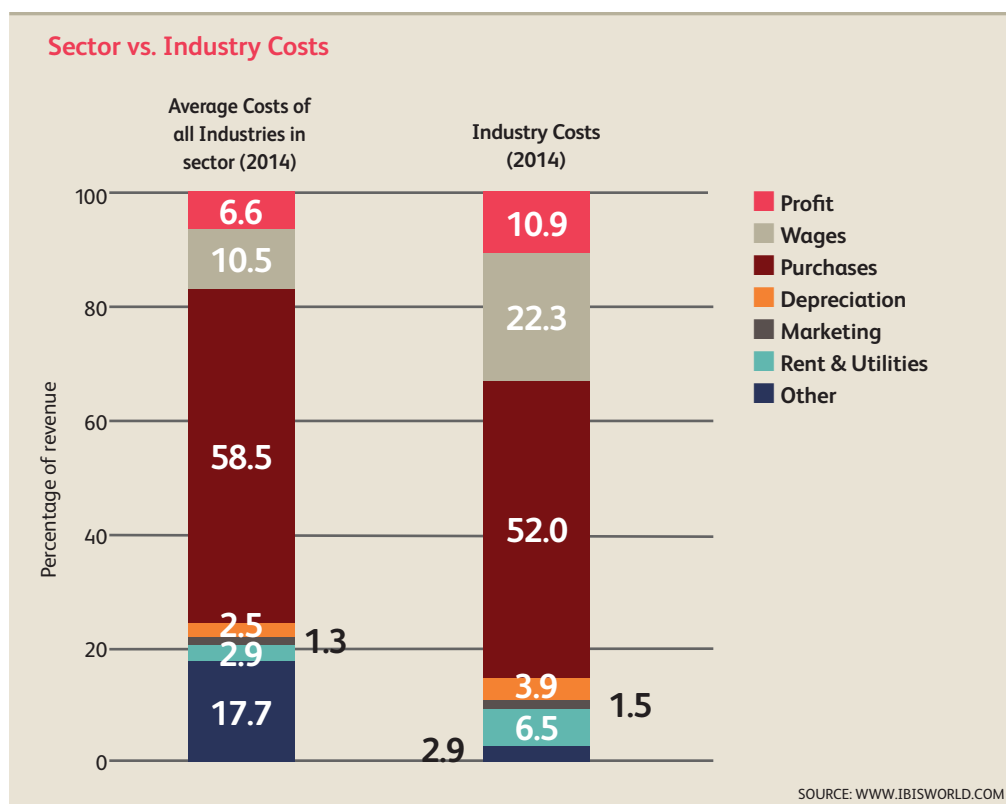
Overall, industry profitability has slightly increased due to rising demand for the industry's commercial products. However, the increasing level of import penetration into the US market has moderated growth. Imports have grown over the past five years. The rising presence of imports limits the extent to which domestic producers can increase prices and profit margins. Additionally, reduced

defense spending has squeezed the profit of large defense contractors who dominate the top tier of the industry.

### Purchases

One of the largest expenses of the average firm's cost structure consists of purchases. These mainly consist of the cost of raw materials that are used during the manufacturing process. Commonly used manufacturing inputs include metals such as steel, copper tubing, aluminum and iron castings. Fluctuations in the prices of these materials not only affect firms' profitability, but also their revenue.

In many cases, companies are able to pass a significant portion of raw material price increases through to customers in the form of product price increases or surcharges. Most firms enter into fixed-price contracts, so short-term fluctuations in raw material prices have





# Competitive Landscape

## Cost Structure Benchmarks continued

little impact on profitability. However, the persistent higher raw material prices experienced during the past five years have placed increasing upward pressure on the cost structure of industry participants.

Across product segments, manufacturing costs associated with raw material expenditure fluctuate due to the differences in the size and density of the product being manufactured. The complexity, quality and quantity of raw materials used are also factors influencing cost. Shortages and changes in the price of raw materials are common (availability and cost are influenced by, among other factors, political stability in exporting nations). In 2014, purchases are estimated to account for 52.0% of an average firm's revenue.

### Wages

The industry has a high level of capital intensity compared to other industries. Despite this, labor costs are high relative to other manufacturing industries because of the level of skill required to manufacture certain products, especially military grade equipment. Over 2014, labor costs are forecast to total about \$2.9 billion. IBISWorld estimates that in 2014, wage

costs incurred by the industry will account for 22.3% of an average company's revenue. However, this represents a slight decline from 2009 levels as companies have increased automation and in some instances cut labor expenses.

### Depreciation, rent and utilities

The cost of depreciation will invariably fluctuate between operators depending on their size and the amount of capital expenses involved. The cost of new plant and equipment used to manufacture industry products is significant and periodic product innovation necessitates regular investment in new capital. In 2014, depreciation is estimated to account for 3.9% of an average firm's revenue. Companies may reduce facility depreciation by leasing or renting the factories, with rent and utilities accounting for an estimated 6.5% of industry revenue.

### Other

Other expenditure includes communications, legal, accounting; while advertising and marketing expenses make up 1.5% of revenue. In 2013, other expenses are expected to equal about 2.9% of industry revenue.

## Basis of Competition

Level & Trend  
Competition in this industry is **High** and the trend is **Increasing**

### Internal

There is an assortment of competitive factors that encourage competition within Guns and Ammunition Manufacturing industry. Factors like medium barriers to entry increase the threat of competition from firms outside the industry, while low levels of product differentiation encourage direct competition among industry players on the basis of price.

While players in this industry compete primarily based on product pricing, other factors such as product innovation and branding are also important for some

product segments. Price competition is particularly evident in product segments where the pace of product development has virtually ground to a halt. This is the case for the majority of industry products. However, price competition occurs while maintaining a standard level of product quality.

There are also other competitive differentiation strategies used within the industry. These include service quality, brand recognition, effective and timely distribution and technical support. The introduction of new and improved product designs and the acquisition of



# Competitive Landscape

## Basis of Competition continued

product lines at different price points is a key to maintaining and increasing product and market share. Products manufactured and developed in the industry also have a high research and development component. As a result, technical excellence rather than price can be more important to remaining competitive within certain segments. In technologically advanced segments (i.e. specialized military munitions), R&D is particularly important in developing new products and ensuring products are up-to-date and evolving.

Companies that are able to diversify their customer base can also achieve a competitive advantage. Firms that can serve both military and civilian markets can mitigate their exposure to the cyclical nature of these markets. For example, Alliant Techsystems was able to offset revenue declines from its military related business with strong growth from its sporting firearms subsidiaries. On the other hand, companies like BAE Land and Armament, which sell almost exclusively to the military, have seen revenue significantly drop. At the same time, being a supplier to the military can

also produce a more secure revenue source as regulations and requirements reduce competition in this segment.

### External

While the industry doesn't really have a lot of competition from other industries, it does have to deal with imports. Consumers may find imported firearms and ammunition to be of higher quality and better price. The Austrian Glock and Italian Baretta brands are especially popular in the United States in both the civilian and law enforcement markets. When it comes to suppliers or military guns and ammunition, competition for contract with foreign firms can be strong. However, the nature of military equipment manufacturing and the strength of domestic firms, combined with advantages associated with domestic manufacturing and regulations, means that foreign produced products are not as big a threat in this segment. Yet, competition for foreign contracts is much tougher. Domestic manufacturers have to sometimes deal with foreign firms that can offer cheaper equipment and/or have special connections to local governments.

## Barriers to Entry

Level & Trend  
Barriers to Entry  
in this industry are  
**Medium and Steady**

While there are few explicit barriers to entry, there are some factors that may deter entry. A significant financial investment is required to acquire, maintain and update plant and equipment. This cost may deter some firms from entering the industry. Machinery operators also need to be trained, but these costs are relatively insignificant. The rising level of unemployment in the United States has lowered some of the difficulty in obtaining a workforce with the required skills.

R&D is necessary for product innovation. In order to effectively compete, an entrant should be committed to spending a significant amount on

R&D. Additionally, many incumbent firms in this industry have developed strong relationships with upstream suppliers and downstream markets, making it difficult for other firms to break in. This may be a deterrent to some firms entering the industry.

For certain product segments, establishing a brand for their product represents a barrier to entry. This may require funds to be spent on advertising in order to establish a market presence. Firms are likely to experience difficulty entering the industry as a result of the customer loyalty that the more prominent industry participants have, including Remington, Smith & Wesson and Ruger.

# Competitive Landscape

## Barriers to Entry continued

Guns and ammunition manufacturers must overcome the need for specialized labor and machinery and high research and development costs. In addition, the hazardous nature of the products (small arms, ordnance, and ammunition) increases a firm's costs, as they need to adhere to additional regulation. To the extent that these regulatory costs increase industry participation costs, they pose a barrier to entry.

The barriers to entry for military suppliers are significantly higher than for firms just selling to civilians. Regulations are in place that dictate not only the quality of products but also the production process and labor relations. Contractors have to have enough capacity to be able to fulfill orders that can range from small acquisitions to massive purchases. Military grade

### Barriers to Entry checklist

Barriers to Entry checklist	Level
Competition	High
Concentration	Medium
Life Cycle Stage	Mature
Capital Intensity	Medium
Technology Change	Medium
Regulation & Policy	Heavy
Industry Assistance	Medium

SOURCE: WWW.IBISWORLD.COM

products like tank munitions and howitzers also tend to be more sophisticated and require additional investment in facilities and skilled labor. Companies dealing with highly advanced equipment might also have to obtain security clearance and deal with restrictions on the use of technology, even if they developed it.

## Industry Globalization

Level & Trend  
Globalization in this industry is **High** and the trend is **Increasing**

Globalization is on the rise within the Guns and Ammunition Manufacturing industry. Although the level of foreign ownership in domestic firms is low, some US-based firms have begun investing in and purchasing foreign weapons and ammunition manufacturers. Domestic consumers have also increasingly turned to imports to satisfy their rapidly growing demand for guns and ammunition. In the beginning of 2009, imports accounted for about 28.8% of domestic demand. By the end of 2014, imports will account for 29.7% for domestic demand. With demand for industry products surging over the past five years, domestic manufacturers have struggled to keep up with growing demand. The United States is a net exporter of industry products. In 2009, the industry exported nearly \$660.0 million more than it imported, though that number is expected to remain about the same in 2014.

The industry gets a large portion of its firearm imports from Austria and Italy,

due to the popularity of the Glock and Beretta brands. Germany and the United Kingdom are the most popular sources of imports of ammunition and ordnance products. Over the five years to 2014, imports are expected to grow at a rate of 3.8% per year. The top import origins for the industry as a whole include United Kingdom, Germany, Italy and Brazil. In addition countries like the United Kingdom are home to major defense contractors like BAE Systems, which is a major supplier of the United States Department of Defense.

Over the five years to 2014 exports are also expected grow at annualized 3.8% due to rising international demand for domestically manufactured products. The majority of the industry's firearm exports are purchased by Canada, United Kingdom and Australia, who together will purchase about 39.0% of total exports in 2014. Canada is a large purchaser of US exports in this industry due to NAFTA and its geographic proximity to the

# Competitive Landscape

## Industry Globalization continued

United States, Israel, United Kingdom and Japan are the United States' largest customers for ammunition and ordnance products. Most of the major industry

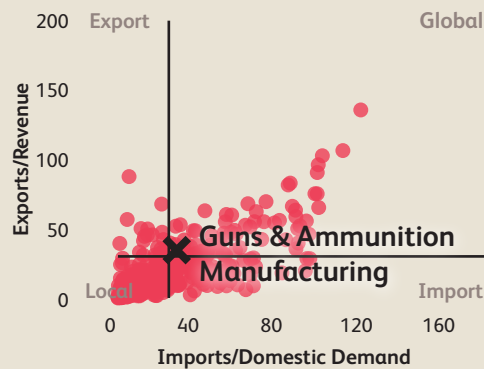
export markets are countries that have extremely close military ties and their armed forces extensively use US made equipment and munitions.

International trade is a major determinant of an industry's level of globalization.

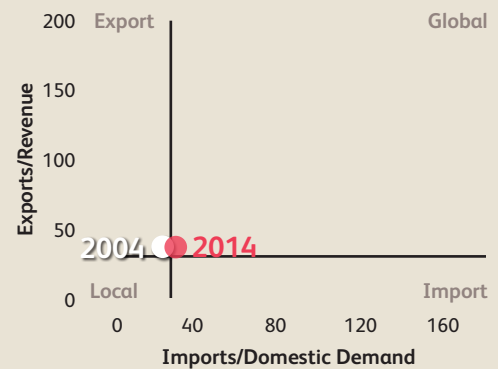
Exports offer growth opportunities for firms. However there are legal, economic and political risks associated with dealing in foreign countries.

Import competition can bring a greater risk for companies as foreign producers satisfy domestic demand that local firms would otherwise supply.

Trade Globalization



Going Global: Guns & Ammunition Manufacturing 2004-2014

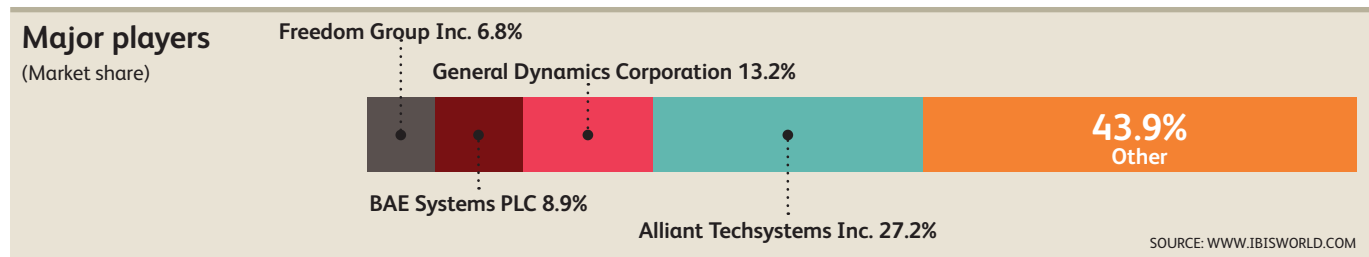


SOURCE: WWW.IBISWORLD.COM

# Major Companies

Alliant Techsystems Inc. | General Dynamics Corporation

BAE Systems PLC | Freedom Group Inc. | Other Companies



## Player Performance

**Alliant Techsystems Inc.**  
Market share: 27.2 %

Alliant Techsystems Inc. (ATK) is an Arlington, VA-based aerospace, defense and commercial products company with about 16,000 employees and operations in 21 states and Puerto Rico. ATK has made a number of notable acquisitions in recent years, including Eagle Industries in March 2009, Blackhawk Industries Products Group in April 2010, Bushell Group Holding in November 2013 and Caliber Company in June 2013. ATK is a former subsidiary of Honeywell Inc. and generated \$4.8 billion in fiscal 2014.

ATK conducts its business in three operating segments: the aerospace group, defense group and sporting group. The business segments that pertain to the Guns and Ammunition Manufacturing industry are the defense group and sporting group. The defense group, which generated 35.0% of ATK's external sales in fiscal 2014, develops and produces military small, medium, and large caliber ammunition, among other products that

are not included in industry revenue, through its armaments systems and small-caliber systems divisions. The sporting group, which generated 39.0% of ATK's revenue in fiscal 2014, develops and produces commercial ammunition and accessories and tactical systems. US customers are estimated to account for 53.0% of ATK's sales in 2014, with the remaining coming from commercial and other foreign customers.

In 2014, the ATK agreed to merge its Aerospace and Defense divisions with Orbital Sciences Corporation and spin off its Sporting division as a separate company.

### Financial performance

Over the five years to fiscal 2015, ATK's industry-specific US sales are expected to grow at an average annual rate of 9.7% per year to \$3.5 billion, with revenue estimated to have skyrocketed 33.0% in fiscal 2014 and forecast to climb by an additional 10.4% in fiscal 2015. The

### Alliant Techsystems Inc. (US industry-specific) – financial performance\*

Year**	Revenue	(% change)	Operating Income	(% change)
	(\$ million)		(\$ million)	
2009-10	2,224.4	-0.5	253.2	16.7
2010-11	2,513.8	13.0	312.5	23.4
2011-12	2,409.4	-4.2	315.6	1.0
2012-13	2,406.1	-0.1	323.7	2.6
2013-14	3,200.9	33	448.1	38.4
2014-15	3,534.3	10.4	509.6	13.7

\*Estimates; \*\*Year-end March

SOURCE: ANNUAL REPORT AND IBISWORLD

# Major Companies

## Player Performance continued

company's recent growth has been almost entirely driven by its sporting group division, for which revenue has more than tripled from \$601.5 million in fiscal 2009 to \$1.9 billion in fiscal 2014. The combination of booming civilian sales and acquisitions of consumer-oriented companies has been the primary driver of both the company's revenue and profit growth. On the other hand, declining

sales at the company's defense group segment, which is heavily reliant on US military funding, have been slowing growth. As the federal government cut spending, demand for small to large caliber ammunition and development fell, thereby causing a drop in the defense group's industry-relevant revenue. Declining military sales were also responsible for revenue declining in 2011.

## Player Performance

**General Dynamics Corporation**  
Market share: 13.2 %

General Dynamics Combat Systems (GDCS) is a business group of Falls Church, VA-based General Dynamics, one of the world's biggest aerospace and defense firms. GDSC produces a wide variety of land combat systems ranging from main battle tanks and wheeled combat vehicles to rockets and munitions. The group's sales are almost exclusively made to armed forces, with the United States military being the largest procurer. Other customers include US allies in Europe, Asia and the Middle East. In 2013, GDCS generated about \$6.1 billion, accounting for almost 20.0% of General Dynamic's total revenue.

GDCS competes in the Guns and Ammunition Manufacturing industry through the ordnance and tactical

systems division. This division produces small, medium and large caliber munitions (including tank ammunition), machine guns, mortar weapons, arterially projectiles, propellants, rockets and gun systems. In 2013, munitions, rockets, propellants and gun systems made up about 28.8% of GDCS's revenue.

In recent years, General Dynamics as a whole has been spending billions of dollars on acquisitions to enhance capabilities, cut out middlemen and diversify operations to mitigate lost revenue from defense-spending cuts. In 2012, the company purchased the defense operations of Gaystone Corp., a firm that produces metal components for munitions.

## General Dynamics Combat Systems (industry-specific) financial performance\*\*

Year	Revenue	(% change)	Operating Income	(% change)
	(\$ million)		(\$ million)	
2009	1,982.0	8.3	258.7	4.4
2010	2,087.0	5.3	299.6	15.8
2011	2,054.0	-1.6	298.9	-0.2
2012	1,950.0	-5.1	170.4	-43.0
2013	1,761.0	-9.7	264.0	54.9
2014	1,709.9	-2.9	237.1	-10.2

\*\*Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD

# Major Companies

## Player Performance continued

### Financial performance

Over the five years to 2014, GDCS's industry-specific revenue is estimated to decline at an annualized 2.9% to \$1.7 billion. Since 2011, the company's revenue has been declining, with profit increasing only in 2013 due to labor cuts and restructuring. Like many other defense contractors, the company has suffered from reduced demand from the US military as a result of budget cuts as

well as the wind down of US combat operations in the Middle East. In 2012 alone, profit shrank by an estimated 43.0% as the company had to backlog contracts and deal with reduced procurement volumes in weapon systems such as the Hydra-70 rocket and MK47 grenade launcher. As the United States ends major operations in Afghanistan and further cuts defense spending, GDCS's revenue is expected to fall 2.9% in 2014.

## Player Performance

**BAE Systems PLC**  
Market share: 8.9 %

Arlington, VA-based BAE Systems Land and Armaments is a US subsidiary of BAE Systems PLC, one of the top aerospace and defense manufacturers in the world. The subsidiary operates under BAE's platform and services reporting segment, which employs 19,200 workers and has operations in the United States, the United Kingdom, Sweden and South Africa. The company's platform and services segment also includes BAE's support solutions division, which provides ship munitions facilities and rotary wing aircraft repair and support. In 2013, the company's platform and services segment generated \$6.6 billion in revenue.

OF BAE's reporting segments, only Land and Armaments manufactures industry-specific products. The subsidiary has two subdivisions; vehicle

systems, which manufactures and supports tracked and wheeled vehicles; and weapons and support, which encompasses BAE's munitions and artillery activities. The weapons and support division manufactures naval guns, howitzers, missile launchers, related ammunition and other industry-specific products. According to latest financial information, artillery and munitions accounted for 19.0% of platform and services revenue in 2013. Land and Armaments is the primary supplier of munitions to the UK and a major supplier to the United States and other allied countries.

### Financial performance

Over the five years to 2014, BAE Systems Land and Armaments' industry-specific

## BAE Land and Armaments (industry-specific) financial performance\*

Year	Revenue	(% change)	Operating Income	(% change)
	(\$ million)		(\$ million)	
2009	2,414.3	N/C	214.3	N/C
2010	2,174.1	-9.9	206.3	-3.7
2011	1,446.3	-33.5	130.3	-36.8
2012	1,366.6	-5.5	118.6	-9.0
2013	1,247.2	-8.7	78.8	-33.6
2014	1,154.3	-7.4	61.3	-22.2

\*Estimates, United Kingdom pound converted into US dollar

SOURCE: ANNUAL REPORT AND IBISWORLD



# Major Companies

## Player Performance continued

revenue is expected to decline at an annualized rate of 13.7% to \$1.2 billion, with a 7.4% drop in 2014. Since 2010, the division experienced shrinking revenue and squeezed profit and 2011 was a particularly bad year because of reduced product demand caused by defense spending cuts in the United States and United Kingdom, along with the

withdrawal of US-led forces from Iraq. However, operating income remained positive as the company cut costs, such as labor. For example, Land and Armaments cut its staff count from 21,300 workers in 2008 to 19,200 in 2013. The firm has also begun to mitigate its exposure to western military spending by seeking to export to clients in Asia and the Middle East.

## Player Performance

**Freedom Group Inc.**  
Market share: 6.8 %

### Industry Brand Names

Remington  
Bushmaster  
Dakota Arms  
Parker Gunmakers  
Marlin Firearms

Freedom Group (also known as the Remington Outdoor Company) is a Remington, NC-based manufacturer of guns, ammunition and other firearm-related accessories. It is one of the leading firearms, ammunition and related products companies in the world, with top commercial market positions across all of the major product categories in the United States, the largest firearms and ammunition market globally. Furthermore, it is the United States' oldest and largest manufacturer of firearms and ammunition, with a history dating back to 1816. It serves the hunting, shooting sports, law enforcement and military markets under some of the most globally recognized brands, including Remington, Marlin, Bushmaster and DPMS. Freedom group is the only major US manufacturer of both firearms and

ammunition. It has 12 manufacturing facilities with about 4,200 employees and delivers products throughout the United States and to more than 80 countries. The Freedom Group claims to be the largest manufacturer of commercial firearms, with the number one market share in domestic shotgun sales and commercial AR-style rifle sales. It also boasts more caliber offerings than any other manufacturer, a top market share in lever action sales, rimfire rifles and bolt-action rifles. Freedom Group sells more than 2.0 billion rounds of ammunition products annually. In 2013, firearm products are estimated to account for 58.3% of company revenue, with ammunition at 34.4% of company revenue and other products making up an additional 7.3% of company revenue.

Over the past five years, Freedom Group has added a number of companies

## Freedom Group Inc. – financial performance

Year	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2009	848.7	17.5	112.1	1,009.9
2010	744.3	-12.3	42.1	-62.4
2011	775.0	4.1	55.2	31.1
2012	932.0	20.3	57.0	3.3
2013	1,268.2	36.1	133.4	134.0
2014*	885.0	-30.2	79.6	-40.3

\*Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD

# Major Companies

## Player Performance continued

to its already diverse portfolio. In 2009, Freedom Group acquired Dakota Arms, S&K, Barnes and Advanced Armament. In 2012, the company acquired Para USA, Tapco, LAR, Montana and Dublin Dog. Lastly, the company purchased Storm Lake, bought assets of SMK and acquired a new facility in Huntsville, AL. In December 2012, Freedom Group's parent private equity firm, Cerberus, announced its intention sell to the Freedom Group, though it has had difficulty finding a buyer. Nonetheless, in March 2014, technology company Global Digital Solutions made a \$1.0 billion cash offer, though its success is unlikely.

## Financial performance

Over the five years to 2014, Freedom Group's revenue is expected to grow at an average annual rate of 0.8% to \$885.0 million, despite a 36.1% jump in revenue in 2013 alone. For most of the past five years, company growth has been largely driven by acquisitions (13 since 2009) and sizeable growth in demand. In particular, persistent fears of more restrictive gun control laws caused consumers to purchase industry products, leading to double-digit revenue growth. However, with regulatory fears dying down, sales are expected to return to more normal levels, with revenue expected to drop 30.2% in 2014.

## Other Companies

### Sturm, Ruger & Company Inc.

Estimated market share: 4.9 %

Sturm, Ruger & Company Inc. is a Southport, CT-based designer and manufacturer of firearms. The company has been in the business since 1949 and offers products in four industry product categories: rifles, shotguns, pistols and revolvers. Sturm, Ruger & Company's firearms are sold through a select number of independent wholesale distributors, principally to the commercial sporting market. About 99.0% of the company's total sales were from the firearms segment and about 1.0% came from investment castings. Sturm, Ruger & Company's design and manufacturing operations are located in the United States and most content is domestic. The company has 1,880 employees. IBISWorld projects that the company will generate \$639.0 million in revenue in 2014, representing a decline over 2013 due to falling civilian sales.

### Smith & Wesson

Estimated market share: 3.7 %

Springfield, MA-based Smith & Wesson

is one of the world's leading manufacturers of firearms. Horace Smith and Daniel B. Wesson founded the company in 1852. The company manufactures an array of pistols, revolvers, tactical rifles, hunting rifles, black powder firearms, handcuffs and firearm-related products and accessories for sale to a variety of customers, including gun enthusiasts, collectors, hunters, sportsmen, competitive shooters, protection-focused individuals, law enforcement and security agencies, officers and military agencies in the United States and throughout the world. It is the largest manufacturer of handguns and handcuffs in the United States and the largest US exporter of handguns. It manufactures these products at its Springfield headquarters and at facilities in Houlton, ME. In 2007, it acquired the Thompson Center Arms Company. However, in 2012, it divested SWSS LLC, a company it only acquired in 2009. In fiscal 2015, the company's revenue forecast to decline to \$483.2 million as civilian sales drop after years of rapid growth.



# Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility  
Regulation & Policy | Industry Assistance

## Capital Intensity

### Level

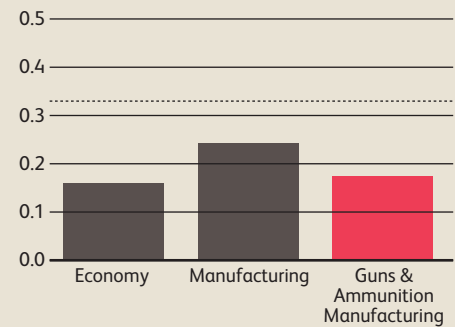
The level of capital intensity is **Medium**

The Guns and Ammunition Manufacturing industry exhibits a medium level of capital intensity. IBISWorld estimates that in 2014, for every dollar spent on labor, \$0.17 will be spent on capital. The industry requires a substantial amount of capital investment. The cost of new plant and equipment is significant and product innovation necessitates periodic investment in new technology. On the other hand, a substantial amount of skilled labor is also needed to manufacture industry products.

Capital intensity tends to be higher for companies that specialize in manufacturing advance weapons systems and munitions for the armed forces. Products like howitzers, rockets and naval artillery are far more

### Capital intensity

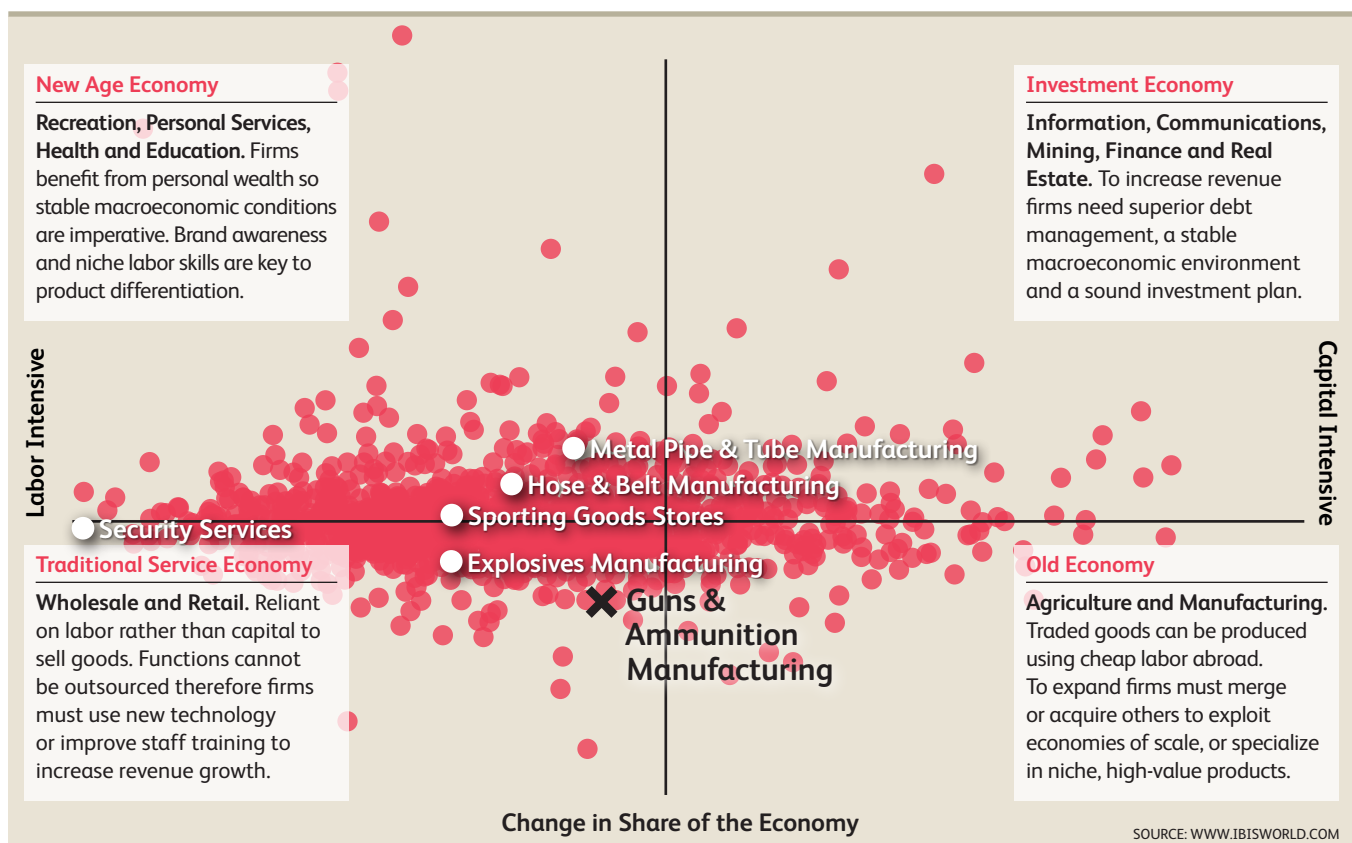
Capital units per labor unit



Dotted line shows a high level of capital intensity  
SOURCE: WWW.IBISWORLD.COM

sophisticated and larger than small arms and thus require more investment in production facilities and

## Tools of the Trade: Growth Strategies for Success



# Operating Conditions

## Capital Intensity continued

equipment. On the other hand, labor expenses for these companies are also higher because of the increased complexity and engineering of certain military products.

The industry has trended toward mechanization over the past five years, although wages and employment have increased between 2009 and 2014.

Manufacturers can lower production costs by making one-time or periodic (depending on the rate of technology change) investments in equipment, though demand for a higher output has increased employment and wages. Defense contracts have also sought produce more with less labor as military budgets around the world shrink.

## Technology & Systems

### Level

The level of Technology Change is **Medium**

Product development is essential to maintaining market share and market-leader status. This requires R&D. Applied research is directed at particular objectives (e.g. searching for new or alternative materials for a product) and the ability to expand businesses across product lines or geographic markets. In general, the introduction of computer technologies has lowered the industry's labor intensity but raised the minimum skills required.

### Product technology

The functional design of small arms has remained relatively stable with incremental improvements in metallurgy, ammunition and manufacturing technologies. Recent product development initiatives have focused on improving the products capability and safety. Recent technological developments have included enhancements to the overall lethality of military small arms through increased accuracy, penetration and rate of fire.

Companies in this industry focus on product development and introducing new products that satisfy the need for specialized, high-performance firearms. For example, providing new products such as lightweight and soft recoiling auto-loading weapons with advanced operating systems enhance product viability. Additionally, providing specialized, high-performance ammunition that offers hunters' better

on-game performance at all ranges also enhances product and brand viability. There has also been increased emphasis on firearm safety, with a number of companies developing or already selling smart guns. Such firearms, use fingerprint or RFID technology to identify the gun's proper owner and fire only within their hand.

Defense contractors that supply goods like artillery and guns systems for tanks and helicopters can spend heavily on R&D and make systems upgrades in order to stay competitive and outdo suppliers in other countries, especially if the government wishes to maintain military superiority. Governments may also task suppliers with the development of completely new weapon systems based on undeveloped technology. For example, ATK is under contract to develop the XM25 Counter Defilade Target Engagement System, which is a rifle systems that fires air burst ammunition capable of defeating targets behind cover.

### Manufacturing technology

Although the types and extent of technology within this industry varies across product segments, there are some common technological issues. For instance, there are intensive manufacturing operations that use computer numerically controlled machinery to manufacture products.

Companies in the industry make use of automated handling and assembly

# Operating Conditions

## Technology & Systems continued

technology (including robotics) to perform repetitive tasks, thus promoting manufacturing efficiencies. While being relatively expensive to set up and install, once the machinery is working, an increase in the total output of parts produced reduces the unit cost as fixed costs are spread across the company. Much of the technology in use is in the

public domain, but there are some proprietary processes used in the manufacturing of goods produced by this industry that are patented, particularly in the military sphere. Manufacturing more advanced systems for the military, especially prototypes, may require companies to introduce new production methods.

## Revenue Volatility

Level  
The level of  
Volatility is **Medium**

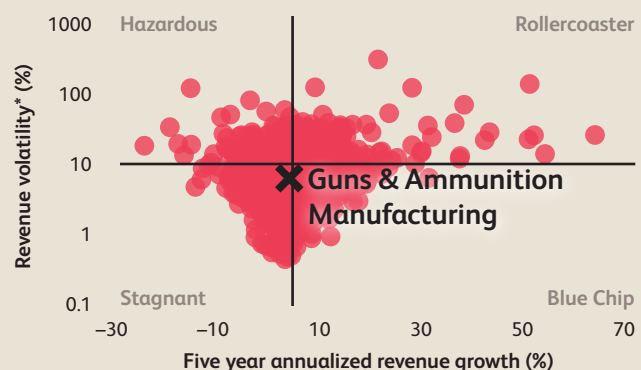
This industry has a moderate level of volatility as represented by the 6.5% average annual fluctuation in industry revenue in the past five years. Volatility has increased in response to surging demand for the industry's civilian products, though this industry has exhibited a moderate level of volatility in most years since 2000. Companies are also subject to the volatility associated

with changes in the price of purchased inputs, such as zinc, steel and other input materials. These associated costs are passed on to consumers. Defense contractors have seen a high amount of volatility as military spending has been cut, thereby significantly reducing order volumes and revenue. However, securing a long-term defense contract can smooth out revenue swings.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

### Volatility vs Growth



\* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

# Operating Conditions

## Regulation & Policy

**Level & Trend**  
The level of Regulation is **Heavy** and the trend is **Steady**

Industry operators are subject to various federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations impose limitations on the discharge of materials into the environment and require companies to obtain and operate in compliance with government regulations. As a result of government regulation in this industry, most companies have developed extensive environmental, health and safety policies and procedures that include the proper handling, storage and disposal of hazardous materials. Although manufacturers design their equipment and manufacturing process to comply with these standards, the regulations have nonetheless increased the price of the equipment as well as the cost of production. The higher costs associated with these environmental regulations are one of the reasons that companies are now looking to manufacture in countries with looser laws.

The industry's products have their own set of regulations. These are design standards, which specify dimensions, tolerances or other physical characteristics of products; and performance standards, which provide a voluntary method of rating products. Government control and regulation regarding the manufacture and trade of firearms and ammunition is much more stringent. Manufacturers within this industry must complete numerous reports, including the "Annual Firearms Manufacturing and Exportation Report".

In addition, there are an assortment of laws and regulations governing arms exports that industry participants must abide by. Such laws and regulations include the Arms Export Control Act of 1976 (as amended), which establishes procedures for sales and transfers of military equipment and related services, and the Foreign Assistance Act of 1961,

which provides for economic and military assistance to foreign governments. Other laws and regulations include the Legislation of Foreign Relations Through 2005 (which includes Arms Export Control Act, Foreign Assistance Act, Gun Control Act, National Firearms Act and several other pieces of legislation); the International Traffic in Arms Regulations (ITAR), which establishes the rules of operation used to control the import and export of defense articles and services; and the Export Administration Regulations, which are rules for the export of dual use (both civil and military) goods and technology.

### Specific regulations

The manufacture, sale and purchase of firearms are subject to extensive federal, state and local governmental regulation. The basic federal laws are the National Firearms Act, the Federal Firearms Act, and the Gun Control Act of 1968. These laws generally prohibit the private ownership of fully automatic weapons and place certain restrictions on the interstate sale of firearms unless certain licenses are obtained. From time to time, congressional committees review proposed bills relating to the regulation of firearms. These proposed bills generally seek either to restrict or ban the sale and, in some cases, the ownership of various types of firearms. Several states currently have laws in effect similar to the aforementioned legislation.

Until November 30, 1998, the Brady Law mandated a nationwide five-day waiting period and background check prior to the purchase of a handgun. As of November 30, 1998, the National Instant Check System, which applies to both handguns and long guns, replaced the five-day waiting period. On September 13, 1994, the Crime Bill banned so-called "assault weapons." This ban expired by operation of law on

# Operating Conditions

## Regulation & Policy continued

September 13, 2004. Various states and cities have adopted or proposed their own version of the ban.

Bills have been introduced in Congress to establish, and to consider the feasibility of establishing, a nationwide database recording so-called “ballistic images” of ammunition fired from new guns. Should such a mandatory database be established, the cost to operators in these industries and their customers could increase, depending on the type of firearms and ballistic information included in the database. To date, only two states have established such registries.

Some states are considering mandating certain design features on safety grounds, most of which would be applicable only to handguns. IBISWorld expects that hunter safety issues may affect sales of firearms, ammunition and other shooting-related products. In the northeastern United States, for example, some communities permit deer hunters to use only shotguns (which

have a shorter average range than rifles) to minimize the possibility of shooting accidents in more densely populated areas.

Bills have been introduced in Congress in the past several years that may potentially affect the manufacture and sale of handgun ammunition, including bills to regulate the manufacture, import and sale of any projectile that is capable of penetrating body armor, to impose a tax and import controls on bullets designed to penetrate bullet-proof vests. There have also been bills introduced that seek to prohibit the manufacture, transfer or importation of .25-caliber, .32-caliber and 9-millimeter handgun ammunition, to increase the tax on handgun ammunition, to impose a special occupational tax and registration requirements on manufacturers of handgun ammunition, and to drastically increase the tax on certain handgun ammunition, such as 9-millimeter, .25-caliber and .32-caliber bullets.

## Industry Assistance

Level & Trend  
The level of Industry Assistance is **Medium** and the trend is **Steady**

### Tariffs

There are numerous tariffs levied on products made within the industry. The majority of industry products imported into the United States incur a normal trade relations (NTR) duty of between 0% and 4.3%. A non-NTR duty rate of between 27.5% and 45% applies to all imports of products from a small number of countries that do not enjoy NTR duty status, such as Cuba, North Korea, Iran, Iraq and Libya. In some cases, free trade importation agreements are in place.

To export their products, US-based firms must register with the Bureau of Industry and Security (BIS) which is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most commercial items into and out of the United States.

These regulations do not control all goods, services and technologies as other US government agencies regulate more specialized exports, such as the Department of Defense (DoD).

As of October 1, 2005, any pistol, revolver or firearm that was manufactured, produced or imported by a person who manufactures, produces or imports less than an aggregate of 50 such articles during the calendar year is exempt from Federal Firearms and Ammunition Excise Tax.

Manufacturers of military products may also have extensive restrictions on not only to whom they can export to, but also where they may manufacture products. Systems that incorporate technology deemed a state secret may have to only be manufactured in the United States.

# Operating Conditions

## Industry Assistance continued

### Industry associations

Industry associations that represent firms in this industry include the National Association of Manufacturers (NAM), the Sporting Arms & Ammunition Manufacturers Association (SAAMA), the National Rifle Association (NRA) and the National Association of Firearms Retailers (NAFR). These associations represent the interests of

firms in this industry by facilitating technology councils and conferences and providing networking opportunities, industry information, resources, regulatory information, education and standards advice. Associations like the NRA are also known for the extensive industry advocacy before lawmakers and agencies at the local, state and federal level.



# Key Statistics

## Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand	Federal funding for defense (\$b)
2005	7,472.1	2,684.5	430	402	29,624	2,586.6	1,689.4	1,656.4	6,574.9	588.9
2006	8,696.5	3,004.6	451	422	31,092	3,288.5	2,081.3	1,775.1	7,489.3	602.2
2007	9,380.9	3,232.3	464	432	31,396	3,433.3	2,437.6	1,814.2	8,385.2	619.8
2008	10,057.0	3,583.6	482	451	36,172	3,322.8	2,556.8	2,127.1	9,291.0	679.4
2009	11,106.4	4,122.0	498	466	39,921	3,601.6	3,041.9	2,508.4	10,546.7	723.1
2010	11,124.5	3,978.7	491	462	37,087	4,132.1	2,904.5	2,330.2	9,896.9	749.7
2011	11,437.9	4,303.2	502	470	38,820	3,911.3	2,750.2	2,437.0	10,276.8	748.0
2012	12,503.2	4,221.6	511	477	40,339	4,130.2	3,247.4	2,581.5	11,620.4	706.2
2013	13,499.8	4,755.1	517	480	44,474	4,677.2	3,730.9	2,854.8	12,553.5	650.0
2014	12,996.6	4,819.4	521	482	46,012	4,329.6	3,664.2	2,901.9	12,331.2	620.6
2015	13,278.0	4,695.9	526	485	45,215	4,486.1	3,807.1	2,880.5	12,599.0	631.3
2016	13,393.1	4,605.9	531	487	43,088	4,672.8	3,967.0	2,779.6	12,687.3	592.4
2017	13,821.5	4,711.9	536	490	43,998	4,836.6	4,062.2	2,853.3	13,047.1	578.2
2018	14,189.0	4,807.2	543	494	44,959	4,979.9	4,216.5	2,925.9	13,425.6	578.7
2019	14,340.7	4,839.6	548	497	45,534	5,048.1	4,355.7	2,965.2	13,648.3	585.8
Sector Rank	113/373	81/373	137/373	125/373	85/373	64/341	95/341	73/373	128/341	N/A
Economy Rank	539/1309	478/1309	929/1308	878/1308	571/1309	80/397	105/398	470/1309	153/397	N/A

## Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Federal funding for defense (%)
2006	16.4	11.9	4.9	5.0	5.0	27.1	23.2	7.2	13.9	2.3
2007	7.9	7.6	2.9	2.4	1.0	4.4	17.1	2.2	12.0	2.9
2008	7.2	10.9	3.9	4.4	15.2	-3.2	4.9	17.2	10.8	9.6
2009	10.4	15.0	3.3	3.3	10.4	8.4	19.0	17.9	13.5	6.4
2010	0.2	-3.5	-1.4	-0.9	-7.1	14.7	-4.5	-7.1	-6.2	3.7
2011	2.8	8.2	2.2	1.7	4.7	-5.3	-5.3	4.6	3.8	-0.2
2012	9.3	-1.9	1.8	1.5	3.9	5.6	18.1	5.9	13.1	-5.6
2013	8.0	12.6	1.2	0.6	10.3	13.2	14.9	10.6	8.0	-8.0
2014	-3.7	1.4	0.8	0.4	3.5	-7.4	-1.8	1.6	-1.8	-4.5
2015	2.2	-2.6	1.0	0.6	-1.7	3.6	3.9	-0.7	2.2	1.7
2016	0.9	-1.9	1.0	0.4	-4.7	4.2	4.2	-3.5	0.7	-6.2
2017	3.2	2.3	0.9	0.6	2.1	3.5	2.4	2.7	2.8	-2.4
2018	2.7	2.0	1.3	0.8	2.2	3.0	3.8	2.5	2.9	0.1
2019	1.1	0.7	0.9	0.6	1.3	1.4	3.3	1.3	1.7	1.2
Sector Rank	348/373	215/373	164/373	156/373	59/373	315/341	286/341	149/373	302/341	N/A
Economy Rank	1247/1309	865/1309	770/1308	762/1308	328/1309	366/397	330/398	677/1309	346/397	N/A

## Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2005	35.93	25.69	34.62	252.23	22.17	68.89	55,914.12	0.02
2006	34.55	27.79	37.81	279.70	20.41	68.94	57,091.86	0.02
2007	34.46	29.07	36.60	298.79	19.34	67.66	57,784.43	0.02
2008	35.63	27.52	33.04	278.03	21.15	75.05	58,805.15	0.02
2009	37.11	28.84	32.43	278.21	22.59	80.16	62,834.10	0.03
2010	35.77	29.35	37.14	299.96	20.95	75.53	62,830.64	0.03
2011	37.62	26.76	34.20	294.64	21.31	77.33	62,776.92	0.03
2012	33.76	27.95	33.03	309.95	20.65	78.94	63,995.14	0.03
2013	35.22	29.72	34.65	303.54	21.15	86.02	64,190.31	0.03
2014	37.08	29.71	33.31	282.46	22.33	88.31	63,068.33	0.03
2015	35.37	30.22	33.79	293.66	21.69	85.96	63,706.73	0.03
2016	34.39	31.27	34.89	310.83	20.75	81.15	64,509.84	0.03
2017	34.09	31.13	34.99	314.14	20.64	82.09	64,850.68	0.03
2018	33.88	31.41	35.10	315.60	20.62	82.80	65,079.29	0.03
2019	33.75	31.91	35.20	314.94	20.68	83.09	65,120.57	0.03
Sector Rank	34/373	125/341	66/341	274/373	43/373	63/373	98/373	81/373
Economy Rank	546/1309	137/397	77/397	608/1309	541/1309	102/1308	379/1309	478/1309

Figures are inflation-adjusted 2014 dollars. Rank refers to 2014 data.

SOURCE: WWW.IBISWORLD.COM

# Jargon & Glossary

## Industry Jargon

**AMMUNITION** Primers that are fired from guns, explosive military items like grenades and bombs and any materials that are thrown in fight.

**ORDNANCE** Ammunition, explosives and similar warfare devices.

**TAMPION** Wooden plug, or a metal, canvas, rubber or plastic cover for the muzzle of a gun.

## IBISWorld Glossary

**BARRIERS TO ENTRY** High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

**CAPITAL INTENSITY** Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

**CONSTANT PRICES** The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

**DOMESTIC DEMAND** Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

**EMPLOYMENT** The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

**ENTERPRISE** A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

**ESTABLISHMENT** The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

**EXPORTS** Total value of industry goods and services sold by US companies to customers abroad.

**IMPORTS** Total value of industry goods and services brought in from foreign countries to be sold in the United States.

**INDUSTRY CONCENTRATION** An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70 % of industry revenue. Medium is 40 % to 70 % of industry revenue. Low is less than 40 %.

**INDUSTRY REVENUE** The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)** The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE** The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5 %, medium is 5 % to 20 %, and high is more than 20 %. Imports/domestic demand: low is less than 5 %, medium is 5 % to 35 %, and high is more than 35 %.

**LIFE CYCLE** All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

**NONEMPLOYING ESTABLISHMENT** Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT** IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

**VOLATILITY** The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than  $\pm 20\%$ ; high volatility is  $\pm 10\%$  to  $\pm 20\%$ ; moderate volatility is  $\pm 3\%$  to  $\pm 10\%$ ; and low volatility is less than  $\pm 3\%$ .

**WAGES** The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.



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Benchmark your performance against the competition

Make speedy market-ready, profit-maximizing decisions

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