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Smith & Wesson Investment Risks

By www.ProfitableInvestingTips.com

The business section of *The New York Times* has an article entitled, "[The Most Important Gun Lawsuit You've Never Heard Of.](#)" On the surface this has to do with advertising fraud by Smith & Wesson but it could be a lot more. American arms manufacturers have been protected by the Second Amendment to the Constitution of the United States as well as other federal legislation from too much scrutiny of their internal affairs and communications.

A well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed.

None of the protections that have a bearing on the right to bear arms offer any protection to Smith & Wesson in a consumer fraud case. What is this all about and what does it have to do with Smith & Wesson investment risks?

Consumer Fraud and Your Investment in Smith & Wesson

As explained in *The New York Times*, what started all of this was an advertisement on television. In the ad a woman put a handgun in her handbag and takes it with her in her car, to the office, to lunch at a café, to the gym, and then to a shooting range at the end of the day where she goes for target practice. The consumer fraud part of this advertisement is that in 35 states much of what is depicted would be illegal unless the woman has a concealed carry permit! The ad does not mention that fact.

What Are the Smith & Wesson Investment Risks?

So, you are thinking, Smith & Wesson could be fined and forced to remove or modify the ad with a disclaimer about needing a concealed carry permit. What is the big deal? The big deal is that none of the Second Amendment or other protections that an arms manufacturer enjoys have anything to do with a consumer protection lawsuit. No one has ever been able to look inside of a company like Smith & Wesson to learn what they know about the effects their products (firearms) have on society.

Will the Arms Industry Go the Same Way as the Tobacco Industry?

This was the same with the tobacco industry until lawsuits forced tobacco companies to disclose that their internal research showed that smoking causes cancer and that they had been lying to the public for decades. As *The Times* notes,

Gun manufacturers have long been immune from liability for gun crimes and deaths because of federal laws that protect them. As a result, virtually no one has been able to mount a legal case that would allow for access to records from inside a gun manufacturer, be it internal emails,

memos, notes or other material showing what gun industry executives say behind closed doors about the products they make.

Investment in Smith & Wesson Brand Inc.

Smith & Wesson is an American firearms company that was founded in 1856 by Horace Smith and Daniel B. Wesson. It was privately owned until 2001 when it was acquired by Saf-T-Hammer Corporation. It was part of American Outdoor Brands from 2016 to 2020 when it was spun off. Its current stock price is in the \$16 to \$17 range having come up from \$6 at the start of the Covid-19 pandemic when sales skyrocketed. In the last 20 years the stock price has been as low as \$0.16 a share and as high as \$22.64. The company pays out a fourth of its income as dividends which gives investors a dividend yield of 1.13% at the current share price.

Investment Risk to Smith & Wesson and the American Firearms Industry

The bottom line risk in this matter is that the same Smith & Wesson weapon, the AR-15 style rifle was used in the 2018 Stoneman Douglas High School shooting, the 2012 Aurora, Colorado shooting, and the 2015 San Bernardino attack. If the consumer protection lawsuit uncovers any internal communications indicating that they knew of the risks their products have to the public, it could sway public opinion, as well as juries, like information from inside tobacco companies did in the 1990s. That could spell doom for Smith & Wesson and the rest.

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