



Makers & Breakers

Make My Day

[Zack O'Malley Greenburg](#) 10.29.07, 12:00 AM ET

Gunmaker **Smith & Wesson Holdings (19, SWHC)**, established in 1852, has a storied past. Clint Eastwood used its weapons in the *Dirty Harry* movies.

Gun-control advocates have made s&w a target, of course. They've gone after the powerful Model 500, a .50 caliber magnum, which debuted in 2003 and is a big seller. This year Smith & Wesson bought Thompson/Center Arms, which enhanced S&W's presence in the rifle business in time for fall hunting season.

Since 2004 the stock has doubled. In the fiscal year that ended in April, earnings shot up 48% to \$13 million on a similar surge in revenues. S&W had a strong first quarter in fiscal year 2008.

But David Trainer of researchers New Constructs warns that S&W's acquisition has saddled it with costly tax liabilities and that it overpaid. The long-term debt load has mushroomed ninefold to 43% of capital. He considers the shares expensive at 55 times trailing earnings. Short them.