



**Transcript of update interview with Mr. Walter C. Johnsen**



**Chairman and CEO of Acme United Corp.**



**Acme United Corporation**

**NYSE Market: ACU**

**July 9, 2013**

**Walter C. Johnsen - Chairman and Chief Executive Officer.** Mr. Johnsen has served as director since 1995 and as Chairman and Chief Executive Officer since November 30, 1995. Before joining the Company he was Vice Chairman and a principal of Marshall Products, Inc., a medical supply distributor.

**Welcome everyone and thanks for tuning in to another Smallcaps.us interview. We're pleased to have Mr. Walter Johnsen, the Chairman and CEO of Acme United Corporation, with us today. We've featured the Company several times in the past, so we're thrilled to have the chance to catch up with its progress. Acme United is listed on the NYSE Market with ticker symbol ACU. Walter, thanks so much for joining us once again. Welcome.**

**Walter Johnsen:** Thank you very much.

**Walter, the second quarter is Acme United's most important one, mainly thanks to back-to-school products that are being shipped. The second quarter ended a few days ago, so how do you feel about it?**

I think the company did well in the second quarter. Some of our products such as pencil sharpeners, the new titanium scissors and our non-stick scissors are doing very well.

I would like to note that as we have moved into garden items and into the Camillus knife area, we are gaining sales in the 3<sup>rd</sup> and 4<sup>th</sup> quarter that we didn't have previously. So, while the 2<sup>nd</sup> quarter has historically been very important thanks to back to school, we're seeing that the 3<sup>rd</sup> and 4<sup>th</sup> quarters are now gaining in importance. We're excited about that.

**Well thank you. Traditionally, you give sales and earnings estimates for the entire year. Could you remind us of the fiscal year 2013 targets and do you feel that you're on track to meet them?**

The guidance we gave was \$90 to \$95 million in sales for the year, and \$1.20 to \$1.25 earnings per share. That seems reasonable to us. Hitting the higher end of the target would depend in part on achieving sales with mass

market customers, that we don't currently have. However, when I look at the portfolio of new business opportunities, I'm very excited.

**Well that's excellent. The markets in which you operate are all very competitive. So how does Acme United succeed in gaining more market share? What makes it stand out from its competitors?**

We do a lot of things as good, or better, than our competitors, for example: on time delivery, producing quality products and standing behind our products.

But what we do that really differentiates us is innovation . It's not only the ergonomics of our tools, not only new functions, but it's actually adding special coatings or changing the mechanics of the products to enhance the customer experience.

One example of that is the non-stick coatings that truly permit our tools to operate in new environments. The non-stick coatings allow a user to have a cutting experience, even in environments where lots of tars, glues or tapes are used, that frankly would have been impossible prior to the introduction of these items.

**Next to sales and earnings increasing nicely, the Board of Directors recently also approved a quarterly dividend increase. What can you tell us about that?**

The last time we increased the dividend was about six quarters ago. As we've grown over that period, the ability to generate excess cash has continued to be stronger and stronger. Additionally, we feel very comfortable with the company's future. Therefore with the growth in the business and the confidence that we have going forward, it seems appropriate to raise the dividend.

**Last year, the Company had to cope with a setback in Europe when it lost its major customer Schlecker after it went out of business. How has Acme adapted in Europe after that loss?**

It was a real setback because Schlecker was a customer we had a relationship with for many, many years. It provided a consistent ordering pattern with many of our products on the shelves. And because it liquidated, we truly lost the customer.

We responded by cutting expenses to bring ourselves in line with the reduced revenues. Then we went after new business. In part, that was the mass market channel where we've been able to get promotions at Lidl, Aldi, Rewe and Norma, all in Western Europe. And it's been in volumes that closely approximate the lost business at Schlecker. However, these are not day-to-day products the way Schlecker was, but rather they're large quantity promotions which come and go. As a result, earnings from them tend to be lumpy.

Our strategy in Europe is to continue the promotions and at the same time build the office business, which is day-to-day sales. As I'm looking at the 2<sup>nd</sup> half of the year, I'm quite optimistic that we'll do at least as well as we did last year, thanks to the promotional business and some new business opportunities that we're working very hard on.

**Also last year, you acquired C-Thru Ruler Company, a manufacturer of rulers, triangles, curves and other measuring tools for the school and craft markets. What happened with C-Thru Ruler since? Have you been able to increase its sales and placement?**

After the acquisition we quickly integrated C-Thru into the Westcott family. So, the identity of C-Thru in many cases is now Westcott. One example is the C-Thru lettering products, which are now sold under the Westcott brand. The products have been substantially improved, and the volumes are increasing because we've expanded the distribution.

C-Thru also gave us access to customers that we didn't have any volume with, particularly in the craft and hobby markets. As a result, we've been able to sell them other Acme products such as Westcott scissors. So, the C-Thru acquisition has been a success, both in its growth and the ability to cross sell Westcott products.

**A major driver for Acme United is of course that it continues to introduce new, innovative products. For example, a couple of months ago, a family of Clauss non-stick putty knives was brought to the market. We know that a test at one of the major retailers is on-going with these putty knives. So how does this test work exactly and what are the results so far?**

Our non-stick putty knives do a number of things that the traditional products don't do. First, thanks to the non-stick blades, the putty comes off very smoothly when it's being applied to walls. Second, it cleans up quickly, meaning if the putty dries it's very easy to remove it from the blades. And third, the coating prevents rusting of the putty knives.

We found that many of the people in this test are delighted that the life of the tools is much longer than competitive products because they don't rust. We're very excited because we'll be able to take the products into other stores, both within the chain we're testing, as well others.

**And in May you launched two new lines of lawn and gardening tools, which are marketed and sold in partnership with The ScottsMiracle-Gro Company. When can we see the tools in stores and what do you expect of it?**

We're enthusiastic about the arrangement with Scotts. In North America, Scotts and ScottsMiracle-Gro are two very well-trusted and well-known brands in the gardening areas. We believe that with our innovation, branding, support and marketing, we'll be able to enter some chains, which we haven't been able to do to date.

The expectation we currently have is that by the end of the year, the Scotts products will begin to flow onto the retail shelves. We also believe that if we're successful, that these products will be available in some major chains in the spring and summer of next year.

**And are there any other new products in the pipeline that you can share with us?**

We're working on quite a number of new items. In fact, we have a 3-year rolling pipeline of new products that's constantly being updated.

One that is coming out in the next three weeks is the 'X-Ray' scissors. It has an acrylic handle that's clear and it's accented with very, very comfortable TPR rubber. It has an ergonomic grip and a very fascinating design. It will be available chain wide in a number of the retailers very shortly, as well as in Europe.

**Great. And are you attending any investor conferences to spread the word on Acme United?**

I was at an investor conference sponsored by the New York Stock Exchange and Singular Research in the middle of June which was quite successful. We have another conference in the

beginning of September with Liolios Group, and one around November with Singular Research.

**Now, before we go, what would you say are the two or three most compelling reasons for a long term investor to consider Acme United today?**

We are a solid company with what we believe are good growth prospects, both in sales, as well as in earnings. We have a growing list of products that are gaining market share. We have proprietary technologies, some of which are patented, primarily in the coating area, which enhance the cutting performance of our blades.

Additionally, we have a balance sheet that is strong. We've increased our dividend on a regular basis and currently yield around 2.4%. The stock is selling at a slight premium to book value. So, if was an investor, and I certainly am one in Acme, I'd be quite comfortable.

**Fantastic. Walter, we really appreciate the time you've taken to speak with us today. All the best to you and Acme, and I look forward to talking with you again soon.**

Many thanks.

## **Interview Feedback**

We welcome your questions and feedback regarding this interview at: <http://www.smallcaps.us/walter-johnsen-shares-how-new-products-will-continue-to-fuel-acme-uniteds-growth>

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