



Acme United Corporation

Acme United Corporation is a leading worldwide supplier of innovative branded cutting, measuring and safety products in the school, home, office, hardware & industrial markets. The company has facilities in the United States, Canada, Germany, Hong Kong and China. Acme United's products are organized under three global brands: Westcott, Clauss, and PhysiciansCare, all of which serve a growing customer base that includes the world's premier retailers and merchandisers.

Symbol	Industry	Market	Recent Price	52-Week Price Range	Fast Facts Date
ACU	Office Supplies	NYSE Amex	\$9.84	\$6.53 - \$13.04	November 29, 2010

Note: If you're already familiar with Acme United Corp. and you want to know what happened with the Company in the third quarter of 2010, this 5-Minute Report is for you.

Third Quarter And Nine Months 2010 Results

Acme United released positive third quarter 2010 results. Revenues reached \$16.1 million, a 5% increase compared with \$15.3 million revenues in the comparable period last year.

The Company enjoyed strong back to school sales, especially to mass market retailers like Wal-Mart and Target where double digit sales growth was recorded. iPoint pencil sharpener sales again excelled.

Sales to the office channel on the other hand were slow. Although they were higher compared with the third quarter last year, they were weaker than the Company wanted them to be. Sales to Staples were good, but sales to Office Depot were pretty soft. The reason for this is simple: companies aren't hiring, so they need less new equipment.

Net income for the third quarter of 2010 was \$612,000, compared with \$728,000 earnings in the third quarter of 2009. This is a decline of 16%.

This looks pretty bad, but there's a catch to these numbers. Both the third quarter of 2010 and 2009 include an extraordinary item. Stripping out these one-time items, earnings for the third quarter of 2010 are \$510,000 compared with \$440,000 for the same

period last year. That's a 16% increase, or a 23% diluted earnings per share increase.

In 2009, third quarter earnings include a one time pre-tax income of \$458,000. This was a bonus because the remediation of the Company's old Bridgeport property, which was sold in December 2008, went much better than originally projected.

Amounts in \$000's	09/30/10	09/30/09
Net Sales	16,083	15,269
Cost of Goods Sold	10,426	9,771
S, G & A Expenses	5,000	4,864
Income From Operations	657	634
Pre-Tax Income	613	1,088
Income Tax Expense	1	360
Net Income	612	728
Shares Outstanding	3,192	3,353
Earnings Per Share	0,19	0,22

Most important income statement data for the quarters ending September 30, 2010 versus September 30, 2009. Source: Company Filings

And the third quarter of 2010 includes a one-time \$100,000 tax benefit due to the Company's donation of land to the City of Bridgeport, CT in the fourth quarter of 2009. During the first nine months, about \$300,000 tax benefits have been included in ACU's earnings for this reason and a final \$60,000 tax

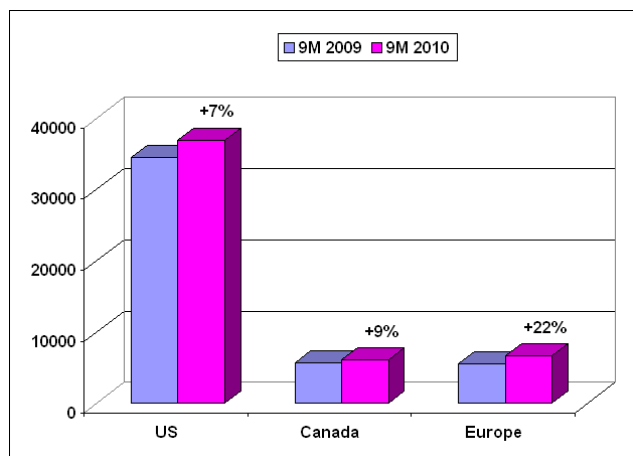
benefit will be included in its fourth quarter 2010 earnings.



The former Acme Shear Company property along the Pequonnock River in Bridgeport, CT.

Sales for the nine months period ending September 30, 2010 were \$49.8 million, compared to \$45.7 million in the same period in 2009, an increase of 9%. Net income for the nine months ended September 30, 2010 was \$2,391,000, or \$.74 per diluted share compared to \$2,111,000, or \$.63 per diluted share in the comparable period last year, a 13% increase in net income and 17% in diluted earnings per share.

Despite the still sluggish US economy, Acme United succeeds in generating higher revenues and earnings.



Sales breakdown per segment in thousands of dollars for the first nine months of FY 2010 and FY 2009. All business segments grew during the quarter and contributed to Acme United's performance. Source: Company Filings and Smallcaps.us calculations.

In the U.S. segment, net sales for the three and nine months ended September 30, 2010 increased 10% and 7%, respectively, compared to the same periods in 2009. In Canada, net sales for the three months

ended September 30, 2010 were constant in U.S. dollars but declined 5% in local currency. Net sales in Canada for the nine months ended September 30, 2010 increased 9% in U.S. dollars but declined 2% in local currency. And net sales in the European segment declined 10% in U.S. dollars and 1% in local currency for the three months ended September 30, 2010. For the nine months ended September 30, 2010, net sales in Europe increased 22% in U.S. dollars and 29% in local currency.

Balance Sheet As Of September 30, 2010

Amounts in \$000's	09/30/10	09/30/09
Cash and Cash Equivalents	7,232	6,599
Accounts Receivable	14,943	11,846
Inventories	19,972	17,85
Total Current Assets	43,321	37,502
Total Assets	49,769	44,071
Accounts Payable	4,49	3,305
Bank Debt	-	9,324
Total Current Liabilities	7,414	17,308
Bank Debt	15,42	-
Total Liabilities	24,555	19,299
Total Stockholder Equity	25,213	24,772

Most important balance sheet data for the period ending September 30, 2010 versus September 30, 2009. Source: Company Filings

Two items on the above balance sheet stand out.

The accounts receivables increased by more than \$3 million due to higher sales. This number is expected to drop as the back to school accounts receivables are collected in the fourth quarter.

More important, because it isn't a momentary increase, are the Company's inventories. They are more than \$2 million higher compared with last year and are most likely to increase some more.

The reason is that Acme United, like most other companies, continues to experience labor shortages in its Chinese factories and is therefore increasing its inventories. Although this is a burden on the Company's cash position, it also has three big advantages.

- The Company is able to maintain its high delivery metrics, especially in light of the

peak production period after Chinese New Year in February.

- Also, it reduces Acme's expedited shipping costs. Remember that the Company had to pay about \$250,000 in the previous quarter to airfreight some products that couldn't be shipped in time.
- Third, ACU is capable of fulfilling more unexpected promotional offers from mass market retailers. That wasn't always the case in the past, simply because the products couldn't be manufactured in time.

International Expansion

From the sales breakdown per segment chart above, it's obvious Acme United is growing fast internationally. In order to continue that growth, the Company is hiring additional sales people in Asia and Europe. Acme hired an experienced sales person in Germany to assist in its mass-market sales and it's also recruiting sales and marketing executives in Hong Kong to drive more Asia Pacific sales.

Outlook

A few noteworthy trends for the fourth quarter and first half of 2011.

- The Company experiences higher costs. The weak U.S. dollar buys fewer goods. Steel and plastic are becoming more expensive. Transportation and labor costs also continue to increase. To offset these higher costs, the

Company has announced price increases to all its customers effective January 1st, 2011.

- Secondly, because the iPoint pencil sharpener continues to be a phenomenal success, its product family will be expanded.
- There's also growing acceptance of the new Clauss garden tools, which are scheduled to enter stores later this year. The tools show some strong international interest as well.
- The Camillus knives will be carried at about 150 additional stores as of 2011.
- Cabela's recently started carrying its first Acme United product ever: the Clauss Damascus knife set. This is only one of several new customers for Acme United.
- And finally, new websites are coming which the company will use as promotional and sales channels.

We reiterate our buy recommendation for Acme United Corp. because the Company continues to successfully bring new products to the market. As a matter of fact, in the third quarter of 2010, Acme United again succeeded in generating 30% of its sales from products developed in the last 3 years.

We expect sales of non-stick scissors, the SpeedPak utility knife, the Clauss gardening tools and the Camillus knives to continue to grow considerably in the quarters to come as the Company is expanding sales forces and increasing distribution worldwide.

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Company Contact	Management	Shareholder Structure
Paul G. Driscoll, CFO	Walter C. Johnsen, Chairman and CEO Brian Olschan, President and COO	Insiders: 17% Institutions: 27%

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