

Acme United Corp. (ACU)

Company Report – May 11, 2024

Acme United Corporation reached net sales of \$45.0 million for the quarter ended March 31, 2024, compared with \$45.8 million in the same quarter last year. This represents a 2% decrease, reflecting the sale of the Camillus and Cuda hunting and fishing product lines in November 2023 for \$19.6 million.

Despite sales being more or less even, earnings soared to \$1.6 million, or \$0.39 per diluted share, for the quarter ended March 31, 2024, compared to \$1.0 million, or \$0.28 per diluted share, for the comparable period last year. This is an increase of 65% in net income and 39% in diluted earnings per share.

Acme’s Chairman and CEO Walter C. Johnsen said, “Acme United had very strong earnings in the first quarter due to productivity improvements in manufacturing and distribution. We also achieved additional distribution of first aid kits and components in the hardware and drug store markets, new craft and cutting tool planograms in the mass market, additional sales of spill clean-up products to large mass market retailers, and new sharpening tools for the kitchen. We intend to continue and expand these initiatives and I am excited about the meaningful sales growth that we anticipate in the coming quarters.”

We reiterate our buy recommendation for Acme United Corp. with a price target of \$57.28 for 2024, which is 41% above today’s stock price.



- ▣ Looking forward, Acme expects to see growth in First Aid, as it won new distribution of first aid kits in one of the largest drug chains in the United States. It has gained additional placement of cutting tools in the craft and mass markets, and has expanded its Spill Magic cleanup line to a major mass market retailer. Also, DMT Sharpeners will see significant incremental distribution in the kitchen category.
- ▣ Acme’s growth plans also require additional space. As such, the Company is upgrading its production and distribution facilities in Rocky Mount, North Carolina and at Spill Magic in Santa Ana, California. Furthermore, it is expanding its First Aid Only production capacity in Vancouver, WA, the First Aid Central facility in Laval, Canada, and its Med-Nap plant in Brooksville, FL.



Market Data

Price	40.72
Sector	Consumer Products
52-Week Price Range	\$23.24 - \$50.99
Shares Issued (m)	3.65
Market Cap (m)	\$148.63
Listings	ACU (NYSE Mkt)
Website	http://www.acmeunited.com

THE COMPANY

Acme United Corporation is a supplier of cutting, measuring and safety products for the school, home, office, outdoors, fishing, hardware, and industrial markets. Its principal products are scissors, rulers, pencil sharpeners, knives and first aid kits.

The Company's products are organized under nine main brands: Westcott, Clauss, First Aid Only, PhysiciansCare, Pac-Kit, DMT, Spill Magic, Med-Nap and Safety Made. Both the number of products offered under these brands, as well as the number of physical and online stores where these products are available, continue to grow.

Acme's quest for innovation is reflected by its on-going goal of generating at least 30% of its sales from products developed in the last 3 years. Therefore, the Company works with new, often proprietary, materials and adds new user-friendly features to existing tools.

The Company's products are available at Staples, Office Depot, Office Max, United Stationers, SP Richards, W.B. Mason, Home Depot, Target, Wal-Mart, Walgreens, Grainger, McMaster Carr, Meijer, Fred Meyer, and many other major chains all over the world. Also online sales are substantial. In fact, Amazon is one of Acme United's most important customers.

Acme United pays a quarterly dividend of 15 cents per share. Traditionally the Company increases the amount by 1 cent every 6 to 8 quarters, the last one being late 2023. Mr. Johnsen commented on this occasion, "This is Acme United's fourteenth dividend increase since 2004. We are optimistic about our future, and we are pleased to provide this additional return to shareholders."

Increased Domestic Sourcing

Although 40 percent of Acme's products are still sourced from China, domestic manufacturing is gaining significant importance. Since 2011, the Company has purchased no less than seven North American-based manufacturers.

In 2011, Acme acquired Pac-Kit Safety Equipment Company in Norwalk, Connecticut. In 2014, it purchased First Aid Only in Vancouver, Washington. In 2016, the Company bought Diamond Machining Technology (DMT), which is located in Marlborough, Massachusetts. Early 2017, Spill Magic was acquired, which has facilities in Santa Ana, California and Smyrna, TN. In 2020, Acme acquired First Aid Central and Med-Nap LLC, both manufacturers of first aid supplies and respectively based in Quebec, Canada and Brooksville, Florida. Last year, Acme acquired Safety Made, a manufacturer of first aid kits, as well as the exclusive source for Dorcy, Life Gear and DieHard flashlights, in the promotional products industry.

This way, the Company strategically diversifies its portfolio of sourcing, while reducing its reliance on China.

BRANDS

Today, Acme United has nine main brands: Westcott, Clauss, First Aid Only, PhysiciansCare, Pac-Kit, DMT, Spill Magic, Med-Nap and Safety Made.

Westcott began as a ruler company more than 140 years ago. It sells between 60 and 80 million scissors, and between 15 and 18 million rulers annually. It truly is the leading scissors brand in the United States and one of the leading ruler brands in North America.

The Company's infamous grey/yellow Titanium Bonded Non-Stick scissors are known all over the globe. The blades are lightweight, stay sharper longer, and are five times harder than steel. Also, they have a non-stick coating that resists adhesives.

The Westcott scissors business continues to become stronger. In fact, Mr. Johnsen mentioned during a conference call that a large retailer tried a different scissors supplier, but quickly returned to Westcott because sales of the other brand were disappointing. A true validation of the brand.

Westcott is also known for its line of Safety Cutters. The safer-slicing retractable box cutters with ceramic knives have ergonomic

improvements so the user can actuate on top or side of the slider. In addition, they are available with replaceable and non-replaceable blades. Next to being safer, the Slice ceramic blades last up to 11 times longer than metal blades.



Westcott's all-new iPoint GEM Battery Pencil Sharpener was recently launched.

In addition, the brand constantly innovates and brings new products to the market. For example, it launched a set of revolutionary glue guns for the craft and DIY markets. These guns have non-stick internal mechanisms so that the glue sticks don't clog up the machines. Also, the tips of the guns have non-stick color changing coatings. When the tip of the gun is hot enough to dispense the glue, it turns red. The red color is also an indication for users not to touch it. When the tip has cooled off, it's blue.

Clauss has its roots dating back to 1877 as a scissors, razors and kitchen knives manufacturer. Today, Clauss offers a substantial line of quality cutting tools for professionals in the hardware & industrial, lawn & garden, food processing, sewing, and housewares channels.

When the brand was re-introduced, shortly after it was acquired by Acme in 2004, it was a simple scissors business, available in only a handful of stores. Since then, Clauss has completely transformed and become an established name in the industry with a broad hardware line that is available at Lowe's,

Home Depot, Sears, Granger, McMaster-Carr and many others.

Similar to Acme's other brands, Clauss applies its proprietary coatings to everyday tools. The brand, for example, markets a family of putty knives that have a full tang construction with a hardened, tempered blade that has Titanium non-stick bonding for superior adhesive and rust resistance.

Another noteworthy product is the Clauss 8" Workbench Shear with Titanium bonded blades that are 3x harder than untreated stainless steel. The shear also features an integrated box cutter and bottle opener.

First Aid Only (FAO) is a supplier of SmartCompliance first aid kits, refills, and safety products that meet regulatory requirements for a broad range of industries.

The business was founded in 1988 and pioneered consultative selling and support of first aid items to large corporate customers. It has since become a recognized industry leader. It was acquired by Acme United in June 2014.

FAO operates out of a modern 54,000 square-foot facility in Vancouver, Washington where well over 100 people are employed. All of FAO's first aid kits are produced in the United States.

First Aid Only is especially known for its SmartCompliance kits. Most businesses are federally mandated to have first aid solutions that are compliant with OSHA as well as ANSI standards. These SmartCompliance first aid supply cabinets ensure that a business is covered.

The innovative design of the SmartCompliance first aid cabinet eliminates disorganized and missing supplies often seen within traditional first aid cabinets. As first aid products are used, the SmartTab ezRefill reminders notify a user when it's time to reorder so that supplies never run out when it matters most.

The First Aid Only SafetyHub app, which is available for both Apple and Android, provides a platform to manage and refill

SmartCompliance cabinets. Users can search and scan barcodes on individual first aid products, as well as place requisitions for ANSI & OSHA compliant first aid kits. Features such as the "Physical Inventory Count" keeps users aware of which products to reorder and when to do so through inventory reminders.

PhysiciansCare offers a wide assortment of first aid kits, emergency and disaster kits, kit refills, hearing, eye and head protection, and ergonomic supports and braces. It also carries a successful branded line of over-the-counter medications, including the active ingredients aspirin, acetaminophen and Ibuprofen, etc. PhysiciansCare's products are sold at Staples, Office Depot, United Stationers, Office Max and many others.

Pac-Kit sells first aid kits, industrial stations and refills, emergency medical travel and recreational kits for the industrial, safety, transportation and marine markets. The brand has a long and vivid history dating back to the 19th century. Its early first aid kits were chosen by global explorers like Captain Robert Scott, Admiral Peary and Theodore Roosevelt on their expeditions.

Pac-Kit is especially known for tailoring its products to meet user requirements and for rapid turnaround.

Diamond Machining Technology (DMT) is the world's leading innovator of manual diamond sharpening technology. It has around 30 employees and sells its products at chains such as Home Depot, Bass Pro Shops, Grainger, Fastenal, and Amazon. DMT manufactures all its products in the United States and exports worldwide to nearly 50 countries.

DMT is renowned for its polka dot pattern diamond surface products. It offers sharpening solutions for virtually every user, from do-it-yourselfers to professionals and large commercial operations.

DMT's products differ significantly from those of its competitors. For example, DMT makes certain that each sharpening surface carries the most diamonds per square inch in the industry to guarantee long-lasting performance.

The uniformity of the diamond is also key to a sharpener's performance. DMT uses a proprietary process that ensures near-perfect consistency in grit size. The result is a micronized monocrystalline diamond that covers evenly across the sharpening surface to prove effective with every use, year after year.



The consistent, even surfaces of the DMT Diamond sharpening stones also help extend the life of knives used in the kitchen area.

Since Acme bought DMT in 2016, sales have continued to rise fast. New equipment and machinery was since installed to significantly expand its production capacity. More orders are coming in as the business continues to grow both in the U.S. and abroad.

Spill Magic manufactures a wide variety of spill pickup products that handle anything from liquid spills, hazardous material spills and even biohazard spills. It has two facilities, one in Santa Ana, CA and the other one in Smyrna, TN. Acme United acquired Spill Magic in February 2017.

Spill Magic's best-selling product is its non-toxic, non-flammable, lightweight absorbent that quickly removes any spilled liquid or semi-liquid of any origin. It turns the liquid into a dry powder almost immediately, while leaving no spill residue behind. It's safe for use around humans, animals, plants and the environment; and will not damage cement, asphalt, carpet or any floor surface.

The Spill Magic absorbent is being used thousands of times every day in national and regional grocery, retail, big box, and countless other retail stores in the United States.

Spill Magic focusses on B2B customers, such as retail, grocery, restaurant, hotel chains and

governmental agencies with the goal of reducing slip and fall accidents in their locations. Some of its customers include Target, McDonalds, and Wal-Mart. The latter, for example, uses Spill Magic products in each of its stores.

Mid-December 2020, Acme United acquired the assets of **Med-Nap LLC.**, a Brooksville, Florida based manufacturer of alcohol prep pads, alcohol wipes, benzalkonium chloride wipes (BZK), antiseptic wipes, and other first aid products.

Also in this case no purchase price was disclosed. For 2020, Med-Nap had estimated revenues of \$4.9 million and EBITDA of \$1.0 million. The existing management of Med-Nap has remained on board.

What makes this acquisition for Acme even more interesting is that Med-Nap has an FDA-registered manufacturing facility where it produces all of its products. In fact, there are only a handful of companies that manufacture these types of products in the United States, which gives Acme two major advantages:

- First, it doesn't have to import these products anymore from China. With the emphasis on sourcing local getting stronger, this is important.
- Second, having such a manufacturing facility at its disposal gives Acme the ability to manufacture all kinds of other tear-open packaging products, such as burn cream, etc.

In June of 2022, Acme acquired **Safety Made**, a well-known manufacturer of first aid kits, as well as the exclusive source for Dorcy, Life Gear and DieHard flashlights, in the promotional products industry.

Basically, Safety Made sources a wide variety of products, assembles them and then screen-prints a company's name or logo on the products. Companies use promotional products, like safety kits, to build brand awareness, make clients aware of a rebranding, hand out at an event or conference, or simply launch a marketing campaign.

In 2021, Safety Made had revenues of approximately \$4.9 million and EBITDA of

approximately \$1.2 million. The acquisition was immediately accretive.

The acquisition of Safety Made provides a platform to expand sales of personalized products to many of Acme United's domestic and global customers. Although its primary business today is in first aid, we see opportunities in all our product ranges.

Safety Made in its turn purchased the assets of Ready 4 Kits in October of 2022. Founded in 1996, and like Safety Made, based in New Hampshire, Ready 4 Kits custom designs logoed and imprinted first aid kits for promotional use across a number of categories and themes, including automotive, golf, disaster/survival, eco-friendly, health and wellness, outdoor and trade show/travel.

Late September 2023, Acme paid approximately \$1 million for certain assets of the Canadian company **Hawktree Solutions**, which is the official primary distributor of Canadian Red Cross (CRC) products. For over 10 years it has developed hundreds of products, such as first aid kits, emergency preparedness kits, and personal protective equipment that have been featured on the Canadian Red Cross eShop, as well as retail stores and businesses across Canada.

Hawktree reported revenues of approximately \$4.0 million in prior years, with very healthy profit margins. Since July of this year, the company was in receivership due to financial misfortune related to COVID-19.

Walter C. Johnsen, Chairman and CEO of Acme United, said, "Hawktree Solutions will expand our product line of first aid and survival items that are focused on devastating fires, floods, and earthquakes. We intend to work closely with the Canadian Red Cross to deliver outstanding products to those impacted by natural disasters."

Hawktree was established in 2012 as an importer and distributor of wholesale and retail health and safety products, including, masks, respirators, eye protection, gowns, swabs, gloves, ventilators and testing devices.

Helped by an early foothold with the Canadian Red Cross, Hawktree re-vamped the Red

Cross first aid training program for the organization's major corporate clients, such as Loblaws, Starbucks, CN Rail and Air Canada, and the 3,500 community training partners licensed by the Red Cross to deliver first aid training.

At the core of Hawktree's business was a requirement that organizations delivering Red Cross programs also used specific approved products, including first aid kits, CPR devices and gloves, which Hawktree provided.



Hawktree has the exclusive license for first aid, safety, and survival products with the Canadian Red Cross.

Hawktree's business did well, but all of that changed in 2020 with the outbreak of the COVID-19 pandemic. The company's contract with the Government of Canada, initiated through the call out to suppliers, included the provision of more than 500,000 pairs of goggles and millions of masks, as well as around 400,000 bottles of Quebec-made hand sanitizer. Hawktree also provided millions of pieces of PPE to multiple provincial governments, hospitals, corporations and municipalities across the country. All of this caused Hawktree's sales to skyrocket from about \$4 million to over \$64 million in 2020.

However, when demand for COVID-related products dropped again in 2021, the company's financial results declined sharply. With no large pandemic orders completed and a significant drop in sales to the CRC, costs of sales became higher than sales leading to negative gross margins and a worsening

financial condition. All of this resulted in Hawktree being placed into receivership in July 2023.

RECENT EVENTS

Acme United Europe Introduces New Products at Ambiente Fair

"Celebrating Business Together" was the motto of this year's mega trade fair for the global consumer goods industry, consisting of Ambiente, Christmasworld and Creativeworld. With an increase of ten percent, 4,928 exhibitors presented their new products on over 360,000 gross square metres (~3.9 million square feet) in Frankfurt, Germany.

One of the participants at the fair was Acme United's European team. At their booth they showed the latest in the areas of school & office supplies, writing instruments and first aid. Especially in the latter category, Acme introduced several new items, such as a new eye wash station and eco-friendly packaging.

Georg Bettin, the Managing Director for Acme United Europe, said, "Ambiente was a excellent show for us this year. Many existing and new potential customers came to see us at our booth. We were excited to show them out latest innovations and developments. The Ambiente Fair is one of the most important marketing events of the year for our Company. As such, the good mood among retailers and the high level of internationality and visitor quality make us optimistic for the new year."

The trio of Frankfurt consumer goods fairs, consisting of Ambiente, Christmasworld and Creativeworld, impressively demonstrated that the entire global consumer goods industry was a guest at the fully booked Frankfurt exhibition grounds.

Visitors from over 170 countries participated at the show. Three out of four trade visitors came to Frankfurt from abroad. With a five percent increase in international visitors compared to the previous year to a current 71 per cent, the trade fair topped the previous year's result. Germany spearheaded the list of

visitor nations this year. Italy and China took second and third place in the top five visitor countries, followed by the Netherlands and the USA.



The New Eye Wash Station that was shown at the Ambiente fair.

It's clear that after the sale of Camillus and Cuda late last year, also in Europe, Acme United's focus will shift toward the first aid market. The European first aid market is quite fragmented due to different regulations and languages in most countries. Although this is a barrier, it also leaves plenty of opportunities. As such, Acme United Europe recently hired a product manager for first aid, bringing the total number of employees in Europe to 37.

Sale of Camillus & Cuda Brands

Early November 2023, Acme announced that it had sold its Camillus and Cuda hunting and fishing product lines to GSM Holdings, Inc.

Mr. Johnsen said, "The sale will allow us to place an increased focus on our primary product lines. The Company intends to use the net proceeds of the sale to pay down approximately \$15.0 million of bank debt."

Founded in 1999, and based in Irving, Texas, GSM specializes in developing and marketing innovative products for the hunting, sport shooting, and outdoor enthusiast market. GSM owns several industry-leading brands including Stealth Cam, Walker's, Muddy, Hawk, Big Game, Birchwood Casey, Cold Steel, TruGlo, SME, TekMat, GPS Bags, CrossFire, HME, Skull Hooker, Viking Solutions, Hunters Specialties, Western Rivers, Cyclops, Boss Buck, American Hunter, and NAP.

GSM's products are sold through online retailers, sporting goods stores, mass merchants, outdoorsman retailers, and dealers/distributors across the U.S. and Canada.

The Camillus brand adds another pillar to GSM's already premier lineup of cutlery brands.

"We have a strategic vision for the Camillus brand," said Edward Castro, CEO, GSM Outdoors. "By engaging our customer relationships, utilizing our best engineering practices, and maintaining superior manufacturing, we are confident in GSM's ability to continue growing Camillus into a brand that everyone knows, trusts and depends on for years to come. We are thrilled to be the stewards of the next chapter in Camillus' rich history and adding them to the GSM family."

As for Cuda, GSM said that the acquisition fills a vital need in its growing fishing portfolio.

"We recognize the tool and accessory category as an integral piece of the fishing experience, and something that was missing from our portfolio," explained Crispin Powley, SVP of Fishing, at GSM. "When researching the category, the Cuda brand became the benchmark for what we found ourselves comparing every other brand to."

"We have an incredible vision for Cuda building off its tradition of quality products that add value for anglers everywhere," added Mr. Castro. "Utilizing our customer relations, top-notch engineering, and quality manufacturing, we strongly feel that we can grow Cuda into a brand that all anglers will rely upon."



Acme United sold its Camillus and Cuda brands for \$19.8 million.

FINANCIALS

Acme's net sales for the first quarter of 2024 were \$45 million compared to \$45.8 million in 2023, a 2% decrease.

Amounts in \$000's	03/31/24	03/31/23
Net Sales	44,956	45,838
Cost of Goods Sold	27,560	29,557
S, G & A Expenses	14,838	14,093
Income From Operations	2,558	2,188
Pre-Tax Income	2,159	1,309
Income Tax Expense	523	319
Net Income	1,636	990
Diluted Shares Outs.	4,213	3,541
Diluted EPS	0.39	0.28

Selected income statement data for the quarters ended March 31, 2024 and March 31, 2023. Source: Company Filing

Camillus and Cuda combined, achieved annual sales of approximately \$12 million. So when leaving out these product lines from the equation, sales in Q1 2024 actually increased 1% compared to the first quarter of 2023. Moreover, due to the long Easter weekend late March, the Company wasn't able to ship \$2 million worth of product, which would otherwise have been added to the first quarter sales. These sales will obviously now be booked in the current quarter.

SG&A expenses for the first quarter of 2024 were \$14.8 million or 33% of net sales compared with \$14.1 million or 31% of net sales for the same period of 2023. Interest expense for the first quarter of 2024 was \$440,000 compared to \$900,000 in the first quarter of 2023. The decrease was due to lower average debt of approximately \$28 million.

The gross margin was 38.7% in the first quarter of 2024 versus 35.5% in the first quarter of 2023. The higher gross margin was mainly due to the productivity improvement initiatives that began in Q4 of 2022 and lower inbound freight costs.

Noteworthy is the higher number of diluted shares compared with last year. This is due to employee stock options that are in the money at the moment. The intention of the Company is to purchase as many as possible of the options that employees decide to exercise, so that the share count will again be reduced to previous levels.

Balance Sheet As Of March 31, 2024

The Company's bank debt less cash on March 31, 2024 was \$31.5 million compared to \$48.4 million on March 31, 2023.

Amounts in \$000's	03/31/24	03/31/23
Cash and Cash Eq.	2,443	2,764
Accounts Receivable	32,966	32,972
Inventories	56,887	58,488
Total Current Assets	98,406	99,184
Property & equipment	28,860	26,397
Intangible Assets, net	18,396	20,272
Total Assets	159,381	157,468
Accounts Payable	7,907	10,597
Total Current Liabilities	21,861	24,034
Bank Debt	23,294	40,135
Total Liabilities	60,289	74,352
Total Stockholder Equity	99,092	80,116

Selected balance sheet data for March 31, 2024 and March 31, 2023. Source: Company Press Release

During the twelve-month period ended March 31, 2024, the Company paid \$2.1 million in dividends on its common stock and generated

approximately \$5.4 million in free cash flow. Additionally, the \$13 million in net proceeds from the sale of the Camillus and Cuda product lines was used to reduce debt.

Strong European Segment

Acme United reports financial information on three separate business segments: the United States (including Asia), Canada and Europe.

Amounts in \$000's	Q1 2024	Q1 2023
U.S.	37,991	38,852
Canada	3,039	3,257
Europe	3,926	3,728
Sales per segment for the first quarter ended March 31, 2024 and the first quarter ended March 31, 2023 (Source: Company Filing)		

For the first quarter of 2024, net sales in the **U.S. segment** declined 2% compared to the same period in 2023. Excluding Camillus and Cuda, sales for the first quarter of 2024 increased 1% compared to the first quarter of 2023.

European net sales for the first quarter of 2024 increased 5% in U.S. dollars and 4% in local currency compared to the first quarter of 2023. Excluding Camillus and Cuda, sales for the first quarter of 2024 increased 7% in local currency compared to the first quarter of 2023.

Net sales in **Canada** for the first quarter of 2024 decreased 7% in U.S. dollars and 6% in local currency compared to the same period in 2023. Excluding Camillus and Cuda, sales for the first quarter of 2024 increased 1% in local currency compared to the first quarter of 2023.

OUTLOOK & VALUATION

All in all, Acme United's first quarter results were good. Revenues of the remaining brands of the Company, after the sale of Camillus and Cuda, increased. At the same time, net income saw a spectacular rise aided by the cost saving initiatives that were implemented in the second quarter of last year.

Although the loss of Cuda and Camillus in November reduces revenues, Acme is

generating significant additional sales in its principal business lines. This should become more and more apparent in the coming quarters.

For example, the Company just began shipping new first aid kits to a major drug store chain in the United States. It expanded its first aid presence at a large hardware chain in the US and Canada. In addition, it started shipping Spill Magic clean-up products to a large mass market retailer in the United States. Also in the second quarter, the Westcott business began shipping new cutting tools to a major mass market retailer as well as new craft items to a prominent retailer in the hobby market. Finally, Acme just started shipping new DMT sharpeners for the kitchen to a major mass market retailer.

Next to expanding its distribution, the Company has been making significant investments in new equipment and automation to drive its manufacturing and distribution costs lower.

At its Med-Nap facility in Brooksville, Florida, for example, Acme is adding a new machine to expand its production of semi-solid solutions, such as hand sanitizers, antibiotic wipes and so forth. The total cost of the machine is about \$850,000, but the products can both be used in Acme's own first aid kits, as well as sold to third parties.

Also in the first aid area, a new clean room will come online in July. This will allow the automation of the boxing of lens wipes and alcohol prep pads. The machine is close to a one million dollar investment, but is expected to generate cost savings of about \$400,000 to \$500,000 annually.

Again in first aid, Acme will be taking delivery of a new machine in November that will automate filling first aid kits. To the Company's knowledge, this is a first in the industry, and could as such be a game changer in the market. The cost of the machine is estimated to be around \$700,000 with annual savings amounting to that same number.

At the Spill Magic plant in Smyrna, Tennessee an \$800,000 investment was recently

completed to automate the packaging of the material that goes into the Spill Magic products. Savings are already being generated from this new equipment.

Finally, at the Company's largest distribution center in Rocky Mount, North Carolina high-density racking are being installed, which are expected to increase capacity and lower the cost of distribution. The work is expected to be completed by the fourth quarter of 2024.

Valuation

Acme United competes with many companies in each market and geographic area. The major competitors in the cutting category are 3M and Fiskars Corporation, while Maped and Staedtler are the major competitors in the measuring category. In addition, the major competitor in the pencil sharpener category is Bostitch, and in the safety category Acme faces most competition from Johnson and Johnson.

Although there are many competitors, it's hard to identify a peer group of companies, because there's no other Company in exactly the same line of business as Acme United. Moreover, some of these other companies that engage in the Company's line-of-business do so through divisions or subsidiaries that are not publicly-traded.

For reason of comparison, we have placed the Company in the Housewares & Accessories industry. The average P/E ratio for a Company in that industry is 20.83x.

Although Acme is not providing guidance at this moment, it is looking forward to stronger top line growth. We are going to remain conservative in our estimate and expect earnings per share of \$2.75 for the full fiscal year 2024.

Applying our full fiscal year EPS estimate of \$2.75, and the 20.83x P/E multiple from the peer group, we reach the following calculation: \$2.75 estimated EPS multiplied by 20.83 = \$57.28.

Based on these calculations, we reiterate our buy recommendation for Acme

United Corp. with a price target of \$57.28 for 2024, which is 41% above today's stock price.

SHARE DATA & OWNERSHIP

On March 7, 2024 Acme United had 3,909,000 common shares outstanding. The principal owners of the Company's common stock are Capital Management Corp (14.8%), North Star Investment Management Corporation (9.4%), Walleye Capital LLC (9.1%), Walter Johnsen (7.8%), and Dimensional Fund Advisors (4.7%).

MANAGEMENT

❑ WALTER C. JOHNSEN - CHAIRMAN AND CEO

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.

❑ PAUL DRISCOLL - VICE PRESIDENT AND CFO, SECRETARY AND TREASURER

Mr. Driscoll has served as Vice President and Chief Financial Officer, Secretary and Treasurer since October 2, 2002. Mr. Driscoll joined Acme as Director International Finance on March 19, 2001. From 1997 to 2001 he was employed by Ernest and Julio Gallo Winery including two years in Japan as Director of Finance and Operations. Prior to Gallo he served in several increasingly responsible positions in Sterling Winthrop Inc. in New York City and Sanofi S.A. in France.

❑ BRIAN OLSCHAN - PRESIDENT AND COO

Mr. Olschan served as Senior Vice President of Sales and Marketing from September 10, 1996 until January 22, 1999. Effective January 23, 1999, he was promoted to President and Chief Operating Officer. From 1984 to 1996, he was employed by General Cable Corporation in various executive positions.

ANNUAL INCOME STATEMENT FY 2021 – 3M 2024

All numbers in thousands

PERIOD ENDING	FY 2021	FY 2022	FY 2023	FY 2023
Total Revenue	182,088	193,962	191,501	44,956
Cost of Revenue	117,287	130,403	119,291	27,560
Gross Profit	64,801	63,559	72,210	17,396
Operating Expenses				
Selling, General and Administrative	52,030	57,285	59,022	14,838
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	52,030	57,285	59,022	14,838
Operating Income or Loss	12,771	6,274	13,188	2,558
Income from Continuing Operations				
Total Other Income (Expenses) Net	(196)	(246)	(28)	44
Earnings Before Interest And Taxes	12,575	6,028	13,160	2,602
Net Interest Expense	908	2,365	2,977	443
Gain on Sale of Assets			12,551*	
Income Before Tax	11,667	3,663	22,734	2,159
Income Tax Expense	1,519	628	4,941	523
Net Income From Continuing Ops	10,148	3,035	17,793	1,636
Non-recurring Events				
Discontinued Operations	-	-	-	-
Extraordinary Items	3,508**	-	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income	13,656	3,035	17,793	1,636
Preferred Stock And Other Adjustments	-	-	-	-
Net Income Applicable To Common Shares	\$13,656	\$3,035	\$17,793	\$1,636

Annual Income Statement FY 2021 – 3M 2024. Source: Company Filings

* In 2023, Acme United sold its Camillus and Cuda hunting and fishing product lines to GSM Holdings, Inc.

** In 2021, the U.S. small Business Administration forgave a \$3.5 million Paycheck Protection Program (PPP) loan. The year before, Acme United encountered numerous business and operational uncertainties resulting from the COVID-19 pandemic. The PPP loan was a key factor in enabling Acme to successfully meet the significant challenges that resulted from these uncertainties, including the Company's ability to avoid laying off any of its employees during the pandemic.



Acme United Corporation

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