

Acme United Corp. (ACU)

Company Report – March 23, 2014

Acme United Corporation is a worldwide supplier of cutting devices, measuring instruments and first-aid products for school, home, office, industrial and hardware use.

Acme presented record net sales and earnings in 2014. For the first time in the Company's history, annual sales reached more than \$100 million. In fact, all four quarters in 2014 set record sales. A remarkable achievement. Looking at the number of products that are set to be launched, the synergies in the first aid business and the expected internal growth, we believe the Company will repeat that feat in 2015.

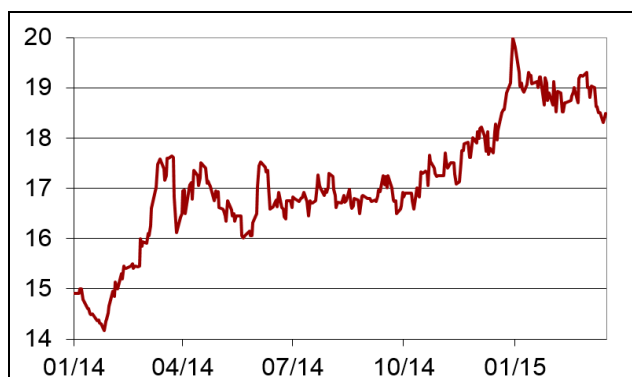
The Company's management team foresees sales to reach between \$120 and \$125 million in 2015, an increase of 12 to 16.6 percent respectively compared with 2014. In addition, it expects earnings to come in at \$5.5 million to \$5.8 million, up 14.8 and 21.1 percent respectively compared with 2014.

Thanks to the continued strong performance of all its brands we reiterate our buy recommendation for Acme United Corp. with a price target of \$30.32, which is 66% above today's stock price.



Acme United Corporation

- About 30 Cuda fishing knives and tools are now in stores. Both in North America and Europe, the tools received lots of attention from distributors and retail chains when they were introduced at the SHOT Show and IWA Show, respectively. It's safe to assume that the brand will become another significant contributor to Acme's results.
- Camillus introduced many new products, such as the completely re-designed Carnivore X machete, the 'Seven' series folding knife line and an updated version of the Heat, Sizzle and Wildfire knives. It also launched a new line of combat knives in collaboration with Jared Ogden and Grady Powell, stars in the highly popular TV show, Ultimate Survival Alaska.
- Acme United's growth story is supported by an 9 cents quarterly dividend, which is an excellent way to show confidence in the business and the market.



Market Data

Price	\$18.25
Sector	Office Supplies
52-Week Price Range	\$14.96 - \$20.50
Shares Issued (m)	3.30
Market Cap (m)	\$60.20
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, shears, rulers, pencil sharpeners, knives and first aid kits.

The Company's products are organized under seven brands: Westcott, Clauss, Camillus, PhysiciansCare, Pac-Kit, First Aid Only and Cuda. 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.

2014 was a record year for Acme United, as it posted the highest annual sales and earnings in its history. All of the Company's brands contributed to this success. Westcott introduced new Carbonitride scissors, the iPoint Orbit electric pencil sharpener and lettering products. Clauss launched new gardening tools, non-stick scrapers and a proprietary line of knives. Camillus expanded its distribution in Europe, Asia and Canada. And the first aid business grew significantly.

Net sales for the year ended December 31, 2014 were \$107.2 million compared to \$89.6 million in 2013, an increase of 20%. Excluding sales resulting from the First Aid Only acquisition, sales increased 8%. Net income for the year ended December 31, 2014 was \$4,789,000, or \$1.36 per diluted share, compared to \$4,003,000, or \$1.22 per diluted share, for the comparable period of 2013, a 20% increase in net income and 11% increase in diluted earnings per share.

As for 2015, Acme expects its sales to reach between \$120 and \$125 million, an increase of 12 to 16.6 percent respectively compared with 2014. In addition, it expects earnings to come in at \$5.5 to \$5.8 million, up 14.8 and 21.1 percent respectively compared with 2014.

Acme United succeeds in re-inventing everyday products such as scissors, knives and school and office items by applying new and improved materials to them. For example, the blades on many of the

Company's products have a titanium carbonitride coating, making them more than three times harder than stainless steel.

Or blades get a non-stick coating, making them useful in difficult environments like the floral area for cutting and trimming flowers and bushes, or in the arts and crafts area, where lots of glue and paste is used. Also, some school and office products have Microban antimicrobial protection added during the manufacturing process to prevent the growth of bacteria on the surface. These are only a few examples of how innovation has led to the improvement of many products.



The award winning iPoint Orbit electric pencil sharpener.

Acme has an on-going goal of generating 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, WH Smith, and many other major chains.

Acme United pays a quarterly dividend and traditionally increases the amount by 1 cent every 6 to 8 quarters. In July of 2014 the quarterly dividend was increased from 8 to 9 cents per share.

BRANDS

Westcott, which began as a ruler company more than 140 years ago, sells between 60 and 80 million scissors, and between 15 and 18 million rulers annually, making it the leading scissors brand in the United States

and one of the leading ruler brands in North America.

Westcott is also known for its line of iPoint electric pencil sharpeners. Their award-winning design* and ease of use make the iPoint one of Acme United's best selling products. In 2013, for example, the sharpener's revenues reached about \$11 million. Knowing that Acme's total sales in 2013 were \$89 million, it's clear what an impact the product has.

* Back in 2006, Acme's original iPoint battery powered pencil sharpener won a GOOD DESIGN award. In 2010, the iPoint Evolution achieved the same feat, and a couple of months ago, the latest member of the iPoint family, called Orbit, again came out on top. GOOD DESIGN is an award from the Chicago Athenaeum, Museum of Architecture and Design, and is one of the oldest and most important design competitions worldwide. This year the Museum again received hundreds of submissions from over 40 countries. Recipients of the award included Apple, Hewlett Packard, BMW, and... Acme United (Also see Recent Events).

Other main Westcott products include TrimAir paper trimmers with a titanium coating and a proprietary blade change system for rotary and personal trimmers, Westcott Ultra Soft Handle scissors with anti-microbial protection and True Professional sewing shears.

In June of 2012, Acme purchased C-Thru Ruler Company, a supplier of drafting, measuring, lettering and stencil products. After the acquisition, the C-Thru products were gradually integrated into the Westcott family.

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.

In just a few years, Clauss has gone through a complete transformation and has really become an established name in the industry. 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 it has developed into a broad hardware line and 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, making them stronger and more convenient to work with. In 2013, for example, Clauss introduced two lines of lawn and gardening tools in partnership with The ScottsMiracle-Gro Company.

The pruners, snips, floral knives, loppers, hedge shears and branch saws have titanium bonded blades, making them 3 times harder than untreated stainless steel. In addition, the blades are non-stick so that saps and adhesives don't stick to them. The tools also feature Microban antibacterial treated blades and grips to protect the user as well as the plants themselves. And the grips are engineered to reduce the impact and fatigue of cutting through branches.

Camillus is one of the oldest and best known knife manufacturers in the United States. It has roots dating back to 1876 and has always been a synonym for the finest knives available. Acme purchased the Camillus brand name and intellectual property rights in 2007 and re-launched the brand in 2009. Since then, numerous new knives have successfully been brought to the market.

Late 2011, Acme United signed an agreement to manufacture and sell Camillus survival knives and tools, co-designed and promoted by Les Stroud, the star of the hit TV series *Survivorman*. The initial four knives under the Les Stroud Signature name were introduced in 2012 and immediately sold well. Since then, the Les Stroud line has grown to ten knives, tools and first aid kits. Some of them will be used in the 16 new *Survivorman* shows scheduled for 2015.

During the SHOT Show, held earlier this year in Las Vegas, Camillus introduced many new products. The Carnivore X machete is one of them. The Camillus team listened very closely to customer feedback on previous Carnivore models and came up with a brand new

design. Camillus integrated a quadruple edge backbone saw that expands the entire length of the backbone, perfected the gut hook and integrated a stinger/trimming knife. In addition, it has an extremely ergonomic and highly durable zytel handle. Best of all, although the Carnivore X is significantly improved over previous Carnivore models, the price remains the same at \$29.99.

The brand new folding knives family named "Seven" was also revealed to the public. The name not only refers to the seven inches overall length of the knives, but also to the shape of the handle. The blades are made out of AUS-8 steel and are Titanium Bonded.

And also the Heat, Sizzle and Wildfire knives, which were originally brought to the market about ten years ago, received a complete makeover. The knives continue to be popular thanks to their quick launch technology. The blade is revealed in an instant, simply by pushing the blade tang. The blades have a Carbonitride Titanium Bonding, making them hold an edge 10X longer than untreated blades (also see Recent Events).



Camillus introduced the completely re-designed Carnivore X machete at the 2015 SHOT Show.

In Europe, Camillus was re-launched in 2013. Acme first concentrated on the Scandinavian countries, because outdoor there is still a part of people's daily live. It soon attracted a Swedish distributor for the Camillus range in

Sweden and Norway. And a few weeks later, it signed a contract with a leading knife distributor for the German speaking countries. In the meanwhile, Camillus is being distributed in twelve European countries (also see Recent Events).

And Acme intends to further expand the number of Camillus distributors in Europe, Canada, the U.S., but also in places like Australia, South Africa and the Philippines.

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. PhysiciansCare 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 more.

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.

Although Pac-Kit's products are somewhat similar to PhysiciansCare's, Pac-Kit is especially known for tailoring its products to meet user requirements and for rapid turnaround.

Soon after Acme acquired Pac-Kit, in February of 2011, it expanded the number of products available under the Pac-Kit name and broadened its distribution. As a result, Pac-Kit's revenues rapidly increased.

First Aid Only (FAO) was acquired by Acme on June 2, 2014 for \$13.8 million in cash. FAO is a supplier of Smart Compliance first aid kits, refills, and safety products that meet regulatory requirements for a broad range of industries.

First Aid Only founder Mark Miller started the business in 1988 out of his garage. The

company pioneered consultative selling and support of first aid items to large corporate customers, and has since become a recognized industry leader.

Today, FAO employs 100 people and operates a modern, 54,000 square-foot facility in Vancouver, WA. It boasts a distributor network of more than 1,000 people and supplies first aid goods to well-known businesses such as McDonalds, Subway and Costco.

Some of the First Aid Only products were also recently launched in Europe, for example the QuickAid water resistant plaster dispenser below.



The QuickAid water resistant plaster dispenser for the European market.

Acme's management made a smart decision when it acquired First Aid Only as it bought a business in a sector that's growing at rates above average. In 2013, First Aid Only reached revenues of \$17.4 million and operating income of \$1.1 million. In the first few months after its acquisition, FAO has immediately been accretive to Acme's earnings.

Cuda is Acme United's most recent brand. About 30 fishing knives and tools, specifically designed for rigorous inshore, offshore and freshwater fishing, were shown to the public for the first time last year in Orlando, Florida at the International Convention of Allied Sportfishing Trades (ICAST), the largest sportfishing trade show in the world.

The tools combine the Company's proprietary Titanium Bonded technology, German 4116

steel, and poly carbonate cold-molded grips. They were all tested "in the field" for nearly a year before the first product was released to the public.

The Cuda fishing gear, which includes snips, wire cutters, scale/skin grippers, knives and scissors, was developed and tested in cooperation with many professional fisherman, the so-called Cuda Pros, to ensure the highest quality and reliability.

The stars of the National Geographic hit show "Wicked Tuna", star of the "Real Fishing Show" Bob Izumi, Mariko Izumi from "Hooking Up", and David Dudley two-time FLW Bass Champion all tested the Cuda tools extensively and have been ambassadors ever since. These pros will also continue to push the Cuda development team to build the very best tools and products.

The tools are now available in stores, so we gradually should start to see the impact of Cuda on Acme's numbers.

FINANCIALS

Fourth Quarter and Full Year 2014 Results

Acme presented record net sales and earnings in 2014. For the first time in the Company's history annual sales reached more than \$100 million. In fact, all four quarters in 2014 set record sales. A remarkable achievement.

Net sales for the year ended December 31, 2014 were \$107.2 million compared to \$89.6 million in 2013, an increase of 20%. Excluding sales resulting from the First Aid Only acquisition, sales increased 8%. Net income for the year ended December 31, 2014 was \$4,789,000, or \$1.36 per diluted share, compared to \$4,003,000, or \$1.22 per diluted share, for the comparable period of 2013, a 20% increase in net income and 11% increase in diluted earnings per share.

During the fourth quarter of 2014, net sales reached \$24.7 million, compared with \$21.4 million in the fourth quarter of 2013, an increase of 15%. Net income for the fourth quarter of 2014 was \$689,000, or \$.19 per

diluted share, compared to \$524,000 or \$.15 per diluted share, for the comparable period of 2013, an increase of 31% in net income and 27% in diluted earnings per share.

Amounts in \$000's	12/31/14	12/31/13
Net Sales	24,667	21,379
Cost of Goods Sold	15,691	14,004
S, G & A Expenses	7,872	6,612
Income From Operations	1,104	763
Pre-Tax Income	934	635
Income Tax Expense	245	111
Net Income	689	524
Diluted Shares Outs.	3,625	3,395
Diluted EPS	0.19	0.15

Most important income statement data for the quarters ending December 31, 2014 and December 31, 2013. Source: Company Press Release

Gross margins were 36% in the fourth quarter of 2014 versus 35% in the comparable period last year. Gross margins were 36% for the year ended December 31, 2013 and 2014.

Outstanding U.S. Segment

Acme United reports financial information on three separate business segments: the United States (including Asia), Canada and Europe. And although the U.S. segment has historically been the largest, it continues to be the fastest grower.

Net sales for the quarter ended December 31, 2014 in the U.S. segment increased 22% compared to the same period in 2013 due to increased sales of first aid products, including sales of First Aid Only products and higher sales of iPoint pencil sharpeners. Net sales for the year ended December 31, 2014 in the U.S. segment grew 24% compared to the same period in 2013 due to increased sales of first aid products, including sales of First Aid Only products, the introduction of new lawn and garden products, and growth in sales of Camillus knives and iPoint pencil sharpeners.

Net sales in Canada for the three months ended December 31, 2014 decreased 5% in U.S. dollars but remained constant in local currency compared to the same period in 2013. Net sales in Canada for the year ended December 31, 2014 increased 9% in U.S.

dollars and 17% in local currency compared to 2013. The increase in revenues for the year ended December 31, 2014 was primarily due to strong back to school sales, higher shipments of Camillus knives and the introduction of new lawn and garden products.

European net sales for the three months ended December 31, 2014 decreased 23% in U.S. dollars and 15% in local currency compared to the same period last year. European net sales for the year ended December 31, 2014 decreased 10% in both U.S. dollars and local currency compared to last year. The decline of sales in Europe for the fourth quarter and year ended December 31, 2014 was due to lower sales of promotional products in the mass market.

Segment	2014	2013
U.S.	91,298	73,608
Canada	8,841	8,092
Europe	7,083	7,877

Sales per segment in USD for the full year 2014 and 2013. Source: Company Filings

Reduced Product and Sector Risk

Next to generating actual growth, Acme also did an outstanding job broadening its product offering over the past few years. This results in the Company's sales becoming less seasonal and more spread over different sectors.

Traditionally the Company's sales relied heavily on the office products and back-to-school markets, for which sales peak in the second and third quarter of the year. Although the second quarter remains Acme's strongest, the other quarters are showing more growth.

For example, total sales for the fourth quarter in 2010 were \$13.4 million, while they were \$24.7 million in the fourth quarter of 2014, an increase of 84%. In the full year 2010, sales were \$63.1 million versus \$107.2 million last year, an increase of 69.8%. Although this is an impressive growth rate for the full year, the fourth quarter sales have risen stronger.

Also, in 2009, sales to the office channel represented about 65% of revenues. In 2014,

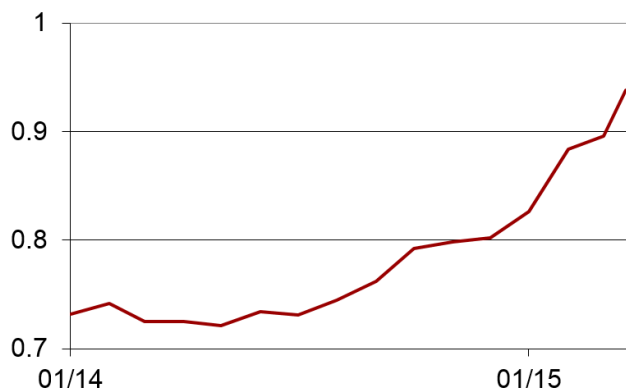
however, the share of the office channel has become about 34%, while the mass market channel represents about 38% and the hardware, industrial and sporting goods channel about 28%. Basically, revenues are more evenly spread over several sectors.

The reason behind this shift is that Acme launched products such as the lawn and garden tools in partnership with ScottsMiracle-Gro, which are typical fourth and first quarter items as they have to be on the shelves early spring. Similar with Camillus knives, which are often used for hunting in the fall and they are also typical Christmas and holiday gifts.

This is a very positive evolution, because having a broad range of products in different sectors reduces the reliance on any single market factor.

Strengthening Dollar

Every international Company that operates in different parts of the world is subject to currency fluctuations. This is no different for Acme United.



The U.S. dollar appreciated about 28% against the euro over the past year.

In 2014, for example, the U.S. dollar strengthened versus the Chinese renminbi (RMB), which is in great contrast to the past several years, when Acme fought an uphill battle against a depreciating dollar. As a result, the Company was forced to increase prices, implement severe cost savings and optimize the design of its products to offset the decline in buying power. Now that the tables have turned, Acme might increase its sales margins somewhat on new products.

On the other hand, the U.S. dollar also significantly appreciated versus the euro and the Canadian dollar in 2014. That makes it tough on Acme’s Canadian and European segments because they have to buy their products in U.S. dollar. The only thing they can do to somewhat maintain their margins is increase prices, which not all customers may accept.

Balance Sheet As Of December 31, 2014

Acme United’s bank debt less cash and cash equivalents on December 31, 2014 was \$21.9 million compared to \$11.3 million on December 31, 2013, which is mainly due to the Company’s cash position dropping from \$11.6 million at the end of 2013 to \$2.2 million at the end of 2014.

Amounts in \$000's	12/31/14	12/31/13
Cash and Cash Eq.	2,286	11,644
Accounts Receivable	19,477	15,629
Inventories	33,671	28,219
Total Current Assets	57,511	56,986
Intangible Assets	14,866	5,157
Total Assets	79,308	68,079
Accounts Payable	7,773	4,789
Total Current Liabilities	15,363	9,876
Bank Debt	24,147	22,912
Total Liabilities	39,880	33,074
Total Stockholder Equity	39,428	35,005

Most important balance sheet data for the periods ending December 31, 2014 and December 31, 2013. Source: Company Filing

The significant drop in cash can be attributed to the \$13.8 million acquisition of First Aid Only, \$0.9 million capital improvements to the distribution facility in Rocky Mount, and \$1.1 million paid in dividends on the common stock.

During the same 12 months period, the Company generated \$4.6 million in cash flow from operations and sold its Fremont, NC plant for \$0.8 million.

Accounts Receivable increased by approximately \$3.8 million, or about 25%,

compared with last year, but that's due to the strong increase in sales. The average number of days sales outstanding in accounts receivable was 63 days in 2014 compared to 64 days in 2013. Accounts payable increased by approximately \$3.0 million primarily as a result of inventory purchases.

Also, the rise in inventories of only \$5.5 million despite the sales growth, the much wider product range and the acquisition of First Aid Only is notable. Inventory turnover, calculated using a twelve month average inventory balance, increased to 2.2 from 1.9 at December 31, 2013.

GROWTH DRIVERS

First Aid Growing in Industrial and Office Channels

In recent quarters, Acme's first aid business has shown strong growth in both the industrial safety market and the office channel.

Industrial safety is growing in the western world because there are increased government regulations to ensure the safety of employees.

In the United States, Canada, the UK, and the EU, government institutions set guidelines or even obligate every employer to have adequate first aid supplies. The size and quantity of first aid kits depends on how hazardous the work environment is and on the number of people who work at a certain location. For example, injuries in an office are generally less frequent and severe than those on a construction site.

In addition, more employers are starting to realize that when an injury is properly treated after an accident, the employee is able to resume work faster, which reduces the cost to the employer.

First aid sales to the **office channel** are also growing because office supply companies like Staples, Office Depot and OfficeMax are looking for additional products to carry outside their traditional office supplies. So they have expanded their offerings of first aid

products and their sales forces call on business to business customers.

The first aid area is also one that's particularly appealing, because in addition to selling just the first aid kits they also have a recurring stream of refill revenues.

Before the acquisition, Acme United already owned two first aid brands, Pac-Kit and PhysiciansCare. Thanks to the combination of the three brands, the Company increased its volumes, and as such was able to negotiate more favorable sourcing prices for bandages, tapes, pads, etc., with its suppliers. In addition, First Aid Only increased its distribution because it had access to Acme's existing broad customer base. All in all, the Company will generate over \$1 million savings annually in the first aid area thanks to the First Aid Only acquisition.

Cuda Fishing Tools Hit the Market

Designed with strength, durability, and precision in mind, the Cuda line of knives and tools dedicated to fresh and saltwater fishing, was launched in July 2014 at ICAST, the premier showcase for the latest innovations in fishing gear, accessories and apparel.

The most important feature for ICAST exhibitors and attendees is the new product awards competition. In the past edition, more than 700 tackle products and accessories were entered by 253 companies to win one of the 24 "Best of Show" awards. Cuda entered the competition in the FishSmart Tackle category with the Grip & Scale tool, and immediately came out on top. A true achievement and an indication of the quality of the new tools!

Similar to what Camillus did with Les Stroud, Cuda attracted several well-known fishermen to design, test and represent the brand. The stars of the National Geographic hit show "Wicked Tuna", star of the "Real Fishing Show" Bob Izumi, Mariko Izumi from "Hooking Up", and David Dudley two-time FLW Bass Champion all tested the tools extensively and have been ambassadors ever since. Cuda even brings those "pros" to customer meetings so they can provide their testimonials directly to the buyers.

RECREATIONAL FISHING MARKET

Both in the United States and Europe, fishing has become one of the most popular outdoor recreational activities.

According to the U.S. Fish & Wildlife Service's National Survey of Fishing, Hunting and Wildlife-Associated Recreation, there are more than 40 million licensed anglers in the U.S. To put this number in perspective, more Americans fish than play golf (21 million) and tennis (13 million) combined.

Together, they spend \$48 billion annually on equipment, licenses, trips and other fishing-related items or events. These funds help create and support more than 828,000 jobs in the United States.

The Cuda tools are created with a breakthrough design that allows the angler to actually see that the knife has a full tang construction. Moreover, the tools are manufactured with German 4116 steel for unsurpassed corrosion resistance, they carry Acme's patented Titanium Bonded technology making them three times harder than untreated options, and they're equipped with Aluminum Alloy and Tungsten Carbide, guaranteeing the ultimate in performance. In fact, Cuda guarantees all of its tools with a lifetime warranty!

It's important to recognize the success that Cuda has achieved in the short time that the fishing tools have been on the market. Knowing this is only the beginning, it's safe to assume that the brand will become another significant contributor to Acme's results.

RECENT EVENTS

IWA Big Success for Acme Europe

For the second year, the Acme United Europe team attended the IWA OutdoorClassics trade show in Nuremberg, Germany. Every year in March representatives from the hunting, shooting sports, outdoor and security equipment sectors come together to showcase their latest products.

The European team had a 325 square foot booth to show the professional audience the extensive range of Camillus knives and Cuda fishing tools. It was a positive event for the team as they met many potential distributors and buyers from sporting goods chains. In addition, they received lots of orders at the show from many different countries for both Camillus and Cuda.

Interesting to know is that Acme Europe has opted to continue selling Camillus through distributors, but that the Cuda tools will be sold directly to retailers, which will have a positive effect on margins.

Camillus knives are now being distributed in twelve European countries and negotiations are ongoing with many others. It's clear that also in Europe Camillus is gaining traction and that the Cuda fishing gear has been very well received.

The IWA show attracted a record number of over 41,000 visitors from 123 different countries and 1,383 exhibitors. After Germany, the leading exhibitor nations were the USA, Italy, Great Britain, Turkey, China, France, the Czech Republic, Spain and Austria.



The Acme Europe booth at the IWA OutdoorClassics trade show right before the doors opened.

New Products Launched at SHOT

Earlier in the year, Acme also attended the SHOT Show in Las Vegas. The Shooting, Hunting and Outdoor Trade Show (SHOT) brings together buyers and sellers of firearms,

ammunition, optics, cutlery, apparel, accessories and law enforcement equipment from the United States and more than 100 countries. It's Acme United's biggest marketing event of the year, and as such a good indicator of how well the Company's new products for 2015 are received by distributors and consumers.

Rick Constantine, Vice President and General Manager at Acme, was quoted saying: "It was the best SHOT Show in years for our Company". He saw three main reasons for this. First, the Company's booth was ideally located right at the entrance of the exhibit hall, which made sure that every visitor had to pass by the stand.



Jared Ogden and Grady Powell from the popular Ultimate Survival Alaska TV show, agreed to sign autographs at the Camillus booth.

Secondly, a great deal of new products were launched. Camillus, for example, presented the completely re-designed Carnivore X machete, the 'Seven' series folding knife line and an updated version of the highly successful Heat, Sizzle and Wildfire knives.

Also, the once popular Western knife brand was re-launched with all new designs, packaging and branding. Although similar to Camillus, a lifetime guarantee is also offered on all Western products, they have a lower entry level price point. In addition, the Cuda fishing tools made their first appearance at SHOT.

ULTIMATE SURVIVAL ALASKA

Now in its third season, Ultimate Survival Alaska focuses on survivalist men and women who are dropped off in the Alaskan wilderness where they compete with each other in various wilderness races.

Twelve of the world's toughest outdoorsmen are divided into four teams and are then dropped off by aircraft in the Alaskan wilderness where they compete in races through Alaska's unpredictable weather, barren landscapes, and hostile predators.

In each of the 13 legs this season, teams have just 60 hours to make it from start to finish ... surviving off the land with only the gear on their backs. For Jared Ogden and Grady Powell, that means Camillus gear.

The third reason why the show was such a success for the Company was because Camillus launched a new line of combat knives in collaboration with Jared Ogden and Grady Powell. Ogden & Powell are the stars in the highly popular TV show, Ultimate Survival Alaska as seen on the National Geographic Channel. Navy Seal and Green Beret military experts, Ogden & Powell, use Camillus tools exclusively in the current season and signed autographs during the second day of the Shot Show.

The past SHOT Show again gave the industry a very good indicator that a strong sales year lies ahead, which is obviously excellent news for the three Acme United brands that presented their new products. The strong feedback from distributors and customers is another confirmation that Camillus, Western and Cuda are going into the right direction.

iPoint Wins GOOD DESIGN Award

The iPoint Orbit, the latest member in the highly successful electric pencil sharpener family, won a prestigious GOOD DESIGN award.

Since 2006, when the first iPoint was launched, it has been one of Acme United's best selling products. As such, the Orbit had a high reputation to upkeep. And it succeeded, as it generated strong customer response and a lot of retail excitement immediately after it was launched.



The Orbit was the third iPoint to win a GOOD DESIGN award.

Long gone are the days where a product merely had to work for it to sell well. Nowadays, consumers have an almost endless choice of impeccable working products. As a result, manufacturers need to go the extra mile to produce outstanding items that have additional features and a fabulous design.

The Orbit features titanium bonded blades that stay sharp three times longer than competitive products, an auto sensor shut off that cuts off power once the pencil is at the perfect point and an EZ view savings reservoir that allows to see when the shavings reservoir is full.

The iPoint has truly become an iconic product in its category that brings a sense of style to any office desk. It combines excellent performance with an attractive design and has taken an everyday product to a new level. This is proven with outstanding sales numbers

year after year, making it one of Acme's single best selling products.

OUTLOOK & VALUATION

Acme United achieved record sales in all four quarters of fiscal year 2014. Looking at the number of products that are set to be launched, the synergies in the first aid business and the internal growth, we believe the Company will repeat that feat in 2015.

In the first and second quarter of 2015, for example, sales will see the contribution of First Aid Only for the first time, as it was acquired mid-2014. Acme's three first aid brands are broadening their line of first aid kits and expanding the refill business, which positions them ideally with office products customers, mass market customers and sporting goods dealers. The first aid business now accounts for 35% of Acme's total revenues.

At the SHOT Show in January 2015, a great deal of new products were launched. Camillus presented the completely re-designed Carnivore X machete, the 'Seven' series folding knife line and an updated version of the highly successful Heat, Sizzle and Wildfire knives. Also, the once popular Western knife brand was re-launched with all new designs, packaging and branding.

The highly expected Cuda fishing tools are being shipped to customers at this moment. We expect a lot from the fishing gear, which includes snips, wire cutters, scale/skin grippers, knives and scissors.

Finally, there's the solid internal growth from products such as the iPoint Orbit electric pencil sharpener, which has truly become an iconic product in its category and continues to be a phenomenal success.

As a result of all this expected growth, Acme's management team foresees the Company's sales to reach between \$120 and \$125 million in 2015, an increase of 12 to 16.6 percent respectively compared with 2014. In addition, it expects earnings to come in at \$5.5 million to \$5.8 million, up 14.8 and 21.1 percent respectively compared with 2014. At a fully

diluted share count of 3.63 million shares, Earnings Per Share would reach between \$1.51 and \$1.60 in 2015. In our opinion, these are somewhat conservative estimates.

The Company's stock appreciated more than 20 percent during the past twelve months and thanks to numerous new tools entering the market in 2015, the continued strong performance by Westcott school & office products, and the First Aid Only integration that will reach its full potential, we expect 2015 to be another excellent year for Acme.

Peer Comparison & Valuation

Acme United competes with many companies in each market and geographic area. For example, the major competitors in the cutting category are 3M and Fiskars Corporation. The major competitors in the measuring category are Maped and Staedtler. The major competitor in the pencil sharpener category is Bostitch. The major competitor in the safety category is 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 27.07x, up from 22.20x in our previous report. Because we feel that the markets are somewhat overvalued at these multiples, and because we want to remain conservative in our estimates, we are going to apply a 30% discount to the average P/E ratio.

Taking the discount into account, we end up with an average P/E ratio of 18.95x for the Housewares & Accessories industry.

When Acme's second quarter numbers are public, we'll undoubtedly have a much clearer picture of how the Company's results will develop this year. Until then, we'll use the

high end of the Company's own sales and earnings projections in our valuation because we feel the estimates are conservative.

Amounts in \$000's	2013	2014	2015E
Total Revenue	89,577	108,000	125,000
Net Income	4,003	4,750	5,800
Annual sales and earnings FY 2012 - 2015E.			
Source: Company Filings and Smallcaps Investment Research estimates			

Using the \$1.60 EPS projection for FY 2015 and applying the 18.95x P/E multiple from the peer group, we reach the following calculation: \$1.60 estimated EPS multiplied by 18.95 = \$30.32.

Based on these calculations, we reiterate our buy recommendation for Acme United Corp. with a price target of \$30.32, which is 66% above today's stock price.

SHARE DATA & OWNERSHIP

As of February 25, 2015, Acme United had 3,298,605 common shares outstanding. The principal owners of the Company's common stock are North Star Investment Management Corporation (13.4%), Walter Johnsen (9.8%), First Wilshire Securities Management (7.8%), Bard Associates Inc. (5.1%), and Capital Management Corp (3.5%).

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 2011 – FY 2014

All numbers in thousands

PERIOD ENDING	FY 2011	FY 2012	FY 2013	FY 2014
Total Revenue	73,302	84,370	89,577	107,222
Cost of Revenue	46,977	54,623	57,753	69,037
Gross Profit	26,325	29,747	31,824	38,186
Operating Expenses				
Research & Development	-	-	-	-
Selling, General and Administrative	22,040	24,386	25,945	30,791
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	22,040	24,386	25,945	30,791
Operating Income or Loss	4,285	5,361	5,879	7,394
Income from Continuing Operations				
Total Other Income (Expenses) Net	145	80	35	118
Earnings Before Interest And Taxes	4,430	5,441	5,844	7,276
Interest Expense	404	444	350	473
Income Before Tax	4,026	4,997	5,494	6,803
Income Tax Expense	1,215	1,448	1,491	2,014
Minority Interest	-	-	-	-
Net Income From Continuing Ops	2,811	3,549	4,003	4,789
Non-recurring Events				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	-	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income	2,811	3,549	4,003	4,789
Preferred Stock And Other Adjustments	-	-	-	-
Net Income Applicable To Common Shares	\$2,811	\$3,549	\$4,003	\$4,789

Annual Income Statement FY 2011 – FY 2014. Source: Company Filings



Acme United Corporation

NYSE MKT: ACU

Company Headquarters

60 Round Hill Road
Fairfield, CT 06824
United States

Company Contact Information

Paul G. Driscoll, Chief Financial Officer
Phone: +1 203-254-6060
Fax: +1 203-254-6019

About Smallcaps Investment Research

We're proud that Smallcaps Investment Research is recognized as one of the most trusted online sources on U.S. and Canadian small cap stocks. We've earned that trust because we only highlight stable, ethical companies to our visitors and newsletter subscribers. We focus on fundamentally undervalued companies with a market cap below \$100 million, and we have a special interest in stocks with a high potential, innovative product or service.

This Company Report is prepared and distributed by Smallcaps Investment Research.

Contact: editor@smallcaps.us

DISCLOSURES

This publication has been prepared by Smallcaps Investment Research, which owns and operates the website <http://www.smallcaps.us>. Smallcaps Investment Research is not a registered financial advisor, nor is it a stockbroker or investment advisor.

This publication is provided for information purposes only and is not intended to be an offer, or the solicitation of an offer, to buy or sell the securities referred to herein.

Investors must make their own determination of the appropriateness of an investment in any securities referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. Past performance is no guarantee for future results. Smallcaps Investment Research nor any of its employees shall be responsible for any investment decision.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. However its accuracy and completeness is not guaranteed. All opinions, forecasts and estimates herein reflect the judgment of Smallcaps Investment Research on the date of this publication.

This Company Report may contain certain "forward-looking statements" within the meaning of applicable securities laws, including without limitation, statements related to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth, and (iii) other risks and uncertainties indicated from time to time in the Company's public filings.

Smallcaps Investment Research has been compensated by Acme United Corporation to develop and execute a communication plan to enhance the Company's exposure to the investor community.

Smallcaps Investment Research and/or its employees may hold positions in companies mentioned. However, it is prohibited for Smallcaps Investment Research and/or its employees to trade in financial instruments of companies one week prior to publication of the initial Company Report or a rating change until one week thereafter.

No part of this publication may be reproduced in any manner without the prior written consent of Smallcaps Investment Research. © 2003 - 2015 Smallcaps Investment Research.