

## Acme United Corp. (ACU)

Company Report – May 11, 2019

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

The Company reported net income of \$807,000 or \$0.24 per diluted share, for its first quarter ended March 31, 2019 versus \$764,000, or \$0.21 per diluted share, for the comparable period last year. This is an increase of 6% in net income and 14% in diluted earnings per share. A solid performance, and in fact the highest first quarter earnings in the Company's history.

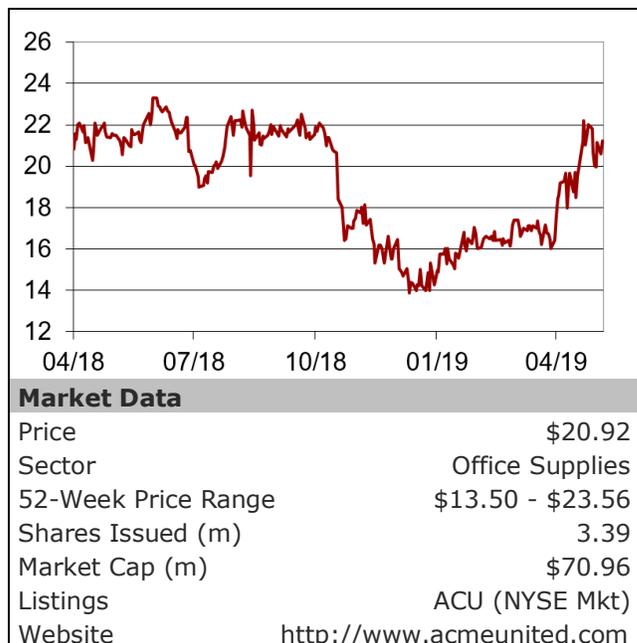
The major contributor to this result was the cost savings program that Acme United implemented in the fourth quarter last year. For example, it let go of a number of people, which reduced personnel expenses by about \$700,000 annually. In addition, third party sales reps were replaced by in-house people. Acme also cut back on print advertising and put more focus on social media, resulting in annual savings of \$400,000. All these saving are going straight to the bottom line.

Acme United's management is providing guidance of approximately \$140 to \$143 million in sales, net income of \$5.0 to \$5.3 million and \$1.41 to \$1.50 earnings per share.

Based on these estimates, we reiterate our buy recommendation for Acme United Corp. with a price target of \$30.03, which is 43% above today's stock price.



- ▣ The cost reductions that were implemented in the fourth quarter of 2018 are now in full force and will generate savings of over \$2 million annually. Acme continues to implement new software and production equipment to generate additional savings. Thanks to these cost savings, and a solid sales outlook, the Company is anticipating continued growth in the second and third quarter of this year.
- ▣ The Company also has a number of programs with Amazon, which may lead to further online sales growth beyond current levels. These programs have started in the ongoing second quarter.
- ▣ Late 2018, the Company increased its quarterly dividend to 12 cents per share. This is the eleventh dividend increase since 2004.



## 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 brands: Westcott, Clauss, Camillus, PhysiciansCare, Pac-Kit, First Aid Only, Cuda, DMT, and Spill Magic. 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.

Net sales for the first quarter ended March 31, 2019 were \$31.4 million compared to \$31.7 million in the first quarter of 2018, a decrease of 1%, or even in constant currency. This slight drop was expected and due to a large initial order of first aid kits to a major foodservice distributor in the first quarter last year.

Although the Company did not anniversary the large order, it recorded excellent refill orders in the first aid market during Q1 2019. In addition, Acme shipped Westcott glue guns and its new Westcott adjustable scissors with Glide technology to a large mass market retailer in the United States for initial placement. The Company also expanded its Camillus product offering to The Boy Scouts of America, and continued to gain market share in the hunting and fishing areas.

Finally, Acme pushed through some price increases in the first quarter, which also contributed to total revenues.

Gross margin was 37.6% in the first quarter of 2019 versus 38.2% in the first quarter of 2018. The lower gross margin this first quarter was primarily due to a better product mix last year. The Company expects following quarters to show improved gross margins versus comparable periods in 2018, because the product mix is expected to be better.

Chairman and CEO Walter C. Johnsen, said, "Our strategy to reduce expenses by \$2.0

million this year in purchasing, advertising, selling, and distribution is on plan. Our business continues to be robust, including some promising new programs in the second and third quarters of 2019. We are pleased with the performance to date. Accordingly, we are reiterating financial guidance for 2019 of approximately \$140 to \$143 million in sales, net income of \$5.0 to \$5.3 million and \$1.41 to \$1.50 earnings per share."



**Camillus has recently expanded its product offering to The Boy Scouts of America.**

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.

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.

Late 2018, Acme United increased its quarterly dividend with 1 cent to 12 cents per share. Walter Johnsen, commented, "This is Acme United's eleventh dividend increase since 2004. The Company continues to make good business progress and we are delighted to provide this additional return to shareholders. Our balance sheet is strong and we are confident in the business."

### Increased Domestic Sourcing

Although 60 percent of Acme's products are still sourced from China, domestic manufacturing is gaining importance. Since 2011, the Company has purchased no less than four US 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. And early 2017, Spill Magic was acquired, which has facilities in Santa Ana, California and Smyrna, TN.

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

## BRANDS

**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 iPoint electric pencil sharpeners. Their award-winning design and ease of use make the iPoint one of Acme United's best selling products.

In addition, the brand constantly innovates and brings new products to the market. Last year, 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.

**Camillus** is one of the oldest and best known knife manufacturers in the United States. Since its founding in 1876, Camillus has supplied the world with reliable, innovative and quality-made knives for the hunting, fishing, sporting and tactical markets. More recently, Camillus has strategically focused towards outdoor enthusiasts.

The Company works with plenty of qualified "Pro Staffers" to gain insight into what campers, backpackers and survivalists are looking for. The Pro Staffers have quickly become an invaluable part of the Camillus team. With their help, the Camillus tools truly stand out in regards to design, performance and durability. As many of them have been in extremely dangerous, and often life-threatening situations, they give information that Camillus' designers could never know about. In addition, these well-known stars have thousands of followers on social media, which is ideal to promote new tools.



**A couple of Camillus knives that were introduced at the latest SHOT Show. Both the Veracious (top) and Barber are 7" and feature glass filled nylon handles, a quick launch bearing system, pocket clip, and lanyard hole. They will be available at under \$30.**

Camillus is growing strong in the US and Europe. Moreover, the brand launched no less than 12 new attractive folders and expanded its Carnivore machete line at this year's SHOT Show. The new tools will be on retailers' shelves as of June. They will also become available in Canada and Europe.

**Cuda** markets a broad line of tools dedicated to fresh and saltwater fishing. 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 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.



**Cuda offers a wide variety of tools and accessories for avid anglers. Each tool shares Cuda's technologies including the signature blue scale-patterned grip which offers slip free handles, even when your hands are wet.**

A factor that has helped gain the brand a solid name in the fishing community is the Cuda Pros. Right from the start, 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 initial tools extensively.

Since then, the Cuda Pro Staff has continued to grow to more than 40 ambassadors today. They continue to suggest improvements to prototype tools, so that when they go into production, the products are the best on the market.

Also the promotion that the Pro Staff provides is priceless. One pro has close to 300,000 Twitter followers. So when he tweets information about Cuda, all his followers get to see it.

At the 2018 ICAST fishing show, Cuda introduced plenty of new tools, such as the new Professional 8" plier and 8" snip with

matching sheaths. With all the additional tools, Cuda now has well over 100 different products in its range. An amazing achievement in just five years since the brand was launched!

**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, was released in July 2017. It provides a platform to manage and refill First Aid Only 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. This application allows requisitions to be saved, placed, or tracked from a mobile device or tablet. 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 products can be found wherever sharp edges are needed - woodworkers, chefs and gardeners, in the kitchen, workshop or tool room, or on the go camping, hiking, skiing, hunting and fishing.**

DMT was acquired by Acme United in February 2016, and 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.

Because DMT sales are rising fast, new equipment and machinery was installed to double its production capacity. The business continues to grow both in the U.S. and abroad, and has high margins.

**Spill Magic** manufactures a wide variety of spill pickup products that can handle anything from liquid spills, hazardous material spills and even biohazard spills. It was founded in 1995, and 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 currently 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.



**The Spill Magic Biohazard Cleanup Kit is an OSHA compliant solution for safely removing blood and bodily fluids.**

Acme aims to broaden its distribution to sectors where the products aren't available yet. For example, the spill pickup products are ideally suited to be used in auto repair shops, where oil, gasoline, transmission fluid, brake fluid, coolants, and solvents present a challenge when spilled.

## FINANCIALS

Acme's net sales for the quarter ended March 31, 2019 were \$31.4 million compared to \$31.7 million in the first quarter of 2018, a decrease of 1%, or even in constant currency.

Net income was \$807,000 or \$0.24 per diluted share for the quarter ended March 31, 2019 compared to \$764,000, or \$0.21 per diluted share, for the comparable period last year, an increase of 6% in net income and 14% in diluted earnings per share.

SG&A expenses for the first quarter of 2019 were \$10.3 million or 33% of net sales, compared with \$10.8 million or 34% of net sales for the same period of 2018. Operating

profit in the first quarter of 2019 increased 12% compared to the first quarter of 2018. The improved operating profit was primarily due to the cost-savings initiatives that were implemented in late 2018.

Amounts in \$000's	03/31/19	03/31/18
Net Sales	31,370	31,709
Cost of Goods Sold	19,568	19,585
S, G & A Expenses	10,268	10,774
<b>Income From Operations</b>	<b>1,534</b>	<b>1,350</b>
Pre-Tax Income	502	405
Income Tax Expense	228	209
<b>Net Income (Loss)</b>	<b>807</b>	<b>764</b>
Diluted Shares Outs.	3,392	3,662
Diluted EPS	0.24	0.21

**Selected income statement data for the quarters ending March 31, 2019 and March 31, 2018. Source: Company Press Release**

### European Segment Continues Steady Growth

Acme United reports financial information on three separate business segments: the U.S. (including Asia), Canada and Europe. Exact revenues per segment for the first quarter of 2019 will be available in the Company's 10-Q, which will be filed mid-May. However, Acme announced for each segment the percentage by which revenues increased or decreased compared with last year. Based on those numbers, we provide the following estimate.

Amounts in \$000's	Q1 2019	Q1 2018
<b>U.S.</b>	27,442	27,777
<b>Canada</b>	1,410	1,552
<b>Europe</b>	2,518	2,380

**Estimated sales per segment for the quarter ending March 31, 2019 (Source: Smallcaps Investment Research) and actual sales per segment for the quarter ended March 31, 2018 (Source: Company Filing)**

For the first quarter of 2019, net sales in the U.S. segment decreased 1% compared to the same period in 2018. As mentioned before, the year-over-year sales decrease was due to a large initial order of first aid products to a major distributor to the food service industry that took place in the first quarter of 2018.

European net sales for the first quarter of 2019 increased 6% in U.S. dollars and 14% in

local currency compared to the first quarter of 2018, mainly due to new customers in the office products channel and continued growth of DMT sharpening products. Looking at how both the Paperworld and IWA OutdoorClassics trade shows went in Europe, we expect this positive trend to continue in 2019.

Net sales in Canada for the first quarter of 2019 decreased 9% in U.S. dollars and 5% in local currency compared to the same period in 2018, primarily due to a large order from a new customer in the first quarter 2018 that did not repeat in the first quarter of 2019. The Company expects total sales in Canada to increase in 2019.

### Balance Sheet as of March 31, 2019

Acme's bank debt less cash on March 31, 2019 reduced to \$40.9 million compared to \$43.7 million on March 31, 2018. During the twelve-month period ended March 31, 2019, the Company distributed \$1.5 million in dividends on its common stock, repurchased \$0.4 million in treasury stock and generated \$5.5 million in free cash flow.

Acme is focused on reducing debt further in preparation for potential acquisitions, dividend increases, and share repurchases. Consequently, it expects to end 2019 with approximately \$36 million of net debt and to generate \$45 million in free cash flow.

Amounts in \$000's	03/31/19	03/31/18
Cash and Cash Eq.	3,798	1,065
Accounts Receivable	25,228	24,451
Inventories	40,570	41,900
Total Current Assets	71,877	70,217
Property & equipment	14,423	14,158
Intangible Assets, net	16,736	17,576
<b>Total Assets</b>	<b>110,615</b>	<b>107,246</b>
Accounts Payable	5,672	7,483
Total Current Liabilities	11,343	11,152
Bank Debt	41,340	41,100
<b>Total Liabilities</b>	<b>57,747</b>	<b>56,755</b>
Total Stockholder Equity	52,868	50,491

**Selected balance sheet data for March 31, 2019 and March 31, 2018. Source: Company Press Release**

Also noteworthy on the Company's balance sheet is the reduction in inventory by \$1.3 million from March 31, 2018 to March 31, 2019 despite projected sales growth in 2019.

## RECENT EVENTS

### IWA OutdoorClassics in Nuremberg, Germany Was Successful Event for Acme United

In March, Acme United's European team exhibited at the IWA OutdoorClassics. The leading international trade fair for hunting and shooting sports, outdoor equipment, and civilian and government security needs has been taking place annually at the Exhibition Centre in Nuremberg, Germany since 1974. The event brings together manufacturers, importers, wholesalers, and retailers active in these sectors from around 120 nations.



**The IWA trade fair was again a successful event for Acme United's European team.**

Georg Bettin, Acme United's General Manager for Europe said, "IWA is traditionally an excellent show for Acme as it gives us the opportunity to stay in touch with our existing customers from all over Europe, the Middle-East and Asia, as well as to meet new potential customers and distributors."

Acme shared a booth at IWA with well-known German knife manufacturer Schmiedeglut. Both companies are a good fit, because Schmiedeglut promotes using DMT sharpeners on its own website where it highlights DMT as the best sharpener on the market. At the same time Schmiedeglut demonstrated how to sharpen a knife at the IWA booth using

DMT equipment, which attracted lots of people.

Lots of new Camillus products that were revealed at the latest SHOT Show, were now shown for the first time to the European audience. These will all become available shortly on the European market.

Also DMT continues to perform really well in Europe. The sharpener brand was already well-known in Europe when Acme United acquired the company in 2016. Since then however, the European team really boosted sales of the brand as it introduced the products to many new distributors, wholesalers and specialized dealers.

The IWA trade fair was again successful for Acme United. Lots of existing and new potential customers saw the latest developments at DMT, Camillus, and Cuda. We have every reason to believe that the European segment will continue on its strong growth path. Remember that in 2018, the segment's sales grew by more than 13%.

## OUTLOOK & VALUATION

Acme United is clearly back on track. The stock already appreciated close to 50% this year, and we believe there is more to come.

For example, the Company has a number of programs with Amazon, which may lead to further online sales growth beyond current levels. These programs have started in the current quarter.

Also, Acme is again expanding production capacity at its DMT diamond sharpening plant to meet additional demand. Especially in Europe, a growing number of customers recognize the excellent quality of the sharpeners. The Company also has new Camillus knife initiatives that will hit the shelves of mass market retailers in the third and fourth quarters.

During the first quarter conference call, Mr. Johnsen confirmed that he's actively searching for a new acquisition. In the past, the Company's acquisition strategy has been highly successful. After the purchase of the

DMT sharpener brand, for example, Acme quickly expanded its distribution to the hunting and fishing area, to the industrial segment, and online.



The new Westcott scissors with glide technology were recently placed at major craft and retail chains.

Spill Magic was a similar acquisition. Acme United didn't have to change anything to the product itself, because that had already proven its value. Instead the Company focused on expanding distribution, which it quickly did to industrial distributors, online, Europe, and several mass market retailers where Acme had excellent contacts.

Moreover, the cost reductions that were implemented in the fourth quarter of 2018 are now in full force and will generate savings of over \$2 million. Acme continues to implement new software and production equipment to generate additional savings. Thanks to these cost savings, and a solid sales outlook, the Company is anticipating continued growth in the second and third quarter.

## Peer Comparison & 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 20.71x, up from an average of 18.72x in our previous report.

Amounts in \$000's	2017	2018	2019E
<b>Total Revenue</b>	130,550	137,321	141,500
<b>Net Income</b>	5,297	4,598	5,150
<b>Annual sales and earnings FY 2017 - 2019E.</b>			
<b>Source: Company Filings and Company estimates</b>			

**Applying the 20.71x P/E multiple from the peer group to the estimated EPS for 2019, we reach the following calculation: \$1.45 estimated average EPS multiplied by 20.71 = \$30.03.**

**Based on these calculations, we reiterate our buy recommendation for Acme United Corp. with a price target of \$30.03, which is 43% above today's stock price.**

## SHARE DATA & OWNERSHIP

On March 31, 2019 Acme United had approximately 3,392,000 fully diluted common shares outstanding. The principal owners of the Company's common stock are North Star Investment Management Corporation (18.5%), Walter Johnsen (9.1%), Capital Management Corp (8.6%), Dimensional Fund Advisors (4.4%), and Bard Associates Inc. (4.1%).

## 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 2016 – 3M 2019

All numbers in thousands

PERIOD ENDING	FY 2016	FY 2017	FY 2018	3M 2019
<b>Total Revenue</b>	<b>124,574</b>	<b>130,550</b>	<b>137,321</b>	<b>31,370</b>
Cost of Revenue	79,019	82,651	86,672	19,568
<b>Gross Profit</b>	<b>45,555</b>	<b>47,899</b>	<b>50,649</b>	<b>11,802</b>
<b>Operating Expenses</b>				
Selling, General and Administrative	37,113	40,103	43,192	10,268
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	37,113	40,103	43,192	10,268
<b>Operating Income or Loss</b>	<b>8,442</b>	<b>7,796</b>	<b>7,457</b>	<b>1,534</b>
<b>Income from Continuing Operations</b>				
Total Other Income (Expenses) Net	(76)	25	(68)	3
Earnings Before Interest And Taxes	8,366	7,820	7,389	1,537
Net Interest Expense	869	1,327	1,858	502
Income Before Tax	7,497	6,493	5,531	1,035
Income Tax Expense	1,646	1,196	933	228
Net Income From Continuing Ops	5,851	5,297	4,598	807
<b>Non-recurring Events</b>				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	-	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	1,245*	-	-
<b>Net Income</b>	<b>5,851</b>	<b>4,052</b>	<b>4,598</b>	<b>807</b>
Preferred Stock And Other Adjustments	-	-	-	-
<b>Net Income Applicable To Common Shares</b>	<b>\$5,851</b>	<b>\$4,052</b>	<b>\$4,598</b>	<b>\$807</b>

**Annual Income Statement FY 2016 – 3M 2019. Source: Company Filings**

\* Note that in the fourth quarter of 2017 tax charges were incurred under the December 2017 U.S. Tax Cuts and Jobs Act.



# Acme United Corporation

**US: ACU**

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