

Acme United Corp. (ACU)

Company Report – May 01, 2021

Acme United is a leading consumer products company with a focus on first aid and safety products, as well as cutting solutions, for commercial and industrial markets worldwide. Acme’s financials in the first quarter of 2021 basically continued their strong performance that we witnessed in 2020, with revenues up in all operating units, costs under control, and earnings increasing sharply.

The Company reached sales of \$43.5 million for the quarter ended March 31, 2021, compared to \$35.8 million in the first quarter of 2020, an increase of 22%. Revenues included approximately \$0.9 million from sales of Med-Nap, which Acme acquired late 2020.

Net income for the first quarter of 2021 was \$2,046,000 or \$0.52 per diluted share compared to net income of \$1,277,000, or \$0.36 per diluted share for the same period of 2020, a very impressive rise of 60% in net income and 44% in earnings per share.

All of the Company’s major brands and product lines contributed to this success. The sales increase came primarily from Westcott craft tools and safety cutters in the mass market and online. Sales of First Aid and safety products were strong as well.

We reiterate our buy recommendation for Acme United Corp. with a price target of \$61.57, which is 37% above today’s stock price.



- Since the COVID-19 outbreak, kids aren’t having sports practices and people working at home have more free time, so it’s been an opportunity for families to reconnect with the outdoors. Hunting, camping and fishing is ideal for avoiding the virus because participants are outside and usually a good distance apart.

Although some people, who recently took up hunting or fishing, will return to their old habits once the pandemic ends, many of them will have (re)discovered hunting and spending time in nature. These will be returning consumers of Camillus knives and Cuda fishing gear that add growth beyond the pandemic

- Acme United’s strong financials make it possible for the Company to continue paying its attractive quarterly dividend. This is excellent news for long term shareholders.



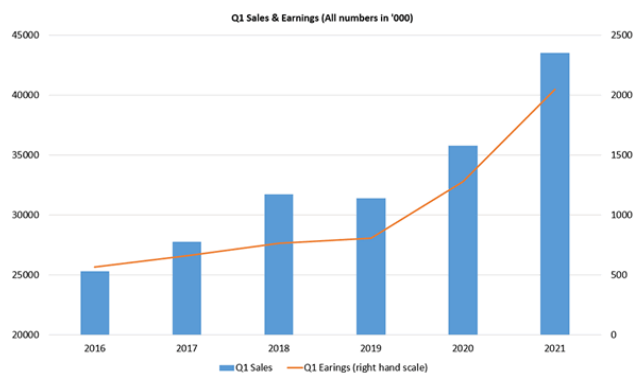
THE COMPANY

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.

In the first quarter of 2021, the European business increased 42% due to strong e-commerce sales. First Aid Central in Canada continued on its solid growth path. As the additional manufacturing capacity at DMT sharpening tools is coming on-stream, sales are impacted positively in the U.S., Canada and Europe.

Another contributing factor to the solid Q1 results was the fact that Acme added approximately \$12 million to its inventory during 2020. As a result of this above-average inventory, Acme was able to meet demand despite the ongoing global shipping and transportation issues. Many of its competitors simply weren't able to deliver, because their goods were stuck somewhere between the gates of Chinese factories and their U.S. warehouses.



Acme United Q1 sales and earnings between 2016 and 2021. All number is '000.

Not only are Acme's Q1 growth numbers impressive when compared with last year, but

look what happens when we compare them with just 5 years ago. In the first quarter of 2016, Acme reached sales of \$25.2 million. This year's \$43.5 million is up a staggering \$18.2 million, or 72%. It gets even better... Earnings were \$565,000 in the first quarter of 2016, while this year they grew to \$2,046,000, or up 262%!

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.

Acme United pays a quarterly dividend of 12 cents per share. Traditionally the Company increases the amount by 1 cent every 6 to 8 quarters.

Acme's Response to COVID-19

Acme United's sales teams and offices in the U.S., Hong Kong, Canada, and Germany are working remotely together. The warehouses in Canada and Germany are functioning and

the five plants and warehouses in the United States are even running multiple shifts.

Although demand for antiseptic wipes, isolation gowns, masks, and gloves is at record levels worldwide, Acme is able to purchase them thanks to its excellent relationship with Chinese suppliers with whom the Company has worked for many years.

In many cases, Acme purchases these items on the **spot market** through its Hong Kong office at a cost well above normal, and then adjusts the price accordingly to its customers.

SPOT MARKET

The spot market is a market in which goods are bought and sold for immediate delivery at a price that is good only at a particular moment in time. Delivery usually takes place in the same or next business day.

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 six 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.

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 sells between 60 and 80 million scissors, and between 15 and 18 million rulers annually.

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.

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.

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 brand works with plenty of "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.

Camillus is growing strong in the US and Europe due to COVID-19 (Also read Recent Events).

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.



The Cuda Grip & Scale will grab and weigh fish up to 50 lbs. The tool features Aluminum Alloy structure and a non-slip, Cuda scale pattern grip.

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.

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.

At the most recent NSC Congress & Expo, the Retrofit Cabinet was introduced. This innovative system, lets a company convert any brand first aid cabinet over 15" wide with three or more SmartCompliance shelves, which consist of three fully-stocked grids and extra supplies to immediately make a cabinet ANSI B compliant. These grid inserts with individual refill boxes are easy to install into existing cabinets and help to eliminate cluttering.

In addition, First Aid Only launched new Bleeding Control kits at NSCs, which empower a bystander with the right tools to help those who are in an emergency situation to stop life-threatening blood loss before professional help arrives. FAO offers several kits that include hemostatic pressings, Israeli bandages, and the easy-to-use and effective SWAT-T™ "Stretch, Wrap, and Tuck" Tourniquet.

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.

Since Acme bought DMT in 2016, sales have continued to rise fast. New equipment and machinery was since installed to double its production capacity, but that still wasn't enough to meet the rising demand.

Over \$1 million worth of additional machinery will soon be installed at DMT. This will increase the potential output with another 33%. However, 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.

Early 2020, the Company opened up the Canadian first aid market thanks to the acquisition of **First Aid Central (FAC)**, a Canadian owned and operated manufacturer of first aid kits and safety supplies.



The fact that FAC's products meet federal Health Canada and provincial regulatory requirements was crucial in the acquisition, as it gave Acme United access to the vast Canadian market.

In business for over 12 years, FAC is a provider of cost effective first aid products for individuals and businesses in every industry. FAC generated approximately C\$4.3 million in revenues in 2019. Although an acquisition price was not disclosed, Acme United did mention that it expects FAC to be accretive in 2020.

What makes this acquisition so attractive – next to the financial aspect – is the fact that FAC holds a valid Medical Device

Establishment License issued by Health Canada. This requirement helps to ensure that certain regulatory requirements and procedures are in place with regards to the medical products that FAC offers in Canada.

This license is hard to obtain and truly opens many doors in Canada for Acme United. Several of Acme's multinational customers that already purchase first aid products in the United States, can now also be served in their Canadian branches. After all, regulations regarding medical products are very strict and differ significantly country by country.

Based in Laval, Canada, FAC produces and sells a complete line of first aid kits, refills, and safety products that cover all personal and industrial needs as well as provincial and federal regulations.

RECENT EVENTS

The SHOT Show, the largest event for shooting, hunting and outdoor recreation, which usually takes place late January, was this year cancelled due to COVID-19. As a result, sales people from Camillus Knives, one of Acme United's brands, switched to giving virtual presentations to key customers.

Camillus has been gaining market share the past several years. On top of that, since the outbreak of COVID-19, the hunting and camping segments have grown exponentially. Weary of being cooped up at home - and of masking and social distancing when they go out - people take refuge in outdoor sports that offer safety and solitude.

In the State of Michigan, for example, more than 545,000 hunters bought a license in 2020, up 10% compared with 2019. Moreover, the number of people getting a license for the first time jumped by 80%, to nearly 84,500. Also Maine reports a state record for deer hunting permits, and Vermont and Nevada have had double-digit hunting increases. All of this caused Camillus sales to surge in 2020.

Moreover, fishing license sales have also soared for the same reason. Louisiana and Idaho both reported a strong surge, but the trend appears to be nationwide. This in turn is

good news for Acme's fishing tools brand Cuda, which also experienced a dramatic increase in sales in 2020.

Perfectly in line with the hunting trend, Camillus developed an All-In-1 Hunting Kit. It contains a 9" gut hook fixed blade, a 7" caping knife, a rib spreader, elbow length cleaning gloves, a hip sheath, and a field dressing sheet. These sets are ideal for new hunters as they contain everything one needs to go deer hunting at an extremely low retail price of \$29.99.

Another exciting development for outdoorsmen is the Carnivore Maxx 2.0 machete. It is 23" overall, and boasts an 18" Titanium bonded blade that features a 12" quadruple grind saw. It furthermore comes with an ergonomic TPR handle, cord cutter and chisel tip, most importantly it has an upgraded fully molded sheath for storage and confident carrying.



The Camillus Classic folding knife features a Titanium bonded 440 stainless steel blade, a micarta handle with beautiful bayonet emblem and a handy lock back locking mechanism.

Also brand new is the stunning Camillus Classic folding knife. It has a blade of 3.25" and a length of 7.25" overall. The knife features a Titanium bonded 440 stainless steel blade, a micarta handle with beautiful bayonet emblem and a handy lock back locking mechanism.

Speaking about lock mechanisms, Camillus for the first time also launched a knife with an "Axis Lock" style locking mechanism. Camillus is referring to it as the "CUDA-Lock" and it works using a small, hardened spring loaded bar that moves back and forth in a slot made into both steel liners. Positioned at the rear of the blade, it extends on both sides of the

knife, spanning the liners. The lock then engages a ramped tang portion of the blade when it is opened, securing the blade in place.

The Cuda Bolt knife is 6.75" overall and has a 2.75" 440 stainless steel blade. The knife furthermore features a dual thumb studs and a secure-grip GFN handle.

All in all, Camillus launched 9 new knives. Two of them will already be available early spring, and the other ones around June. Most of them will also become available in Canada and Europe.

Not attending the SHOT Show in 2021 has proven to be a challenge that Camillus has overcome. It has provided some short term savings for the company, but Camillus is fully committed to returning to the SHOT Show in 2022 with another round of products that will support the continued growth in their industry.

FINANCIALS

Gross Margin was 35.8% in the first quarter of 2021 versus 37.8% in the first quarter of 2020. The lower gross margin was mainly due to product mix, and higher ocean freight costs as a result of a scarcity of shipping containers, and congestion at global ports. Note that the cost of shipping a container of goods has nearly tripled over the past year, according to the Freightos Baltic Index. As a direct result of these higher costs, Acme did raise its prices.

Amounts in \$000's	03/31/21	03/31/20
Net Sales	43,525	35,775
Cost of Goods Sold	27,938	22,244
S, G & A Expenses	12,619	11,521
Income From Operations	2,964	2,010
Pre-Tax Income	2,665	1,652
Income Tax Expense	623	375
Net Income (Loss)	2,046	1,277
Diluted Shares Outs.	3,911	3,519
Diluted EPS	0.52	0.36
Selected income statement data for the quarters ending March 31, 2021 and March 31, 2020. Source: Company Press Release		

SG&A expenses for the first quarter of 2021 were \$12.6 million, or 29% of net sales compared with \$11.5 million or 32% of net sales for the same period of 2020. Operating profit in the first quarter of 2021 increased 48% compared to the first quarter of 2020.

Outstanding Growth in All Segments

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

Exact revenues per segment for the first quarter of 2021 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 2021	Q1 2020
U.S.	36,036	30,443
Canada	3,349	2,422
Europe	4,140	2,910
Estimated sales per segment for the quarter ending March 31, 2021 (Source: Smallcaps Investment Research) and actual sales per segment for the quarter ended March 31, 2020 (Source: Company Filing)		

For the first quarter of 2021, net sales in the **U.S. segment** increased 18% compared to the same period in 2020. The sales growth was primarily attributable to growth in sales of Westcott cutting tools and strong sales of first aid and safety products.

European net sales for the first quarter of 2021 increased 42% in U.S. dollars and 31% in local currency compared to the first quarter of 2020, mainly due to growth in the e-commerce channel across all product lines, and continued growth of DMT sharpening products.

Net sales in **Canada** for the first quarter of 2021 increased 38% in U.S. dollars and 31% in local currency compared to the same period in 2020, due to higher sales of First Aid Central products, principally in the e-commerce channel.

Balance Sheet as of March 31, 2021

The Company's bank debt less cash on March 31, 2021 was \$43.4 million compared to \$32.9 million on March 31, 2020. During the twelve-month period ended March 31, 2021, the Company paid approximately \$9.3 million for the acquisition of the assets of Med-Nap LLC., distributed \$1.7 million in dividends on its common stock, and generated \$1.5 million in free cash flow.

Amounts in \$000's	03/31/21	03/31/20
Cash and Cash Eq.	3,857	4,272
Accounts Receivable	31,592	27,413
Inventories	49,389	36,250
Total Current Assets	87,315	69,861
Property & equipment	21,137	14,097
Intangible Assets, net	18,361	15,478
Total Assets	135,574	108,122
Accounts Payable	8,151	5,186
Total Current Liabilities	20,786	13,411
Bank Debt	40,626	33,853
Total Liabilities	70,952	52,297
Total Stockholder Equity	64,626	55,825
Selected balance sheet data for December 31, 2020 and December 31, 2019. Source: Company Press Release		

As mentioned above, inventory increased over \$13 million compared to last year, primarily to offset the impact of potential supply chain interruptions related to COVID-19.

Plant, Property & Equipment increased by a little over \$7 million. This was largely because of the acquisition of the Med-Nap building and equipment in 2020.

GROWTH DRIVERS

Acme United Closes Second Acquisition in 2020

Acme United ended 2020, as it began, with an acquisition. In January, the Company acquired First Aid Central (FAC), and mid-December it 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.

Although the purchase price was not disclosed, Acme did mention that it expected Med-Nap to be immediately accretive. For 2020, Med-Nap is estimated to reach revenues of \$4.9 million and EBITDA of \$1.0 million. The existing management of Med-Nap has agreed to remain on board.



Med-Nap was founded in 2007 and currently employs 25 people. The acquisition provides Acme United an FDA-registered manufacturing facility in the U.S.

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. This 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.

Med-Nap sold its products directly to first aid suppliers and major retailers. They did so under private label and Med-Nap brands. Nothing will change about this strategy, except that products will also be manufactured under the First Aid Only brand to include in first aid kits. Moreover, because the current demand for Med-Nap's products is so strong, Acme will immediately add machinery to increase the production capacity.

Walter C. Johnsen, Chairman and CEO of Acme United, was quoted saying, "The acquisition of Med-Nap's business provides our company with an FDA-registered manufacturing facility in the U.S. for antiseptic wipes and pads that are used in all our first aid kits and refills. In addition, it adds new product lines of alcohol wipes that are sold to the retail, industrial, and medical markets to meet cleaning and sterilization needs now and post pandemic. We look forward to expanding production to fulfill current requirements as well as that of future new products and customers."

OUTLOOK & VALUATION

Although no guidance is given at the moment, the Company is optimistic about the next three quarters of 2021 and beyond. The brands keep picking up new distribution and winning new accounts. In addition, when America reopens, the Company will be able to immediately supply its existing office superstores and distributors with cutting tools and first aid supplies as it has built enough inventory.

In anticipation of all that growth, Acme has leased new headquarters in Shelton, Connecticut. The office is about 35,000 square feet, which is double the size of the old office building. It features numerous offices, meeting rooms and cubicles. The employees will each have individual workspaces in a large modern facility. The cost of the new lease is comparable with the former space.

Acme United's Chairman and CEO Walter C. Johnsen mentioned during the first quarter conference call, "We continue to gain market share and new placements with existing customers. We have introduced new Westcott craft cutting tools and first aid items, and we have new production coming on stream at DMT and Med-Nap. Our cash flow is strong, and we are reducing debt in anticipation of future acquisitions."

Two of those new products from which we expect quite a lot are the Clauss Black Line Titanium Carbide shears. These are the first shears of its kind made with a Titanium

carbide edge. Designed for the toughest tasks, the carbide edge provides the user with superior edge retention and durability over regular industrial shears.



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Also new are the Westcott soft handle scissors for adults that will soon be on the shelves. Westcott launched the Jellies, a super squishy, fully gel-grip scissors for kids a while ago. The new adult scissors will have a comparable comfortable grip to make crafts more fun and exciting than ever before.

Thanks to another wonderful quarter and a solid outlook for the rest of the year, Acme United's stock price recently reached a new all-time high of \$48.31.

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 22.15x.

Although the Company gave no guidance, it remains optimistic for the rest of 2021. We foresee an average growth rate of 20% in our model compared with 2020. As such, we estimate full year 2021 EPS to reach \$2.78 per share, which is still relatively conservative compared with the 44% EPS growth seen in the first quarter of 2021.

Applying our full fiscal year EPS estimate of \$2.78, and the 22.15x P/E multiple from the peer group, we reach the following calculation: \$2.78 estimated EPS multiplied by 22.15 = \$61.57.

Based on these calculations, we reiterate our buy recommendation for Acme United Corp. with a price target of \$61.57, which is 37% above today's stock price.

SHARE DATA & OWNERSHIP

On March 31, 2021 Acme United had approximately 3,911,000 common shares outstanding. The principal owners of the Company's common stock are Capital Management Corp (10.7%), North Star

Investment Management Corporation (9.9%), Walter Johnsen (7.8%), Renaissance Technologies LLC (5.3%), and Dimensional Fund Advisors (4.2%).

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 2018 – 3M 2021

All numbers in thousands

PERIOD ENDING	FY 2018	FY 2019	FY 2020	3M 2021
Total Revenue	137,321	142,457	164,003	43,525
Cost of Revenue	86,672	90,456	104,408	27,938
Gross Profit	50,649	52,001	59,595	15,583
Operating Expenses				
Selling, General and Administrative	43,192	43,572	48,182	12,619
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	43,192	43,572	48,182	12,619
Operating Income or Loss	7,457	8,429	11,413	2,964
Income from Continuing Operations				
Total Other Income (Expenses) Net	(68)	(98)	(666)	(78)
Earnings Before Interest And Taxes	7,389	8,331	10,746	2,886
Net Interest Expense	1,858	1,788	919	221
Income Before Tax	5,531	6,543	9,827	2,665
Income Tax Expense	933	1,030	1,728	623
Net Income From Continuing Ops	4,598	5,513	8,098	2,046
Non-recurring Events				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	-	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income	4,598	5,513	8,098	2,046
Preferred Stock And Other Adjustments	-	-	-	-
Net Income Applicable To Common Shares	\$4,598	\$5,513	\$8,098	\$2,046

Annual Income Statement FY 2018 – 3M 2021. Source: Company Filings



Acme United Corporation

US: ACU

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