

Acme United Corp. (ACU)

Company Report – August 14, 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. The Company reported record sales and earnings for its second quarter ended June 30, 2021.

Acme's net sales for the second quarter were \$44.8 million compared to \$44 million in 2020, an increase of 2%. Net income for the second quarter, excluding the impact of the PPP loan forgiveness (also see Financials)*, was \$3.7 million or \$0.94 per diluted share compared to net income of \$3.2 million or \$0.92 per diluted share for the same period of 2020, an increase of 16% in net income and 2% in EPS.

* On June 9, 2021 the Company's PPP loan of \$3.5 million was fully forgiven by the Small Business Administration (SBA), and that amount was remitted by the SBA to the company's lender, HSBC Bank USA, NA. As a result, net income for the second quarter including the loan forgiveness was \$7.2 million, or \$1.82 per diluted share.

Sales in Canada surged 68% in the second quarter due to strong back-to-the-office sales and the impact of First Aid Central. In Europe, sales grew 26% in Q2 thanks to strong back-to-school, back-to-the-office and craft tools demand.

We reiterate our buy recommendation for Acme United Corp. with a price target of \$63.77, which is 66% above today's stock price.



- ❑ Although Acme United didn't provide any guidance, new orders stay strong and it anticipates a strong performance for the full year. Moreover, the Company continues to seek acquisitions that expand its product line and customer reach.
- ❑ Acme United's strong financials make it possible for it to continue paying its attractive quarterly dividend. Traditionally the Company increases the amount by 1 cent every 6 to 8 quarters. In fact, Acme increased its dividend from 12 to 13 cents late 2020.



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 eleven brands: Westcott, Clauss, Camillus, PhysiciansCare, Pac-Kit, First Aid Only, Cuda, DMT, Spill Magic, First Aid Central, and Med-Nap. 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 six months ended June 30, 2021 were \$88.4 million, compared to \$79.8 million in the same period in 2020, an increase of 11%. Net income for the six months ended June 30, 2021, excluding the impact of the PPP loan forgiveness, was \$5,769,000, or \$1.46 per diluted share, compared to \$4,476,000, or \$1.28 per diluted share in the comparable period last year, increases of 29% and 14%, respectively. Net income for the six months ended June 30, 2021 including the loan forgiveness was \$9.3 million, or \$2.34 per diluted share.

Despite achieving record financials in the second quarter, results could have been even stronger. Especially the installation of a new warehouse management system in Acme's largest distribution center in the United States impacted results negatively. Previously, the Company had an older management system in place, which wasn't up-to-date anymore. The new system has truly prepared the Company for rapid shipping, which is crucial with ever increasing online sales.

As the new software was being installed however, nothing was shipped during ten days out of the Rocky Mount, North Carolina warehouse. In addition, after the system was online, the Company wasn't able to hire enough new personnel for the warehouse. As a result, unshipped orders at the end of June reached approximately \$5 million, while in normal circumstances this would only have been about \$1 million.

Meanwhile, Acme has hired ten additional people in the North Carolina distribution site and shipping has returned to more normal levels so that the backorders can be addressed.

So while this was a painful event during the second quarter, the customer service levels and fill rates are now much higher and the backorders will be shipped and added to the third quarter sales.



The new warehouse management system, which was installed at Acme's largest distribution center in the United States, has truly prepared the Company for rapid shipping, which is crucial with ever increasing online sales. (Picture shown is for illustration purpose only).

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 13 cents per share. Traditionally the Company increases the amount by 1 cent every 6 to 8 quarters.

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.



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

The Westcott scissors business continues to become stronger. In fact, Mr. Johnsen mentioned during a conference call that a large retailer tried a different scissors

supplier, but quickly returned to Westcott because sales of the other brand were disappointing. A true validation of the brand.

Westcott is also known for its line of Safety Cutters. The safer-slicing retractable box cutters with ceramic knives have ergonomic improvements so the user can actuate on top or side of the slider. In addition, they are available with replaceable and non-replaceable blades. Next to being safer, the Slice ceramic blades last up to 11 times longer than metal blades.

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 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.

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.

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.

If there was a positive outcome regarding COVID-19, it's that more people went fishing than ever before. This year's ICAST edition, held in July, was a perfect illustration of that fact. Despite few international attendants, the show was a success for the Cuda brand. Good meetings were held with exciting customers such as Bass Pro and West Marine, but also with many smaller distributors. Many of the buyers were interested in the new products and some already scheduled placement for them (Also read Recent Events).

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 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 continues to increase production to satisfy growing demand. However, more orders are coming in as the business continues to grow both in the U.S. and abroad.

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 significantly expand its production capacity. More orders are coming in as the business continues to grow both in the U.S. and abroad.

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

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

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

Spill Magic focusses on B2B customers, such as retail, grocery, restaurant, hotel chains and governmental agencies with the goal of reducing slip and fall accidents in their locations. Some of its customers include Target, McDonalds, and Wal-Mart. The latter, for example, uses Spill Magic products in each of its stores.

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.

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.



FAC is able to provide a customized solution from start to finish to customers. If clients want specific styles or colors, or kits in nylon, plastic or metal, or they want their logo printed on kits, that can all be provided in-house by FAC.

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.

Mid-December 2020, Acme United acquired the assets of **Med-Nap LLC.**, a Brooksville, Florida based manufacturer of alcohol prep

pads, alcohol wipes, benzalkonium chloride wipes (BZK), antiseptic wipes, and other first aid products.

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

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

RECENT EVENTS

With Orlando, Fl. as the backdrop, the 64th International Convention of Allied Sportfishing Trades, better known as ICAST, was the first in-person trade event for the recreational fishing industry held since the pandemic.

ICAST 2021 was held in the North Building at the Orange County Convention Center (OCCC) and counted more than 475 exhibitors. Although it wasn't 100% business as usual yet, as most foreign vendors didn't attend, the show continued to be the largest global showcase for fishing tackle, apparel and accessories for the sportfishing industry.

ICAST is also the venue for launching new fishing products and setting industry trends,

and consequently serves as a showcase for what is to become in the fishing scene. Cuda introduced twelve new tools and accessories with unique features and benefits at this year's ICAST. First is the AquaTuff knife family. The new line of six knives features zirconium bonded stainless steel blades for increased corrosion resistance with a carbide edge for long-lasting sharpness. In addition, the silicone handle provides a secure and comfortable grip in all environments and conditions.



Furthermore, two heavy duty commercial grade mono cutters were presented to buyers for the first time. Both the 7.25" Titanium bonded Anvil cutter and 7.5" Titanium bonded Bypass cutter have a full tang construction and non-slip Cuda scale grip. These powerful cutters slice through 400lb fluorocarbon Mono fishing lines.

Also new is the handy 7" Shrimp Cleaner, which can be used for shelling and deveining shrimp. The innovative tool is completely dishwasher safe and has no blade, so it's safe to use and clean.

Fingerless Cool & Dry fishing gloves are now also available. These gloves are designed to absorb sweat and cool a user off with patches on the back of the hand (one patch keeps you dry and the other keeps you cool). A true innovation to the glove category. In addition, a magnetic tape measure with inches on one

side and centimeters on the back side, is ready for shipment to customers. The tape is UV protected, tear-resistant, and has magnetic ends for easy “according fold style” storage.



Finally, a product that perfectly fits in the smallest multi-tool category, is the Diamond Pocket Sharpener. It features a knife and hook sharpener, has a line cutter and can be used as a bottle opener.

Most new tools are scheduled to be available in stores from fall in the U.S., Canada, and Europe.

Cuda continues to perform well. Driven a growing number of exciting tools and accessories. Geri Adler, the Senior Brand Manager for Cuda was quoted saying, “It was great to get back to business and reconnect with colleagues and friends in this first in-person event in over a year. The Cuda team had excellent meetings at the show with existing and potentially new customers.”

FINANCIALS

The gross margin was 36% in the second quarter of 2021 compared to 36.5% in 2020. The year-to-date gross margin was 36% compared to 37% in 2020. The decline in gross margin was mainly due to increased labor and transportation costs.

SG&A expenses for the second quarter of 2021 were \$12.4 million or 28% of sales compared with \$11.7 million or 27% of sales for the same period of 2020. SG&A expenses for the first 6 months of 2021 were \$25

million or 28% of sales compared to \$23.2 million or 29% of sales in 2020.

Amounts in \$000's	06/30/21	06/30/20
Net Sales	44,847	44,042
Cost of Goods Sold	28,694	27,989
S, G & A Expenses	12,364	11,670
Income From Operations	3,789	4,383
PPP Loan Forgiveness	3,508	-
Pre-Tax Income	7,007	4,150
Income Tax (Benefit) Expense	(224)	951
Net Income (Loss)	7,231	3,199
Diluted Shares Outs.	3,964	3,482
Diluted EPS	1.82	0.92

Selected income statement data for the quarters ended June 30, 2021 and June 30, 2020. Source: Company Press Release

Note that in June the Small Business Administration (SBA), as the U.S. government agency confirmed that it forgave the \$3,508,047 Paycheck Protection Program (PPP) loan that Acme received last year.

Moreover, ordinarily, loan forgiveness is considered a taxable income, but forgiveness of a PPP loan is not considered a taxable income. Consequently, the amount will go straight to the Company’s bottom line in the second quarter.

Walter Johnsen, Chairman and CEO commented, “Acme United encountered numerous business and operational uncertainties resulting from the COVID-19 pandemic. The PPP loan was a key factor in enabling Acme United to successfully meet the significant challenges that resulted from these uncertainties, including our ability to avoid laying off any of our employees during the pandemic.”

Outstanding Growth in All Segments

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

Net sales in the **U.S.** segment decreased 4% in the second quarter due to delays caused by the implementation of the new warehouse management system. Sales increased 6% for

the 6 months ended June 30, mainly due to market share gains in first aid and safety products.

Amounts in \$000's	Q2 2021	Q2 2020
U.S.	36,840	38,476
Canada	3,990	2,2381
Europe	4,017	3,185

Sales per segment for the quarters ended June 30, 2021 and June 30, 2020. (Source: Company Filing)

Net sales in **Canada** for the second quarter of 2021 increased 68% in U.S. dollars and 49% 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 as well as increased sales of school and office products compared to the COVID-19 lockdowns in the second quarter of 2020. Net sales for the six months ended June 30, 2021 increased 53% in U.S. dollars and 40% in local currency compared to the first half of 2020.

In **Europe**, net sales for the second quarter of 2021 increased 26% in U.S. dollars and 16% in local currency compared to the second quarter of 2020, mainly due to re-opening of offices and growth in the e-commerce channel across all product lines. Net sales for the six months ended June 30, 2021 increased 34% in U.S. dollars and 23% in local currency compared to the first half of 2020, mainly due to sales growth in the ecommerce channel across all product lines and continued growth of DMT sharpening products.

Balance Sheet as of June 30, 2021

Acme’s bank debt less cash on June 30, 2021 was \$39.4 million compared to \$37.3 million on June 30, 2020.

During the twelve-month period ended June 30, 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 \$3.6 million in free cash flow.

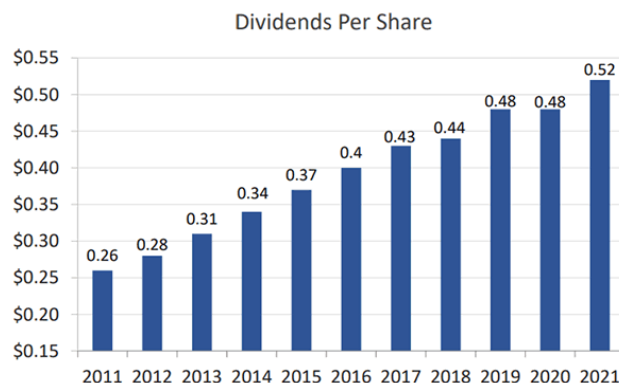
At the end of the second quarter of 2021, Acme had over \$70 million in working capital and a solid current ratio of 4.61.

Amounts in \$000's	06/30/21	06/30/20
Cash and Cash Eq.	3,240	5,239
Accounts Receivable	36,270	44,311
Inventories	48,691	44,311
Total Current Assets	90,434	85,708
Property & equipment	22,408	14,277
Intangible Assets, net	18,019	16,376
Total Assets	139,138	123,536
Accounts Payable	8,021	8,733
Total Current Liabilities	19,581	20,613
Bank Debt	39,550	35,742
Total Liabilities	64,686	64,529
Total Stockholder Equity	74,452	59,007

Selected balance sheet data for June 30, 2021 and June 30, 2020. Source: Company Press Release

OUTLOOK & VALUATION

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



The Acme United dividend shows strong and consistent growth for more than a decade.

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.

The fact that the PPP loan was forgiven is excellent news for Acme United and its shareholders. Obviously, this is a one-time event and the proceeds will only show up in this year's second quarter financials. Still it's way better to be able to keep the \$3.5 million than to give it back. The funds may, for example, be used to reduce the Company's debt, which in its turn provides more opportunities for future acquisitions.

The new system at the Rocky Mount warehouse will increase the productivity and the customer service dramatically. In addition, the capacity expansion at the sharpening tools manufacturer DMT was recently completed. The latest expansion has already had a positive impact on sales growth this year, and Acme is now positioned to expand DMT sales in the e-commerce market in the United States and in industrial accounts in Europe.

Finally, Acme continues to invest in new equipment at Med-Nap, which it acquired in December 2020. As a reminder, Med-Nap is 1 of the few manufacturers of alcohol wipes and antiseptic pads in the United States. The Med-Nap business will have three new lines in operation by the end of August, and the Company will then be positioned to fulfill new supply agreements as they develop.

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 22.94x.

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.

Applying our full fiscal year EPS estimate of \$2.78, and the 22.94x P/E multiple from the peer group, we reach the following calculation: \$2.78 estimated EPS multiplied by 22.94 = \$63.77.

Based on these calculations, we reiterate our buy recommendation for Acme United Corp. with a price target of \$63.77, which is 66% above today's stock price.

SHARE DATA & OWNERSHIP

On August 2, 2021 Acme United had 3,538,708 common shares outstanding. The principal owners of the Company's common stock are North Star Investment Management Corporation (11.0%), Capital Management Corp (10.5%), Walter Johnsen (8.6%), Renaissance Technologies LLC (4.9%), and Dimensional Fund Advisors (4.8%).

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 – 6M 2021

All numbers in thousands

PERIOD ENDING	FY 2018	FY 2019	FY 2020	6M 2021
Total Revenue	137,321	142,457	164,003	88,372
Cost of Revenue	86,672	90,456	104,408	56,632
Gross Profit	50,649	52,001	59,595	31,740
Operating Expenses				
Selling, General and Administrative	43,192	43,572	48,182	24,983
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	43,192	43,572	48,182	24,983
Operating Income or Loss	7,457	8,429	11,413	6,757
Income from Continuing Operations				
Total Other Income (Expenses) Net	(68)	(98)	(666)	(145)
Earnings Before Interest And Taxes	7,389	8,331	10,746	6,612
Net Interest Expense	1,858	1,788	919	443
Income Before Tax	5,531	6,543	9,827	6,169
Income Tax Expense	933	1,030	1,728	400
Net Income From Continuing Ops	4,598	5,513	8,098	5,769
Non-recurring Events				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	-	-	3,508
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income	4,598	5,513	8,098	9,277
Preferred Stock And Other Adjustments	-	-	-	-
Net Income Applicable To Common Shares	\$4,598	\$5,513	\$8,098	\$9,277

Annual Income Statement FY 2018 – 6M 2021. Source: Company Filings



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