

Acme United Corp. (ACU)

Company Report – March 12, 2022

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.

Despite all the challenges with inflation, product availability and shipping issues, the Company delivered its 12th consecutive year of record sales. Moreover, earnings reached more than \$10 million, also an all-time high for the Company.

As for 2022, Acme United is again projecting substantial growth with sales expected to reach well over \$200 million.

Chairman and CEO Walter C. Johnsen commented during the fourth quarter 2021 conference call, "Acme United performed at record levels during 2021. We delivered our 12th consecutive year of sales growth and generated the highest profits in the Company's history. Our team effectively managed significant cost increases, labor shortages, and supply chain delays. We also integrated the Med-Nap and First Aid Central acquisitions. With on our operational improvements, our expanded first aid and medical product lines, and market share gains, we believe Acme United is positioned for another outstanding year in 2022."

We reiterate our buy recommendation for Acme United Corp. with a price target of \$57.59, which is 73% above today's stock price.



- ❑ Acme United's share price is down over 30% since its high, but there is absolutely no reason for this. The Company is achieving strong growth quarter after quarter and year after year, while many of its competitors are crumbling. It is doing so by being bold during these exceptional times.
- ❑ While competitors are cutting back on advertising, cutting back on new product development, and firing people, Acme is doing the exact opposite. It is putting more money into online advertising, it has intensified product development, and is adding staff.



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.

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.

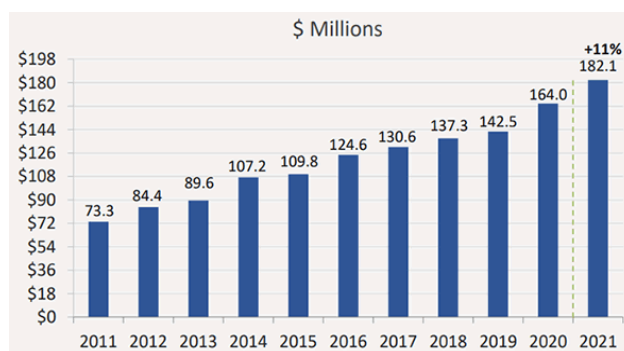
Increased Domestic Sourcing

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.



The above graph showing 12 consecutive years of record sales by Acme United, driven by new products and market share gains.

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 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.



The Westcott school and office products brand was again one of the strong contributors to Acme United's fourth quarter Financials.

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.

A few weeks ago, the Shooting, Hunting and Outdoor Trade (SHOT) Show was held in Las Vegas. Camillus successfully introduced several new, innovative products for hunting and outdoor recreation purposes at the event. Also read Recent Events on page 7.

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.

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.

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.



SmartCompliance large metal ANSI B first aid cabinet without medications for food service delivers cost savings and a convenient replenishment system that keeps a business ANSI compliant.

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)**. 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.



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.

Although no acquisition price was disclosed, Acme did mention that FAC generated approximately C\$4.3 million in revenues in

2019. What made the acquisition so attractive – next to the financial aspect – was the fact that FAC held a valid Medical Device Establishment License issued by Health Canada. This 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 opened many doors in Canada for Acme United. After all, regulations regarding medical products are very strict and differ significantly country by country. As a result, several of Acme's multinational customers that already purchased first aid products in the United States, could now also be served in their Canadian branches.

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

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

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

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

Med-Nap sold its products directly to first aid suppliers and major retailers under private label and Med-Nap brands. Products are now also manufactured under the First Aid Only brand to include in first aid kits.

RECENT EVENTS

Camillus Knives Makes Strong Return to In-Person SHOT Show

The return of the SHOT Show to Las Vegas, which was operated virtually last year due to the pandemic, was truly triumphant. In fact, this was the largest SHOT Show ever. More than 2,400 companies displayed products and services in booths covering more than 800,000 square feet, an increase from the 692,000 square feet of the 2020 show.

SHOT is the fifth largest trade show held in Las Vegas and this year attracted buyers from all 50 states and from 100 countries worldwide. Some 13.9 miles of aisles lead to displays of firearms, ammunition, outdoor recreation, optics, targets, training and safety equipment, hunting accessories, and law enforcement gear.

Below are some of the Camillus knives and tools that were shown at the 2022 SHOT Show.

Bushcrafter Mini: The Camillus Bushcrafter Mini folding knife features a compact, yet robust, 6.75" blade. Crafted with 440 stainless steel and bonded with titanium, the Bushcrafter Mini is perfect for those seeking a balance between toughness, edge sharpness, and corrosion resistance. The Micarta handle is made of an extremely durable makeup of linen layers soaked in resin, then highly compressed and baked. This makes for a handle impervious to moisture or liquid, enduring and stable regardless of climate or conditions. The Bushcrafter Mini also features a convenient lockback system for secure storage and easy access.

Bolt X: The Bolt X 6.75" knife boasts the signature Camillus Cuda slide lock. The "Axis Lock" style 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 Bolt X makes for a well-rounded and reliable knife for any application.

Chonk: The Chonk 6.75" pocket knife, our personal fav, creates a striking balance between strength and portability. The Chonk's 440 stainless steel blade is bonded with Titanium that resists rust and corrosion and is up to 3X harder than untreated steel so the blade stays sharper, longer. The G10 handle is made of an extremely durable assemblage of fiberglass layers soaked in resin, then highly compressed and baked to become impervious to moisture or liquid. Finally, the knife features dual ball bearings for a smooth blade deployment.



Marlinspike 2.0: A multifunctional powerhouse, the Marlinspike 2.0 is crafted with titanium bonded, 440 stainless steel components, featuring both a folding blade and marlin spike. The Marlinspike 2.0 also features an ergonomic, G10 handle and an integrated dual locking system for the Marlin Spike, which can be deployed from its secure storage position to help loosen knots.

Hawker Fixed Blade: The Camillus Hawker Fixed Blade Knife features a powerful, 4" blade forged of 420 stainless steel. Additionally, thanks to the titanium bonding the blade will endure innumerable cuts and slashes before needing to be sharpened again. To compliment the Hawker's sturdy blade, the polypropylene (PP) and thermoplastic rubber (TPR) handle offers a lightweight grip solution without compromising physical durability. A Ballistic

Nylon sheath is also included, so the blade can be protected from debris and other foreign objects when not in use.



Consumers will see the new products that were unveiled at the SHOT Show on retailers' shelves throughout the coming year. The knives and tools will also become available in Canada and Europe later this year.

Not only was it another successful year for the SHOT Show, but also for Camillus and DMT. Both brands received plenty of new orders and sales leads. Camillus and DMT are growing strong in the US and Europe, and thanks to the new products that were introduced at SHOT, growth is bound to continue.

FINANCIALS

Acme's net sales for the fourth quarter of 2021 were \$45.8 million compared to \$40.9 million in the same quarter in 2020, an increase of 12%. Net income for the fourth quarter of 2021 was \$2.3 million, or \$0.60 per diluted share, compared to a net income of \$2 million, or \$0.54 per diluted share, for the same period of 2020, an increase of 14% in net income and 11% in earnings per share.

For the year ended December 31 2021, sales reached \$182.1 million, compared to \$164.0

million in the year ended December 31, 2020, an increase of 11%. Net income, excluding the impact of the PPP loan forgiveness for the year ended December 31, 2021, was \$10.1 million, or \$2.57 per diluted share, compared to \$8.1 million, or \$2.31 per diluted share, in the comparable period last year, an increase of 25% in net income and 11% in earnings per share.

Including the PPP loan forgiveness, net income for the year ended December 31, 2021, was \$13.7 million, or \$3.45 per diluted share, increases of 69% and 49%, respectively.

Amounts in \$000's	12/31/21	12/31/20
Net Sales	45,793	40,871
Cost of Goods Sold	29,737	25,824
S, G & A Expenses	12,999	12,151
Income From Operations	3,057	2,896
Pre-Tax Income	2,838	2,034
Income Tax (Benefit) Expense	500	(9)
Net Income (Loss)	2,338	2,043
Diluted Shares Outs.	3,915	3,753
Diluted EPS	0.60	0.54

Selected income statement data for the quarters ended December 31, 2021 and December 31, 2020. Source: Company Press Release

Gross margin was 35.1% in the fourth quarter of 2021 versus 36.8% in the comparable period last year. The decline was primarily due to cost inflation pressures, higher catenation costs and labor costs. Price increases partially offset the cost increases. Gross margin for the year ended summer 31, 2021, was 35.6% compared to 36.3% for 2020.

Segments Run On All Cylinders

Acme United reports financial information on three separate business segments: the United States (including Asia), Canada and Europe. Exact revenues per segment for 2021 will be available in the 10-K report, which will be filed in a few days. However, Acme announced for each segment the percentage by which revenues increased compared with last year. Based on those numbers, we provide the following estimate.

Amounts in \$000's	Q4 2021	Q4 2020
U.S.	152,371	140,191
Canada	14,416	10,986
Europe	15,301	12,826
Estimated sales per segment for the year ended December 31, 2021 (Source: Smallcaps Investment Research) and actual sales per segment for the year ended December 31, 2020 (Source: Company Filing)		

For the fourth quarter of 2021, net sales in the **U.S. segment** increased 11% compared to the same period in 2020. For the year ended December 31, 2021, net sales in the U.S. segment increased 9% compared to the same period in 2020. The growth for both periods was primarily attributable to strong sales of first aid and medical products, as well as Westcott craft products.

European net sales for the fourth quarter of 2021 increased 11% in U.S. dollars and 15% in local currency compared to the fourth quarter of 2020. Net sales for the year ended December 31, 2021 increased 19% in U.S. dollars and 15% in local currency compared to the year ended December 31, 2020. The growth for both periods was mainly due to sales growth in the ecommerce channel across all product lines and market share gains in Westcott school and office products.

Net sales in **Canada** for the fourth quarter of 2021 increased 22% in U.S. dollars and 17% in local currency compared to the same period in 2020. Net sales for the year ended December 31, 2021 increased 31% in U.S. dollars and 22% in local currency compared to the year ended December 31, 2020. The growth for both periods was primarily due to higher sales of first aid products.

The Canadian team successfully integrated First Aid Central, which Acme acquired early 2020. Since the acquisition, they substantially grew the e-commerce business, attracted new English and French-speaking customers and converted business from the office and industrial customers in Canada and the U.S.

Balance Sheet as of December 31, 2021

SG&A expenses for the fourth quarter of 2021 were \$13 million, or 28.4% of sales,

compared with \$12.2 million, or 29.7% of sales, for the same period of 2020. SG&A expenses for the year ended December 31, 2021, were \$52 million, or 28.6% of sales, compared with \$48 million, or 49.4% of sales, in 2020.

Amounts in \$000's	12/31/21	12/31/20
Cash and Cash Eq.	4,863	4,167
Accounts Receivable	34,221	27,173
Inventories	53,552	50,704
Total Current Assets	95,251	83,686
Property & equipment	24,027	20,239
Intangible Assets, net	17,231	18,720
Total Assets	144,439	129,867
Accounts Payable	8,977	7,601
Total Current Liabilities	20,246	20,201
Bank Debt	33,037	38,767
Total Liabilities	67,357	67,151
Total Stockholder Equity	77,082	62,716
Selected balance sheet data for December 31, 2021 and December 31, 2020. Source: Company Press Release		

Acme's bank debt less cash on December 31, 2021 was \$39.7 million compared to \$41.3 million on December 31, 2020. During the twelve-month period ended December 31, 2021, the Company distributed \$1.8 million in dividends on its common stock and repurchased \$1.5 million of common stock.

The Company in fact improved its balance sheet during 2021. It entered into a new mortgage agreement with HSBC Bank for \$11.6 million. The lender provided an attractive loan fixed at 3.8% for 7 years with a 20-year amortization schedule. Given the rising inflation and subsequent interest rates, it's a wise decision of Acme's management to negotiate a loan with a fixed rate.

The mortgage covers both Acme's 54,000 square-foot facility in Vancouver, Washington where First Aid Only's first aid kits are produced, as well as the Company's 340,000 square foot manufacturing and distribution center in Rocky Mount, North Carolina.

About \$3 million of the loan was immediately used to pay down the previously existing

mortgage on the Vancouver property, leaving an additional \$8.6 million in Acme's till.

OUTLOOK & VALUATION

Acme United had an astonishing year. It achieved record sales and earnings while facing some serious headwinds.

For example, like almost every business worldwide, the Company faced many cost pressures, such as increased labor costs, extraordinarily high shipping costs and increased energy costs. This all has caused inflation nearly across the board. As a result, the Company has been increasing its selling prices regularly, with success. Because most of Acme's products sell well under \$25, there isn't so much resistance to higher prices. On the other hand, higher priced first aid kits for the industrial market are less price sensitive as there is a different market dynamic. The Company foresees more increased costs in 2022, and is as such already instituting new price increases.

Next to inflation concerns, the Company also has to deal with the global shipping crisis. Fortunately, Acme had substantially increased its inventory to battle shipping delays. This way, it is still able to fulfil orders, while many of its competitors aren't.

In another smart move by Acme's management, the Company has acquired several U.S. and Canadian based factories in the past ten years. 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 diversified its portfolio of sourcing, while reducing its reliance on China.

Another piece of positive news is that in 2021 the Company installed new warehouse

management software at its Rocky Mount, North Carolina facility, its largest distribution center in the United States. Thanks to the new software, products are located more easily, picking and shipping has improved, and importantly, it provides the backbone to more operating efficiencies in 2022.

Acme United's share price is down over 30% since its high in 2021, but there is absolutely no reason for this. The Company is achieving strong growth quarter after quarter and year after year, while many of its competitors are crumbling.

With the expected sales growth to over \$200 million in 2022, earnings should follow accordingly. As a result, Acme United is in for another record year.

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 24.92x, somewhat higher than the average P/E of 22.52x in our previous report. Due to the current uncertainty in the market, and because we want to remain conservative in our estimates, we are going to apply a 20% discount to the industry's average P/E ratio.

Taking the discount into account, we end up with an average P/E ratio of 19.93x for the Housewares & Accessories industry.

No earnings guidance for 2022 was given by the Company's management, but they are projecting substantial growth with sales expected to reach well over \$200 million. When sales grow with, for example, 12.5% to \$205 million, earnings should follow that trend. This would mean that full year 2022 earnings reach \$2.89 per share.

Applying our full fiscal year EPS estimate of \$2.89, and the 19.93x P/E multiple from the peer group, we reach the following calculation: \$2.89 estimated EPS multiplied by 19.93 = \$57.59.

Based on these calculations, we reiterate our buy recommendation for Acme United Corp. with a price target of \$57.59, which is 73% above today's stock price.

SHARE DATA & OWNERSHIP

On March 1, 2022 Acme United had approximately 3,915,000 common shares outstanding. The principal owners of the Company's common stock are Capital Management Corp (11.9%), North Star Investment Management Corporation (10.2%), Walter Johnsen (7.8%), Dimensional Fund Advisors (4.5%) and Renaissance Technologies LLC (4.4%).

On November 12th 2021, Acme United announced that it had established a pre-arranged trading plan, as part of the Company's existing stock repurchase programs, in accordance with Rule 10b5-1 of the Securities Exchange Act. The Rule 10b5-1 trading plan will permit common stock to be repurchased over a twelve-month period, at

times that the Company might otherwise be precluded from doing so under insider trading laws or self-imposed trading restrictions.

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 – FY 2021

All numbers in thousands

PERIOD ENDING	FY 2018	FY 2019	FY 2020	FY 2021
Total Revenue	137,321	142,457	164,003	182,088
Cost of Revenue	86,672	90,456	104,408	117,287
Gross Profit	50,649	52,001	59,595	64,801
Operating Expenses				
Selling, General and Administrative	43,192	43,572	48,182	52,030
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	43,192	43,572	48,182	52,030
Operating Income or Loss	7,457	8,429	11,413	12,771
Income from Continuing Operations				
Total Other Income (Expenses) Net	(68)	(98)	(666)	(196)
Earnings Before Interest And Taxes	7,389	8,331	10,746	12,575
Net Interest Expense	1,858	1,788	919	908
Income Before Tax	5,531	6,543	9,827	11,667
Income Tax Expense	933	1,030	1,728	1,519
Net Income From Continuing Ops	4,598	5,513	8,098	10,148
Non-recurring Events				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	-	-	3,508*
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income	4,598	5,513	8,098	13,656
Preferred Stock And Other Adjustments	-	-	-	-
Net Income Applicable To Common Shares	\$4,598	\$5,513	\$8,098	\$13,656

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

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



Acme United Corporation

US: ACU

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