

Acme United Corp. (ACU)

Company Report – March 25, 2023

Acme United Corporation, the leading consumer products company with a focus on first aid and safety products, as well as cutting solutions, reached sales of \$193.9 million in 2022, compared to \$182.1 million the prior year, an increase of 7%, delivering its 13th consecutive year of record sales!

Despite the solid sales increase, the Company encountered a difficult macroeconomic environment last year as it faced supply chain issues at ports in Asia, the US and Europe; war in the Ukraine; rapidly increasing container expenses; product costs that continually increased; wage inflation; rising interest rates; and shortages of workers.

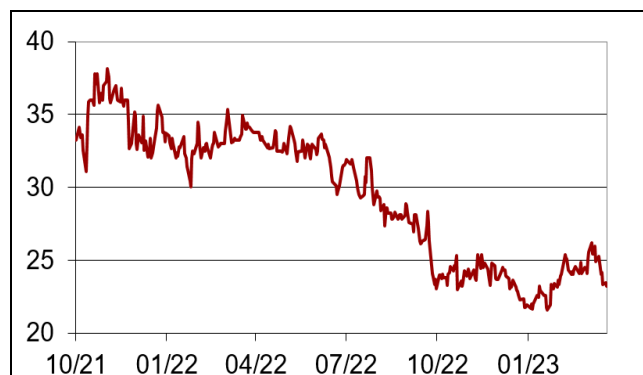
To counter these circumstances-beyond-its-control, the Company swiftly implemented cost reductions, which are expect to generate over \$5.0 million in savings during 2023. These reductions relate to improved efficiency in production and warehouse facilities, reduced transportation costs, and lower spending in SG&A than in 2022.

Chairman and CEO Walter C. Johnsen was quoted saying, “We expect the combination of continued revenue growth, \$5.0 million of cost and productivity savings, the normalization of supply chain expenses, and reduced debt to position the Company for a much improved year in 2023.”

We reiterate our buy recommendation for Acme United Corp. with a price target of \$39.52 for 2023, which is 75% above today’s stock price.



- ▣ In addition to the cost reduction initiatives, the Company has plenty of growth opportunities in 2023, including new first aid and medical placements in the industrial and retail markets, new Westcott craft products in the mass and ecommerce markets, new customers and programs with Camillus hunting and camping tools and expanded sales of Spill Magic products to large mass market retailers.
- ▣ Last year, Acme also increased its quarterly dividend to 14 cents per share, which was Acme’s thirteenth dividend increase since 2004.



Market Data

Price	\$22.50
Sector	Consumer Products
52-Week Price Range	\$21.11 - \$34.69
Shares Issued (m)	3.54
Market Cap (m)	\$79.60
Listings	ACU (NYSE Mkt)
Website	http://www.acmeunited.com

THE COMPANY

Acme United Corporation is a supplier of cutting, measuring and safety products for the school, home, office, outdoors, fishing, hardware, and industrial markets. Its principal products are scissors, rulers, pencil sharpeners, knives and first aid kits.

The Company's products are organized under twelve brands: Westcott, Clauss, Camillus, PhysiciansCare, Pac-Kit, First Aid Only, Cuda, DMT, Spill Magic, First Aid Central, Med-Nap, and Safety Made. 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 14 cents per share. Traditionally the Company increases the amount by 1 cent every 6 to 8 quarters, the last one being in June last year. Mr. Johnsen commented on this occasion, "This is Acme's thirteenth dividend increase since 2004. The Company continues to make good business progress and we are delighted to provide this additional return to shareholders. Our balance sheet is strong, and we are confident in the business."

Achievements in 2022

While Acme's financial performance fell short of what it had planned, it achieved quite a lot of milestones that position the Company for growth in 2023 and beyond.

In the first aid area, which now accounts for 55% of Acme's sales, it broadened its product lines, expanded distribution in the industrial and retail markets in the United States, and integrated the Med-Nap line of prep-pads and BZK wipes into the refills.

Acme also acquired Keene, New Hampshire based Safety Made in June 2022 entering the market for personalized medical and safety products. In September 2022, it acquired Ready 4 Kits and merged it into Safety Made.



The Westcott line of ceramic cutters to open boxes and packages was further expanded in 2022.

In addition, a new generation of first aid cabinets was introduced, providing an easier option for replenishment of refills to customers. In fact, sales of refills in 2022 were a fast-growing annuity portion of the business.

The Westcott school and office line performed well in 2022, despite a very difficult retail environment. Westcott continues to be the largest supplier of scissors globally, and arguably is the world's most recognized scissors brand. Also, the Westcott line of ceramic cutters to open boxes and packages was expanded.

Moreover, the Camillus hunting knife category was a solid contributor in 2022 and has gained new hardware and mass market distribution for 2023, while the Cuda fishing knife and tool product family has grown from its roots in the offshore fishing market to best-in-class freshwater tools developed for a rugged environment.

Increased Domestic Sourcing

Although 40 percent of Acme's products are still sourced from China, domestic manufacturing is gaining significant importance. Since 2011, the Company has purchased no less than seven 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. Earlier this year, Acme acquired Safety Made, a manufacturer of first aid kits, as well as the exclusive source for Dorcy, Life Gear and DieHard flashlights, in the promotional products industry.

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

BRANDS

Westcott began as a ruler company more than 140 years ago. It sells between 60 and 80 million scissors, and between 15 and 18 million rulers annually. It truly is the leading scissors brand in the United States and one of the leading ruler brands in North America.

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

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

because sales of the other brand were disappointing. A true validation of the brand.

Westcott is also known for its line of 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.



Westcott gained new craft placement in 2023 at major mass market retailers and continues to move forward in e-commerce.

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.



The Camillus Chonk 6.75" pocket knife features a 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.

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.

Earlier this year, 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.

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.

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.



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.

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'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.

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.

In June of 2022, Acme acquired **Safety Made**, a well-known manufacturer of first aid kits, as well as the exclusive source for Dorcy, Life Gear and DieHard flashlights, in the promotional products industry.

Basically, Safety Made sources a wide variety of products, assembles them and then screen-prints a company's name or logo on the products. Companies use promotional products, like safety kits, to build brand awareness, make clients aware of a rebranding, hand out at an event or conference, or simply launch a marketing campaign.

In 2021, Safety Made had revenues of approximately \$4.9 million and EBITDA of

approximately \$1.2 million. The acquisition was immediately accretive.



One of the numerous first aid kits produced by Safety Made as a promotional item.

The acquisition of Safety Made provides a platform to expand sales of personalized products to many of Acme United's domestic and global customers. Although its primary business today is in first aid, we see opportunities in all our product ranges.

Safety Made in its turn purchased the assets of Ready 4 Kits in October of 2022. Founded in 1996, and like Safety Made, based in New Hampshire, Ready 4 Kits custom designs logoed and imprinted first aid kits for promotional use across a number of categories and themes, including automotive, golf, disaster/survival, eco-friendly, health and wellness, outdoor and trade show/travel.

RECENT EVENTS

Acme United Europe Launches Line of Writing Instruments Under Westcott Brand

A total of 4,561 exhibitors from 170 countries presented their products last week in Frankfurt, Germany as the international consumer goods fairs Ambiente, Christmasworld and Creativeworld joined forces for the first time to inspire the global lifestyle markets.

Also Acme United's European team had a booth at the Ambiente fair, where 154,000 buyers could see the latest in the areas of school & office supplies, writing instruments, and stationery. The eyecatcher for Acme this year was a new line of writing instruments, which it mainly sells under private label, but also under the Westcott brand.

Although this may come as a surprise, it's actually a logical step since Acme United Europe acquired some of the assets of UMIXX, a German writing instruments and office supplies company, in 2021. Since then, Acme was able to add many new important customers for its UMIXX line of products. As a direct result, this new line of writing instruments was developed, which will shortly be available online at several major online retailers.



Acme United Europe unveiled its new line of writing instruments at the Ambiente Fair.

Georg Bettin, the Managing Director for Acme United Europe, commented, "The Ambiente Fair is one of the most important marketing events of the year for our Company. As such, this is an ideal venue to show the latest products in our assortment. Buyers were enthusiastic about our new Westcott products and also about our DMT line of sharpeners. All in all, our business is improving after the tough market we faced in 2022. The price increases that we implemented last year are helping to regain a positive momentum."

For five days, the fully booked exhibition halls in Frankfurt were buzzing with reunions and an energetic ordering mood. A total of 154,000 buyers came to Frankfurt to experience trends live and to order for their

collections, with which they stimulate the consumer mood.

70 percent of visitors came from abroad. In addition to Germany, the strongest participating nations included Italy, France, the Netherlands, the USA, Great Britain, Spain, Turkey, Switzerland, Greece and Poland.

Paperworld is truly an international platform for the office and stationery market and a mirror of the industry. As such, the good mood among retailers and the high level of internationality and visitor quality make us optimistic for the new year.

FINANCIALS

Acme United's net sales in the fourth quarter of 2022 were \$44.1 million compared to \$45.8 million in the same period of 2021, a decrease of 4% (2% in constant currency). The net loss for the fourth quarter of 2022 was \$597,000 or minus \$0.19 per diluted share compared to a net income of \$2.3 million or \$0.60 per diluted share for the same period of 2021.

Net sales for the year ended December 31, 2022 were \$193.9 million compared to \$182.1 million in the same period in 2021, an increase of 7% (8% in constant currency). Net income for fiscal year 2022 was \$3 million, or \$0.82 per diluted share. Excluding the impact of the PPP loan forgiveness of \$3.5 million net income was \$10.1 million, or \$2.57 per diluted share for the year ended December 31, 2021.

The declines in net income and diluted earnings per share for the three and twelve months ended December 31, 2022 were mainly due to exceptionally high transportation costs and higher interest expense. In total, commencing in the first quarter of 2022, Acme incurred no less than \$4.0 million in exceptional supply chain expenses, of which \$0.9 million was recognized in the fourth quarter. Fortunately, many of the supply chain issues have now been subsided.

In addition, the fourth quarter of 2022 was impacted because several large retailers, such

as Walmart, Target and Amazon, reduced their inventory. The Company is confident that most of the inventory reductions by major customers are in the past now.

Amounts in \$000's	12/31/22	12/31/21
Net Sales	44,104	45,793
Cost of Goods Sold	30,021	29,737
S, G & A Expenses	14,110	12,999
Income From Operations	(27)	3,057
Pre-Tax Income	(839)	2,838
Income Tax Expense (benefit)	(242)	500
Net Income	(597)	2,338
Diluted Shares Outs.	3,537	3,915
Diluted EPS	(0.17)	0.60
Selected income statement data for the quarters ended December 31, 2022 and December 31, 2021. Source: Company Press Release		

Interest expense for the fourth quarter of 2022 was \$920,000 compared to \$240,000 in the fourth quarter of 2021. Interest expense for the year ended December 31 2022 was \$2.4 million, compared to \$900,000 for the same period of 2021. The increase for both periods was due to higher debt and higher interest rates.

Gross margin was 32% in the fourth quarter of 2022, compared to 35.1% in 2021. The gross margin for the year ended December 31, 2022 was 32.8% compared to 35.6% in 2021. The decline in both periods was primarily due to higher ocean freight and related transportation costs for imported goods. Also contributing to the decline were weaker currencies in Europe and Canada where Acme purchases most of its inventory in US dollars.

SG&A expenses for the fourth quarter of 2022 were \$40 million or 32% of sales compared with \$30 million or 28.4% of sales for the same period of 2021. SG&A expenses for the year ended December 31, 2022 were \$57.3 million or 29.5% of sales compared with \$52 million or 28.6% of sales in 2021.

Balance Sheet As Of December 31, 2022

The Company's bank debt less cash as of December 31, 2022 was \$55 million

compared to \$40 million as of December 31, 2021. During the year ended December 31, 2022, the Company paid approximately \$11 million for the acquisition of the assets of Live Safely Products, LLC and paid \$1.9 million in dividends on its common stock.

Amounts in \$000's	12/31/22	12/31/21
Cash and Cash Eq.	6,100	4,843
Accounts Receivable	32,603	34,221
Inventories	63,325	53,552
Total Current Assets	105,600	95,251
Property & equipment	26,416	24,027
Intangible Assets, net	20,790	17,231
Total Assets	164,377	144,439
Accounts Payable	10,514	8,977
Total Current Liabilities	22,127	20,246
Bank Debt	49,916	33,037
Total Liabilities	85,347	67,657
Total Stockholder Equity	79,030	77,082
Selected balance sheet data for December 31, 2022 and December 31, 2021. Source: Company Press Release		

The Company increased its inventory during the 12-month period by approximately \$10 million to prepare for continued growth and to be positioned to offset the impact of supply chain disruptions related to COVID-19. The increase in inventory was also a result of higher product costs. During the fourth quarter of 2022, Acme decreased its inventory by \$2.9 million. The goal is to reduce inventory by another \$5 million in 2023.

Segments: Tough Times Around The Globe

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

Amounts in \$000's	FY 2022	FY 2021
U.S.	165,205	152,475
Canada	13,779	14,341
Europe	14,978	15,272
Sales per segment for the fiscal year 2022 and fiscal year 2021 (Source: Company Filing)		

During the fourth quarter, sales in the U.S. segment decreased 2% in the quarter but

increased 8% for the year ended December 31st. The decline in the quarter was mainly due to some large customers reducing their inventory. The growth for the year was primarily due to increased sales of first aid and medical products.

European sales for the three months ended December 31, 2022 were constant in U.S. dollars but increased 13% in local currency compared to the same period of 2021. Net sales for the year ended December 31, 2022 decreased 2% in U.S. dollars but increased 10% in local currency compared to the same period of 2021. The growth in the three and twelve months was mainly due to new customers in the office channel. In addition, the European team continues to gain market share in first aid and medical products and has secured new listings for 2023.

Net sales in Canada for the fourth quarter of 2022 decreased 22% in U.S. dollars and 16% in local currency compared to the same period in 2021. The sales decline in the fourth quarter was mainly due to reduced consumer demand for knives and fishing tools in comparison to the same period in 2021 when there were unusually high sales of these products driven by the pandemic. Customer inventory reductions also affected the fourth quarter. Net sales for the year ended December 31, 2022 decreased 4% in U.S. dollars and were constant in local currency compared to the same period in 2021.

In Canada, Acme also expanded its first aid and medical business through First Aid Central, which it acquired in 2020. The Company successfully introduced many of its US product lines to global customers in Canada and added major industrial distributors as well as retailers. In fact, at year end, Acme had to lease additional space to double its first aid production capacity in Canada.

OUTLOOK & VALUATION

During 2022, Acme United initiated cost reductions that are anticipated to save over \$5 million in 2023. These savings are due to improved efficiency in the production and warehouse facilities, reduced transportation

costs and lower spending in SG&A than in 2022.

At the same time, the Company has plenty of growth opportunities in 2023, including new first aid and medical placements in the industrial and retail markets, new Westcott craft products in the mass and ecommerce markets, new customers and programs with Camillus hunting and camping tools and expanded sales of Spill Magic products to large mass market retailers.

Despite the weaker numbers that were presented, the stock closed up on the day of the announcement of the results, indicating confidence by investors in a brighter 2023 for Acme United.

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 21.96x.

While the Company is not providing any guidance for 2023 at this moment, Mr. Johnsen did mention during the fourth quarter conference call that he expects sales growth over the 2022 level with much improved profitability. In fact, he said that he's expecting a solid performance in the first and second quarter of 2023.

We are going to remain conservative in our estimates and expect earnings per share of \$1.80 for the full fiscal year 2023.

Applying our full fiscal year EPS estimate of \$1.80, and the 21.96x P/E multiple from the peer group, we reach the following calculation: \$1.80 estimated EPS multiplied by 21.96 = \$39.52.

Based on these calculations, we reiterate our buy recommendation for Acme United Corp. with a price target of \$39.52 for 2023, which is 75% above today's stock price.

SHARE DATA & OWNERSHIP

On March 10, 2023 Acme United had 3,538,179 common shares outstanding. The principal owners of the Company's common stock are Capital Management Corp (15.4%), North Star Investment Management Corporation (11.2%), Walter Johnsen (8.7%), Dimensional Fund Advisors (5.2%) and Fidelity Investments Canada ULC (4.0%).

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 2019 – FY 2022

All numbers in thousands

PERIOD ENDING	FY 2019	FY 2020	FY 2021	FY 2022
Total Revenue	142,457	164,003	182,088	193,962
Cost of Revenue	90,456	104,408	117,287	130,403
Gross Profit	52,001	59,595	64,801	63,559
Operating Expenses				
Selling, General and Administrative	43,572	48,182	52,030	57,285
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	43,572	48,182	52,030	57,285
Operating Income or Loss	8,429	11,413	12,771	6,274
Income from Continuing Operations				
Total Other Income (Expenses) Net	(98)	(666)	(196)	(246)
Earnings Before Interest And Taxes	8,331	10,746	12,575	6,028
Net Interest Expense	1,788	919	908	(2,396)
Income Before Tax	6,543	9,827	11,667	3,663
Income Tax Expense	1,030	1,728	1,519	628
Net Income From Continuing Ops	5,513	8,098	10,148	3,035
Non-recurring Events				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	-	3,508*	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income	5,513	8,098	13,656	3,035
Preferred Stock And Other Adjustments	-	-	-	-
Net Income Applicable To Common Shares	\$5,513	\$8,098	\$13,656	\$3,035

Annual Income Statement FY 2019 – FY 2022. 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.



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