

## Acme United Corp. (ACU)

Company Report – November 18, 2023

Acme United Corporation made significant progress during the third quarter of 2023. In fact, the Company reached its highest third quarter income ever! While net sales for the three months ended September 30, 2023 were \$50.4 million, about flat compared to sales of \$49.7 million in the same period of 2022, net income in Q3 2023 was \$2.2 million, or \$0.58 per diluted share, compared to \$64,000, or \$0.02 per diluted share, for the same period in 2022.

Chairman and CEO of Acme United Walter C. Johnsen said, “I am pleased that sales at the end of the third quarter rebounded after more than a year of customer inventory reductions. In addition, we continued to aggressively reduce inventory. The Company paid down \$26 million, or 41%, of its bank debt during the past 12 months. We gained new product placement for 2024, including additional first aid and medical products at major drug and hardware chains, new Westcott cutting tools and DMT sharpeners at large retailers, and new customers for our Spill Magic clean up products. In summary, we believe we are strongly positioned for growth.”

In September, Acme also acquired selected assets of Hawktree Solutions, Inc., a Canadian supplier of first aid and survival kits, medical supplies, and training. The Company was in receivership and the purchase price was approximately \$1.0 million.

We reiterate our buy recommendation for Acme United Corp. with a price target of \$48.91 for 2023, which is 30% above today’s stock price.



- Last week, Acme sold its Camillus knives and Cuda fishing product brands to GSM Holdings, Inc for \$19.8 million.

This is a logical step for Acme, as the growth opportunities for these brands were limited while owned by Acme due to the fierce competitive landscape, but very exciting for a company like GSM with significant scale in the outdoor space.

In addition, with these brands out of its portfolio, Acme can now invest more resources and manpower to grow in the areas where it’s already strong, first aid and school & office products.



Market Data	
Price	37.49
Sector	Consumer Products
52-Week Price Range	\$21.27 - \$41.40
Shares Issued (m)	3.72
Market Cap (m)	\$139.50
Listings	ACU (NYSE Mkt)
Website	<a href="http://www.acmeunited.com">http://www.acmeunited.com</a>

## 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."

### Sale of Camillus & Cuda Brands

Early November, Acme announced that it had sold its Camillus and Cuda hunting and fishing product lines to GSM Holdings, Inc.

Mr. Johnsen said, "The sale will allow us to place an increased focus on our primary product lines. The Company intends to use the net proceeds of the sale to pay down approximately \$15.0 million of bank debt. We expect the sale to be approximately earnings breakeven after elimination of expenses associated with the Camillus and Cuda product lines and interest savings resulting from reduction of bank debt."



**Acme United sold its Camillus and Cuda brands for \$19.8 million.**

Founded in 1999, and based in Irving, Texas, GSM specializes in developing and marketing innovative products for the hunting, sport shooting, and outdoor enthusiast market. GSM owns several industry-leading brands including Stealth Cam, Walker's, Muddy, Hawk, Big Game, Birchwood Casey, Cold Steel, TruGlo, SME, TekMat, GPS Bags, CrossFire, HME, Skull Hooker, Viking Solutions, Hunters Specialties, Western Rivers, Cyclops, Boss Buck, American Hunter, and NAP.

GSM's products are sold through online retailers, sporting goods stores, mass merchants, outdoorsman retailers, and dealers/distributors across the U.S. and Canada.

The Camillus brand adds another pillar to GSM's already premier lineup of cutlery brands.

"We have a strategic vision for the Camillus brand," said Edward Castro, CEO, GSM Outdoors. "By engaging our customer relationships, utilizing our best engineering practices, and maintaining superior manufacturing, we are confident in GSM's ability to continue growing Camillus into a

brand that everyone knows, trusts and depends on for years to come. We are thrilled to be the stewards of the next chapter in Camillus' rich history and adding them to the GSM family."

As for Cuda, GSM said that the acquisition fills a vital need in its growing fishing portfolio.

"We recognize the tool and accessory category as an integral piece of the fishing experience, and something that was missing from our portfolio," explained Crispin Powley, SVP of Fishing, at GSM. "When researching the category, the Cuda brand became the benchmark for what we found ourselves comparing every other brand to."

"We have an incredible vision for Cuda building off its tradition of quality products that add value for anglers everywhere," added Mr. Castro. "Utilizing our customer relations, top-notch engineering, and quality manufacturing, we strongly feel that we can grow Cuda into a brand that all anglers will rely upon."

### 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. Last 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.

**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.



**The Clauss Lopping Shear has everything you need to make clean, precise cuts on everything from small branches to delicate flower stems.**

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.

**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’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.

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 Acquired Assets Of Hawktree Solutions

Late September, Acme again succeeded in acquiring a relatively small, easy to integrate first aid business, which will immediately be accretive to the Company's bottom line.

Acme paid approximately \$1 million for certain assets of the Canadian company Hawktree Solutions, which is the official primary distributor of Canadian Red Cross (CRC) products. For over 10 years it has developed hundreds of products, such as first aid kits, emergency preparedness kits, and personal protective equipment that have been featured on the Canadian Red Cross eShop, as well as retail stores and businesses across Canada.

Hawktree reported revenues of approximately \$4.0 million in prior years, with very healthy profit margins. Since July of this year, the company was in receivership due to financial misfortune related to COVID-19.



**Hawktree has the exclusive license for first aid, safety, and survival products with the Canadian Red Cross.**

Walter C. Johnsen, Chairman and CEO of Acme United, said, "Hawktree Solutions will expand our product line of first aid and survival items that are focused on devastating fires, floods, and earthquakes. We intend to work closely with the Canadian Red Cross to deliver outstanding products to those impacted by natural disasters."

Hawktree was established in 2012 as an importer and distributor of wholesale and retail health and safety products, including, masks, respirators, eye protection, gowns, swabs, gloves, ventilators and testing devices.

Helped by an early foothold with the Canadian Red Cross, Hawktree re-vamped the Red Cross first aid training program for the organization's major corporate clients, such as Loblaws, Starbucks, CN Rail and Air Canada, and the 3,500 community training partners licensed by the Red Cross to deliver first aid training.

At the core of Hawktree's business was a requirement that organizations delivering Red Cross programs also used specific approved products, including first aid kits, CPR devices and gloves, which Hawktree provided.

Hawktree's business did well, but all of that changed in 2020 with the outbreak of the COVID-19 pandemic. The company's contract with the Government of Canada, initiated through the call out to suppliers, included the provision of more than 500,000 pairs of goggles and millions of masks, as well as around 400,000 bottles of Quebec-made hand sanitizer. Hawktree also provided millions of pieces of PPE to multiple provincial governments, hospitals, corporations and municipalities across the country. All of this caused Hawktree's sales to skyrocket from about \$4 million to over \$64 million in 2020.

However, when demand for COVID-related products dropped again in 2021, the company's financial results declined sharply. With no large pandemic orders completed and a significant drop in sales to the CRC, costs of sales became higher than sales leading to negative gross margins and a worsening financial condition. All of this resulted in Hawktree being placed into receivership in July 2023.

### 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 eye catcher 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.

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

Although first aid sales were strong in the third quarter of 2023, there were still some inventory reductions by Westcott cutting tools customers. Remember that last year many Westcott customers bought large quantities of product, because they feared running out of stock due to port congestions and the difficulty of getting products out of China.

As a result, they had excess inventory that they first needed to sell before purchasing more from Acme. The good news however, is

that during the past twelve months the actual underlying demand for school and office products was pretty consistent with prior years.

Even better news is that those Westcott customers are nearing the end of their inventory reductions and that sales from Acme will soon again reflect true demand.



**Westcott customers are nearing the end of their inventory reductions, which means that sales of the brand will soon again reflect true demand.**

The outstanding earnings in the third quarter reflect in-bound shipping costs which again declined to historical levels and the successful implementation of a productivity plan which is resulting in annual savings of more than \$5 million.

Net sales for the nine months ended September 30, 2023 were \$149.6 million compared to \$149.8 million in the same period in 2022.

Net income for the nine months ended September 30, 2023 was \$6.6 million, or \$1.83 per diluted share, compared to \$3.6 million, or \$0.96 per diluted share, for the same period in 2022, an astonishing increase of 82% in net income and 91% in diluted earnings per share.

Gross margin was 38.7% in the three months ended September 30, 2023 compared to



32.0% in the same period in 2022. This reflects shipping costs returning to normal levels and the impact of the productivity program which was initiated about a year ago. Remember that Acme incurred about \$4.6 million in unusual shipping expenses last year due to container costs and port congestion. In addition, the productivity improvement initiatives that began in Q4 of 2022, were planned to save about \$5 million annually, however Acme is currently projecting to exceed that plan by about \$1 million annually.

Amounts in \$000's	09/30/23	09/30/22
Net Sales	50,384	49,744
Cost of Goods Sold	30,881	33,819
S, G & A Expenses	15,846	14,972
<b>Income From Operations</b>	<b>3,657</b>	<b>953</b>
Pre-Tax Income	2,818	30
Income Tax Expense	666	(34)
<b>Net Income</b>	<b>2,818</b>	<b>64</b>
Diluted Shares Outs.	3,721	3,692
Diluted EPS	0.58	0.02

**Selected income statement data for the quarters ended September 30, 2023 and September 30, 2022. Source: Company Filing**

Gross margin was 37.3% for the nine-month period ended September 30, 2023 compared to 33.0% for the same period in 2022.

SG&A expenses for the third quarter of 2023 were \$15.8 million, or 31% of sales, compared with \$15 million, or 30% of sales, for the same period of 2022. SG&A expenses for the first nine months of 2023 were \$44.7 million, or 30% of sales, compared with \$43.2 million, or 29% of sales, in 2022.

Operating profit in the third quarter increased no less than 280% due to improved gross margin and tight control of SG&A spending.

Interest expense for the third quarter of 2023 was \$820,000 compared to \$720,000 in the third quarter of 2022. The increase was entirely due to higher interest rates. In fact, average debt declined by \$20 million in the quarter compared to Q3 last year. Acme's overall average interest rate in the third quarter of 2023 was 6.25% compared to 3.9% for the third quarter of 2022.

## Balance Sheet As Of September 30, 2023

The Company's bank debt less cash as of September 30, 2023 was \$38 million compared to \$64 million as of September 30, 2022. During the twelve-month period ended September 30, 2023, the Company paid \$2 million in dividends on its common stock and generated approximately \$27 million in free cash flow, including a reduction in inventory of \$12 million.

Note that the Company has been actively reducing its inventory after increasing it purposefully during the pandemic. The inventory during the past three quarters has declined \$9 million. Most of the cash flow from the inventory reductions and earnings during the past year were used to pay down debt. As a result, Acme's balance sheet has improved substantially, and net debt at the end of the third quarter in 2023 was \$38 million compared to \$64 million at the same time last year, a decrease of 41% in debt! The Company expects inventory to remain around these levels in 2024.

Amounts in \$000's	09/30/23	09/30/22
Cash and Cash Eq.	5,567	4,218
Accounts Receivable	33,855	40,149
Inventories	54,575	66,210
<b>Total Current Assets</b>	<b>98,526</b>	<b>115,316</b>
Property & equipment	27,708	26,042
Intangible Assets, net	19,546	21,296
<b>Total Assets</b>	<b>156,269</b>	<b>174,484</b>
Accounts Payable	9,976	11,771
<b>Total Current Liabilities</b>	<b>25,429</b>	<b>24,440</b>
Bank Debt	32,934	57,131
<b>Total Liabilities</b>	<b>70,363</b>	<b>95,503</b>
Total Stockholder Equity	85,906	78,981

**Selected balance sheet data for September 30, 2023 and September 30, 2022. Source: Company Press Release**

## Solid U.S. Segment

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

Exact revenues per segment for the third quarter will be available in the 10-Q, which will be filed mid-November. However, Acme announced for each segment the percentage by which revenues increased or decreased compared with last year's third quarter. Based on those numbers, we provide the following estimate.

Amounts in \$000's	Q3 2023	Q3 2022
<b>U.S.</b>	43,677	42,943
<b>Canada</b>	3,311	3,629
<b>Europe</b>	3,396	3,172
<b>Sales per segment for the third quarter ended September 30, 2023 and the third quarter ended September 30, 2022 (Source: Company Filing)</b>		

For the three months ended September 30, 2023, net sales in the U.S. segment increased 2% compared to the same period in 2022. Sales of first aid and medical products were strong, while demand was softer for school and office products. For the nine months ended September 30, 2023, net sales were constant compared to the same period in 2022. The nine month sales for school and office products were impacted by customer reductions of inventory in the first half of 2023.

European net sales for the three months ended September 30, 2023 increased 7% in U.S. dollars but decreased 1% in local currency compared to the same period in 2022. Net sales for the nine months ended September 30, 2023 decreased 2% in U.S. dollars and 4% in local currency compared to the same period in 2022. The sales decrease for both periods was mainly due to the economic recession in Europe. However, the trend is improving.

Net sales in Canada for the three months ended September 30, 2023 decreased 9% in U.S. dollars and 7% in local currency compared to the same period in 2022. Net sales for the nine months ended September 30, 2023 decreased 2% in U.S. dollars but increased 3% in local currency compared to the same period in 2022. The growth in local currency in the nine months was mainly due to higher sales of first aid products.

## OUTLOOK & VALUATION

In addition to the record breaking third quarter, Acme's management also indicated that the fourth quarter has started strongly. Moreover, the Company is winning new business for 2024 in its Westcott and first aid businesses, as well as DMT sharpeners.

In September, Acme acquired Hawktree Solutions in Canada, which sells first aid and medical products and is the exclusive licensee of the Canadian Red Cross for many of the supplies used in their training programs and relief efforts. Hawktree will expand the Company's product line to address devastating fires, floods, and earthquakes.

Although buying a company in receivership may sound a bit as an adventure, in this case, we believe that Acme has again struck gold. It's important to note that Hawktree was doing very well before COVID with steady sales and attractive profit margins.

Also important to know is that Acme only acquired Hawktree's website, its inventory with a book value of approximately \$1.3 million, and the supply contract with the Canadian Red Cross.

Acme is currently reactivating Hawktree's website, moving the inventory to the Company's Laval, Canada location and filling back orders. Next to being accretive to Acme's bottom line as of the fourth quarter of 2023, the acquisition also brings plenty of opportunity to expand the Canadian business in general. Acme continues to be on the lookout for new acquisition opportunities.

The Company also continues to generate productivity improvements. The productivity plan, which was implemented late last year, and which was scheduled to save \$5 million annually, is expanding to \$6 million. This will undoubtedly also have a positive effect on margins.

The sale of Cuda and Camillus is a clear win for all parties involved. As for GSM, this acquisition ensures its further expansion into the fishing and cutlery segments of the outdoor industry. They have shown many

times in the past that they are able to fit in a new brand into their existing portfolio and expand its worldwide reach.

Acme will recognize an after-tax gain on the sale of approximately \$10.0 million during the fourth quarter of 2023. As a result of this transaction, the Company's bank debt will be the lowest that it has been in many years, which is important in this relatively high interest period.

All in all, Acme United's future looks bright with expected top-line growth, expanding productivity improvements and growing margins.

## 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 22.57x.

Although Acme is not providing guidance at this moment, we estimate earnings per share of \$2.43 for the full fiscal year 2023.

Applying our full fiscal year EPS estimate of \$2.43, and the 22.57x P/E multiple from the peer group, we reach the following calculation: \$2.43 estimated EPS multiplied by 22.57 = \$54.84.

**Based on these calculations, we reiterate our buy recommendation for Acme United Corp. with a price target of \$54.84 for 2023, which is 46% above today's stock price.**

## SHARE DATA & OWNERSHIP

On October 23, 2023 Acme United had 3,721,000 common shares outstanding. The principal owners of the Company's common stock are Capital Management Corp (15.9%), North Star Investment Management Corporation (9.9%), Walter Johnsen (8.3%), Dimensional Fund Advisors (4.9%) and Royce Investment Partners (3.8%).

## 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 2020 – 9M 2023

All numbers in thousands

PERIOD ENDING	FY 2020	FY 2021	FY 2022	9M 2023
<b>Total Revenue</b>	<b>164,003</b>	<b>182,088</b>	<b>193,962</b>	<b>149,559</b>
Cost of Revenue	104,408	117,287	130,403	93,752
<b>Gross Profit</b>	<b>59,595</b>	<b>64,801</b>	<b>63,559</b>	<b>55,807</b>
<b>Operating Expenses</b>				
Selling, General and Administrative	48,182	52,030	57,285	44,711
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	48,182	52,030	57,285	44,711
<b>Operating Income or Loss</b>	<b>11,413</b>	<b>12,771</b>	<b>6,274</b>	<b>11,096</b>
<b>Income from Continuing Operations</b>				
Total Other Income (Expenses) Net	(666)	(196)	(246)	(10)
Earnings Before Interest And Taxes	10,746	12,575	6,028	11,086
Net Interest Expense	919	908	(2,396)	2,517
Income Before Tax	9,827	11,667	3,663	8,569
Income Tax Expense	1,728	1,519	628	1,984
Net Income From Continuing Ops	8,098	10,148	3,035	6,585
<b>Non-recurring Events</b>				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	3,508*	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
<b>Net Income</b>	<b>8,098</b>	<b>13,656</b>	<b>3,035</b>	<b>6,585</b>
Preferred Stock And Other Adjustments	-	-	-	-
<b>Net Income Applicable To Common Shares</b>	<b>\$8,098</b>	<b>\$13,656</b>	<b>\$3,035</b>	<b>\$6,585</b>

**Annual Income Statement FY 2020 – 9M 2023. 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

## Company Headquarters

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