

Acme United Corp. (ACU)

Company Report – March 23, 2024

Acme United Corporation reached sales of \$191.5 million in 2023 compared to \$194.0 million for the prior year, a decrease of 1%. This small decrease was especially due to the fact that Acme sold its Camillus and Cuda hunting and fishing product lines to GSM Holdings on November 1, 2023. Total revenues from the divested product lines were approximately \$12.0 million in 2022.

Despite the almost even sales, net income grew significantly. Excluding the Camillus and Cuda sale, net income for the year ended December 31, 2023, was \$8.2 million, or \$2.23 per diluted share, compared to \$3.0 million, or \$0.82 per diluted share, in 2022. An increase of 170%. Including the gain on the sale of Camillus and Cuda, net income for fiscal year 2023 was \$17.8 million.

Acme’s Chairman and CEO Walter C. Johnsen said, “We had an outstanding year of strong earnings and achievements in 2023. The sale of Cuda and Camillus in the fourth quarter enabled the Company to focus on its core businesses and reduce its debt by \$13 million. In addition, the Company successfully completed the previously announced program to reduce inventory by \$5 million. As a result of all of this, we strengthened our balance sheet in 2023, raised our gross margin significantly, and our free cash flow reached a record \$24 million.”

We reiterate our buy recommendation for Acme United Corp. with a price target of \$59.86 for 2024, which is 38% above today’s stock price.



- ▣ Looking forward, Acme expects to see growth in First Aid, as it won new distribution of first aid kits in one of the largest drug chains in the United States. It has gained additional placement of cutting tools in the craft and mass markets, and has expanded its Spill Magic cleanup line to a major mass market retailer. Also, DMT Sharpeners will see significant incremental distribution in the kitchen category.
- ▣ Acme’s growth plans also require additional space. As such, the Company is upgrading its production and distribution facilities in Rocky Mount, North Carolina and at Spill Magic in Santa Ana, California. Furthermore, it is expanding its First Aid Only production capacity in Vancouver, WA, the First Aid Central facility in Laval, Canada, and its Med-Nap plant in Brooksville, FL.



Market Data	
Price	43.29
Sector	Consumer Products
52-Week Price Range	\$22.50 - \$50.99
Shares Issued (m)	3.91
Market Cap (m)	\$169.22
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 nine main brands: Westcott, Clauss, First Aid Only, PhysiciansCare, Pac-Kit, DMT, Spill Magic, 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 15 cents per share. Traditionally the Company increases the amount by 1 cent every 6 to 8 quarters, the last one being late 2023. Mr. Johnsen commented on this occasion, "This is Acme United's fourteenth dividend increase since 2004. We are optimistic about our future, and we are pleased to provide this additional return to shareholders."

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

Today, Acme United has nine main brands: Westcott, Clauss, First Aid Only, PhysiciansCare, Pac-Kit, DMT, Spill Magic, Med-Nap and Safety Made.

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.



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

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.

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.



The consistent, even surfaces of the DMT Diamond sharpening stones also help extend the life of knives used in the kitchen area.

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.

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 United Europe Introduces New Products at Ambiente Fair

"Celebrating Business Together" was the motto of this year's mega trade fair for the global consumer goods industry, consisting of Ambiente, Christmasworld and Creativeworld. With an increase of ten percent, 4,928 exhibitors presented their new products on over 360,000 gross square metres (~3.9 million square feet) in Frankfurt, Germany.

One of the participants at the fair was Acme United's European team. At their booth they showed the latest in the areas of school & office supplies, writing instruments and first aid. Especially in the latter category, Acme introduced several new items, such as a new eye wash station and eco-friendly packaging.



The New Eye Wash Station that was shown at the Ambiente fair..

Georg Bettin, the Managing Director for Acme United Europe, said, "Ambiente was an excellent show for us this year. Many existing and new potential customers came to see us at our booth. We were excited to show them our latest innovations and developments. The Ambiente Fair is one of the most important marketing events of the year for our Company. As such, the good mood among retailers and the high level of internationality and visitor quality make us optimistic for the new year."

The trio of Frankfurt consumer goods fairs, consisting of Ambiente, Christmasworld and

Creativeworld, impressively demonstrated that the entire global consumer goods industry was a guest at the fully booked Frankfurt exhibition grounds.

Visitors from over 170 countries participated at the show. Three out of four trade visitors came to Frankfurt from abroad. With a five percent increase in international visitors compared to the previous year to a current 71 per cent, the trade fair topped the previous year's result. Germany spearheaded the list of visitor nations this year. Italy and China took second and third place in the top five visitor countries, followed by the Netherlands and the USA.

It's clear that after the sale of Camillus and Cuda late last year, also in Europe, Acme United's focus will shift toward the first aid market. The European first aid market is quite fragmented due to different regulations and languages in most countries. Although this is a barrier, it also leaves plenty of opportunities. As such, Acme United Europe recently hired a product manager for first aid, bringing the total number of employees in Europe to 37.

Sale of Camillus & Cuda Brands

Early November 2023, 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."

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.



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

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."

Acme Acquires Assets Of Hawktree Solutions

Late September 2023, 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.

FINANCIALS

Acme United’s net sales in the fourth quarter of 2023 were \$41.9 million compared to \$44.1

million in the same period of 2022, a decrease of 5%. Excluding the sale of Camillus and Cuda, sales for the fourth quarter of 2023 declined 1% compared to the fourth quarter in 2022.

Net income for the three months ended December 31, 2023 excluding the sale of the Camillus and Cuda product lines was \$1.6 million, or \$0.40 per diluted share, compared to a net loss of \$0.6 million, or (\$0.17) per diluted share, for the same period in 2022. Net income for the three months ended December 31, 2023 including the sale of the Camillus and Cuda product lines was \$11.2 million, or \$2.87 per diluted share.

Amounts in \$000's	12/31/23	12/31/22
Net Sales	41,942	44,104
Cost of Goods Sold	25,538	30,021
S, G & A Expenses	14,311	14,110
Income From Operations	2,093	(27)
Gain on Sale of Assets	12,551	
Pre-Tax Income	14,166	(839)
Income Tax Expense	2,958	(242)
Net Income	11,208	(597)
Diluted Shares Outs.	3,909	3,537
Diluted EPS	2.87	(0.17)

Selected income statement data for the quarters ended December 31, 2023 and December 31, 2022. Source: Company Filing

Gross margin was 39.1% in the three months ended December 31, 2023 compared to 31.9% in the same period in 2022. Gross margin was 37.7% for the year ended December 31, 2023, compared to 32.8% for the same period in 2022. The increases for both periods were primarily due to productivity improvements in the Company’s manufacturing and distribution facilities that began in Q4 of 2022, as well as lower in-bound freight costs.

SG&A expenses for the fourth quarter of 2023 were \$14.3 million or 34% of sales compared to \$14.1 million or 32% of sales for the same period of 2022. SG&A expenses for the 12 months of 2023 were \$59 million or 31% of sales compared with \$58 million or 30% of sales in 2022.

Interest expense for the fourth quarter of 2023 was \$500,000 compared to \$940,000 in

the fourth quarter of 2022. The decrease was due to a lower average debt of approximately \$32 million, but partially offset by higher interest rates. Interest expense for the year went from \$2.4 million in 2022 to \$3 million in 2023. Although the average debt declined by \$12 million in 2023, the weighted average interest rate went from 4% in 2022 to 6.5% in 2023.

The sale of Camillus and Cuda resulted in a gain of \$12.6 million. This was recorded in other income. The gain net of tax was approximately \$9.6 million.

Balance Sheet As Of December 31, 2023

The Company's bank debt less cash as of December 31, 2023, was \$19.0 million compared to \$55.0 million as of December 31, 2022. During the year ended December 31, 2023, the Company paid \$2.0 million in dividends on its common stock and generated approximately \$24.0 million in free cash flow, including a reduction in inventory of \$5.0 million. Additionally, the \$13 million net proceeds from the sale of the Camillus and Cuda product lines was used to reduce debt.

Amounts in \$000's	12/31/23	12/31/22
Cash and Cash Eq.	4,796	6,100
Accounts Receivable	26,234	32,603
Inventories	55,470	63,325
Total Current Assets	92,024	105,600
Property & equipment	28,025	26,416
Intangible Assets, net	19,001	20,790
Total Assets	149,241	164,377
Accounts Payable	12,102	10,514
Total Current Liabilities	26,012	22,127
Bank Debt	13,105	49,916
Total Liabilities	51,343	85,347
Total Stockholder Equity	97,898	79,030

Selected balance sheet data for December 31, 2023 and December 31, 2022. Source: Company Press Release

First Aid Sales Picking Up in Canada

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

Amounts in \$000's	FY 2023	FY 2022
U.S.	163,205	165,205
Canada	13,891	13,779
Europe	14,405	14,978

Sales per segment for the fiscal year 2023 and fiscal year 2022 (Source: Company Filing)

For the three months ended December 31, 2023, net sales in the **U.S. segment** decreased 6% compared to the same period in 2022. Excluding the impact of the sale of the Camillus and Cuda product lines, sales declined 2%. For the year ended December 31, 2023, net sales in the U.S. segment decreased 1% compared to the same period in 2022. Excluding the impact of the sale of the Camillus and Cuda product lines, sales for the year ended December 31, 2023 were constant compared to 2022. Sales of school and office products for the year were impacted by customer reductions of inventory in the first half of 2023. Sales of First Aid products, on the other hand, were strong.

European net sales for the three months ended December 31, 2023 declined 8% in U.S. dollars and 13% in local currency compared to the same period in 2022. Net sales for the year ended December 31, 2023 decreased 4% in U.S. dollars and 6% in local currency compared to 2022. The declines in net sales in local currency for both periods were mainly due to a soft economy in certain parts of Europe.

Net sales in **Canada** for the three months ended December 31, 2023, increased 11% in U.S. dollars and 12% in local currency compared to the same period in 2022. Net sales for the year ended December 31, 2023, increased 1% in U.S. dollars and 5% in local currency compared to 2022. The growth in local currency for both periods was mainly due to higher sales of First Aid products.

OUTLOOK & VALUATION

All in all, 2023 was an excellent year for Acme United. The Company decreased its net debt from \$55 million at year end 2022 to \$19 million one year later. Its gross margins increased as Acme successfully implemented new productivity plans. The reduction in SG&A expenses resulted in annual savings of

approximately \$6.5 million. And new retail distribution was gained for first aid kits, Westcott ceramic cutters, and craft planograms.

In addition, the Company sold its hunting and fishing business for \$19.8 million. And acquired Hawktree Solutions at a bankruptcy auction for \$1 million, providing new customers in the Canadian market.

As for 2024, the Company has lots of growth lined up in many areas. The **Westcott** school and office products brand, for example, will expand its distribution at a mass market retailer and a major hobby store. Westcott's products will be replacing a competitor at those stores. Altogether, this will be a multimillion dollar expansion.

In addition, the **European segment** recently gained a Westcott contract for several hundred thousand dollars and the **Canadian business** is expected to show both organic growth and from the Hawktree acquisition.

In the case of **First Aid**, Acme's products will soon be available at a new drug chain and an industrial hardware chain. In both cases, a competitor is being replaced. The Company is also developing the next generation of its SafetyHub digital requisition system for First Aid refills. Remember that the First Aid Only SafetyHub simplifies first aid supply requisitioning.

Spill Magic has gained a multimillion dollar contract at a large grocery chain. And **DMT** was able to win a similar size deal at a large retailer in the kitchen area.

Acme's management is aiming to boost sales with another \$100 million over the next three years by organic growth as well as accretive acquisitions.

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 21.77x.

Although Acme is not providing guidance at this moment, it is looking forward to stronger top line growth. We are going to remain conservative in our estimate and expect earnings per share of \$2.75 for the full fiscal year 2024.

Applying our full fiscal year EPS estimate of \$2.75, and the 21.77x P/E multiple from the peer group, we reach the following calculation: \$2.75 estimated EPS multiplied by 21.77 = \$59.86.

Based on these calculations, we reiterate our buy recommendation for Acme United Corp. with a price target of \$59.86 for 2024, which is 38% above today's stock price.

SHARE DATA & OWNERSHIP

On March 7, 2024 Acme United had 3,909,000 common shares outstanding. The principal owners of the Company's common stock are Capital Management Corp (14.8%), North Star Investment Management Corporation (9.4%), Walleye Capital LLC (9.1%), Walter Johnsen (7.8%), and Dimensional Fund Advisors (4.7%).

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 – FY 2023

All numbers in thousands

PERIOD ENDING	FY 2020	FY 2021	FY 2022	FY 2023
Total Revenue	164,003	182,088	193,962	191,501
Cost of Revenue	104,408	117,287	130,403	119,291
Gross Profit	59,595	64,801	63,559	72,210
Operating Expenses				
Selling, General and Administrative	48,182	52,030	57,285	59,022
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	48,182	52,030	57,285	59,022
Operating Income or Loss	11,413	12,771	6,274	13,188
Income from Continuing Operations				
Total Other Income (Expenses) Net	(666)	(196)	(246)	(28)
Earnings Before Interest And Taxes	10,746	12,575	6,028	13,160
Net Interest Expense	919	908	2,365	2,977
Gain on Sale of Assets				12,551*
Income Before Tax	9,827	11,667	3,663	22,734
Income Tax Expense	1,728	1,519	628	4,941
Net Income From Continuing Ops	8,098	10,148	3,035	17,793
Non-recurring Events				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	3,508**	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income	8,098	13,656	3,035	17,793
Preferred Stock And Other Adjustments	-	-	-	-
Net Income Applicable To Common Shares	\$8,098	\$13,656	\$3,035	\$17,793

Annual Income Statement FY 2020 – FY 2023. Source: Company Filings

* In 2023, Acme United sold its Camillus and Cuda hunting and fishing product lines to GSM Holdings, Inc.

** 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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