

Acme United Corp. (ACU)

Company Report – August 03, 2024

Acme United Corporation had an outstanding second quarter in 2024, with net income reaching \$4.5 million, or \$1.09 per share. A new all-time second quarter record! In the comparable period last year, the worldwide supplier of innovative safety solutions and cutting technology, had earnings of \$3.4 million, or \$0.96 per diluted share.

Net sales for the quarter ended June 30, 2024 were \$55.4 million compared to \$53.3 million in the second quarter of 2023, an increase of 4%. Acme's net sales for the second quarter were \$55.4 million compared to \$53.3 million in 2023, an increase of 4%. Excluding the impact of the sale of the Camillus and Cuda* product lines on November 1, 2023, sales for the second quarter of 2024 increased no less than 8%. Another solid achievement.

* Remember that the Camillus and Cuda businesses combined had about \$12 million in revenues in 2022, and were sold in November 2023 for \$19.8 million. The proceeds were used to pay down debt and to position the company for growth and acquisitions in its core businesses.

We reiterate our buy recommendation for Acme United Corp. with a price target of \$61.71 for 2024, which is 52% above today's stock price.



- ▣ The Company's organic growth of 8% in the second quarter of 2024 was due to market share gains and successful new product introductions. In the first aid products segment, Acme shipped new kits to a large drugstore chain in the United States, broadened its product offerings at a large industrial distributor, and expanded the customer base for its Med-Nap alcohol wipes and lens cleaners.
- ▣ Also, sales of Westcott cutting tools increased due to gains in the craft market and good back-to-school sales. In addition, the DMT product line continued to benefit from a large rollout of kitchen knife sharpeners to a major mass-market retailer in the United States.



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 eight North American-based manufacturers. This way, the Company

strategically diversifies its portfolio of sourcing, while reducing its reliance on China.

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.

Elite First Aid Acquisition

Late May 2024, Acme again expanded its North-American production capacity as it acquired Elite First Aid, a supplier of tactical, trauma and emergency response products based in Wake Forest, North Carolina for \$6.1 million. In 2023, Elite First Aid had revenues of approximately \$4.2 million.

The Elite First Aid trauma kits are high-performance kits, which, for example, are used by medics to treat victims of serious accidents. Before the acquisition, Acme didn't offer this product line, so was ideal to fill in this gap. Elite First Aid has a very well-established product family and a great reputation.



The General Purpose First Aid Kit FA101 was one of the first products sold by Elite First Aid.

Chairman and CEO Walter C. Johnsen commented, "We are excited about our acquisition of Elite First Aid, which has significantly strengthened our emergency response product line and expanded our customer base. We also intend to offer the Elite First Aid products to our existing customer base in the coming quarters. I am gratified that the expansion of our product line will enhance our ability to help save lives in trauma situations."

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.



Westcott's all-new iPoint GEM Battery Pencil Sharpener was recently launched.

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.

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.

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.

Late September 2023, 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.

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

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.

RECENT EVENTS

Elite First Aid Acquisition - A Strategic Expansion in Safety and First Aid Solutions

In a strategic move to further strengthen its position in the safety and first aid market, Acme United Elite First Aid in May 2024. The North Carolina-based company is a provider of tactical, trauma, and emergency response products. With revenues of approximately \$4.2 million in 2023, Elite First Aid has established itself as a trusted name in the industry.

This acquisition is part of Acme United's ongoing effort to expand its product offerings and enhance its market reach in the first aid and emergency preparedness sectors.



Elite First Aid's Tactical Trauma Kit #3 is currently its best-selling product.

Elite First Aid Inc. is a prominent supplier of first aid and tactical medical kits for a variety of markets, including military, law enforcement, and emergency services.

It all started back in 1992 when Pete Sweere, who had served in the U.S. Army for 9 years, began selling military surplus products. Initially, selling them at local trade shows to retail customers, but soon buying larger quantities and marketing them to wholesalers. The company continued to grow and employed seven people by 1996. By then, it had started to focus almost entirely on first aid kits. In later years, Elite First Aid also sold internationally, to law enforcement and military departments of countries such as Brazil, Saudi Arabia, Peru and Ukraine.

Known for its comprehensive range of high-quality first aid products, Elite First Aid established itself as a reliable provider of critical medical supplies designed to meet the rigorous demands of its clientele.

- **Enhanced Product Portfolio:** The acquisition again expands Acme United's range of first aid products, incorporating Elite First Aid's tactical and military-grade medical kits. This broader product offering will enable Acme United to better serve its existing customers. Undoubtedly, Acme will introduce the new products at chains such as Walmart, Grainger, Home Depot and Dick Sporting Goods, where the Company already has a strong foothold.
- **Market Expansion:** Elite First Aid's strong presence in the military and tactical markets provides Acme United with a new avenue for growth. Leveraging these relationships will help Acme United penetrate markets where it previously had limited presence.
- **Operational Synergies:** Combining the operational strengths of both companies is expected to yield significant cost reductions. Before the acquisition, Elite First Aid sourced all of its products from third party intermediaries. Thanks to Acme United's global sourcing network however, it will be able to source products directly from factories. Or, in the best case scenario, produce the items itself, such as alcohol pads that are manufactured at Med-Nap.
- **Innovation and Development:** The integration of Elite First Aid's specialized knowledge in tactical first aid with Acme United's research and development expertise is likely to spur innovation. This collaboration will help in developing new and improved first aid solutions tailored to a wider array of applications and industries.

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.

Georg Bettin, the Managing Director for Acme United Europe, said, "Ambiente was a 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 out 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 New Eye Wash Station that was shown at the Ambiente fair.

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'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 presents opportunities. As such, Acme United Europe recently hired a product manager for first aid, bringing the total number of employees in Europe to 37.

FINANCIALS

Net sales for the six months ended June 30, 2024 were \$100.4 million, compared to \$99.2 million in the same period in 2023, an increase of 1%. Excluding the impact of Camillus and Cuda, net sales for the six months increased 5% compared to the same period in 2023.

Net income for the six months ended June 30, 2024 was \$6.1 million, or \$1.47 per diluted share, compared to \$4.4 million, or \$1.25 per diluted share, for the same period in 2023, an increase of 37% in net income and 18% in diluted earnings per share.

The gross margin was 40.8% in the second quarter of 2024 compared to 37.5% in 2023. The gross margin was 39.9%, for the first six months of 2024 compared to 36.6% in 2023. The increases in both periods were primarily due to productivity improvements in the Company's manufacturing and distribution facilities.

SG&A expenses for the second quarter of 2024 was \$16.3 million, or 29% of sales

compared with \$14.8 million, or 28% of sales for the same period of 2023. SG&A expenses for the first six months of 2024 were \$31 million or 31% of sales compared with \$29 million or 29% of sales in 2023.

Amounts in \$000's	06/30/24	06/30/23
Net Sales	55,425	53,336
Cost of Goods Sold	32,798	33,314
S, G & A Expenses	16,252	14,772
Income From Operations	6,375	5,250
Pre-Tax Income	5,864	4,441
Income Tax Expense	1,412	998
Net Income	4,452	3,443
Diluted Shares Outs.	4,088	3,591
Diluted EPS	1.09	0.96

Selected income statement data for the quarters ended June 30, 2024 and June 30, 2023. Source: Company Filing

Interest expense for the second quarter of 2024 was \$540,000 compared to \$830,000 in the second quarter of 2023. The decrease was due to lower average debt of approximately \$18 million.

Balance Sheet As Of June 30, 2024

The Company's bank debt less cash as of June 30, 2024 was \$33.1 million compared to \$47.5 million as of June 30, 2023.

Amounts in \$000's	06/30/24	06/30/23
Cash and Cash Eq.	3,791	3,401
Accounts Receivable	40,074	39,796
Inventories	56,621	55,944
Total Current Assets	106,148	103,471
Property & equipment	30,570	27,263
Intangible Assets, net	31,647	27,969
Total Assets	173,541	161,827
Accounts Payable	10,319	10,724
Total Current Liabilities	27,992	25,341
Bank Debt	26,419	39,979
Total Liabilities	69,583	78,195
Total Stockholder Equity	103,958	83,651

Selected balance sheet data for June 30, 2024 and June 30, 2023. Source: Company Press Release

During the twelve-month period ended June 30, 2024, the Company paid approximately

\$6.1 million for the acquisition of the assets of Elite First Aid Inc., distributed \$2.1 million in dividends on its common stock and generated approximately \$8.5 million in free cash flow.

Additionally, the Company realized net proceeds from the sale of the Camillus and Cuda product lines of approximately \$13.0 million, which were used to reduce debt.

U.S. and European Segments Performing Strong

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

Exact revenues per segment for the second quarter of 2024 will be available in the Company's 10-Q, which will be filed mid-August. However, Acme announced for each segment the percentage by which revenues increased or decreased compared with last year. Based on those numbers, we provide the following estimate.

Amounts in \$000's	Q1 2024	Q1 2023
U.S.	47,439	45,200
Canada	4,080	4,376
Europe	3,906	3,760

Estimated sales per segment for the second quarter ended June 30, 2024 (Source: Smallcaps Investment Research) and actual sales per segment for the second quarter ended June 30, 2023 (Source: Company Filing)

For the three months ended June 30, 2024, net sales in the **U.S. segment** increased 5% compared to the same period in 2023. Excluding Camillus and Cuda, net sales for the second quarter of 2024 increased 10% compared to the second quarter of 2023 mainly due to market share gains in first aid, Westcott craft products and DMT sharpeners. For the six months ended June 30, 2024, net sales in the U.S. segment increased 2% compared to the same period in 2023. Excluding Camillus and Cuda, net sales for the six months increased 6% compared to the same period in 2023.

European net sales for the three months ended June 30, 2024 increased 4% in U.S. dollars and 5% in local currency compared to the second quarter of 2023. Excluding

Camillus and Cuda, net sales for the second quarter of 2024 increased 9% compared to the second quarter of 2023. Net sales for the six months ended June 30, 2024 increased 5% in both U.S. dollars and local currency compared to the first half of 2023. Excluding Camillus and Cuda sales for the six months, net sales increased 8% compared to the same period in 2023. The sales increase for both periods was due to market share gains in the office channel.

Net sales in **Canada** for the three months ended June 30, 2024 decreased 7% in both U.S. dollars and local currency compared to the same period in 2023. Excluding Camillus and Cuda, net sales for the second quarter of 2024 decreased 4% compared to the second quarter of 2023. Net sales for the six months ended June 30, 2024 decreased 7% in both U.S. dollars and local currency compared to the first half of 2023. Excluding Camillus and Cuda, net sales for the six months decreased 2% compared to the same period in 2023. Sales of school and office products have been impacted by a soft economy.

The First Aid Central business subsidiary in Canada has continued to grow through its web activities, cross-selling to multinational distributors and retailers from the US, and successful product placement of Westcott school and office products. The Hawktree acquisition, that was completed in September 2023, has helped expand the first aid product-line in Canada to address injuries from fires, floods and earthquakes, and its performance is exceeding expectations. Acme's Canadian business recently moved into its new modern 54,000 square foot facility near Montreal.

OUTLOOK & VALUATION

Overall, Acme United's second quarter showed robust growth and progress, underpinned by effective cost management and market expansion efforts.

As for the rest of the year and beyond, the Company expects to realize more growth, keep a close eye on costs and improve its margins. As such, the Company has been making significant investments in new

equipment and automation to drive its manufacturing and distribution costs lower.

At its Med-Nap facility in Brooksville, Florida, for example, Acme is adding a new machine to expand its production of semi-solid solutions, such as hand sanitizers, antibiotic wipes and so forth. The total cost of the machine is about \$850,000, but the products can both be used in Acme's own first aid kits, as well as sold to third parties.

Also in the first aid area, a new clean room will come online this month. This will allow the automation of the boxing of lens wipes and alcohol prep pads. The machine is close to a one million dollar investment, but is expected to generate cost savings of about \$400,000 to \$500,000 annually.

Again in first aid, Acme will be taking delivery of a new machine in November that will automate filling first aid kits. To the Company's knowledge, this is a first in the industry, and could as such be a game changer in the market. The cost of the machine is estimated to be around \$700,000 with annual savings amounting to that same number.

At the Spill Magic plant in Smyrna, Tennessee an \$800,000 investment was recently completed to automate the packaging of the material that goes into the Spill Magic products. Savings are already being generated from this new equipment.

Finally, at the Company's 345,000 square foot distribution center in Rocky Mount, North Carolina high-density racking are being installed. When completed, expected in fourth quarter of 2024, it will increase capacity by about 25% and improve the efficiency of picking orders. This is the first step in further pick by wire efficiencies.

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 22.44x.

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 22.44x P/E multiple from the peer group, we reach the following calculation: \$2.75 estimated EPS multiplied by 22.44 = \$61.71.

Based on these calculations, we reiterate our buy recommendation for Acme United Corp. with a price target of \$61.71 for 2024, which is 52% above today's stock price.

SHARE DATA & OWNERSHIP

On June 30, 2024 Acme United had 3,679,000 common shares outstanding. The principal owners of the Company's common stock are

Capital Management Corp (14.7%), Walleye Capital LLC (9.7%), North Star Investment Management Corporation (8.9%), Walter Johnsen (8.9%), and Dimensional Fund Advisors (5.0%).

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 2021 – 6M 2024

All numbers in thousands

PERIOD ENDING	FY 2021	FY 2022	FY 2023	6M 2024
Total Revenue	182,088	193,962	191,501	100,382
Cost of Revenue	117,287	130,403	119,291	60,358
Gross Profit	64,801	63,559	72,210	40,024
Operating Expenses				
Selling, General and Administrative	52,030	57,285	59,022	31,090
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	52,030	57,285	59,022	31,090
Operating Income or Loss	12,771	6,274	13,188	8,934
Income from Continuing Operations				
Total Other Income (Expenses) Net	(196)	(246)	(28)	72
Earnings Before Interest And Taxes	12,575	6,028	13,160	9,006
Net Interest Expense	908	2,365	2,977	982
Gain on Sale of Assets			12,551*	
Income Before Tax	11,667	3,663	22,734	8,024
Income Tax Expense	1,519	628	4,941	1,935
Net Income From Continuing Ops	10,148	3,035	17,793	6,089
Non-recurring Events				
Discontinued Operations	-	-	-	-
Extraordinary Items	3,508**	-	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income	13,656	3,035	17,793	6,089
Preferred Stock And Other Adjustments	-	-	-	-
Net Income Applicable To Common Shares	\$13,656	\$3,035	\$17,793	\$6,089

Annual Income Statement FY 2021 – 6M 2024. 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.



Acme United Corporation

US: ACU

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