



Transcript of update interview with Mr. Walter C. Johnsen



Chairman and CEO of Acme United Corp.



Acme United Corporation

NYSE Amex: ACU

October 13, 2011

Walter C. Johnsen - Chairman and Chief Executive Officer. 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.

Smallcaps.us: A warm welcome to all our listeners. We're glad you joined us for a new Smallcaps.us interview. And also a warm welcome to Mr. Walter Johnsen, the Chairman and CEO of Acme United Corporation.

We've talked with Mr. Johnsen on several occasions in the past, regarding his Company's impressive performance and diversification in the tools, cutlery, medical, and office supply markets, and so we're delighted to sit down and get an update on the Company's progress. As a reminder, Acme United is listed on the New York Stock Exchange AMEX market with ticker symbol ACU. Walter, thanks for being here.

Walter C. Johnsen: Thank you very much Wim.

Smallcaps.us: Third quarter results will be announced later this month so we can't elaborate too much on them. But how do you feel about the third quarter? What is your general impression?

Walter C. Johnsen: Well, my general impression is that the overall economy in the U.S. and to a lesser extent in Europe has been soft. We have diversified our business into the garden area, the hardware and the industrial market and we are continuing to gain share in the office and school markets. So for us we are doing better than might be reported in the papers.

Smallcaps.us: At the end of the second quarter, Acme's goal for fiscal year 2011 was to generate \$70 to \$75 million in sales and \$1 dollar to \$1.05 in earnings per share. Is that guidance still in effect?

Walter C. Johnsen: We haven't released our

third quarter earnings yet, so it would be premature for me to update the guidance. However, our business continues to be solid. We continue to gain market share and I am quite optimistic that we'll be executing solid performance going forward.

Smallcaps.us: Despite the slow market, it was clear that good progress was being made in Europe during the first half of 2011 thanks to increased sales and cost reductions. Do you think the second half of 2011 will hold additional successes for Acme's European segment?

Walter C. Johnsen: I do. During the second quarter we announced that some promotions were being booked for the fourth quarter and in fact that's happened. Business could be above what we have done in previous years. The net results of cost reductions, price increases and new business have led to substantial improvements in our European business. And I am optimistic about the fourth quarter, particularly because these promotions were incremental to our regular business.

Smallcaps.us: Excellent. I understand that you recently attended the Paperworld conference in Shanghai, China. Can you tell us how Acme's products were received, and what was your overall impression of the event?

Walter C. Johnsen: Let us start with the impression first. The event was very well attended. About three quarters of the people and customers that we met with were Asian based. So that might be from China or Hong Kong, Thailand, Philippines, Korea, Japan, but truly Asian based buyers for medium and large firm. Some were globals like Tesco and Wal-Mart and Staples and Office Depot others were more local, but important and good distributors.

My impression of the Chinese market is that it continues to be developing very quickly and that the buying power is evident in many, many ways. As an example, I was in Hong Kong on National Day, which was October 1st, and I could not believe the jewelry stores which were just swamped by mainland Chinese customers, buying gold and jewelry. Clearly the buying power just continues to strengthen and I think our products are quite well positioned.

Now regarding the school market, because of the one child per family norm, right now there's a lot of interest in the school items and particularly western brands and quality products. Similarly in the office area, the multinationals and many of the more sophisticated Chinese companies are looking for and buying western brand and I think we are as good as any in the markets for scissors, rulers, pencil sharpeners, because we have these leading western brands.

Smallcaps.us: That's very interesting. As we know, most of Acme United's products are manufactured in China. How have increased wages in that country and higher material costs impacted Acme? And are the Company's margins affected?

Walter C. Johnsen: The Chinese RMB has continued to strengthen and since 2005, I understand there's now been about a 30% appreciation. Yet if you look at our margins, you see some impact in part of the product mix, but by and large we've been able to either cost reduce the products or increase productivity in the plants and we've been able to pass through modest price increases.

So having that as a backdrop and we look now going forward at some price pressure due to increased wages and some due to the devaluation of the dollar. We're continuing to address those costs as we've done over the last five years and that's to act smartly, to work with our customers and to work with our suppliers. I am quite confident that the net of all this will be continued excellent margins for Acme and real value for our customers.

Smallcaps.us: Of course, one of Acme's biggest news items this year, so far, is the acquisition of Pac-Kit, a company that mainly sells first aid kits. We were delighted to see, and I'm sure all shareholders, that the new brand immediately set record sales for the second quarter. So I wonder, what are your thoughts on the future of Pac-Kit?

Walter C. Johnsen: Well the nice thing about Pac-Kit is that it was an add-on to the first aid business. We already had experienced people in that product family, we already knew the market, it extended our distribution, but it was in an area that was very comfortable to us.

The first things we did was to get it on to our computer and IT systems, and get the accounting integrated with our own. That has been accomplished and is working quite well.

The next thing was to work on new customers and leverage the distribution that Acme has. We were successful with that. We early on landed one of the largest do-it-yourself chains in North America with a first aid kit. That's been followed with a hurricane preparedness kit. There were a number of hurricanes in the North East and the South East this third quarter and our products sold very well in an unfortunate environment.

We continue to be building the customers at Pac-Kit. We continue to be bidding out for new contracts and landing them. In addition, we've leveraged our buying power with the combined companies for components and in many cases we've been able to upgrade the quality of the components and keep the costs the same, or in fact to have the costs be slightly lower. So margins have increased.

Finally, as I look forward, I am very excited because of the ability to cross sell some of our cutting instruments. For example, bandage sheers where we're putting nonstick coatings on them and that could go into the whole customer base. So I am very happy and optimistic about that acquisition.

Smallcaps.us: Great. Speaking of acquisitions, are there any other ones in the pipeline?

Walter C. Johnsen: Well we are continuing to look. The nice thing is we generated enough cash flow this year, to probably by year-end have paid for the Pac-Kit acquisition. So the balance sheet is strong and we're positioned to take on the next one. However, we're not in a position right now to announce any acquisitions because we are not far enough along with any of them. We are looking and we are looking carefully.

Smallcaps.us: We noticed that in August, Acme increased its quarterly dividend by one cent to seven cents per share. How did you feel about that development?

Walter C. Johnsen: Well that's 7 cents per share per quarter, so that's 28 cents and if you annualize that on our stock price, it's about a 3% yield. We've increased the dividend as an indication to the shareholders that we're comfortable with our balance sheet, we're comfortable with our business and we see a solid future.

Smallcaps.us: OK. And before we close Walter, what are your final comments or thoughts you'd like to share with our listeners?

Walter C. Johnsen: The primarily one is that I'm very happy with where we are right now with the company. We're continuing to build our distribution. We're gaining market share with our iPoint pencil sharpeners. Our non-stick coatings and some of our new PVD coatings for enhancing hardness continue to broaden the application, so we can address the proprietary coatings. And we're being rewarded by that with increased distribution. So I am quite happy with where we're going and the momentum that we have feels good to me.

Smallcaps.us: That's good to know. It's been very informative speaking with you, Walter. Thanks again for taking the time to help us get to know Acme United a little better. We look forward to keeping track of the Company's progress, and would be happy to host another interview with you in the future.

Walter C. Johnsen: Well, thank you very much Wim. We release earnings on October 21st.

Interview Feedback

We welcome your questions and feedback regarding this interview at: <http://smallcaps.us/acme-united-chairman-ceo-walter-c-johnsen-discusses-future-prospects-with-smallcaps-us>.

About Smallcaps.us

Smallcaps.us highlights solid and honest companies with a market cap below \$100 million. We focus on fundamentally undervalued Companies with real revenues and earnings and we have a special interest in stocks with a high potential, innovative product or service.

Contact Smallcaps.us

Parc de l'Alliance
Boulevard de France 9a
1420 Brussels
Belgium
Tel. +32 (0)2 352 89 09
E-mail: [contact page](#)

Copyright

You're free to distribute this publication. You may not however add, remove, or change any content or links within this publication.

Legal Notice Regarding Forward Looking Statements

The interview referenced herein may contain certain "forward-looking statements" within the meaning of applicable securities laws, including without limitation, statements related to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth, and (iii) other risks and uncertainties indicated from time to time in the Company's public filings.