

REFINITIV

DELTA REPORT

10-Q

ACU - ACME UNITED CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	443
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 CHANGES	132
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 DELETIONS	192
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 ADDITIONS	119
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, March 31, 2023 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: to

Commission file number: 01-07698

ACME UNITED CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Connecticut

06-0236700

State or Other Jurisdiction of
Incorporation or Organization

I.R.S. Employer Identification No.

1 Waterview Drive, Shelton, Connecticut

06484

Address of Principal Executive Offices

Zip Code

Registrant's telephone number, including area code: (203) 254-6060

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
\$2.50 par value Common Stock	ACU	NYSE American

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (sec. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company"

and “emerging growth company” in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(s) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Registrant had 3,585,070 3,661,880 shares of its \$2.50 par value Common Stock outstanding as of November 3, 2023 May 3, 2024.

ACME UNITED CORPORATION
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Part I - FINANCIAL INFORMATION

Item 1: Financial Statements

ACME UNITED CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(all amounts in thousands)

	September 30, 2023 (unaudited)	December 31, 2022 (Note 1)	March 31, 2024 (unaudited)	December 31, 2023 (Note 1)
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,567	\$ 6,100	\$ 2,443	\$ 4,796
Accounts receivable, less allowance of \$885 in 2023 and \$1,061 in 2022	33,855	32,604		
Accounts receivable, less allowance of \$678 in 2024 and \$567 in 2023			32,966	26,234
Inventories	54,575	63,325	56,887	55,470

Prepaid expenses and other current assets	3,779	2,821	5,357	4,773
Restricted cash	750	750	750	750
Total current assets	98,526	105,600	98,403	92,023
Property, plant and equipment:				
Land	1,978	1,979	2,387	2,387
Buildings	16,378	16,614	17,677	17,502
Machinery and equipment	35,182	31,492	35,846	34,705
	53,538	50,085	55,910	54,594
Less: accumulated depreciation	25,830	23,669	27,047	26,568
Net property, plant and equipment	27,708	26,416	28,863	28,026
Operating lease right-of-use asset, net	2,300	2,632	5,530	2,002
Goodwill	8,189	8,189	8,189	8,189
Intangible assets, less accumulated amortization	19,546	20,790	18,396	19,001
Other assets - restricted cash	-	750		
Total assets	\$ 156,269	\$ 164,377	\$ 159,381	\$ 149,241

See Notes to Condensed Consolidated Financial Statements.

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ACME UNITED CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (continued)
(all amounts in thousands, except par value and share amounts)

	September 30, 2023 (unaudited)	December 31, 2022 (Note 1)	March 31, 2024 (unaudited)	December 31, 2023 (Note 1)
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 9,976	\$ 10,514	\$ 7,907	\$ 12,102
Operating lease liability - current portion	1,165	1,130	1,577	1,099
Current portion of mortgage payable	415	405	424	419
Other current liabilities	13,873	10,078	11,930	12,393

Total current liabilities	25,429	22,127	21,838	26,013
Non-current liabilities:				
Long-term debt	32,934	49,916	23,294	13,105
Mortgage payable, net of current portion	10,393	10,694	10,179	10,284
Operating lease liability - non-current portion	1,279	1,683	4,063	1,026
Deferred income taxes	305	305	899	899
Other non-current liabilities	23	622	16	16
Total liabilities	70,363	85,347	60,289	51,343
Commitments and contingencies (see note 2)				
STOCKHOLDERS' EQUITY				
Common stock, par value \$2.50:				
Common stock, par value \$2.50:				
authorized 8,000,000 shares;				
5,129,942 shares issued and 3,585,070 shares outstanding in 2023 and				
5,083,051 shares issued and 3,538,179 shares outstanding in 2022	12,816	12,699		
5,206,752 shares issued and 3,661,880 shares outstanding in 2024 and				
5,190,072 shares issued and 3,645,200 shares outstanding in 2023			13,008	12,966
Additional paid-in capital	15,201	13,448	16,317	15,918
Retained earnings	76,055	70,967	87,791	86,716
Treasury stock, at cost - 1,544,872 shares in 2023 and 2022	(15,996)	(15,996)		
Treasury stock, at cost - 1,544,872 shares in 2024 and 2023			(15,996)	(15,996)
Accumulated other comprehensive loss:				
Translation adjustment	(2,170)	(2,088)	(2,028)	(1,706)
Total stockholders' equity	85,906	79,030	99,092	97,898
Total liabilities and stockholders' equity	\$ 156,269	\$ 164,377	\$ 159,381	\$ 149,241

See Notes to Condensed Consolidated Financial Statements.

ACME UNITED CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(all amounts in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net sales	50,3	49,7	149,	149,		
	\$ 84	\$ 44	\$ 559	\$ 849	\$ 44,956	\$ 45,838
Cost of goods sold	30,8	33,8	93,7	100,		
	81	19	52	374	27,560	29,557
Gross profit	19,5	15,9	55,8	49,4		
	03	25	07	75	17,396	16,281
Selling, general and administrative expenses	15,8	14,9	44,7	43,1		
	46	72	11	76	14,838	14,093
Operating income	3,65		11,0	6,29		
	7	953	96	9	2,558	2,188
Non-operating items:						
Interest:						
			2,59	1,45		
Interest expense	816	722	5	9	476	919
Interest income	(32)	(8)	(78)	(16)	(33)	(17)
			2,51	1,44		
Interest expense, net	784	714	7	3	443	902
Other expense, net	55	209	9	354		
Other income, net					(44)	(23)
Income before income tax expense	2,81		8,57	4,50		
	8	30	0	2	2,159	1,309
			1,98			
Income tax expense (benefit)	666	(34)	4	870		
Income tax expense					523	319
Net income	2,15		6,58	3,63		
	\$ 2	\$ 64	\$ 6	\$ 2	\$ 1,636	\$ 990

Basic earnings per share	<u>\$ 0.60</u>	<u>\$ 0.02</u>	<u>\$ 1.85</u>	<u>\$ 1.03</u>	<u>\$ 0.45</u>	<u>\$ 0.28</u>
Diluted earnings per share	<u>\$ 0.58</u>	<u>\$ 0.02</u>	<u>\$ 1.83</u>	<u>\$ 0.96</u>	<u>\$ 0.39</u>	<u>\$ 0.28</u>
Weighted average number of common shares outstanding-denominator used for basic per share computations	3,578	3,530	3,558	3,525	3,650	3,541
Weighted average number of dilutive stock options outstanding	143	162	38	256	563	-
Denominator used for diluted per share computations	<u>3,721</u>	<u>3,692</u>	<u>3,596</u>	<u>3,781</u>	<u>4,213</u>	<u>3,541</u>
Dividends declared per share	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ 0.42</u>	<u>\$ 0.41</u>	<u>\$ 0.15</u>	<u>\$ 0.14</u>

See Notes to Condensed Consolidated Financial Statements.

ACME UNITED CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(all amounts in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net income	\$ 2,152	\$ 64	\$ 6	\$ 3,632	\$ 1,636	\$ 990
Other comprehensive loss:						
Other comprehensive (loss) income:						
Foreign currency translation adjustment	(305)	(904)	(82)	(1,451)	(322)	109

			6,50	
Comprehensive income (loss)	\$ 1,847	\$ (840)	\$ 4	\$ 2,181
Comprehensive income	\$ 1,314		\$ 1,099	

See Notes to Condensed Consolidated Financial Statements.

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ACME UNITED CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)
(all amounts in thousands, except share amounts)

For the three months ended September 30, 2022

	Outstandi ng Shares of Common Stock	Common Stock	Treasury Stock	Additi on al Paid-In Capital	Accumulate d Other Comprehens ive Loss	Retained Earnings	Total
	3,521,37						
Balances, June 30, 2022	3	\$ 12,657	\$ (15,996)	\$ 12,598	\$ (1,927)	\$ 72,491	\$ 79,823
Net income						64	64
Other comprehensive loss					(904)		(904)
Stock compensation expense				637			637
Distributions to shareholders						(495)	(495)
Issuance of common stock	5,239	13		55			68
Cash settlement of stock options	8,117	20		(232)			(212)
	3,534,72						
Balances September 30, 2022	9	\$ 12,690	\$ (15,996)	\$ 13,058	\$ (2,831)	\$ 72,060	\$ 78,981

For the three months ended September 30, 2023 March 31, 2023

	Output and Financing Statement							Balance Sheet						
	Assets							Liabilities and Equity						
	Current Assets							Current Liabilities						
	Non-Current Assets							Non-Current Liabilities						
	Total Assets							Total Liabilities and Equity						
	Other	Accumulated	Other	Retained	Other	Retained	Total	Outstanding	Additional	Accumulated	Other	Retained	Total	
	Shares of	Common	Treasury	Paid-In	Other	Comprehensive	Loss	Common	Common	Common	Common	Common	Common	
	Stock	Stock	Stock	Capital	Loss	Earnings		Stock	Stock	Stock	Capital	Loss	Earnings	
	3													
	,													
	5	(
	6	1	1	1	(7	8							
	8	2	5	4	1	4	3							
	,	,	,	,	,	,	,							
	0	7	9	3	8	4	6							
Balances,	0	7	9	3	6	0	5							
June 30, 2023	6	\$3	\$6)	\$3	\$5)	\$6	\$1							
Balances,														
December 31,														
2022								3,538,179	\$ 12,699	\$ (15,996)	\$ 13,448	\$ (2,088)	\$ 70,967 \$ 79,030	

[illegible]

Balances								
March 31,								
2023		3,545,725	\$ 12,717	\$ (15,996)	\$ 13,914	\$ (1,979)	\$ 71,460	\$ 80,116

For the nine three months ended September 30, 2022

	Outstandin			Additiona	Accumulat		
	g			I	ed		
	Shares of	Common	Treasury	Paid-In	Other	Retained	
	Common	Stock	Stock	Capital	Comprehen	Earnings	Total
	Stock				sive		
					Loss		
Balances, December 31, 2021	3,520,646	\$ 12,655	\$ (15,996)	\$ 11,930	\$ (1,380)	\$ 69,873	\$ 77,082
Net income						3,632	3,632
Other comprehensive loss					(1,451)		(1,451)
Stock compensation expense				1,405			1,405
Distributions to shareholders						(1,445)	(1,445)
Issuance of common stock	5,966	15		63			78
Cash settlement of stock options				(108)			(108)
Net share settlement of stock options	8,117	20		(232)			(212)
Balances September 30, 2022	3,534,729	\$ 12,690	\$ (15,996)	\$ 13,058	\$ (2,831)	\$ 72,060	\$ 78,981

For the nine months ended September 30, 2023 March 31, 2024

	Outstanding and Dividends Share Accumulated													
	Common Stock	Preferred Stock	Treasury Stock	Additional Paid-In Capital	Other Comprehensive Loss	Retained Earnings	Total	Outstanding Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Other Comprehensive Loss	Retained Earnings	Total
	3													
	,													
	5		(
	3	1	1	1		7	7							
	8	2	5	3		0	9							
	,	,	,	,	(2	,	,							
Balances,	1	6	9	4	,0	9	0							
December	7	9	9	4	8	6	3							
31, 2022	9	\$ 9	\$ 6)	\$ 8	\$ 8)	\$ 7	\$ 0							
Balances,														
December														
31, 2023								3,645,200	\$ 12,966	\$ (15,996)	\$ 15,918	\$ (1,706)	\$ 86,716	\$ 97,898
	6						6							
							,	,						
							5	5						
Net							8	8						
income							6	6	1,636 1,636					

[illegible]

Balances								
March 31,								
2024	3,661,880	\$ 13,008	\$ (15,996)	\$ 16,317	\$	(2,028)	\$ 87,791	\$ 99,092

See Notes to Condensed Consolidated Financial Statements.

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ACME UNITED CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(all amounts in thousands)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Cash flows from operating activities:				
Net income	\$ 6,586	\$ 3,632	\$ 1,636	\$ 990
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Depreciation	2,191	2,006	860	720
Amortization of intangible assets	1,541	1,298	605	517
Non-cash lease adjustment	(15)	-	(12)	(12)
Stock compensation expense	1,487	1,405	449	424
Provision for bad debt	76	75	112	26
Amortization of deferred financing costs	29	11	9	9
Changes in operating assets and liabilities:				
Accounts receivable	(1,572)	(5,836)	(6,774)	(666)
Inventories	8,707	(12,807)	(1,659)	4,987
Prepaid expenses and other assets	(221)	(1,393)	(590)	(1,405)
Accounts payable	(935)	3,048	(4,517)	73
Other accrued liabilities	3,788	954	(287)	2,013

	15,07	(11,2		
Total adjustments	6	39)	(11,804)	6,686
	21,66	(7,60		
Net cash provided by (used in) operating activities	2	7)		
Net cash (used in) provided by operating activities			(10,168)	7,676
Cash flows from investing activities:				
	(3,47	(3,29		
Purchase of property, plant and equipment	7)	9)	(1,611)	(701)
Purchase of intangible assets	(296)	(300)		
		(9,60		
Contingent payment related to the acquisition of Safety Made	(750)	9)		
	(4,52	(13,2		
Net cash used in investing activities	3)	08)	(1,611)	(701)
Cash flows from financing activities:				
	(17,0	24,09		
Net (repayments) borrowings of long-term debt	00)	4		
Net borrowings (repayments) of long-term debt			10,183	(9,787)
Tax withholding on net share settlement of stock options	(143)	(211)	(35)	-
Cash settlement of stock options	-	(108)	(296)	-
Repayments on mortgage	(301)	(290)	(104)	(101)
Proceeds from issuance of common stock	526	78	323	61
	(1,49	(1,40		
Distributions to shareholders	1)	8)	(561)	(497)
	(18,4	22,15		
Net cash (used in) provided by financing activities	08)	5		
Net cash provided by (used in) financing activities			9,510	(10,324)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(15)	(465)	(84)	13
	(1,28			
Net change in cash, cash equivalents and restricted cash	3)	875	(2,353)	(3,336)
Cash, cash equivalents and restricted cash at beginning of period	7,600	4,843	5,546	7,600
Cash, cash equivalents and restricted cash at end of period	\$ 6,317	\$ 5,718	\$ 3,193	\$ 4,264
Supplemental cash flow information:				

Cash paid for income taxes	\$ 776	\$ 242	\$ 9	\$ 122
Cash paid for interest	\$ 2,592	\$ 1,292	\$ 385	\$ 919
Non-cash financing activity				
Net share settlement of stock options	\$ 28	\$ -		
Safety Made acquisitions contingent consideration	\$ -	\$ 1,270		

See Notes to Condensed Consolidated Financial Statements.

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ACME UNITED CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

The accompanying condensed consolidated financial statements include all adjustments necessary to present fairly the financial position, results of operations and cash flows of Acme United Corporation (the "Company"). These adjustments are of a normal, recurring nature. However, the financial statements do not include all the disclosures normally required by accounting principles generally accepted in the United States or those normally made in the Company's Annual Report on Form 10-K. Please refer to the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** for such disclosures. The condensed consolidated balance sheet as of **December 31, 2022** **December 31, 2023** was derived from the audited consolidated balance sheet as of that date. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in the Company's **2022** **2023** Annual Report on Form 10-K. The Company has evaluated events and transactions subsequent to **September 30, 2023** **March 31, 2024** and through the date these condensed consolidated financial statements were issued.

Recently Adopted Issued Accounting Standards

In **June 2016**, **November 2023**, the FASB issued ASU **No. 2023-07**, **2016 Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures-13**, Financial Instruments-Credit Losses ("ASU 2016-13"), which provides new authoritative guidance with respect to requires the measurement disclosure of credit losses on financial instruments. This update changes the impairment model for most financial assets and certain other instruments by introducing a current expected credit loss ("CECL") model. The CECL model is a more forward-looking approach based on expected losses rather than incurred losses, requiring entities to estimate and record losses expected over the remaining contractual life of an asset. **additional segment information**. ASU **2016-13** **No. 2023-07** is effective for fiscal years beginning after **December 15, 2022** **December 15, 2023**, including and interim periods within those fiscal years beginning after **December 15, 2024**; this ASU allows for smaller reporting companies, early adoption. The Company adopted **is currently evaluating the impact of adopting ASU 2016-13** **2023-07**.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on January 1, 2023 income taxes paid. ASU No. 2023-09 is effective for annual periods beginning after December 15, 2024. The adoption did not have an guidance is to be applied on a prospective basis with the option to apply the standard retrospectively; this ASU allows for early adoption. The Company is currently evaluating the impact on our condensed consolidated financial statements of adopting ASU 2023-09.

2. **Commitment** Commitments and Contingencies

There are no pending material legal proceedings to which the Company is a party, or, to the actual knowledge of the Company, contemplated by any governmental authority.

3. Revenue from Contracts with Customers

Nature of Goods and Services

The Company recognizes revenue from the sales of a broad line of products that are grouped into two main categories: (a) first aid and medical; and (b) cutting sharpening and measuring. The cutting, sharpening and measuring category includes scissors, knives, paper trimmers, pencil sharpeners and other sharpening tools, sharpening. The first aid and medical category includes first aid kits and refills, over-the-counter medications and a variety of medical products. The cutting and sharpening category includes scissors, knives, paper trimmers, pencil sharpeners and other sharpening tools. Revenue recognition is evaluated through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

When Performance Obligations Are Satisfied

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Revenue is generated by the sale of the Company's products to its customers. Sales contracts (purchase orders) generally have a single performance obligation that is satisfied at a point in time, upon shipment or delivery, depending on the terms of the underlying contract. Revenue is measured based on the consideration specified in the contract. The amount of consideration we receive and revenue we recognize is impacted by incentives ("customer rebates"), including sales rebates, which are generally tied to sales volume levels, in-store promotional allowances, shared media and customer catalog allowances and other cooperative advertising arrangements; freight allowance programs offered to our customers; and allowance for returns and discounts. We generally recognize customer rebate costs as a deduction to gross sales at the time that the associated revenue is recognized.

Significant Payment Terms

Payment terms for each customer are dependent on the agreed upon contractual repayment terms. Payment terms typically are between 30 and 90 days and vary depending on the size of the customer and its risk profile to the Company. Some customers receive discounts

for early payment.

Product Returns

The Company accepts product returns in the normal course of business. The Company estimates reserves for returns and the related refunds to customers based on historical experience. Reserves for returned merchandise are included as a component of “Accounts receivable” in the condensed consolidated balance sheets.

Practical Expedient Usage and Accounting Policy Elections

For the Company’s contracts that have an original duration of one year or less, the Company uses the practical expedient in ASC 606-10-32-18 applicable to such contracts and does not consider the time value of money in relation to significant financing components. The effect of applying this practical expedient election did not have an impact on the Company’s condensed consolidated financial statements.

Per ASC 606-10-25-18B, the Company has elected to account for shipping and handling activities that occur after the customer has obtained control as a fulfillment activity instead of a performance obligation. Furthermore, shipping and handling activities performed before transfer of control of the product also do not constitute a separate and distinct performance obligation. The effect of applying this practical expedient election did not have an impact on the Company’s condensed consolidated financial statements.

The Company has elected to exclude from the transaction price those amounts which relate to sales and other taxes that are assessed by governmental authorities and that are imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer.

Applying the practical expedient in ASC 340-40-25-4, *Other Assets and Deferred Costs*, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred. These costs are included in “Selling, general and administrative expenses.”

Disaggregation of Revenues

The following table represents external net sales disaggregated by product category, by segment (amounts in thousands):

For the three months ended **September 30, 2023** **March 31, 2024**

	United States	Canada	Euro pe	Total	United States	Canada	Euro pe	Total
Cutting, Sharpening and Measuring	\$ 15,834	\$ 54	\$ 27	\$ 15				
First Aid and Medical	27,854	51	364	69	\$ 24,609	\$ 2,191	\$ 258	\$ 27,058
Cutting and Sharpening					13,382	848	3,668	17,898
Total Net Sales	\$ 43,688	\$ 05	\$ 91	\$ 84	\$ 37,991	\$ 3,039	\$ 3,926	\$ 44,956

For the three months ended **September 30, 2022** **March 31, 2023**

	United States	Canada	Europe	Total	United States	Canada	Europe	Total
Cutting, Sharpening and Measuring	\$ 17,934	\$ 1,799	\$ 2,792	\$ 22,525				
First Aid and Medical	25,009	30	380	19	\$ 24,770	\$ 1,852	\$ 367	\$ 26,989
Cutting and Sharpening					14,083	1,405	3,361	18,849
Total Net Sales	\$ 42,943	\$ 3,629	\$ 3,172	\$ 49,744	\$ 38,853	\$ 3,257	\$ 3,728	\$ 45,838

For the nine months ended September 30, 2023

	United States	Canada	Europe	Total
Cutting, Sharpening and Measuring	\$ 46,450	\$ 4,841	\$ 9,871	\$ 61,162
First Aid and Medical	81,293	6,097	1,007	88,397
Total Net Sales	\$ 127,743	\$ 10,938	\$ 10,878	\$ 149,559

For the nine months ended September 30, 2022

	United States	Canada	Europe	Total
Cutting, Sharpening and Measuring	\$ 55,221	\$ 5,584	\$ 9,905	\$ 70,710
First Aid and Medical	72,368	5,536	1,235	79,139
Total Net Sales	\$ 127,589	\$ 11,120	\$ 11,140	\$ 149,849

4. Debt and Shareholders' Equity

Long-term debt consists of (i) borrowings under the Company's revolving loan agreement with HSBC Bank, N.A. ("HSBC") and (ii) amounts outstanding under the fixed rate mortgage on the Company's manufacturing and distribution facilities in Rocky Mount, NC and Vancouver, WA. The revolving loan agreement provides for borrowings of up to \$65 million at an interest rate of Secured Overnight Financing Rate ("SOFR") plus **1.75% a margin of +1.75%**; interest is payable monthly. The credit facility has an expiration date of **May 31, 2026** **May 31, 2026**. The Company must pay a facility fee, payable quarterly, in an amount equal to one eighth of one percent (.125%) per annum of the average daily unused portion of the revolving credit line. The facility is intended to provide liquidity for growth, acquisitions, dividends, share repurchases, and other operating activities. Under the revolving loan agreement, the Company is required to maintain **a specific amounts ratio** of funded debt to EBITDA, a fixed charge coverage ratio and must have annual net income greater than \$0, measured as of the end of each fiscal year. **On November 8, 2022, the revolving loan agreement was amended to increase the ratio of funded debt to EBITDA. The increase was in effect during the four quarters commencing in the third quarter of 2022 and ending with the three months ended June 30, 2023. The increase for those four quarters ranged from a low of 4.75 to 1 to a high of 5.75 to 1.**

The amendment also modified the interest rate from SOFR +1.75% to range from SOFR +1.60% up to a high of SOFR + 2.35% on a basis that varies quarterly with the funded debt to EBITDA ratio. As of September 30, 2023 March 31, 2024, the Company was in compliance with the covenants under the revolving loan agreement as then in effect.

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As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had outstanding borrowings of \$33,000,000 23,347,000 and \$49,916,000 13,165,000, excluding deferred financing costs of \$53,000 and \$60,000, respectively, under the Company's revolving loan agreement with HSBC.

The Company's manufacturing and distribution facilities in Rocky Mount, NC and Vancouver, WA were financed by a fixed rate mortgage with HSBC at a fixed interest rate of 3.8%. The Company entered into the agreement on December 1, 2021. Commencing on January 1, 2022, payments of principal and interest are due monthly, with all amounts outstanding due on maturity on December 1, 2031. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, long-term debt related to the mortgage consisted of the following (amounts in '000's):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Mortgage payable - HSBC Bank N.A.	\$ 10,932	\$ 11,233	\$ 10,719	\$ 10,823
Less debt issuance costs	(124)	(134)	(116)	(120)
	10,808	11,099	10,603	10,703
Less current maturities	415	405	424	419
Long-term mortgage payable less current maturities	\$ 10,393	\$ 10,694	\$ 10,179	\$ 10,284

During the three and nine months ended September 30, 2023 March 31, 2024, the Company issued a total of 14,875 and 35,577 14,438 shares of common stock and received aggregate proceeds of \$237,000 and \$526,000 323,000 upon exercise of employee stock options. Also, during the three and nine months ended September 30, 2023 March 31, 2024, the Company issued 2,189 and 11,314 2,242 shares of common stock to optionees who had elected a net share settlement of certain of their respective options. During the three months ended March 31, 2024, the Company paid approximately \$296,000 to optionees who had elected a net cash settlement of certain of their respective options.

5. Segment Information

The Company reports financial information based on the organizational structure used by the Company's chief operating decision maker for making operating and investment decisions and for assessing performance. The Company's reportable business segments consist of: (1) United States; (2) Canada; and (3) Europe. As described below, the activities of the Company's Asian operations are closely linked to those of the U.S. operations; accordingly, the Company's chief operating decision maker reviews the financial results of both, on a consolidated basis, and as such, the results of the Asian operations have been aggregated with the results of the United States

operations to form one reportable segment called the “United States segment” or “U.S. segment”. Each reportable segment derives its revenue from the sales of first aid and medical products, cutting and sharpening devices and measuring instruments for school, office, home, hardware, sporting and industrial use.

Domestic sales orders are filled primarily from the Company’s distribution centers in North Carolina, Washington, Massachusetts, Tennessee, Florida, New Hampshire and California. The Company is responsible for the costs of shipping, insurance, customs clearance, duties, storage and distribution related to such products. Orders filled from the Company’s inventory are generally for less than container-sized lots.

Direct import sales are products sold by the Company’s Asian subsidiary, directly to major U.S. retailers, who take ownership of the products in Asia. These sales are completed by delivering products to the customers’ common carriers at the shipping points in Asia. Direct import sales are made in larger quantities than domestic sales, typically full containers. Direct import sales represented approximately 78% of the Company’s total net sales for the three and nine months ended September 30, 2023 March 31, 2024 compared to 86% and 9%, respectively for the same periods period in 2022, 2023.

The chief operating decision maker evaluates the performance of each operating segment based on segment revenues and operating income. Segment revenues are defined as total revenues, including both external customer revenue and inter-segment revenue. Segment operating earnings

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are defined as segment revenues, less cost of goods sold and operating expenses. Identifiable assets by segment are those assets used in the respective reportable segment’s operations. Inter-segment amounts are eliminated to arrive at consolidated financial results.

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The following table sets forth certain financial data by segment for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023:

Financial data by segment:
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Sales to external customers:						
United States	\$ 88	\$ 43	\$ 743	\$ 589	\$ 37,991	\$ 38,853
	3,30	3,62	10,9	11,1		
Canada	5	9	38	20	3,039	3,257

	3,39	3,17	10,8	11,1		
Europe	1	2	78	40	3,926	3,728
	50,3	49,7	149,	149,		
Consolidated	\$ 84	\$ 44	\$ 559	\$ 849	\$ 44,956	\$ 45,838
Operating income:						
	3,42		9,45	5,03		
United States	\$ 0	\$ 767	\$ 1	\$ 2	\$ 2,339	\$ 1,781
				1,21		
Canada	34	354	995	4	39	217
Europe	203	(168)	650	53	180	190
	3,65		11,0	6,29		
Consolidated	\$ 7	\$ 953	\$ 96	\$ 9	\$ 2,558	\$ 2,188
Interest expense, net	784	714	7	3	443	902
Other expense, net	55	209	9	354		
Other income, net					(44)	(23)
Consolidated income before income taxes	2,81		8,57	4,50		
	\$ 8	\$ 30	\$ 0	\$ 2	\$ 2,159	\$ 1,309

Assets by segment:
(in thousands)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
United States	\$ 136,903	\$ 144,466	\$ 139,228	\$ 131,382
Canada	9,246	9,078	11,094	8,557
Europe	10,120	10,833	9,059	9,302
Consolidated	\$ 156,269	\$ 164,377	\$ 159,381	\$ 149,241

6. Stock Based Compensation

The Company recognizes share-based compensation **at based on** the fair value of the equity instrument on the grant date. Compensation expense is recognized over the required service period, which is generally the vesting period of the equity instrument. Share-based compensation expense was approximately **\$674,000** and **\$1,487,000** **449,000** for the three **and nine** months ended

September 30, 2023 March 31, 2024 compared to approximately \$637,000 and \$1,405,000 424,000 for the three and nine months ended September 30, 2022 March 31, 2023.

As of September 30, 2023 March 31, 2024, there was a total of \$3,992,950 3,102,278 of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested share-based payments granted to the Company's employees. As of that date, the remaining unamortized expense was expected to be recognized over a weighted average period of approximately three years.

7. Fair Value Measurements

The carrying value of the Company's bank debt is a reasonable estimate of fair value because of the nature of its payment terms and maturity. The Company's contingent liability related to the acquisition of Safety Made is recorded at its fair value of \$750,000 which is recorded in other current liabilities on the condensed consolidated balance sheet as of September 30, 2023 March 31, 2024. Changes in the fair value of the liability are recorded in earnings. There was an increase in the liability of \$45,000 and \$170,000, respectively, during the three and nine months ended September 30, 2023. During the nine months ended September 30, 2023, the Company paid \$750,000 of the \$1.5 million held in escrow related to the contingent liability.

8. Leases

The Company has operating leases for office and warehouse space and equipment under various arrangements which provide the right to use the underlying asset and require lease payments for the lease term. The Company's lease portfolio consists of operating leases which expire at various dates through 2026. 2029.

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Certain of the Company's lease arrangements contain renewal provisions, exercisable at the Company's option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company determines if an arrangement is an operating lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet. All other leases are recorded on the balance sheet with right-of-use ("ROU") assets representing the right to use the underlying asset for the lease term and lease liabilities representing the obligation to make lease payments arising from the lease.

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Operating lease cost was \$0.3 million for the three months ended September 30, 2023 March 31, 2024, of which \$0.1 million was included in cost of goods sold and \$0.2 million was included in selling, general and administrative expenses. Operating lease cost was \$1.0 million for the nine months ended September 30, 2023, of which \$0.3 million was included in cost of goods sold and \$0.7 million was included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

Information related to leases (in thousands):

Three Months Ended	Three Months Ended
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	September 30, 2023	September 30, 2022
Operating cash flow information:		
Operating lease cost	\$ 343	\$ 308
Operating lease - cash flow	\$ 369	\$ 319
Non-cash activity:		
ROU assets obtained in exchange for lease liabilities	\$ 240	\$ 334

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating cash flow information:				
Operating lease cost	\$ 1,020	\$ 926	\$ 341	\$ 334
Operating lease - cash flow	\$ 1,062	\$ 964	\$ 354	\$ 346
Non-cash activity:				
ROU assets obtained in exchange for lease liabilities	\$ 581	\$ 545	\$ 3,818	\$ 341

	September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023
Weighted-average remaining lease term	2.0 years	3.0 years	4.0 years	3.0 years
Weighted-average discount rate	5 %	5 %	7 %	5 %

Future minimum lease payments under non-cancelable leases as of **September 30, 2023** **March 31, 2024**:

2023 (remaining)	\$ 357	
2024	1,172	
2024 (remaining)		\$ 1,400
2025	883	1,755
2026	165	1,068
2027		926
2028		960
Thereafter		357
Total future minimum lease payments	\$ 2,577	\$ 6,466

Less: imputed interest	(133)	(826)
Present value of lease liabilities - current	1,165	1,577
Present value of lease liabilities - non-current	\$ 1,279	\$ 4,063

9. Other Accrued Liabilities

Other current and non-current accrued liabilities consisted of (in thousands):

	September 30, 2023	December 31, 2022
Customer rebates	\$ 6,218	\$ 5,534
Contingent liability - Safety Made	750	1,330
Accrued compensation	2,408	791
Dividend payable	503	495
Income tax payable	1,321	534
Other	2,696	2,016
Total:	\$ 13,896	\$ 10,700

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	March 31, 2024	December 31, 2023
Customer rebates	\$ 6,120	\$ 5,721
Contingent liability - Safety Made	750	750
Accrued compensation	2,050	2,585
Dividend payable	547	547
Income tax payable	748	363
Other	1,731	2,442
Total:	\$ 11,946	\$ 12,408

10. Cash, Cash Equivalents and Restricted Cash

(in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 5,567	\$ 6,100	\$ 2,443	\$ 4,796
Restricted Cash - current	750	750	750	750
Restricted Cash - non-current	-	750		

Total cash, cash equivalents and restricted cash	\$ 6,317	\$ 7,600	\$ 3,193	\$ 5,546
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Restricted cash, which is reported within current assets in the condensed consolidated balance sheets consists of the contingent payment held in escrow related to the acquisition of Safety Made. During the nine months ended September 30, 2023, the Company paid \$750,000 upon the satisfaction of certain financial targets associated with the Safety Made acquisition.

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11. Intangible Assets and Goodwill

The Company's intangible assets and goodwill consisted of (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Tradename	\$ 10,008	\$ 10,008	\$ 10,008	\$ 10,008
Customer list	18,798	18,501	18,823	18,823
Non-compete	1,248	1,248	1,248	1,248
Slice license agreement	380	380	380	380
Patents	2,272	2,272	2,272	2,272
Subtotal	32,706	32,409	32,731	32,731
Less: Accumulated amortization	13,160	11,619	14,335	13,730
Intangible assets	\$ 19,546	\$ 20,790	\$ 18,396	\$ 19,001
Goodwill	\$ 8,189	\$ 8,189	\$ 8,189	\$ 8,189
Total:	\$ 27,735	\$ 28,979	\$ 26,585	\$ 27,190

The useful lives of the identifiable intangible assets range from 5 years to 15 years.

12. Inventories

Inventories consisted of (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Finished goods	\$ 38,581	\$ 45,371	\$ 40,851	\$ 39,316

Work in process	285	408	264	208
Materials and supplies	15,709	17,546	15,772	15,946
	<u>\$ 54,575</u>	<u>\$ 63,325</u>	<u>\$ 56,887</u>	<u>\$ 55,470</u>

Inventories are stated at the lower of cost or net realizable value, determined by the first-in, first-out method.

13. Subsequent Event Divestiture

On November 1, 2023, the Company sold the assets of its Camillus Cutlery and Cuda business lines (the “Business”) to GSM Holdings, Inc., a Delaware corporation (“GSM Holdings”), pursuant to an Asset Purchase Agreement entered into on the same date.

The purchase price for the Business was \$19,773,000. At closing, GSM Holdings paid \$18,273,000 to the Company; the balance of the purchase price, \$1,500,000, is subject to a 12-month holdback as a non-exclusive source of recovery primarily to satisfy indemnification claims under the Asset Purchase Agreement.

The Asset Purchase Agreement contains customary representations, warranties and covenants by the Company and GSM Holdings, including confidentiality, non-solicitation obligations and indemnification obligations. Under the terms of a related License Agreement dated November

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1, 2023, November 1, 2023, the Company has provided a royalty-free, perpetual, non-exclusive license to certain patents held by the Company that are used in the Business.

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MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

The Company may from time to time make written or oral “forward-looking statements” including statements contained in this report and in other communications by the Company, which are made in good faith pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based on our beliefs as well as assumptions made by and information currently available to us. When used in this document, words like “may,” “might,” “will,” “except,” “anticipate,” “believe,” “potential,” and similar expressions are intended to identify forward-looking statements. Actual results could differ materially from our current expectations.

Forward-looking statements in this report, including without limitation, statements related to the Company’s plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties that may impact the Company’s business, operations and financial results.

These risks and uncertainties include, without limitation, the following: (i) changes in the Company's plans, strategies, objectives, expectations and intentions, which may be made at any time at the discretion of the Company; (ii) the impact of uncertainties in global economic conditions, including the impact on the Company's suppliers and customers; (iii) the continuing adverse impact of inflation, including product costs, and interest rates; (iv) potential adverse effects on the Company, its customers, and suppliers resulting from the wars in Ukraine and the Middle East; (v) additional disruptions in the Company's supply chains, whether caused by pandemics, natural disasters, or otherwise, including trucker shortages, port closures and delays, and delays with container ships themselves; or otherwise; (vi) labor related costs the Company has and may continue to incur, including costs of acquiring and training new employees and rising wages and benefits; (vii) currency fluctuations including, for example, the fluctuation of the dollar against the euro; (viii) the Company's ability to effectively manage its inventory in a rapidly changing business environment; (ix) changes in client needs and consumer spending habits; (x) the impact of competition; (xi) the impact of technological changes including, specifically, the growth of online marketing and sales activity; (xii) the Company's ability to manage its growth effectively, including its ability to successfully integrate any business it might acquire; (xiii) international trade policies and their impact on demand for our products and our competitive position, including the imposition of new tariffs or changes in existing tariff rates; and (xiv) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission.

For a more detailed discussion of these and other factors affecting the Company, see the Risk Factors described in Item 1A included in the Company's Annual Report on Form 10-K for the fiscal year December 31, 2022 December 31, 2023 and below under "Financial Condition". All forward-looking statements in this report are based upon information available to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except as required by law.

Critical Accounting Policies

We discuss our critical accounting policies and estimates in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Critical Accounting Estimates

There have been no material changes to the Company's critical accounting estimates as previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Results of Operations

Traditionally, the Company's sales of its cutting, sharpening, and measuring products profits are stronger in the second and third quarters and weaker in the first and fourth quarters of the fiscal year, due to the seasonal nature of the Westcott back-to-school market.

Net sales

Consolidated net sales for the three months ended September 30, 2023 March 31, 2024 were \$50,384,000 \$44,956,000 compared to \$49,744,000 \$45,838,000 the same period in 2022, an increase 2023, a decrease of 1%. Net Excluding the impact of the Camillus and Cuda hunting and fishing product lines sold on November 1, 2023, sales for the nine three months ended September 30, 2023 were \$149,559,000 compared to \$149,849,000 in the same period in 2022. March 31, 2024 increased 1%.

Net sales in the U.S. for the three months ended September 30, 2023 increased March 31, 2024 decreased 2% compared to the same period in 2022. The increase 2023. Excluding the impact of the sale of the Camillus and Cuda product lines, sales in sales was primarily

related to higher sales of first aid and medical products partially offset by lower sales of school and office products. Net sales the U.S. segment increased 1% for

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the nine three months ended September 30, 2023 remained constant March 31, 2024 compared to the same period in 2022. Net sales of school and office products for the nine months ended September 30, 2023 were negatively impacted by customer reduction of inventory in the first half of 2023.

Net sales in Canada for the three months ended September 30, 2023 March 31, 2024 decreased 9% (7% 7% in U.S. dollars (6% in local currency)). The decrease Excluding the impact of the sale of the Camillus and Cuda product lines, sales in nets sales the Canadian segment increased 1% in local currency for the three months ended September 30, 2023 was due to lower sales of cutting, sharpening and measuring products. Net sales for the nine months ended September 30, 2023 decreased 2% in U.S. dollars but increased 3% in local currency, March 31, 2024 compared to the same period in 2022. The increase in net sales in local currency for the nine months ended September 30, 2023 was mainly due to higher sales of first aid products. 2023.

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European net sales for the three months ended September 30, 2023 March 31, 2024 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% 5% in U.S. dollars (4% in local currency) compared to the same period in 2022. The declines 2023. Excluding the impact of the sale of the Camillus and Cuda product lines, sales in net sales the European segment increased 7% in local currency for the three and nine months were mainly due ended March 31, 2024 compared to the economic weakness same period in Europe. 2023.

Gross profit

Gross profit for the three months ended September 30, 2023 March 31, 2024 was \$19,503,000 \$17,396,000 (38.7% of net sales) compared to \$15,925,000 (32.0% \$16,281,000 (35.5% of net sales) in the same period in 2022. Gross profit for the nine months ended September 30, 2023 was \$55,807,000 (37.3% of net sales) compared to \$49,475,000 (32.0% of net sales) in the same period in 2022. 2023. The increases increase in gross profit for the three and nine months were ended March 31, 2024 was primarily due to the impact of productivity improvements in the Company's manufacturing and distribution facilities as well as implemented late in 2022 and lower in-bound inbound freight costs.

Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses for the three months ended September 30, 2023 March 31, 2024 were \$15,846,000 (31.4% \$14,838,000 (33.0% of net sales) compared with \$14,972,000 (30.1% \$14,093,000 (30.7% of net sales) in the same period in 2022, 2023, an increase of \$874,000. SG&A expenses for the nine months ended September 30, 2023 were \$44,711,000 (29.9% of net sales) compared with \$43,176,000 (28.8% of net sales) in the same period in 2022, an \$1,535,000. The increase of

\$1,535,000. The increases in SG&A expenses for the three and nine months ended September 30, 2023 were March 31, 2024 was primarily related to higher personnel related expenses.

Operating income

Operating income for the three months ended September 30, 2023 March 31, 2024 was \$3,657,000 \$2,558,000 compared with \$953,000 \$2,188,000 in the same period of 2022. Operating income for the nine months ended September 30, 2023 was \$11,096,000 compared with \$6,299,000 in the same period of 2022. 2023.

Operating income in the U.S. segment increased by \$2,653,000 \$558,000 for the three months ended September 30, 2023 March 31, 2024, compared to the same period in 2022. Operating income in the U.S. segment increased by \$4,419,000 for the nine months ended September 30, 2023 compared to the same period in 2022. 2023. The increase in operating income for the three and nine months ended September 30, 2023 March 31, 2024 was primarily due to productivity improvements at our manufacturing and distribution facilities, cost savings initiatives which included lowering SG&A expenses, as well as lower in-bound freight costs.

Operating income in the Canadian segment decreased by \$320,000 and \$219,000 \$178,000 for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to the same periods period in 2022. 2023. The decreases decrease in operating income were was primarily due to lower sales of cutting, sharpening and measuring products.

Operating income in the European segment increased decreased by \$371,000 and \$597,000 \$10,000 for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to the same periods period in 2022. The increases in operating income for the three and nine months ended September 30, 2023 were primarily due to higher gross margins as a result of lower in-bound freight costs. 2023.

Interest expense, net

Interest expense, net for the three months ended September 30, 2023 March 31, 2024 was \$784,000 \$443,000 compared with \$714,000 \$902,000 in the same period of 2022, 2023, a \$70,000 increase. Interest expense, net for the nine months ended September 30, 2023 was \$2,517,000 compared with \$1,443,000, in the same period of 2022, a \$1,074,000 increase. \$459,000 decrease. The increases decrease in interest expense for the three and nine months ended September 30, 2023 March 31, 2024 resulted from a higher lower average interest rate on the outstanding debt under the Company's revolving loan agreement.

Other expense, income, net

Other expense, income, net was \$55,000 \$44,000 in the three months ended September 30, 2023 March 31, 2024 compared to \$209,000 \$23,000 in the same period of 2022. Other expense, net in the nine months ended September 30, 2023 was \$9,000 compared to \$354,000 in the same period of 2022. 2023.

Income taxes

The effective income tax rate was 24% for the nine three months ended September 30, 2023 was 23% compared to 19% in the same period of 2022. The higher effective income tax rate for the nine months ended September 30, 2023 was primarily due to higher earnings in jurisdictions with higher tax rates. March 31, 2024 and 2023.

Financial Condition

Liquidity and Capital Resources

During the first nine three months of 2023, 2024, working capital decreased increased approximately \$10.4 million \$10.6 million. Inventory decreased increased approximately \$8.8 million \$1.3 million during this nine-month three-month period. The decline in inventory was due to planned reductions as the risk of supply chain disruptions has diminished. Inventory turnover, calculated using a twelve-month average inventory balance, was 2.1 at September 30, 2023 compared to 2.0 at December 31, 2022 March 31, 2024 and December 31, 2023. Receivables increased approximately \$1.3 million \$6.7 million at September 30, 2023 March 31, 2024 compared to December 31, 2022 December 31, 2023. The average number of days sales outstanding in accounts receivable was 57 55 days at September 30, 2023 compared to 62 days at December 31, 2022 March 31, 2024 and December 31, 2023. Accounts payable and other current liabilities increased decreased by approximately \$3.3 million \$4.7 million at September 30, 2023 March 31, 2024 compared to December 31, 2022 December 31, 2023.

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The Company's working capital, current ratio and long-term debt to equity ratio are as follows (dollar amounts in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Working capital	\$ 73,097	\$ 83,473	\$ 76,565	\$ 66,010
Current ratio	3.87	4.77	4.51	3.54
Long term debt to equity ratio	50.4%	76.7%	33.8%	23.9%

Long-term debt consists of (i) borrowings under the Company's revolving loan agreement with HSBC Bank, N.A. and (ii) amounts outstanding under the fixed rate mortgage on the Company's manufacturing and distribution facilities in Rocky Mount, NC and Vancouver, WA. The revolving loan agreement provides for borrowings of up to \$65 million, at an interest rate of SOFR plus 1.75%; interest is payable monthly. The loan agreement has an expiration date of May 31, 2026. The Company must pay a facility fee, payable quarterly, in an amount equal to one eighth of one percent (.125%) per annum of the average daily unused portion of the revolving credit line. The facility is intended to provide liquidity for growth, share repurchases, dividends, acquisitions, and other business activities. Under the revolving loan agreement, the Company is required to maintain a specific amounts ratio of funded debt to EBITDA, a fixed charge coverage ratio and must have annual net income greater than \$0, measured as of the end of each fiscal year.

On November 8, 2022, the revolving loan agreement was amended to increase the ratio of funded debt to EBITDA. The increase was in effect during the four quarters commencing in the third quarter of 2022 and ending with the three months ended June 30, 2023. The

increase for those four quarters ranged from a low of 4.75 to 1 to a high of 5.75 to 1. The amendment also modified the interest rate from SOFR +1.75% to range from SOFR +1.60% up to a high of SOFR + 2.35% on a basis that varies quarterly with the funded debt to EBITDA ratio. As of September 30, 2023 March 31, 2024, the Company was in compliance with the covenants under the revolving loan agreement as then in effect.

During the first nine three months of 2023, 2024, total debt outstanding under the Company's revolving credit facility decreased increased by approximately \$17 million \$10.1 million, compared to total debt thereunder at December 31, 2022 December 31, 2023. As of September 30, 2023 March 31, 2024, \$33,000,000 \$23,347,000 was outstanding and \$32,000,000 \$41,653,000 was available for borrowing under the Company's credit facility.

The Company's manufacturing and distribution facilities in Rocky Mount, NC and Vancouver, WA were financed by a fixed rate mortgage with HSBC Bank, N.A. at a fixed interest rate of 3.8%. The Company entered into the agreement on December 1, 2021. Payments of principal and interest are due monthly, with all amounts outstanding due on maturity on December 1, 2031. At September 30, 2023 March 31, 2024, there was approximately \$10.8 million \$10.6 million outstanding on the mortgage.

In response to the supply chain challenges encountered by the Company, the Company has implemented a series of cost reduction initiatives that are expected to generate over \$6.0 million in savings in 2023. These initiatives have included a wide range of productivity improvements in our manufacturing and distribution facilities as well as a reduction of SG&A expenses.

The Company believes that cash generated from operating activities, together with funds available under its revolving loan agreement, will, under current conditions, be sufficient to finance the Company's operations over the next twelve months from the filing of this report.

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Item 3: Quantitative and Qualitative Disclosure about Market Risk

Not applicable.

Item 4: Controls and Procedures

(a) Evaluation of Internal Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of September 30, 2023 March 31, 2024. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were not effective as of March 31, 2024 as a result of an identified material weakness. As described in the Company's Form 10-K for the year ended December 31, 2023, the Company's information technology general controls (ITGCs) related to change management and logical controls were ineffective. The Company's remediation efforts related to this material weakness have commenced and are effective ongoing, as described in Item 4(b) below. Except as described below, there were no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

(b) Changes in Internal Control over Financial Reporting

During

In response to the quarter ended September 30, 2023, there were no material weakness identified above, the Company has implemented and is implementing changes in our internal control over financial reporting, including:

- The Company has acquired and implemented database change management and auditing software;
- The Company is designing and implementing associated management review procedures.

As we stated in the Company's Form 10-K for the year ended December 31, 2023, we believe that materially affected, or these actions will remediate the material weakness. However, due to the nature of the material weakness, it will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are reasonably likely to materially affect, our internal control over financial reporting, operating effectively. We expect that the remediation of this material weakness will be completed as of December 31, 2024.

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PART II. OTHER INFORMATION

Item 1 — Legal Proceedings

There are no pending material legal proceedings to which the registrant is a party, or, to the actual knowledge of the Company, contemplated by any governmental authority.

Item 1A — Risk Factors

See Risk Factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023.

Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 — Defaults upon Senior Securities

None.

Item 4 — Mine Safety Disclosures

Not applicable.

Item 5 — Other Information

None.

Item 6 — Exhibits

Documents filed as part of this report:

Exhibit 31.1 [Certification of Walter C. Johnsen pursuant to 18 U.S.C. Section 1350, as adopted pursuant Section 302 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 31.2 [Certification of Paul G. Driscoll pursuant to 18 U.S.C. Section 1350, as adopted pursuant Section 302 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 32.1 [Certification of Walter C. Johnsen pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 32.2 [Certification of Paul G. Driscoll pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	The cover page for the Company's Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACME UNITED CORPORATION

By /s/ Walter C. Johnsen
 Walter C. Johnsen
 Chairman of the Board and
 Chief Executive Officer

Dated: **November 8, 2023** May 8, 2024

By /s/ Paul G. Driscoll
 Paul G. Driscoll
 Vice President and
 Chief Financial Officer

Dated: **November 8, 2023** May 8, 2024

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Exhibit 31.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, WALTER C. JOHNSEN, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acme United Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Walter C. Johnsen

Walter C. Johnsen

Chairman of the Board and

Chief Executive Officer

Dated: November 8, 2023 May 8, 2024

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, PAUL G. DRISCOLL, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acme United Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Paul G. Driscoll

Paul G. Driscoll

Vice President and

Chief Financial Officer

Dated: November 8, 2023 May 8, 2024

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Acme United Corporation (the "Company") hereby certifies to my knowledge that the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed to be a part of the Report or "filed" for any purpose whatsoever.

By /s/ Walter C. Johnsen

Walter C. Johnsen

Chairman of the Board and

Chief Executive Officer

Dated: November 8, 2023 May 8, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has

been provided to Acme United Corporation and will be retained by Acme United Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Acme United Corporation (the “Company”) hereby certifies to my knowledge that the Company’s quarterly report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed to be a part of the Report or “filed” for any purpose whatsoever.

By /s/ Paul G. Driscoll
Paul G. Driscoll
Vice President and
Chief Financial Officer

Dated: November 8, 2023 May 8, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Acme United Corporation and will be retained by Acme United Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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