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, 2022

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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller Reporting Company	☒
Emerging growth company	☐		

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 ☒

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 USC. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

Registrant had 3,534,729 shares of its $2.50 par value Common Stock outstanding as of November 4, 2022.

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, 2022 (unaudited)	December 31, 2021 (Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,218	$ 4,843
Accounts receivable, less allowance of $938 in 2022 and $1,007 in 2021	40,149	34,221
Inventories	66,210	53,552
Prepaid expenses and other current assets	3,989	2,635
Restricted cash	750	-
Total current assets	115,316	95,251
Property, plant and equipment:		
Land	1,969	1,761
Buildings	16,282	13,456
Machinery and equipment	30,514	29,760
	48,765	44,977
Less: accumulated depreciation	22,723	20,950
Net property, plant and equipment	26,042	24,027
Operating lease right-of-use asset, net	2,891	3,130
Goodwill	8,189	4,800
Intangible assets, less accumulated amortization	21,296	17,231
Other assets - restricted cash	750	-
Total assets	$ 174,484	$ 144,439

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2022 (unaudited)	December 31, 2021 (Note 1)
LIABILITIES		
Current liabilities:		
Accounts payable	$ 11,771	$ 8,977
Operating lease liability - current portion	1,142	1,000
Current portion of mortgage payable	389	389
Other current liabilities	11,138	9,909
Total current liabilities	24,440	20,275
Non-current liabilities:		
Long-term debt	57,131	33,037
Mortgage payable, net of current portion	10,803	11,081
Operating lease liability - non-current portion	1,949	2,365
Other non-current liabilities	1,180	599
Total liabilities	95,503	67,357
Commitments and Contingencies (see note 2)		
STOCKHOLDERS' EQUITY		
Common stock, par value $2.50:		
authorized 8,000,000 shares;		
5,079,601 shares issued and 3,534,729 shares outstanding in 2022 and		
5,065,518 shares issued and 3,520,646 shares outstanding in 2021	12,690	12,655
Additional paid-in capital	13,058	11,930
Retained earnings	72,060	69,873
Treasury stock, at cost - 1,544,872 shares in 2022 and 2021	(15,996)	(15,996)
Accumulated other comprehensive loss:		
Translation adjustment	(2,831)	(1,380)
Total stockholders' equity	78,981	77,082
Total liabilities and stockholders' equity	$ 174,484	$ 144,439

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,	
	2022	**2021**	**2022**	**2021**
Net sales	$ 49,744	$ 47,923	$ 149,849	$ 136,295
Cost of goods sold	33,819	30,918	100,374	87,550
Gross profit	15,925	17,005	49,475	48,745
Selling, general and administrative expenses	14,972	14,044	43,176	39,028
Operating income	953	2,961	6,299	9,717
Non-operating items:				
Interest:				
Interest expense	722	230	1,459	682
Interest income	(8)	(2)	(16)	(11)
Interest expense, net	714	228	1,443	671
PPP loan forgiveness	-	-	-	(3,508)
Other expense, net	209	68	354	213
Total other expense (income), net	209	68	354	(3,295)
Income before income tax expense	30	2,665	4,502	12,341
Income tax (benefit) expense	(34)	619	870	1,019
Net income	$ 64	$ 2,046	$ 3,632	$ 11,322
Basic earnings per share	$ 0.02	$ 0.58	$ 1.03	$ 3.28
Diluted earnings per share	$ 0.02	$ 0.50	$ 0.96	$ 2.85
Weighted average number of common shares outstanding-denominator used for basic per share computations	3,530	3,542	3,525	3,449
Weighted average number of dilutive stock options outstanding	162	516	256	520
Denominator used for diluted per share computations	3,692	4,058	3,781	3,969
Dividends declared per share	$ 0.14	$ 0.13	$ 0.41	$ 0.39

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Net income	$ 64	$ 2,046	$ 3,632	$ 11,322
Other comprehensive loss:				
Foreign currency translation adjustment	(904)	(310)	(1,451)	(330)
Comprehensive (loss) income	$ (840)	$ 1,736	$ 2,181	$ 10,992

See Notes to Condensed Consolidated Financial Statements.

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, 2021

	Outstanding Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balances, June 30, 2021	3,529,208	$ 12,576	$ (14,522)	$ 10,829	$ (846)	$ 66,415	74,452
Net income						2,046	2,046
Other comprehensive loss					(310)		(310)
Stock compensation expense				455			455
Distributions to shareholders						(463)	(463)
Issuance of common stock	30,479	77		291			368
Balances September 30, 2021	3,559,687	$ 12,653	$ (14,522)	$ 11,575	$ (1,156)	$ 67,998	$ 76,548

For the three months ended September 30, 2022

	Outstanding Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balances, June 30, 2022	3,521,373	$ 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
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, 2021

	Outstanding Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balances, January 1, 2021	3,338,913	$ 12,101	$ (14,522)	$ 7,931	$ (826)	$ 58,033	$ 62,717
Net income						11,322	11,322
Other comprehensive loss					(330)		(330)
Stock compensation expense				1,341			1,341
Distributions to shareholders						(1,357)	(1,357)
Issuance of common stock	220,774	552		2,514			3,066
Cash settlement of stock options				(211)			(211)
Balances September 30, 2021	3,559,687	$ 12,653	$ (14,522)	$ 11,575	$ (1,156)	$ 67,998	$ 76,548

For the nine months ended September 30, 2022

	Outstanding Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
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

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash flows from operating activities:		
Net income	$ 3,632	$ 11,322
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	2,006	1,809
Amortization of intangible assets	1,298	1,111
Non-cash lease expense	-	170
Stock compensation expense	1,405	1,341
Provision for bad debt	75	79
PPP loan forgiveness	-	(3,508)
Amortization of deferred financing costs	11	-
Changes in operating assets and liabilities:		
Accounts receivable	(5,836)	(9,060)
Inventories	(12,807)	1,678
Prepaid expenses and other assets	(1,393)	(859)
Accounts payable	3,048	(959)
Other accrued liabilities	954	(145)
Total adjustments	(11,239)	(8,343)
Net cash (used in) provided by operating activities	(7,607)	2,979
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,299)	(4,792)
Purchase of intellectual property	(300)	-
Acquisition of Safety Made	(9,609)	-
Net cash used in investing activities	(13,208)	(4,792)
Cash flows from financing activities:		
Net borrowings of long-term debt	24,094	1,687
Tax paid on net share settlement of stock options	(211)	-
Cash settlement of stock options	(108)	(211)
Repayments on mortgage	(290)	(200)
Proceeds from issuance of common stock	78	3,066
Distributions to shareholders	(1,408)	(1,329)
Net cash provided by financing activities	22,155	3,013
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(465)	(61)
Net change in cash, cash equivalents and restricted cash	875	1,139
Cash, cash equivalents and restricted cash at beginning of period	4,843	4,167
Cash, cash equivalents and restricted cash at end of period	$ 5,718	$ 5,306
Supplemental cash flow information:		
Cash paid for income taxes	$ 242	$ 1,070
Cash paid for interest	$ 1,292	$ 660
Non-cash investing activities		
Safety Made acquisition contingent consideration	$ 1,270	$ -

See Notes to Condensed Consolidated Financial Statements.

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 of America 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, 2021 for such disclosures. The condensed consolidated balance sheet as of December 31, 2021 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 2021 Annual Report on Form 10-K.

The Company has evaluated events and transactions subsequent to September 30, 2022 and through the date these condensed consolidated financial statements were issued.

2. Commitment 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. The first aid and medical category includes first aid kits and refills, over-the-counter medications and a variety of medical products. 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, with 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 catalogue 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 fulfilment 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." The effect of applying this practical expedient did not have an impact on the Company's condensed consolidated financial statements.

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, 2022

	United States	Canada	Europe	Total
Cutting, Sharpening and Measuring	$ 17,934	$ 1,799	$ 2,792	$ 22,525
First Aid and Medical	25,009	1,830	380	27,219
Total Net Sales	**$ 42,943**	**$ 3,629**	**$ 3,172**	**$ 49,744**

For the three months ended September 30, 2021

	United States	Canada	Europe	Total
Cutting, Sharpening and Measuring	$ 18,769	$ 1,932	$ 2,863	$ 23,564
First Aid and Medical	22,291	1,653	415	24,359
Total Net Sales	**$ 41,060**	**$ 3,585**	**$ 3,278**	**$ 47,923**

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**

For the nine months ended September 30, 2021

	United States	Canada	Europe	Total
Cutting, Sharpening and Measuring	$ 50,507	$ 5,571	$ 10,271	$ 66,349
First Aid and Medical	63,441	5,336	1,169	69,946
Total Net Sales	**$ 113,948**	**$ 10,907**	**$ 11,440**	**$ 136,295**

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. On May 31, 2022, the Company amended its revolving loan agreement with HSBC Bank, N.A. The amended agreement increased the amount available for borrowing from $50 million to $65 million, at an interest rate of Secured Overnight Financing Rate ("SOFR") plus 1.75%; interest is payable monthly. In addition, the expiration date of the revolving loan agreement was extended to 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 specific amounts 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 amendment is in effect for the four quarters commencing in the third quarter of 2022 and includes an increase in the funded debt to EBITDA ratio for the four quarters ranging from a low of 4.75 to 1 to a high of 5.75 to 1. The amendment also increases the interest rate from SOFR +1.75% up to a high of SOFR + 2.35% on a basis that varies on a quarterly basis with the leverage ratio. The increase in the ratio brought the Company into compliance with the covenant as of September 30, 2022, and going forward, provides the Company with flexibility to conduct its business in light of current and anticipated economic conditions. As of September 30, 2022, the Company was in compliance with the covenants under the revolving loan agreement, as amended.

As of September 30, 2022 and December 31, 2021, the Company had outstanding borrowings of $57,131,000 and $33,037,000, 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, 2022 and December 31, 2021, long-term debt related to the mortgage consisted of the following (amounts in '000's):

	September 30, 2022	December 31, 2021
Mortgage Payable - HSBC	$ 11,331	$ 11,620
Less debt issuance costs	(139)	(150)
	11,192	11,470
Less current maturities	389	389
Long-term mortgage payable less current maturities	$ 10,803	$ 11,081

During the three and nine months ended September 30, 2022, the Company issued a total of 5,239 and 5,966 shares of common stock, respectively, and received aggregate proceeds of $67,658 and $77,658 upon exercise of employee stock options, respectively. During the nine months ended September 30, 2022, the Company, at its discretion, paid approximately $108,000 to optionees who had elected (subject to the approval of the Company) a net cash settlement of certain of their respective options. Also, during the three and nine months ended September 30, 2022, the Company issued 8,117 shares of common stock to optionees who had elected a net share settlement of certain of their respective option.

5. Segment Information

The Company reports financial information based on the organizational structure used by the Company's chief operating decision makers 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 makers review the financial results over 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 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 product 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 8% and 9% of the Company's total net sales for the three and nine months ended September 30, 2022, respectively, compared to 7% and 8% respectively, for the comparable periods in 2021.

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 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.

The following table sets forth certain financial data by segment for three and nine months ended September 30, 2022 and 2021:

Financial data by segment:
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
Sales to external customers:	2022	2021	2022	2021
United States	$ 42,943	$ 41,060	$ 127,589	$ 113,948
Canada	3,629	3,585	11,120	10,907
Europe	3,172	3,278	11,140	11,440
Consolidated	$ 49,744	$ 47,923	$ 149,849	$ 136,295
Operating income:				
United States	$ 767	$ 2,425	$ 5,032	$ 7,231
Canada	354	418	1,214	1,452
Europe	(168)	118	53	1,034
Consolidated	$ 953	$ 2,961	$ 6,299	$ 9,717
Interest expense, net	714	228	1,443	671
Other expense (income) , net	209	68	354	(3,295)
Consolidated income before income taxes	$ 30	$ 2,665	$ 4,502	$ 12,341

Assets by segment:
(in thousands)

	September 30, 2022	December 31, 2021
United States	$ 154,980	$ 125,521
Canada	9,399	9,100
Europe	10,105	9,818
Consolidated	$ 174,484	$ 144,439

6. Stock Based Compensation

The Company recognizes share-based compensation at 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 $637,000 and $1,405,000 for the three and nine months ended September 30, 2022, respectively, compared to approximately $455,000 and $1,341,000 for the three and nine months ended September 30, 2021, respectively.

As of September 30, 2022, there was a total of $3,995,873 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 acquisition date fair value of approximately $1.3 million, of which $690,000 is recorded in other current liabilities and $580,000 is recorded in other non-current liabilities on the condensed consolidated balance sheet as of September 30, 2022. Changes in the fair value of the liability are recorded in earnings. There is no change during the three month period ended September 30, 2022.

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.

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.

ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term and include options to extend or terminate the lease when they are reasonably certain to be exercised. As most of our leases do not provide an implicit rate, the present value of lease payments is determined primarily using our incremental borrowing rate based on the information available at the lease commencement date. The incremental borrowing rate is the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term on an amount equal to the lease payments in a similar economic environment. Lease agreements with lease and non-lease components are generally accounted for as a single lease component. The Company's operating lease expense is recognized on a straight-line basis over the lease term. For the three and nine months ended September 30, 2022 and 2021, lease expense in the amount of $0.1 million was included in cost of goods sold and $0.3 million and $0.2 million, respectively, were included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

Information related to leases (in thousands):

Operating cash flow information:	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Operating lease cost	$ 308	$ 297
Operating lease - cash flow	$ 319	$ 236
Non-cash activity:		
ROU assets obtained in exchange for lease liabilities	$ 334	$ -

Operating cash flow information:	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating lease cost	$ 926	$ 994
Operating lease - cash flow	$ 964	$ 796
Non-cash activity:		
ROU assets obtained in exchange for lease liabilities	$ 545	$ 1,575

	September 30, 2022	September 30, 2021
Weighted-average remaining lease term	3.0 years	4.0 years
Weighted-average discount rate	5%	5%

Future minimum lease payments under non-cancellable leases as of September 30, 2022:

2022 (remaining)	$ 324
2023	1,234
2024	914
2025	689
2026	155
Thereafter	-
Total future minimum lease payments	$ 3,316
Less: imputed interest	(225)
Present value of lease liabilities - current	1,142
Present value of lease liabilities - non-current	$ 1,949

9. Business Combinations

On June 1, 2022, the Company purchased the assets of Live Safely Products, LLC (d/b/a "Safety Made") for approximately $11 million, including $1.5 million which is contingent upon meeting certain financial targets over a two-year period. Based in Keene, NH, Safety Made is a leading manufacturer of first aid kits for the promotional products industry.

The purchase price was allocated to assets acquired as follows (in thousands):

Assets:		
Accounts receivable	$	512
Inventory		944
Prepaid Expense		14
Property, plant and equipment		877
Intangible assets		5,143
Goodwill		3,389
Total assets	$	10,879

The acquisition was accounted for as a business combination, pursuant to ASC 805 – *Business Combinations*. All assets acquired in the acquisition are included in the Company's United States operating segment. Management's assessment of the valuation of intangible assets is preliminary and finalization of the Company's purchase price accounting assessment may result in changes to the valuation of the identified intangible assets. Intangible assets include Customer List, Trade Names, Non-Compete Agreements, and Goodwill. The useful lives of the identified intangible assets range from 5 years to 15 years.

The $1.5 million contingent payment that is being held in escrow is classified as restricted cash. Of this amount, $750,000 is recorded in current assets, with the remaining $750,000 reported in other long-term assets on the condensed consolidated balance sheet.

10. Other Accrued Liabilities

Other current accrued liabilities consisted of (in thousands):

		September 30, 2022		December 31, 2021
Customer Rebates	$	6,228	$	5,414
Accrued Compensation		1,465		1,586
Dividend Payable		495		458
Income Tax Payable		801		564
Other		2,149		1,887
Total:	$	11,138	$	9,909

11. Cash, Cash Equivalents and Restricted Cash

(in thousands):

		September 30, 2022		December 31, 2021
Cash and cash equivalents	$	4,218	$	4,843
Restricted Cash - current		750		-
Restricted Cash - non-current		750		-
Total cash, cash equivalents and restricted cash	$	5,718	$	4,843

Restricted cash, which is reported within other short-term and long term assets in the condensed consolidated balance sheets consists of the contingent payment held in escrow related to the acquisition of Safety Made. See Note 9 for additional information related to the acquisition of Safety Made.

12. Intangible Assets and Goodwill

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

	September 30 2022	December 31 2021
Customer List	$ 18,670	$ 16,137
Tradenames	9,985	7,995
Patents	2,272	2,272
Non-Compete	1,170	250
License Agreement	380	380
Subtotal	32,477	27,034
Less: Accumulated Amortization	11,181	9,803
Intangible Assets	$ 21,296	$ 17,231
Goodwill	$ 8,189	$ 4,800
Total:	$ 29,485	$ 22,031

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

13. Inventories

Inventories consisted of (in thousands):

	2022	2021
Finished goods	$ 51,189	$ 40,412
Work in process	724	89
Materials and supplies	14,297	13,051
Inventories:	$ 66,210	$ 53,552

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

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, including those risks and uncertainties resulting from the global COVID-19 pandemic, future waves of COVID-19, including through the Delta and Omicron variants and any new variant strains of the underlying virus; any future pandemics; the continuing effectiveness, global availability, and public acceptance of existing vaccines; the effectiveness, availability, and public acceptance of vaccines against variant strains of potential new viruses; and the heightened impact the pandemic has on many of the risks described herein, including, without limitation, risks relating to disruptions in our domestic and global supply chains, and labor shortages, any of which could materially adversely impact the Company’s ability to manufacture, source or distribute its products, both domestically and internationally.

These risks and uncertainties further 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, whether caused by COVID-19 or otherwise, including the impact on the Company’s suppliers and customers; (iii) additional disruptions in the Company’s supply chains, whether caused by COVID-19, the war in Ukraine, or otherwise, including trucker shortages, port closures and delays, and delays with container ships themselves; (iv) labor shortages and related costs the Company has and may continue to incur, including costs of acquiring and training new employees and rising wages and benefits; (v) the continuing adverse impact of inflation, including product costs, and transportation costs; (vi) currency fluctuations including, for example, the increasing strength of the dollar against the euro: the Company’s ability to effectively manage its inventory in a rapidly changing business environment, including the additional inventory the Company has acquired in anticipation of supply chain disruptions and uncertainties; (vii) changes in client needs and consumer spending habits; (viii) the impact of competition; (ix) the impact of technological changes including, specifically, the growth of online marketing and sales activity; (x) the Company’s ability to manage its growth effectively, including its ability to successfully integrate any business it might acquire; (xi) 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 (xiii) 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, 2021 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, 2021.

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, 2021.

Macroeconomic, Supply Chain and Related Considerations

The global macroeconomic environment has continued to be challenging in 2022, characterized by global inflation at multi-decade highs, rising interest rates, and significant currency fluctuations. These factors have exacerbated an economy that was struggling to recover from the COVID-19 pandemic.

During the nine months ended September 30, 2022, the Company experienced significant supply chain issues. In anticipation of potential supply chain disruptions, the Company had purchased and maintained additional inventory to minimize the impact of any disruption in our supply chain. However, as economies have become less restricted by the COVID pandemic, global supply chains have struggled to keep up with increasing demand, and the resulting supply chain disruptions have significantly increased costs. The supply chain issues caused exceptional ocean and inland freight and demurrage costs. The freight and demurrage costs began to decrease in the third quarter of 2022 and we anticipate that they will continue to decrease in the fourth quarter of 2022, while still remaining above historical levels. We recognize those expenses as products are sold and, as a result, the unusually high freight and demurrage costs continued to adversely impact our results for the quarter ended September 30, 2022 and had an overall adverse effect on our operating margin in the first nine months of 2022.

In addition, the war in Ukraine is causing a slowdown in the European economy. This softness, coupled with a historically low exchange rate for the Euro, has led to challenges in our European markets which we anticipate will continue for at least the near future.

Any continuation of supply chain issues, continued high inflation, currency fluctuations, high interest rates, and any further increase in the duration or severity of the COVID-19 pandemic or a resurgence of the pandemic might continue to adversely affect the Company's business, operations and financial condition. The impact of these developments is highly uncertain and cannot be predicted.

Results of Operations

Traditionally, the Company's sales 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 back-to-school market.

Net sales

Consolidated net sales for the three months ended September 30, 2022 were $49,744,000 compared with $47,923,000 in the same period in 2021, a 4% increase. Consolidated net sales for nine months ended September 30, 2022 were $149,849,000 compared with $136,295,000 in the same period in 2021, a 13% increase.

Sales in the U.S. for the three and nine months ended September 30, 2022 increased 4% and 12%, respectively, compared to the same periods in 2021. As a precaution against supply chain delays, customers accelerated purchases into the second quarter of 2022 from the third quarter of 2022. This reduced sales in the third quarter of 2022. The increase in sales for the nine months was primarily attributable to increased sales of first aid and medical products and Westcott school and office products.

Net sales in Canada for the three and nine months ended September 30, 2022 increased 1% (3% in local currency) and 2% (5% in local currency), respectively, compared to the same periods last year. The growth in the three and nine months ended September 30, 2022 was mainly due to higher sales of first aid products.

European net sales for the three months ended September 30, 2022 decreased 3% in U.S. dollars but increased 13% in local currency compared to the same period in 2021. Net sales for the nine months ended September 30, 2022 decreased 3% in U.S. dollars but increased 9% in local currency compared to the same period in 2021. The increase in net sales for the three and nine months was mainly due to market share gains in the office channel.

Gross profit

Gross profit for the three months ended September 30, 2022 was $15,925,000 (32.0% of net sales) compared to $17,005,000 (35.5% of net sales) in the same period in 2021. Gross profit for the nine months ended September 30, 2022 was $49,475,000 (33.0% of net sales) compared to $48,745,000 (35.8% of net sales) for the same period in 2021. The decline in the gross margin for the three and nine months ended September 30, 2022 was primarily due to exceptionally high ocean container costs and demurrage charges. The impact on gross margins due to the aforementioned supply chain expense were 2.3% and 1.5% for the three and nine months ended September 30, 2022. Also contributing to the decline in gross profit were weaker currencies in Europe and Canada, where we purchase most of our inventory in U.S. dollars.

Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses for the three months ended September 30, 2022 were $14,972,000 (30.1% of net sales) compared with $14,044,000 (29.3% of net sales) in the same period in 2021, an increase of $928,000. SG&A expenses for the nine months ended September 30, 2022 were $43,176,000 (28.8% of net sales) compared with $39,028,000 (28.6% of net sales) for the same periods of 2021, an increase of $4,148,000. The increases in SG&A expenses for three and nine months ended September 30, 2022, compared to the same period in 2021 were primarily due to higher personnel related costs and increased commissions and shipping costs related to higher sales. The increased shipping costs included fuel surcharges due to higher gas prices earlier in the year. Also, the Company incurred incremental expenses related to the acquisition and integration of the Safety Made assets.

Operating income

Operating income for the three months ended September 30, 2022 was $953,000 compared with $2,961,000 in the same period of 2021. Operating income for the nine months ended September 30, 2022 was $6,299,000 compared with $9,717,000 in the same period of 2021.

Operating income in the U.S. segment decreased by $1,658,000 and $2,198,000 for the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. The decline in operating income for the three and nine months ended September 30, 2022 was primarily due to increased supply chain costs which include exceptionally high ocean container costs and demurrage charges. $2.4 million of exceptional supply chain costs were recognized through September 30, 2022, of which $.9 million was recorded in the three months ended September 30, 2022.

Operating income in the Canadian segment decreased by $64,000 and $238,000 for the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021.

Operating income in the European segment decreased by $286,000 and $981,000 for the three and nine months ended September 30, 2022, respectively, compared to the same period in 2021. The decline in operating income for the three and nine months ended September 30, 2022 was primarily due to increased supply chain costs as well as weaker currency in Europe where we purchase most of our inventory in U.S. dollars. $0.6 million of exceptional supply chain costs were recognized through September 30, 2022, of which $0.2 million was recorded in the three months ended September 30, 2022.

Interest expense, net

Interest expense, net for the three months ended September 30, 2022 was $714,000 compared with $228,000 in the same period of 2021, a $486,000 increase. Interest expense, net for the nine months ended September 30, 2022 was $1,443,000 compared with $671,000 for the same period of 2021, a $772,000 increase. The increases in interest expense resulted from a higher average interest rate on the outstanding debt as well as higher average debt outstanding under the Company’s revolving loan agreement.

Total other expense (income), net

Total other expense, net was $209,000 in the three months ended September 30, 2022 compared to $68,000 in the same period of 2021. Total other expense, net was $354,000 in the nine months ended September 30, 2022 compared to total other expense, net of $213,000 (excluding income of $3,508,000 from PPP loan forgiveness) in the same period of 2021. The increase in total other expense, net in the three and nine months ended September 30, 2022, was due to losses from foreign currency transactions, primarily due to a declining Euro in our European business.

Income taxes

The effective income tax rate for the nine months ended September 30, 2022 was 19%. Income tax expense for the three and nine months ended September 30, 2021 included a $0.9 million tax credit for stock based compensation. The Company’s effective tax rates for the three and nine months ended September 30, 2021, excluding the tax credit and the income from the PPP loan forgiveness, were 19% and 21%.

Financial Condition

Liquidity and Capital Resources

During the first nine months of 2022, working capital increased approximately $15.2 million compared to December 31, 2021. Inventory increased approximately $12.6 million at September 30, 2022 compared to December 31, 2021. We increased inventory during that period to anticipate our continued growth and to be positioned to offset the impact of potential supply chain disruptions related to COVID-19. The increase also reflects higher product costs. Inventory turnover, calculated using a twelve-month average inventory balance, was 2.1 at September 30, 2022 compared to 2.3 at December 31, 2021. Receivables increased by approximately $5.9 million at September 30, 2022 compared to December 31, 2021. The average number of days sales outstanding in accounts receivable was 62 days at September 30, 2022 compared to 60 days at December 31, 2021. Accounts payable and other current liabilities increased by approximately $4.2 million at September 30, 2022 compared to December 31, 2021. The increase in accounts payable is primarily related to the increase in inventory.

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

	September 30, 2022	December 31, 2021
Working capital	$ 90,126	$ 74,976
Current ratio	4.69	4.70
Long term debt to equity ratio	86.0%	57.2%

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 related on the Company's manufacturing and distribution facilities in Rocky Mount, NC and Vancouver, WA. On May 31, 2022, the Company amended its revolving loan agreement with HSBC Bank, N.A. The amended agreement increases the amount available for borrowing to $65 million from $50 million, at an interest rate of SOFR plus 1.75%; interest is payable monthly. In addition, the expiration date of the revolving loan agreement was extended to May 31, 2026. The Company must pay a facility fee, payable quarterly, in an amount equal to one eight 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 specific amounts 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 amendment is in effect for four quarters commencing in third quarter of 2022 and includes an increase in the funded debt to EBITDA ratio for the four quarters ranging from a low of 4.75 to 1 to a high of 5.75 to 1. The amendment also increases the interest rate from SOFR +1.75% up to a high of SOFR + 2.35% on a basis that varies on a quarterly basis with the leverage ratio. The increase in the ratio brought the Company into compliance with the covenant as of September 30, 2022, and going forward, provides the Company with the flexibility it needs to conduct its business in light of current and anticipated economic conditions. As of September 30, 2022, the Company was in compliance with the covenants under the revolving loan agreement, as amended.

During the first nine months of 2022, total debt outstanding under the Company's revolving credit facility increased by approximately $24.1 million, compared to total debt thereunder at December 31, 2021. As of September 30, 2022, $57,131,000 was outstanding and $7,869,000 was available for borrowing under the Company's credit facility. The increase in debt outstanding was primarily related to the acquisition of Safety Made and the increase in inventory.

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, 2022, there was approximately $11.2 million outstanding on the mortgage.

On June 1, 2022, the Company purchased the assets of Live Safely Products, LLC (d/b/a "Safety Made") for approximately $11 million, including $1.5 million which is contingent upon meeting certain financial targets over a two-year period. Based in Keene, NH, Safety Made is a leading manufacturer of first aid kits for the promotional products industry.

In response to the challenges encountered by the Company commencing with the COVID-19 pandemic, the Company has implemented a series of cost reduction initiatives that are expected to generate over $5.0 million in savings in 2023. These initiatives have included a reduction of SG&A expenses and other costs and the implementation of a wide range of productivity improvements in our manufacturing and distribution facilities.

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.

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, 2022. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2022, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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, 2021.

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 10.10(j)	Amendment No.9 to Revolving Loan Agreement with HSBC dated November 8, 2022
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 9, 2022

By /s/ Paul G. Driscoll

Paul G. Driscoll
Vice President and
Chief Financial Officer

Dated: November 9, 2022

NINTH AMENDMENT TO
LOAN AND SECURITY AGREEMENT

This NINTH AMENDMENT TO LOAN AND SECURITY AGREEMENT (the "Amendment") is entered into as of November 8, 2022 between ACME UNITED CORPORATION, a Connecticut corporation (the "Borrower") and HSBC BANK USA, NATIONAL ASSOCIATION (the "Lender").

RECITALS

The Borrower and the Lender are parties to a Loan and Security Agreement dated as of April 5, 2012, as amended (collectively, the "Loan Agreement"). Capitalized terms used herein shall have the meanings given to them in the Loan Agreement unless otherwise specified.

The Borrower has requested that the Lender amend certain terms and conditions of the Loan Agreement, pursuant to the terms of this Amendment.

NOW, THEREFORE, in consideration of the promises, covenants and understandings set forth in this Amendment and the benefits to be received from the performance of such promises, covenants and understandings, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Amendments to Loan Agreement.

(a) Section 1.2 of the Loan Agreement is hereby amended by (i) deleting the definitions of "Base Rate Margin" and "SOFR Rate Margin" and (ii) inserting the defined term "Applicable Margin" in appropriate alphabetical order:

"Applicable Margin" shall mean the per annum rate shown in the applicable column below based on the applicable ratio of Funded Debt to EBITDA; provided that until the first (1st) Business Day following the date of delivery of the compliance certificate required to be delivered pursuant to Section 6.2(c) commencing with the compliance certificate to be delivered with respect to the fiscal quarter ending December 31, 2022, the Applicable Margin shall be equal to the applicable rate per annum set forth below in Pricing Tier I:

Pricing Tier	Ratio of Funded Debt to EBITDA	Applicable Margin for Base Rate Advances	Applicable Margin for SOFR Rate Advances
I	Greater than 5.35 to 1.00	0.50%	2.35%
II	Greater than 5.25 to 1.00 but less than or equal to 5.35 to 1.00	0.65%	2.25%
III	Greater than 4.50 to 1.00 but less than or equal to 5.25 to 1.00	0.75%	2.15%

IV	Greater than 4.25 to 1.00 but less than or equal to 4.50 to 1.00	0.85%	2.00%
V	Greater than 3.25 to 1.00 but less than or equal to 4.25 to 1.00	1.00%	1.75%
VI	Less than or equal to 3.25 to 1.00	1.15%	1.60%

Thereafter, the determination of the Applicable Margin as of any date shall be determined by the Lender based on the ratio of Funded Debt to EBITDA as of the end of the most recently ended Fiscal Quarter for which a compliance certificate accompanying the financial statements of the Borrower has been delivered by the Borrower to the Lender pursuant to Section 6.2(b) and (c) and shall be effective for purposes of determining the Applicable Margin from and after the third (3rd) Business Day following the date the Lender receives such compliance certificate from the Borrower. Notwithstanding the foregoing, if the applicable compliance certificate and accompanying financial statements of the Borrower for any fiscal quarter are not delivered to the Lender when due in accordance with Section 6.2(b) and (c), then Pricing Tier I in the grid above shall apply during the period commencing on the first (1st) Business Day following the date such compliance certificate and accompanying financial statements were due and ending on the date on which compliance certificate and accompanying financial statements are delivered by the Borrower to the Lender.

If, as a result of any restatement of, or other adjustment to, the financial statements of the Borrower or for any other reason, Lender determines that (a) the ratio of Funded Debt to EBITDA as previously calculated as of any applicable date was inaccurate, and (b) a proper calculation of the ratio of Funded Debt to EBITDA would have resulted in different pricing for any period, then (i) if the proper calculation of the ratio of Funded Debt to EBITDA would have resulted in higher pricing for such period, Borrower shall automatically and retroactively be obligated to pay to the Lender, promptly upon demand by the Lender, an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period; provided, that non-payment as a result of such inaccuracy shall not in any event be deemed retroactively to be an Event of Default, and (ii) if the proper calculation of the ratio of Funded Debt to EBITDA would have resulted in lower pricing for such period, the Lender shall have no obligation to repay interest or fees to Borrower; provided, that, if as a result of any restatement or other event a proper calculation of the ratio of Funded Debt to EBITDA would have resulted in higher pricing for one or more periods and lower pricing for one or more other periods (due to the shifting of income or expenses from one period to another period or any similar reason), then the amount payable by the Borrower pursuant to clause (i) above shall be based upon the excess, if any, of the amount of interest and fees that should have been paid for all applicable periods in the aggregate over the amounts of interest and fees actually paid for such periods in the aggregate.

(b) The first sentence of Section 2.3(b) of the Loan Agreement is hereby amended to read in its entirety as set forth below:

"Each Advance shall bear interest on the outstanding principal amount thereof from the date when made, continued or converted until paid in full at a rate *per annum* equal to (i) for Base Rate Advances, the Base Rate minus the Applicable Margin for Base Rate Advances and (ii) for SOFR Rate Advances, Adjusted Term SOFR plus the Applicable Margin for SOFR Rate Advances."

(c) Section 6.7(a) of the Loan Agreement is hereby amended, effective as of September 30, 2022, to read in its entirety as set forth below:

"(a) Funded Debt/EBITDA. Measured as of the end of each fiscal quarter, a ratio of Funded Debt to EBITDA for the four (4) fiscal quarter period then-ended, of not more than the ratio set forth below for such fiscal quarter

Fiscal Quarter Ending	**Funded Debt/EBITDA**
June 30, 2022	4.25 to 1.00
September 30, 2022	5.35 to 1.00
December 31, 2022	5.75 to 1.00
March 31, 2023	5.25 to 1.00
June 30, 2023	4.75 to 1.00
Fiscal quarters ending September 30, 2023 and December 31, 2023	4.25 to 1.00
Fiscal quarter ending March 31, 2024 and each fiscal quarter ending thereafter	4.00 to 1.00

2. No Other Changes. Except as explicitly amended by this Amendment, all of the terms and conditions of the Loan Agreement shall remain in full force and effect.

3. Conditions Precedent. This Amendment shall be effective (the "Ninth Amendment Closing Date") when the Lender shall have received a copy hereof executed by the Borrower.

4. Representations and Warranties. The Borrower hereby represents and warrants to the Lender as follows:

(a) The Borrower has all requisite power and authority to execute this Amendment and to perform all of the obligations hereunder and thereunder, and this Amendment has been duly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms.

(b) The execution, delivery and performance by the Borrower of this Amendment has been duly authorized by all necessary corporate action and does not (i) require any authorization, consent or approval by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) violate any provision of any law, rule or regulation or of any order, writ, injunction or decree presently in effect, having applicability to the Borrower, or the articles of incorporation or by-laws of the Borrower, or (iii) result in a breach of or constitute a default under any indenture or loan or loan agreement or any other agreement, lease or instrument to which the Borrower is a party or by which it or its properties may be bound or affected.

(c) All of the representations and warranties contained in Section 5 of the Loan Agreement are correct on and as of the date hereof as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date.

(d) No Default or Event of Default has occurred and is continuing or will result from Borrower entering into this Amendment.

5. References. All references in the Loan Agreement to "this Agreement" shall be deemed to refer to the Loan Agreement as amended hereby; and any and all references in the Loan Documents to the Loan Agreement shall be deemed to refer to the Loan Agreement as amended hereby.

6. No Other Waiver. The execution of this Amendment and acceptance of any documents related hereto shall not be deemed to be a waiver of any Default or Event of Default under the Loan Agreement, or breach, default or event of default under any Loan Documents or other document held by the Lender, whether or not known to the Lender and whether or not existing on the date of this Amendment.

7. Costs and Expenses. The Borrower hereby reaffirms its agreement under the Loan Agreement to pay or reimburse the Lender on demand for all reasonable costs and expenses incurred by the Lender in connection with the Loan Documents, including without limitation all reasonable fees and disbursements of legal counsel. Without limiting the generality of the foregoing, the Borrower specifically agrees to pay all reasonable fees and disbursements of counsel to the Lender for the services performed by such counsel in connection with the preparation of this Amendment and the documents and instruments incidental hereto.

8. Miscellaneous. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original and all of which counterparts, taken together, shall constitute one and the same instrument.

9. Reaffirmation. The Borrower as debtor, grantor, pledgor, assignor, or in any other similar capacity in which the Borrower grants liens or security interests in its property hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under the Loan Agreement and each of the other Loan Documents to which it is a party (after giving effect hereto) and (ii) ratifies and reaffirms the liens on or security interests in any of its property granted pursuant to the Loan Agreement and any such other Loan Document as security for the Obligations under or with respect to the Loan Agreement or the other Loan Documents, and confirms and agrees that such security interests and liens hereafter secure all of the Obligations as amended hereby. The Borrower acknowledges that the Loan Agreement and each of the other Loan Documents remains in full force and effect and are hereby ratified and reaffirmed. The execution of this Amendment shall not operate as a waiver of any right, power or remedy of the Lender (except as expressly provided for herein), constitute a waiver of any provision of any of the Loan Agreement or any of the other Loan Documents (except as expressly provided for herein) or serve to effect a novation of the Obligations.

10. Release.

(a) Borrower hereby releases and forever discharges Lender and its parents, subsidiaries and affiliates, past or present, and each of them, as well as their respective directors, officers, agents, servants, employees, shareholders, representatives, attorneys, administrators, executors, heirs, assigns, predecessors and successors in interest, and all other persons, firms or corporations with whom any of the former have been, are now, or may hereafter be affiliated, and each of them (collectively, the “Releasees”), from and against any and all claims, demands, liens, agreements, contracts, covenants, actions, suits, causes of action in law or equity, obligations, controversies, debts, costs, expenses, damages, judgments, orders and liabilities of whatever kind or nature in law, equity or otherwise, whether known or unknown, fixed or contingent, suspected or unsuspected by Borrower, and whether concealed or hidden (collectively, “Claims”), which Borrower now owns or holds or has at any time heretofore owned or held, which are based upon or arise out of or in connection with any matter, cause or thing existing at any time prior to the date hereof or anything done, omitted or suffered to be done or omitted at any time prior to the date hereof in connection with the Loan Agreement or the other Loan Documents (collectively the “Released Matters”).

(b) Borrower represents, warrants and agrees, that in executing and entering into this release, it is not relying and have not relied upon any representation, promise or statement made by anyone which is not recited, contained or embodied in this Amendment, the Loan Agreement or the other Loan Documents. Borrower has reviewed this release with Borrower’s legal counsel, and understands and acknowledges the significance and consequence of this release and of the specific waiver thereof contained herein. Borrower understands and expressly assumes the risk that any fact not recited, contained or embodied therein may turn out hereafter to be other than, different from, or contrary to the facts now known to Borrower or believed by Borrower to be true. Nevertheless, Borrower intends by this release to release fully, finally and forever all Released Matters and agrees that this release shall be effective in all respects notwithstanding any such difference in facts, and shall not be subject to termination, modification or rescission by reason of any such difference in facts.

(c) Borrower, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with each Releasee that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Claims released, remised and discharged by Borrower pursuant to this Section 11. If Borrower violates the foregoing covenant, Borrower agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and costs incurred by any Releasee as a result of such violation.

REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first written above.

HSBC BANK USA, NATIONAL ASSOCIATION	ACME UNITED CORPORATION
By: /s/ David M. Nackley	By: /s/ Paul Driscoll
Name: David M. Nackley	Name: Paul Driscoll
Title Sr. Vice President	Title Chief Financial Officer

[SIGNATURE PAGE TO NINTH AMENDMENT TO
LOAN AND SECURITY AGREEMENT]

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 9, 2022

Exhibit 31.2

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 9, 2022

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, 2022 (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 9, 2022

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, 2022 (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 9, 2022

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.