



January 10, 2014

Schmitt Industries Announces Second Quarter Fiscal 2014 Operating Results

PORTLAND, Ore., Jan. 10, 2014 (GLOBE NEWSWIRE) -- Schmitt Industries, Inc. (Nasdaq:SMIT) today announced its operating results for the three and six months ended November 30, 2013. For the three months ended November 30, 2013, total sales increased \$440,793, or 16.3%, to \$3,143,052 from \$2,702,259 in the three months ended November 30, 2012. For the six months ended November 30, 2013, total sales decreased \$340,425, or 5.3%, to \$6,042,499 from \$6,382,924 in the six months ended November 30, 2012. Net loss was \$163,201, or \$0.05 per fully diluted share, for the three months ended November 30, 2013 as compared to \$104,604, or \$0.03 per fully diluted share, for the three months ended November 30, 2012. Net loss was \$309,760, or \$0.10 per fully diluted share, for the six months ended November 30, 2013 as compared to net income of \$15,544, or \$0.01 per fully diluted share, for the six months ended November 30, 2012.

Balancer segment sales increased \$104,261, or 5.6%, to \$1,965,922 for the three months ended November 30, 2013 compared to \$1,861,661 for the three months ended November 30, 2012, primarily due to an increase in sales into Asia and to a lesser extent Europe in the second quarter.

Balancer segment sales decreased \$256,946, or 6.2%, to \$3,867,738 for the six months ended November 30, 2013 compared to \$4,124,684 for the six months ended November 30, 2012. The decrease in worldwide balancer sales for the six month period ended November 30, 2013 is due to lower volumes of shipments into Asia in the first quarter of the current fiscal year compared to the first quarter of the prior year.

Measurement segment sales increased \$336,532, or 40.0%, to \$1,177,130 for the three months ended November 30, 2013 compared to \$840,598 for the three months ended November 30, 2012, driven by an increase in sales of remote tank monitoring products and related services and laser-based light-scatter surface measurement products. Xact® revenues increased \$120,521, or 119.8%, to \$221,158 during the second quarter of Fiscal 2014 as compared to \$100,637 for the same period in the prior year.

Measurement segment sales decreased \$83,479, or 3.7%, to \$2,174,761 for the six months ended November 30, 2013 compared to \$2,258,240 for the six months ended November 30, 2012. The decrease in worldwide measurement system sales for the six month period ended November 30, 2013 is primarily due to lower volumes of shipments of laser-based distance measurement and dimensional sizing products offset by increases in sales of remote tank monitoring products and related services and laser-based light-scatter surface measurement products. Xact® revenues increased \$143,576, or 37.0%, to \$531,684 during the first half of Fiscal 2014 as compared to \$388,108 for the same period in the prior year.

Gross profit for the three months ended November 30, 2013 decreased to 46.7% as compared to 57.1% for the three months ended November 30, 2012. For the six months ended November 30, 2013, gross profit decreased to 46.3% as compared to 53.5% for the six months ended November 30, 2012. These overall decreases in gross profit for both the three and six month periods ended November 30, 2013 as compared to the prior periods are primarily due to shifts in product sales mix involving five product lines and the impact of increased costs associated with the products sold.

"Our results for the second quarter of Fiscal 2014 are showing signs that Asia, and particularly China, is slowly recovering from the slowdown in the manufacturing sector of their economy," commented Jim Fitzhenry, President and CEO of Schmitt Industries. "In addition, we are beginning to see some increased sales of our SBS products into Europe. We are also encouraged by the continued development of our Xact® product line, which posted another increase in revenues as compared to the second quarter of the prior year. We will continue to focus on sales channel and product development and growing our market share in Europe for our SBS product line and in Latin America for our Xact product line," Fitzhenry concluded.

About Schmitt Industries

Schmitt Industries, Inc. (the Company) designs, manufactures and sells high precision test and measurement products for two main business segments: the Balancer Segment and the Measurement Segment. For the Balancer Segment, the Company designs, manufactures and sells computer-controlled vibration detection, balancing and process control systems for the worldwide machine tool industry, particularly for grinding machines. For the Measurement Segment, the Company designs, manufactures and sells laser and white light sensors for distance, dimensional and area measurement for a wide variety of commercial applications, laser-based microroughness measurement products for the semiconductor wafer and hard disk drive industries and for other industrial applications, laser-based surface analysis and measurement products for a variety of scientific applications, and ultrasonic measurement products that accurately measure the liquid levels of propane tanks and

transmit that data via satellite to a secure web site for display. The Company also provides sales and service for Europe and parts of Asia through its wholly owned subsidiary, Schmitt Europe Limited (SEL), located in Coventry, England and through its sales representative office located in Shanghai, China.

FORWARD-LOOKING STATEMENTS

Certain statements in this release, including but not limited to remarks by Jim Fitzhenry, are "forward-looking statements." These statements are based upon current expectations, estimates and projections about the Company's business that are based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors, including, but not limited to, general economic conditions and global financial concerns, the volatility of the Company's primary markets, efforts to accelerate growth in sales of the Xact® tank monitoring systems and the ability to satisfy expected demand, the ability to develop new products to satisfy changes in consumer demands, the intensity of competition, the effect on production time and overall costs of products if any of our primary suppliers are lost or if a primary supplier increases the prices of raw materials or components, the ability to ramp up manufacturing to satisfy increasing demand, maintenance of a significant investment in inventories in anticipation of future sales, existing cash and credit facilities level which may not be sufficient to fund future growth, fluctuations in quarterly and annual operating results, attracting and retaining key management and qualified technical and sales personnel, changes in effective tax rates, the ability to reduce operating costs if sales decline, increased costs due to changes in securities laws and regulations, protection of intellectual property rights, and risks from international sales and currency fluctuations.

For further information regarding risks and uncertainties associated with the Company's business, please refer to Schmitt's SEC filings, including, but not limited to, its Forms 10-K, 10-Q and 8-K.

The forward-looking statements in this release speak only as of the date on which they were made, and the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release, or for changes to this document made by wire services or internet service providers.

SCHMITT INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | November 30, 2013 | May 31, 2013 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,115,635 | \$ 1,909,071 |
| Accounts receivable, net of allowance of \$31,663 and \$30,576 at November 30, 2013 and May 31, 2013, respectively | 2,180,229 | 1,980,685 |
| Inventories | 4,665,685 | 5,054,087 |
| Prepaid expenses | 131,262 | 219,492 |
| Income taxes receivable | 21,609 | 48,095 |
| | 9,114,420 | 9,211,430 |
| Property and equipment | | |
| Land | 299,000 | 299,000 |
| Buildings and improvements | 1,805,951 | 1,805,951 |
| Furniture, fixtures and equipment | 1,313,464 | 1,312,028 |
| Vehicles | 121,835 | 121,835 |
| | 3,540,250 | 3,538,814 |
| Less accumulated depreciation and amortization | (2,311,911) | (2,203,924) |
| | 1,228,339 | 1,334,890 |
| Other assets | | |
| Intangible assets, net | 1,010,961 | 1,078,278 |
| TOTAL ASSETS | \$ 11,353,720 | \$ 11,624,598 |

LIABILITIES & STOCKHOLDERS' EQUITY**Current liabilities**

| | | |
|-----------------------------|------------|------------|
| Accounts payable | \$ 547,479 | \$ 918,094 |
| Accrued commissions | 203,251 | 273,307 |
| Accrued payroll liabilities | 100,126 | 131,772 |
| Other accrued liabilities | 319,650 | 286,307 |
| Line of credit | 400,000 | 0 |

Total current liabilities

| | | |
|--|------------------|------------------|
| | <u>1,570,506</u> | <u>1,609,480</u> |
|--|------------------|------------------|

Stockholders' equity

| | | |
|--|------------|------------|
| Common stock, no par value, 20,000,000 shares authorized, 2,990,910 shares issued and outstanding at both November 30, 2013 and May 31, 2013 | 10,394,456 | 10,369,524 |
| Accumulated other comprehensive loss | (279,000) | (331,924) |
| Retained earnings | (332,242) | (22,482) |

Total stockholders' equity

| | | |
|--|------------------|-------------------|
| | <u>9,783,214</u> | <u>10,015,118</u> |
|--|------------------|-------------------|

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|----------------------|----------------------|
| | <u>\$ 11,353,720</u> | <u>\$ 11,624,598</u> |
|--|----------------------|----------------------|

SCHMITT INDUSTRIES, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE AND SIX MONTHS ENDED NOVEMBER 30, 2013 AND 2012****(UNAUDITED)**

| | <u>Three Months Ended November 30,</u> | | <u>Six Months Ended November 30,</u> | |
|---|--|---------------------|--------------------------------------|------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Net sales | \$ 3,143,052 | \$ 2,702,259 | \$ 6,042,499 | \$ 6,382,924 |
| Cost of sales | <u>1,675,184</u> | <u>1,160,031</u> | <u>3,243,509</u> | <u>2,966,748</u> |
| Gross profit | <u>1,467,868</u> | <u>1,542,228</u> | <u>2,798,990</u> | <u>3,416,176</u> |
| Operating expenses: | | | | |
| General, administration and sales | 1,507,046 | 1,523,918 | 2,858,748 | 3,156,733 |
| Research and development | <u>112,096</u> | <u>131,365</u> | <u>238,860</u> | <u>246,674</u> |
| Total operating expenses | <u>1,619,142</u> | <u>1,655,283</u> | <u>3,097,608</u> | <u>3,403,407</u> |
| Operating income (loss) | (151,274) | (113,055) | (298,618) | 12,769 |
| Other income (expense) | <u>(9,546)</u> | <u>7,915</u> | <u>(6,093)</u> | <u>8,427</u> |
| Income (loss) before income taxes | (160,820) | (105,140) | (304,711) | 21,196 |
| Provision (benefit) for income taxes | <u>2,381</u> | <u>(536)</u> | <u>5,049</u> | <u>5,652</u> |
| Net income (loss) | <u>\$ (163,201)</u> | <u>\$ (104,604)</u> | <u>\$ (309,760)</u> | <u>\$ 15,544</u> |
| Net earnings (loss) per common share: | | | | |
| Basic | <u>\$ (0.05)</u> | <u>\$ (0.03)</u> | <u>\$ (0.10)</u> | <u>\$ 0.01</u> |
| Weighted average number of common shares, basic | <u>2,990,910</u> | <u>2,990,910</u> | <u>2,990,910</u> | <u>2,990,910</u> |

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Diluted | <u>\$ (0.05)</u> | <u>\$ (0.03)</u> | <u>\$ (0.10)</u> | <u>\$ 0.01</u> |
| Weighted average number of common shares, diluted | <u>2,990,910</u> | <u>2,990,910</u> | <u>2,990,910</u> | <u>3,003,828</u> |

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www.schmitt-ind.com



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