

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): April 14, 2022

SCHMITT INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction
of incorporation or organization)

001-38964
(Commission
File Number)

93-1151989
(I.R.S. Employer
Identification Number)

2765 N.W. Nicolai Street
Portland, Oregon 97210-1818
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (503) 227-7908

Not Applicable
Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|-----------------------------|-------------------|---|
| Common Stock – no par value | SMIT | NASDAQ Capital Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On April 14, 2022, Schmitt Industries, Inc. (the “Company”) issued a press release entitled “Schmitt Announces FY22 Q3 Results and Strategic Intention to Focus on Ample Hills Creamery.” A copy of the press release is furnished as Exhibit 99.1 to this report.

The information contained in Item 2.02 of this Current Report shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Special Note Regarding Forward-Looking Statements

This Form 8-K contains forward-looking statements within the meaning of the federal securities laws, that are, to different degrees, uncertain. Forward-looking statements involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements in this Form 8-K. In addition, please refer to the risk factors contained in our periodic filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended May 31, 2021 and our Quarterly Report on Form 10-Q for the three months ended February 28, 2022, available at www.sec.gov, under the caption Risk Factors and elsewhere. We do not undertake any obligation to update any forward-looking statements to reflect new information or events or circumstances occurring after the date of this Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 [Press Release of Schmitt Industries, Inc., issued on April 14, 2022, entitled “Schmitt Announces FY22 Q3 Results and Strategic Intention to Focus on Ample Hills Creamery.”](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 hereunto duly authorized.

SCHMITT INDUSTRIES, INC.

April 14, 2022

By: /s/ Philip Bosco
Name: Philip Bosco
Title: Chief Financial Officer and Treasurer

IMMEDIATE NEWS RELEASE

SCHMITT ANNOUNCES FY22 Q3 RESULTS AND STRATEGIC INTENTION TO FOCUS ON AMPLE HILLS CREAMERY

April 14, 2022

NASDAQ: SMIT

Portland, Oregon – Schmitt Industries, Inc. (NASDAQ: SMIT) (the “Company” or “Schmitt”) today announced its results for the third quarter of fiscal year 2022. In addition, the Company announced its intention to focus on Ample Hills Creamery (“Ample Hills”) as its core business. This focus will enable Schmitt to accelerate its Ample Hills growth strategy while saving costs and focusing resources on Ample Hills as an independent company.

“The Board and I are excited about the potential for Ample Hills. Given this potential and in line with our long-term strategy to increase shareholder value, we believe a strategic focus on the Ample Hills business will allow us to accelerate growth,” said Michael R. Zapata, Executive Chairman, President and CEO of Schmitt. “Even in the seasonally slow months for the Ample Hills business we are seeing results from our increased focus,” Zapata added.

Ample Hills has signed four new leases, including the recently announced Upper West Side location in Manhattan, New York. The Company will provide further details on these new locations in the coming weeks and months as we move towards opening dates.

In conjunction with the focus on Ample Hills, Schmitt is announcing a strategic review of its Schmitt Measurement Systems (“SMS”) business lines based in Portland, Oregon.

“In line with the Board’s announcement, we are pursuing a strategic review of both the Xact and Acuity business lines,” said Mr. Zapata. “The purpose of this review is to identify the right strategy and structure for each of the SMS businesses and ensure strong support for our employees, customers, and business partners - our business lines have done an incredible job navigating the challenges of the unprecedented Covid-19 environment, and we are committed to supporting their future potential as we explore the best vehicle for their continued success.”

Schmitt will provide further details when available on the transition plan. The full transition of Ample Hills and SMS is expected to take place in the 2022 calendar year.

FY22 3Q Earnings Highlights

Schmitt announced its operating results for the fiscal quarter ended February 28, 2022. Highlights and year-over-year changes include:

- Consolidated revenues increased \$180,469, or 10.8%, to \$1,848,913.
- Ice Cream Segment revenue increased \$351,190, or 56.5%, to \$972,920.
- Gross margin increased to 50.7% for the three months ended February 28, 2022, as compared to 49.8% for the three months ended February 28, 2021.
- Operating expenses decreased \$12,491, or 0.4% to \$3,323,159.
- Operating loss was (\$2,386,322) for the three months ended February 28, 2022, as compared to (\$2,504,460) for the three months ended February 28, 2021.
- Net loss was (\$893,244), or (\$0.24), per fully diluted share, for the three months ended February 28, 2022.
- The Company finished the quarter with \$1,999,241 in cash, as compared to \$4,032,690 for the year ended May 31, 2021.

CORPORATE OFFICE: 2765 NW NICOLAI ST • PORTLAND, OREGON 97210 • 503/227-7908 • 503/223-1258

“Ample Hills continues to perform well with increased revenue performance on a same store basis. The team is driving forward with our growth plans and we are excited to continue to open new locations this year while bringing our unique and best in class ice cream to our fans and the neighborhoods we serve,” said Mr. Zapata.

“As we look ahead, I want to thank all of our Schmitt team members for their passion and commitment. We are excited for our business lines as we evaluate the best vehicles for each to maximize their potential and better serve our customers and business partners while enhancing value for our team and all stakeholders.”

Summary data for the three months ended February 28, 2022 and 2021:

| | Three Months Ended | | | | | |
|------------------------------------|--------------------|---------|----------------|--------|--------------|--------|
| | February 28, | | | | Change | |
| | 2022 | | 2021 | | \$ | % |
| Net sales | \$ 1,848,913 | 100.0% | \$ 1,668,444 | 100.0% | \$ 180,469 | 10.8% |
| Gross margin | 50.7% | — | 49.8% | — | — | — |
| Operating expenses | \$ 3,323,159 | 179.7% | \$ 3,335,650 | 199.9% | \$ (12,491) | (0.4%) |
| Net loss | \$ (893,244) | (48.3)% | \$ (2,419,797) | 145.0% | \$ 1,526,553 | 63.1% |
| Net loss per common share, diluted | \$ (0.24) | — | \$ (0.64) | — | \$ 0.41 | 63.3% |

Summary data for the nine months ended February 28, 2022 and 2021:

| | Nine Months Ended | | | | | |
|---|-------------------|--------|----------------|---------|--------------|--------|
| | February 28, | | | | Change | |
| | 2022 | | 2021 | | \$ | % |
| Net sales | \$ 8,570,053 | 100.0% | \$ 5,205,641 | 100.0% | \$ 3,364,412 | 64.6% |
| Gross margin | 57.8% | — | 46.1% | — | — | — |
| Operating expenses | \$ 11,630,580 | 135.7% | \$ 8,674,379 | 166.6% | \$ 2,956,201 | 34.1% |
| Net income (loss) | \$ 249,629 | 2.9% | \$ (4,635,607) | (89.0%) | \$ 4,885,236 | 105.4% |
| Net income (loss) per common share, diluted | \$ 0.07 | — | \$ (1.23) | — | \$ 1.30 | 105.3% |

Reconciliation of Adjusted EBITDA for the Three Months Ended February 28, 2022 and 2021:

| | Three Months Ended February 28, | |
|-----------------------------------|---------------------------------|----------------|
| | 2022 | 2021 |
| Income (loss) before income taxes | \$ (884,976) | \$ (2,421,434) |
| Depreciation and amortization | 106,851 | 120,647 |
| Interest expense | 8,232 | 5,400 |
| EBITDA | \$ (769,893) | \$ (2,295,387) |
| Adjusted for: | | |
| Bargain purchase gain | — | (2,277) |
| Stock-based compensation | 25,647 | (82,936) |
| Adjusted EBITDA | \$ (744,246) | \$ (2,380,600) |

CORPORATE OFFICE: 2765 NW NICOLAI ST • PORTLAND, OREGON 97210 • 503/227-7908 • 503/223-1258

Reconciliation of Adjusted EBITDA for the Nine Months Ended February 28, 2022 and 2021:

| | Nine Months Ended February 28, | |
|--|---------------------------------------|-----------------------|
| | 2022 | 2021 |
| Income (loss) before income taxes | \$ 264,247 | \$ (5,040,274) |
| Depreciation and amortization | 401,448 | 307,732 |
| Interest expense | 37,811 | 12,854 |
| EBITDA | <u>\$ 703,506</u> | <u>\$ (4,719,688)</u> |
| Adjusted for: | | |
| Gain on sale of property and equipment | (4,598,095) | — |
| Bargain purchase gain | — | (1,187,235) |
| Stock-based compensation | 95,016 | 168,435 |
| Transaction fees and reorganization expenses | — | 125,167 |
| Adjusted EBITDA | <u>\$ (3,799,573)</u> | <u>\$ (5,613,321)</u> |

Reconciliation of Adjusted Net loss and Non-GAAP EPS for the Three Months Ended February 28, 2022 and 2021:

| | Three Months Ended February 28, | |
|---------------------------------------|--|-----------------------|
| | 2022 | 2021 |
| Net loss | \$ (893,244) | \$ (2,419,797) |
| Adjusted for: | | |
| Bargain purchase gain | — | (2,277) |
| Stock-based compensation | 25,647 | (82,936) |
| Tax effect of adjustments | (6,412) | 21,303 |
| Adjusted loss (Non-GAAP) | <u>\$ (874,009)</u> | <u>\$ (2,483,707)</u> |
| Non-GAAP loss per fully diluted share | <u>\$ (0.23)</u> | <u>\$ (0.66)</u> |

Reconciliation of Adjusted Net income (loss) and Non-GAAP EPS for the Nine Months Ended February 28, 2022 and 2021:

| | Nine Months Ended February 28, | |
|--|---------------------------------------|-----------------------|
| | 2022 | 2021 |
| Net income (loss) | \$ 249,629 | \$ (4,635,607) |
| Adjusted for: | | |
| Gain on sale of property and equipment | (4,598,095) | — |
| Bargain purchase gain | — | (1,187,235) |
| Stock-based compensation | 95,016 | 168,435 |
| Tax effect of adjustments | 1,125,770 | 254,700 |
| Adjusted loss (Non-GAAP) | <u>\$ (3,127,680)</u> | <u>\$ (5,397,707)</u> |
| Non-GAAP loss per fully diluted share | <u>\$ (0.82)</u> | <u>\$ (1.44)</u> |

Use of Non-GAAP Financial Measures by Schmitt Industries

This release presents the non-GAAP financial measures “Adjusted EBITDA”, “Adjusted net loss (Non-GAAP)”, and “Non-GAAP loss per fully diluted share.” The most directly comparable measure for these non-GAAP financial measures are net income and basic and diluted net income per share. The Company presents adjusted EBITDA after excluding the bargain purchase gain related to the Ample Hills acquisition, related transaction and re-organization expenses, income from discontinued product line and stock-based compensation.

About Schmitt Industries

Schmitt is a holding company owning subsidiaries engaged in diverse business activities. The Company was originally incorporated under the laws of British Columbia, Canada, in 1984 and was reincorporated under the laws of the State of Oregon in 1995. Schmitt’s operating businesses include propane tank monitoring solutions, precision measurement solutions and ice cream production and distribution. The Company operates as two reportable segments: the Measurement Segment and the Ice Cream Segment, which is comprised of Ample Hills Creamery, a beloved ice cream manufacturer and retailer based in Brooklyn, NY.

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. 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. A complete discussion of the risks and uncertainties that may affect Schmitt’s business, including the business of its subsidiary, is included in “Risk Factors” in the Company’s most recent Annual Report on Form 10-K as filed by the Company with the Securities and Exchange Commission.

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.

For more information contact:

Michael R. Zapata, Executive Chairman, President and CEO
Philip Bosco, CFO and Treasurer
(503) 227-7908 or visit our website at www.schmitt-ind.com

CORPORATE OFFICE: 2765 NW NICOLAI ST • PORTLAND, OREGON 97210 • 503/227-7908 • 503/223-1258