

The L.S. Starrett Company Announces Fiscal 2022 Third Quarter Results

Strong third quarter EPS of \$0.57 improves 39% from prior year quarter, 68% sequentially from second quarter of Fiscal 2022.

ATHOL, MA. – May 6, 2022 – The L.S. Starrett Company (NYSE: SCX) (“Starrett” or “the Company”) a global innovator, manufacturer and marketer of precision measuring tools, cutting tools and equipment, and high-end metrology solutions for industrial, professional, and consumer markets, today announced operating results for the quarter and nine months ending March 31, 2022.

Fiscal 2022 Third Quarter Financial Highlights

- Net sales of \$60.5 million were up 10% compared to the third quarter of the prior year. All areas of the business continue to exceed pre-pandemic order intake, which exceeded \$75 million in the quarter. As of March 31, 2022, backlog remained at historical high levels. Currency neutral net sales were \$59.2 million, representing an increase of 8% compared to the third quarter of the prior year.
- Gross margin for the quarter was 34.8%, an improvement of 180 basis points from the third quarter of the prior year. Benefits from the Company’s Fiscal 2021 restructuring program have been partially offset by macro and inflationary pressures, including increased supply chain costs related to the pandemic. In addition, labor shortages in North America have driven significant wage increases and reduced plant utilization. In an effort to mitigate the impact of these challenges, the Company had implemented price increases in the first quarter of fiscal 2022 in Brazil and the U.S. Additional price increases and surcharges on shipped orders were successfully implemented throughout the third quarter and taking nearly full effect by its conclusion, resulting in an overall gross margin improvement of 390 basis points compared to the second quarter of fiscal 2022, to 34.8%.
- Third quarter operating income was 8.9%, compared to 7.0% reported in the third quarter of the prior year, Non-U.S. GAAP adjusted operating income when comparing the two periods shows an improvement from 8.4% in the prior year to 10.0% for this quarter.
- In response to pandemic related supply chain challenges and transportation delays, the company has continued to operate with above normal working capital levels in order to meet strong demand, resulting in operating cash consumption and an increase in debt.
- Third quarter diluted GAAP EPS was \$0.57 compared to \$0.41 for the third quarter in the prior fiscal year, representing an improvement of 39%
- The Company continued its efforts to improve operating leverage by initiating a project to reduce selling and distribution cost in Asia, recording a restructuring charge of \$0.4 million in the quarter with an additional \$0.5 million expected to be recorded in the fourth quarter. The project is expected to yield an annualized savings of \$0.6 million in SG&A costs.

- The Company successfully refinanced and enhanced its credit facilities with HSBC Bank, and established a new global banking relationship. The new facilities replaced the previous credit facilities held with TD Bank.

See “Non-U.S. GAAP Financial Measures” below for a definition of and further explanation about the use of the term “adjusted operating income.”

Use of Non- U.S. GAAP Financial Measures

The Company uses the following non-U.S. GAAP financial measures: “currency-neutral sales,” which are sales calculated using actual exchange rates in use during the comparative prior year period to enhance the visibility of the underlying business trends excluding the impact of translation arising from foreign currency exchange rate fluctuations; and “non-US GAAP adjusted operating income,” which adjusts for restructuring costs that are reflected in one period but not the other, in order to show comparative operational performance.

The Company discusses these non-U.S. GAAP financial measures because management believes they assist investors in comparing the Company’s performance across reporting periods on a consistent basis by eliminating items that the Company does not believe are indicative of its core operating performance. Such non-U.S. GAAP financial measures assist investors in understanding the ongoing operating performance of the Company by presenting financial results between periods on a more comparable basis. Such measures should be considered in addition to, and not in lieu of, the financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

References to currency-neutral sales and adjusted operating income should not be considered in isolation or as a substitute for other financial measures calculated and presented in accordance with U.S. GAAP, and may not be comparable to similarly titled non-U.S. GAAP financial measures used by other companies. In evaluating these non-U.S. GAAP financial measures, investors should be aware that in the future the Company may incur expenses or be involved in transactions that are the same as or similar to some of the adjustments in this press release. The Company’s discussion of non-U.S. GAAP financial measures should not be construed to imply that its future results will be unaffected by any such adjustments. Non-U.S. GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of our results as reported under U.S. GAAP.

About The L.S. Starrett Company:

Founded in 1880 by Laroy S. Starrett and incorporated in 1929, The L.S. Starrett Company is a leading manufacturer of high-end precision tools, cutting equipment, and metrology systems for industrial, professional and consumer markets and is engaged in the business of manufacturing over 5,000 different products for industrial, professional and consumer markets. The Company has a long history of global manufacturing experience and

currently operates three major global manufacturing plants. All subsidiaries principally serve the global manufacturing industrial base with concentration in the metalworking, construction, machinery, equipment, aerospace and automotive markets. The Company offers its broad array of measuring and cutting products to the market through multiple channels of distribution throughout the world. Starrett is a brand recognized around the world for precision, quality and innovation. For more information, please visit: <https://www.starrett.com>.

Forward-Looking Statements:

This press release may contain forward-looking statements concerning the Company's expectations, anticipations, intentions, beliefs or strategies regarding the future. These forward-looking statements are based on its current expectations and beliefs concerning future developments and their potential effects on the Company. There can be no assurance that future developments affecting the Company will be those that it has anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond its control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements, and other risks and uncertainties described in its Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on September 2, 2021 in the section entitled "Risk Factors," and in its other filings from time to time with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should any of its assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

L.S. Starrett Company
Summary of Operations
Quarter Ending and Fiscal 2022 Year to Date
March 31, 2022

(Amounts in Thousands, except income per share)	Quarter Ended	Comparison to Quarter Ended 03/31/2021			Fiscal 2022 YTD	Comparison Fiscal 2021 YTD 3/31/2021		
	3/31/2022	3/31/2021	\$ Change	% Change	3/31/2022	3/31/2021	\$ Change	% Change
Net Sales	\$ 60,479	\$ 54,944	+5,535	10.1%	\$ 183,311	\$ 158,408	+24,903	15.7%
Gross Margin	21,020	18,149	2,871	0	60,114	51,326	8,788	0
<i>as % of Net Sales</i>	<i>34.8%</i>	<i>33.0%</i>			<i>32.8%</i>	<i>32.4%</i>		
Selling, general, and administrative expenses	14,988	13,511	+1,477	10.9%	45,750	41,126	+4,624	11.2%
<i>as % of Net Sales</i>	<i>24.8%</i>	<i>24.6%</i>			<i>25.0%</i>	<i>26.0%</i>		
Restructuring Charges	658	788	(130)	-16.5%	658	1,518	(860)	-56.7%
Gain on sale of building	-	-	-	0.0%	-	(3,204)	3,204	-100.0%
Operating income	5,374	3,850	+1,524	39.6%	13,706	11,886	+1,820	15.3%
<i>as % of Net Sales</i>	<i>8.9%</i>	<i>7.0%</i>			<i>7.5%</i>	<i>7.5%</i>		
Other income, net	684	663	+21	3.2%	249	236	+13	5.5%
Income before income taxes	6,058	4,513	+1,545	34.2%	13,955	12,122	+1,833	15.1%
Income tax expense	1,774	1,496	+278	18.6%	3,911	1,132	+2,779	245.5%
Net Income	\$ 4,284	\$ 3,017	+1,267	42.0%	\$ 10,044	\$ 10,990	(946)	8.6%
Basic income per share	\$ 0.59	\$ 0.42	\$ 0.17	40.5%	\$ 1.39	\$ 1.56	\$ (0.17)	-10.9%
Diluted income per share	\$ 0.57	\$ 0.41	\$ 0.16	39.0%	\$ 1.34	\$ 1.50	\$ (0.16)	-10.7%

L.S. Starrett Company
Consolidated, Condensed Balance Sheet
March 31, 2022

ASSETS	3/31/2022	6/30/2021
Cash	\$	\$8,020
Accounts receivable		41,415
Inventories, net		73,075
Prepaid expenses and other current assets		15,018
Total current assets		137,528
Property, plant and equipment, net		38,927
Other Long-Term Assets		29,431
Total assets	\$	205,886
LIABILITIES AND STOCKHOLDERS' EQUITY	3/31/2022	6/30/2021
Notes payable and current maturities of long	\$	2 ,832
Accounts payable		17,908
Other Current Liabilities		18,216
Total current liabilities		58,956
Other Long Term Liabilities		7,255
Long-term debt, net of current portion		9,405
Postretirement benefit and pension obligations		33,977
Total Liabilities		109,593
Stockholders' Equity	96,293	83,535
Total Liabilities and Stockholders' Equity	\$	205,886

L.S. Starrett Company
Adjusted Operating Income and Currency Neutral Sales Reconciliations
Quarter Ending and Fiscal 2022 Year to Date
March 31, 2022

US GAAP to NON-U.S. GAAP Reconciliation

(Amounts in Thousands)	Quarter Ended 3/31/2022	Comparison to Quarter Ended 03/31/2021			Fiscal 2022 YTD 3/31/2022	Comparison Fiscal 2021 YTD 3/31/2021		
		3/31/2021	\$ Change	% Change		3/31/2021	\$ Change	% Change
Operating income, as reported	\$ 5,374	\$ 3,850	+1,524	39.6%	\$ 13,706	\$ 11,886	+1,820	15.3%
Restructuring charges	658	788	(130)	-16.5%	658	1,518	(860)	-56.7%
Gain on sale of building	-	-	-	-	-	(3,204)	3,204	-100.0%
Adjusted operating income	\$ 6,032	\$ 4,638	+1,394	30.1%	\$ 14,364	\$ 10,200	+4,164	40.8%
<i>as % of Net Sales</i>	<i>10.0%</i>	<i>8.4%</i>		<i>+160 bps</i>	<i>7.8%</i>	<i>6.4%</i>		<i>+140 bps</i>

(Amounts in Thousands)	Quarter Ended 3/31/2022	Comparison to Quarter Ended 03/31/2021			Fiscal 2022 YTD 3/31/2022	Comparison Fiscal 2021 YTD 3/31/2021		
		3/31/2021	\$ Change	% Change		3/31/2021	\$ Change	% Change
Net Sales, as reported	60,478	54,944	+5,534	10.07%	183,310	158,408	+24,902	15.7%
<i>Change when converting FY22 sales in non USD currencies at the same exchange rates used in the comparison period</i>	(1,270)	-	(1,270)	-2.31%	(2,531)	-	(2,531)	-1.60%
FY22 Currency Neutral Net Sales	\$ 59,208	\$ 54,944	+4,264	7.76%	\$ 180,779	\$ 158,408	+22,371	14.1%

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