

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

*Sales increase 25% from first quarter of fiscal 2021; Order intake up 35%
Operating Income improved 125%*

Financial Highlights:

Sales and order intake exceed pre-pandemic levels.

- *Sales increased 25% and currency-neutral sales up 22% from first quarter of fiscal 2021*
- *Order intake increased 35% during same period, backlog at record high levels*

Completed restructuring projects continue to drive improved margins.

- *Operating income increased \$2.3 million, or 125% from first quarter of fiscal 2021*
- *Gross margin improved 120 basis points during same period*

Strategic efforts implemented to mitigate global supply chain issues decrease operating cash flow.

- *Net cash used in operating activities was \$5.8 million during the September quarter, \$2.9 million of which was a temporary increase in protective inventory as a hedge against global supply chain constraints.*
- *Debt increases \$0.7 million from first quarter of fiscal 2021*

ATHOL, MA. – November 5, 2021 – 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 ending September 30, 2021.

Sales and order intake exceed pre-pandemic levels.

Sales and order intake trends, which had begun to rapidly improve in fiscal 2021, continued an upward trend through the first quarter of fiscal 2022. A full recovery to pre-pandemic order intake levels has now been achieved in all sectors of the Company’s business, including the North American precision hand tool and high-end metrology businesses, while the Company’s international industrial businesses continue to exceed pre-pandemic order intake and sales levels. Consolidated sales for the quarter of \$61.5 million represent an increase of 25% over the first quarter of fiscal 2021. On a currency-neutral basis, sales for the quarter are \$60.4 million, representing an increase of 22% over the same time period comparison.

See “Non-U.S. GAAP Financial Measures” below for a definition of and further explanation about the use of the term “currency-neutral basis” when comparing sales over different time periods.

Restructuring projects drive improved margins despite pandemic related headwinds.

The Company improved gross margin by 120 basis points in the first quarter of 2022 compared to the first quarter of 2021, despite pandemic related headwinds related to global supply chain issues, raw material price increases, and wage pressure related to labor shortages in its North American operations. This improvement was primarily driven by the positive impact of the restructuring strategy the Company implemented throughout fiscal 2021.

Operating income improved to \$4.1 million in the quarter ending September 30, 2021, up from \$1.8 million in the quarter ending one year prior, representing a 125% increase and 300 basis point improvement in relation to sales. Adjusted operating income, which adds back restructuring charges incurred in the first quarter of fiscal 2021 for comparative purposes, increased from \$2.2 million in the quarter ending September 30, 2020 to \$4.1 million in the quarter ending September 30, 2021, representing a 90% increase and 230 basis point improvement in relation to sales.

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

Strategic efforts implemented to mitigate global supply chain issues decrease operating cash flow.

During the quarter ended September 30, 2021, the Company has implemented temporary protective measures in the face of increasing global supply chain challenges by increasing its inventory levels. These measures, implemented to insulate customer service requirements, have led to net cash used in operating activities of \$5.8 million for the quarter ended September 30, 2021, half of which is a result of increased inventory levels. Although debt has increased by \$5.6 million since the fiscal 2021 year-end, it remains at a very similar level to the quarter ended September 30, 2020, with an increase of \$0.7 million. The Company implemented these measures because it still maintains a strong liquidity position in relation to available cash and credit facilities.

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 “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 September 30, 2021

(Amounts in Thousands)	Quarter Ended 09/30/2021	Comparison to Quarter Ended 09/30/2020		
		09/30/20	\$ Change	% Change
Net Sales	\$ 61,514	\$ 49,411	+12,103	24.5%
Gross Margin <i>as % of Net Sales</i>	20,145 32.7%	15,572 31.5%	4,573	29.4%
Selling, general, and administrative expenses <i>as % of Net Sales</i>	16,012 26.0%	13,391 27.1%	+2,621	19.6%
Restructuring Charges	-	346	(346)	-100.0%
Operating income <i>as % of Net Sales</i>	4,133 6.7%	1,835 3.7%	+2,298	125.2%
Other income (expense), net	226	(1)	+227	-22700.0%
Income before income taxes	4,359	1,834	+2,525	137.7%
Income tax expense (benefit)	1,127	(2,282)	+3,409	-149.4%
Net Income (loss)	\$ 3,232	\$ 4,116	(884)	21.5%

L.S. Starrett Company
Adjusted Operating Income Reconciliation
Quarter Ending September 30, 2021

(Amounts in Thousands)	Quarter Ended 09/30/2021	Comparison to Quarter Ended 09/30/2020		
		09/30/20	\$ Change	% Change
Operating income, as reported	\$ 4,133	\$ 1,835	+2,298	125.2%
Restructuring charges	-	346	(346)	-100.0%
Adjusted operating income <i>as % of Net Sales</i>	\$ 4,133 6.7%	\$ 2,181 4.4%	+1,952	89.5% +230 bp

L.S. Starrett Company
Currency Impact
Quarter Ending September 30, 2021

(Amounts in Thousands)	Quarter Ended 09/30/2021	Comparison to Quarter Ended 09/30/2020		
		09/30/20	\$ Change	% Change
Net Sales, as reported	\$ 61,514	\$ 49,411	+12,103	24.5%
<i>Change when converting FY22 Q1 sales in functional currencies at the same exchange used in the comparison period</i>	(1,093)	-	(1,093)	(2.21)%
FY22 Q1 Currency Neutral Net Sales	\$ 60,421	\$ 49,411	+11,010	22.3%

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