ARC Group Worldwide Announces Return to Profitability for the Fiscal First Quarter 2021

DELAND, FL; January 25, 2021 – ARC Group Worldwide, Inc. ("ARC" or the "Company"), a leading global provider of advanced manufacturing, today reports its results for the first fiscal quarter ending September 27, 2020. ARC reports net income for the three months and continued improvement compared to the prior period last year.

Highlights for the first quarter of fiscal year 2021 compared to the first quarter fiscal year 2020 for Continuing Operations:

- Net sales were $11.4 million, increasing by 7.7%;
- Gross profit was $2.1 million, increasing by 73.9%;
- Operating expenses were $1.7 million, decreasing by 23.9%;
- Income from continuing operations was $0.1 million, as compared to an operating loss of $1.8 million in the prior period last year.
- Interest and financing costs were $0.3 million, decreasing by 66.3%;
- EBITDA was $1.6 million, increasing by 97.4%;
- Adjusted EBITDA for the three months ended September 27, 2020 was also $1.6 million. Adjusted EBITDA is a non-GAAP financial measure, which is reconciled to the most directly comparable GAAP financial measure and more fully defined in the enclosed table.

Prior year financials for the fiscal first quarter include the results of ARC Metal Stamping, LLC ("AMS"), which was divested in December 2019 and are presented as discontinued operations.

Quarterly Financial Summary

The following analysis is performed over Sales, Gross Profit, and EBITDA from Continuing Operations for the comparative periods identified unless otherwise noted.

Fiscal first quarter net sales were $11.4 million, compared to $10.6 million in our fiscal first quarter of 2020. The increase in revenue was primarily driven by strength in the defense and firearms sector but partially offset by reductions in automotive, aerospace and medical industries associated with COVID-19.

Fiscal first quarter gross profit was $2.1 million, compared to $1.2 million in our fiscal first quarter of 2020. Gross profit increases were primarily driven by increases in operational productivity and proactive cost reduction measures implemented to balance costs with specific industry performance. These cost balancing measures allowed improvements despite sales mix challenges in historically higher margin industries like aerospace and medical.

EBITDA was $1.6 million for the fiscal first quarter, compared to $0.8 million in our fiscal first quarter of 2020. The increase was due to the upturn in overall sales and the aforementioned cost control initiatives impacting both Cost of Sales and SG&A expense.

Mr. Jed Rust, CEO of ARC Group Worldwide said, "I am pleased to report that ARC had net income for the first quarter of 2021. The efforts and focus around fiscal responsibility, debt reductions, and operational excellence have allowed us to return to profitability. We are optimistic toward our next quarter as we have seen growth in our customer backlog and the improvement activities are expected to continue to pay dividends."

Financial Restructuring

ARC completed the last of several transactions to reduce and restructure debt in September 2020, subsequent to the first quarter of fiscal year 2021.

In December 2019, the Company simultaneously consummated (i) the sale-leaseback of the ARC Colorado real estate property (the "Sale-Leaseback") and (ii) the sale of the ARC Stamping division (the "Stamping Division"). The proceeds from the Sale-Leaseback and Stamping Division transactions, together with an additional cash infusion from Quadrant Management Inc. ("QMI"), were utilized to pay off all of the Company's indebtedness to Citizens Bank NA in the net amount of $22.2 million and terminated the Company's Senior ABL Credit Facility.

In July 2020, the Company used a combination of cash on hand and additional cash infusion by QMI to pay down $7 million of Subordinated Debt with The Firmament Group ("Firmament").

In September 2020, the Company entered into a new Senior ABL Credit Facility with Fifth Third Bank. The cash at closing was used to pay down an additional $7 million of Subordinated Debt balance with Firmament. The Company simultaneously entered into Securities Exchange and Purchase Agreements with Firmament and QMI to convert their remaining respective Subordinated Debt balances to Preferred Equity. The Company issued 3,362,611 shares of Series A-1 Preferred Shares in exchange for $3,362,611 in remaining unpaid principal with Firmament. The Company issued 14,562,444 shares of Series A-2 Preferred Shares in exchange for $14,562,444 in remaining unpaid principal and interest with QMI.

GAAP to Non-GAAP Reconciliation

The Company uses Adjusted EBITDA, a Non-GAAP financial measure as defined by the SEC, as a supplemental profitability measure because management finds it useful to understand and evaluate results, excluding the impact of non-cash depreciation and amortization charges, stock based compensation expenses, and nonrecurring expenses and outlays, prior to consideration of the impact of other potential sources and uses of cash, such as working capital items. This calculation may differ in method of calculation from similarly titled measures used by other companies and may be different than the

EBITDA calculation used by our lenders for purposes of determining compliance with financial covenants. This Non-GAAP measure may have limitations when understanding performance as it excludes the financial impact of transactions such as interest expense necessary to conduct the Company's business and therefore is not intended to be an alternative to financial measures prepared in accordance with GAAP. The Company has not quantitatively reconciled its forward looking Adjusted EBITDA target to the most directly comparable GAAP measure because such items such as amortization of stock-based compensation and interest expense, which are specific items that impact these measures, have not yet occurred, are out of the Company's control, or cannot be predicted. For example, quantification of stock-based compensation is not possible as it requires inputs such as future grants and stock prices, which are not currently ascertainable.

Adjusted EBITDA from Continuing Operations, Adjusted Earnings, and Adjusted Earnings Per Share are non-GAAP financial measures. Adjusted EBITDA Margin from Continuing Operations is calculated by dividing EBITDA from Continuing Operations by sales.

The reconciliation to GAAP is as follows (dollars in thousands):

	September 27, 2020	September 29, 2019
Net Income/(Loss)	$ 93	$ (1,505)
Interest expense, net	175	971
Income taxes	28	31
Depreciation and amortization	1,275	1,572
Stock based compensation	55	58
Adjustment to exclude Income from Discontinued Operations	-	(262)
Adjusted EBITDA from Continuing Operations	**$ 1,626**	**$ 865**
Adjusted EBITDA Margin from Continuing Operations	**14.2%**	**8.1%**
Net Income/(Loss)	**$ 93**	**$ (1,505)**
Adjustment to Exclude Loss from Discontinued Operations, net of tax	-	(262)
Adjusted Earnings	**$ 93**	**$ (1,767)**
Adjusted Earnings Per Share	**$ 0.00**	**$ (0.08)**
Weighted Average Common Shares Outstanding	23,548,442	23,436,878

About ARC Group Worldwide, Inc.

ARC Group Worldwide, Inc. (**OTCM: ARCW**) is a leading global advanced manufacturing service provider. Founded in 1987, the Company offers its customers a compelling portfolio of advanced manufacturing technologies and cutting-edge capabilities to improve the efficiency of traditional manufacturing processes and accelerate their time to market. In addition to being a world leader in metal injection molding, ARC has significant expertise in prototyping, advanced tooling, automation, machining, plastic injection molding, lean manufacturing, and robotics. ARC's mission is to bring innovation and technology to manufacturing. Learn more at arcw.com.

Forward Looking Statements

This release includes certain forward-looking statements and projections of ARC Group Worldwide, Inc. Such statements are subject to risks and uncertainties that could cause results to differ materially from the Company's expectations. While the Company makes these statements in good faith, neither the Company nor its management can guarantee that anticipated future results will be achieved. The Company assumes no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by the Company, whether as a result of new information, future events, or otherwise. All forward-looking statements attributable to the Company or persons acting on the Company's behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and, except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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ARC Group Worldwide, Inc.

Unaudited Consolidated Statement of Operations
(in thousands, except for share and per share amounts)

	For the three months ended	
	September 27, 2020	**September 29, 2019**
Sales	$ 11,442	$ 10,620
Cost of sales	9,350	9,417
Gross profit	2,092	1,203
Selling, general and administrative	1,657	2,179
Income/(loss) from operations	$ 435	$ (976)
Other expense, net	14	217
Interest expense, net	(327)	(971)
Income/(loss) before income taxes	122	(1,730)
Income tax expense	(29)	(37)
Net income/(loss) from continuing operations	93	(1,767)
Income from discontinued operations, net of tax	—	262
Net income/(loss)	$ 93	$ (1,505)
Net income/(loss) per common share, basic and diluted:		
Continuing operations	$ 0.00	$ (0.08)
Discontinued operations	$ —	$ 0.01
ARC Group Worldwide, Inc.	$ 0.00	$ (0.06)
Weighted average common shares outstanding:		
Basic and diluted	23,548,442	23,436,878

ARC Group Worldwide, Inc.

Unaudited Consolidated Balance Sheets
(in thousands, except for share and per share amounts)

	September 27, 2020	June 30, 2020
ASSETS		
Current assets:		
Cash	$ 2,931	$ 3,942
Accounts receivable, net	6,747	5,876
Inventories, net	6,704	5,530
Prepaid expenses and other current assets	1,651	2,410
Total current assets	$ 18,033	$ 17,758
Property and equipment, net	21,625	22,198
Right of use assets, net	1,716	1,869
Goodwill	6,412	6,412
Intangible assets, net	5,601	6,012
Other	387	32
Total assets	$ 53,774	$ 54,281
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	3,995	2,804
Accrued expenses and other current liabilities	1,602	3,048
Deferred revenue	947	14
Current portion of long-term debt, net of unamortized financing costs	1,578	6,806
Operating lease liability, current portion	641	695
Finance lease liability, current portion	868	836
Accrued buyer obligations	123	272
Total current liabilities	$ 9,754	$ 14,475
Long-term debt, net of current portion and net of unamortized financing costs	28,428	23,991
Operating lease liability, net of current portion	1,093	1,188
Finance lease liability, net of current portion	10,292	10,486
Other long-term liabilities	154	168
Total liabilities	$ 49,721	$ 50,308
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $0.001 par value, 27,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.0005 par value, 225,000,000 shares authorized; 23,556,843 shares issued and 23,548,442 shares issued and outstanding at September 27, 2020, and 23,556,843 shares issued and 23,548,442 shares issued and outstanding at June 30, 2020	12	12
Treasury stock, at cost; 8,401 shares at September 27, 2020 and June 30, 2020	(94)	(94)
Additional paid-in capital	42,522	42,468
Accumulated deficit	(38,250)	(38,343)
Accumulated other comprehensive income/(loss)	(137)	(70)
Total stockholders' equity	4,053	3,973
Total liabilities and stockholders' equity	$ 53,774	$ 54,281

ARC Group Worldwide, Inc.

Unaudited Consolidated Statement of Cash Flows
(in thousands)

	For the three months ended	
	September 27, 2020	September 29, 2019
Cash flows from operating activities:		
Net income/(loss)	$ 93	$ (1,505)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,391	1,572
Share-based compensation expense	54	58
Loss on sale of asset	—	1
Bad debt expense and other	4	(1)
Changes in operating assets and liabilities:		
Accounts receivable	(869)	1,772
Inventory	(1,174)	(991)
Prepaid expenses and other assets	404	1,172
Accounts payable	1,192	(644)
Accrued expenses and other liabilities	(1,611)	510
Deferred revenue	933	428
Net cash provided by operating activities	417	2,372
Cash flows from investing activities:		
Purchases of property and equipment	(408)	(310)
Net cash used in investing activities	(408)	(310)
Cash flows from financing activities:		
Proceeds from debt issuance	4,644	13,667
Repayments of long-term debt and capital lease obligations	(5,641)	(15,602)
Issuance of common stock under ESPP	—	13
Net cash used in financing activities	(997)	(1,922)
Effect of exchange rates on cash	(23)	(220)
Net decrease in cash	(1,011)	(80)
Cash, beginning of quarter	3,942	263
Cash, end of quarter	$ 2,931	$ 183
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 152	$ 358
Cash paid for income taxes, net of refunds	$ —	$ 4
Non-cash financing:		
Assets acquired through capital leases	$ —	$ 18