

ARC Group Worldwide Reports Solid Performance with Fiscal Year Results

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DELAND, FL / ACCESSWIRE / December 6, 2021 / ARC Group Worldwide, Inc. ("ARC" or the "Company"), a leading global provider of advanced manufacturing, today announces financial results for the fiscal year 2021, ended June 30, 2021.

Fiscal Year Results

- Net sales of \$62.2 million, up 28.1% from the prior-year period;
- Gross profit of \$14.1 million, up 106.8% from the prior-year period;
- Gross margin of 22.6%, up 860 basis points from the prior-year period.
- Operating expenses of \$7.3 million, down 13.6% from the prior-year period;
- Income from continuing operations of \$6.8 million, as compared to operating loss of \$1.6 million in the prior-year period;
- Interest and financing costs of \$2.0 million, down 43.1% from the prior-year period;
- EBITDA was \$12.3 million; up 176% from the prior-year period;
- Adjusted EBITDA was \$12.5 million, up 163% from the prior-year period. 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 include the results of ARC Metal Stamping, LLC ("AMS"), which was divested in December 2019 and are presented as discontinued operations.

Financial Summary

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

Net sales were \$62.2 million, compared to \$48.5 million in the prior-year period. The increase in revenue was primarily driven by strength in the defense and firearms sector. Over the year the business saw a significant increase in full turnkey assembly components, further bolstering its revenue position. The increase in sales was offset by slower than expected COVID-19 related recoveries in the automotive, aerospace and medical industries. The automotive sector has also been negatively impacted by chip shortages that has continued to hurt the entire automotive supply chain. Aerospace continues to remain soft as large OEM destocking is occurring. Most aerospace industry intelligence is indicating an FY22-FY23 return to normalcy. Medical backlog levels were nearing pre-COVID levels toward the end of FY21, showing positive signs in that industry.

Gross profit was \$14.1 million, compared to \$6.8 million in the prior-year period. Gross profit increases for the year were primarily driven by increases in operational productivity and proactive cost reduction measures implemented to balance costs with specific industry

performance. The company overcame high volatility in many of its major industries through business agility and decisive actions.

EBITDA was \$12.3 million, compared to \$4.4 million in the prior-year period. The increase was due to the upturn in overall sales due to global uncertainty combined with the aforementioned cost control and productivity gains 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 strengthened its position over the past year as a healthy global provider of metal and plastic injection molding. The team's efforts on operational excellence combined with a strategy of fiscal responsibility and debt reductions allows us to again thrive in our core business."

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):

	June 30, 2021	June 30, 2020
Net Income/(Loss)	4,617	(5,287)
Interest expense, net	2,025	3,556
Income taxes	175	(138)
Depreciation and amortization	5,437	6,114
Stock based compensation	218	285

Adjustment to exclude Loss from Discontinued Operations	-	197
Adjusted EBITDA from Continuing Operations	12,472	4,727
Adjusted EBITDA Margin from Continuing Operations	20.1 %	9.7 %
Net Income/(Loss)	4,617	(5,287)
Adjustment to Exclude Loss from Discontinued Operations, net of tax	-	197
Adjusted Earnings, Continuing Operations	4,617	(5,090)
Adjusted Earnings Per Share, Continuing Operations	0.19	(0.22)
Weighted Average Common Shares Outstanding		
Basic	<u>23,886,481</u>	<u>23,469,268</u>
Diluted	<u>24,626,074</u>	<u>23,469,268</u>

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.

ARC Group Worldwide, Inc.

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

	Year ended June 30,	
	2021	2020
Sales	\$ 62,157	\$ 48,526
Cost of sales	48,093	41,724
Gross profit	14,064	6,802
Selling, general and administrative	7,288	8,436
Income/(loss) from operations	6,776	(1,634)
Other expense, net	41	(38)
Interest expense, net	(2,025)	(3,556)
Income/(loss) before income taxes	4,792	(5,228)
Income tax (expense) benefit	(175)	138
Net income/(loss) from continuing operations	4,617	(5,090)
Loss on sale of subsidiaries and loss from discontinued operations, net of tax	-	(197)
Net income/(loss)	\$ 4,617	\$ (5,287)
Net income/(loss) per common share, basic and diluted:		
Continuing operations	\$ 0.19	\$ (0.22)
Discontinued operations	\$ -	\$ (0.01)
ARC Group Worldwide, Inc.	\$ 0.19	\$ (0.23)
Weighted average common shares outstanding:		
Basic	23,886,481	23,469,268
Diluted	24,626,074	23,469,268

ARC Group Worldwide, Inc.

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

	As of June 30,	
	2021	2020
<u>ASSETS</u>		
Current assets:		
Cash	\$ 2,517	\$ 3,942
Accounts receivable, net	7,260	5,876
Inventories, net	7,042	5,530
Prepaid expenses and other current assets	2,970	2,410
Total current assets	19,789	17,758
Property and equipment, net	22,769	22,198
Right of use assets, net	756	1,869
Goodwill	6,412	6,412
Intangible assets, net	4,579	6,012
Other	167	32
Total assets	\$ 54,472	\$ 54,281
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 4,708	\$ 2,804
Accrued expenses and other current liabilities	2,130	3,048
Deferred revenue	893	14
Current portion of long-term debt, net of unamortized financing costs	4,413	6,806
Operating lease liability, current portion	71	695
Finance lease obligation, current portion	874	836
Accrued buyer obligations	-	272
Total current liabilities	13,089	14,475
Long-term debt, net of current portion and net of unamortized financing costs	21,627	23,991
Operating lease liability, net of current portion	716	1,188
Finance lease obligation, net of current portion	9,732	10,486
Other long-term liabilities	95	168
Total liabilities	45,259	50,308

Commitments and contingencies (Note 12)

Stockholders' Equity:

Common stock, \$0.0005 par value, 225,000,000 shares authorized; 24,486,172 and 23,556,843 shares issued, and 24,477,771 and 23,548,442 shares issued and outstanding at June 30, 2021,"and June 30, 2020, respectively	13	12
Treasury stock, at cost; 8,401 shares at June 30, 2021 and June 30, 2020	(94)	(94)
Additional paid-in capital	43,226	42,468
Accumulated deficit	(33,726)	(38,343)
Accumulated other comprehensive loss	(206)	(70)
Total stockholders' equity	9,213	3,973
Total liabilities and stockholders' equity	<u>\$ 54,472</u>	<u>\$ 54,281</u>

ARC Group Worldwide, Inc.

Consolidated Statements of Cash Flows (in thousands)

	For the Years ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net income/(loss)	\$ 4,617	\$ (5,287)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation and amortization	5,437	6,114
Share-based compensation expense	218	285
Amortization of deferred financing costs	152	406
(Gain)/loss on sale of assets	(19)	84
Loss on sale of subsidiaries	-	153
Bad debt expense and other	11	43
Inventory reserve expense	(255)	(234)
Deferred income taxes	47	24
Changes in operating assets and liabilities:		
Accounts receivable	(1,588)	2,895
Inventory	(1,257)	2,660
Prepaid expenses and other assets	(695)	(175)
Accounts payable	1,904	(5,087)
Accrued expenses and other liabilities	(769)	1,272
Deferred revenue	880	(13)
Net cash provided by operating activities	<u>8,683</u>	<u>3,140</u>
Cash flows from investing activities:		
Purchases of property and equipment	(3,855)	(1,198)

Proceeds from sale of assets	21	-
Proceeds from sale leaseback	-	10,000
Proceeds from sale of subsidiary	-	10,500
Net cash (used in)/provided by investing activities	<u>(3,834)</u>	<u>19,302</u>

Cash flows from financing activities:

Proceeds from debt issuance	47,769	33,859
Repayments of long-term debt, finance and capital lease obligations	(53,362)	(52,554)
Payments of deferred loan costs related to new financings	(608)	-
Issuance of common stock under employee stock purchase plan and exercise of stock options	-	24
Net cash used in financing activities	<u>(6,201)</u>	<u>(18,671)</u>
Effect of exchange rates on cash	<u>(73)</u>	<u>(92)</u>
Net (decrease)/increase in cash	(1,425)	3,679
Cash, beginning of year	3,942	263
Cash, end of year	<u>\$ 2,517</u>	<u>\$ 3,942</u>

Supplemental disclosures of cash flow information:

Cash paid for interest	\$ 2,404	\$ 1,059
Cash paid for income taxes, net of refunds	\$ 3	\$ 6

Non-cash investing and financing activities:

Equipment acquired under finance leases and debt	\$ 513	\$ 133
Subordinated debt exchanged for redeemable preferred stock	\$ 17,925	\$ -

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SOURCE: ARC Group Worldwide, Inc.