

Electro-Sensors, Inc. Announces Second Quarter 2023 Financial Results

Minnetonka, Minnesota (August 11, 2023) – Electro-Sensors, Inc. (NASDAQ: ELSE), a leading global provider of machine monitoring sensors and hazard monitoring systems, today announced financial results for the second quarter ended June 30, 2023.

- **Quarterly revenue of \$2,137,000**
- **Gross margin of 50.0%**
- **Cash and investments of approximately \$9.6 million**

Selected Financial Information (unaudited; in thousands, except per share data)

	<u>Q2 2023</u>	<u>Q2 2022</u>	<u>Change</u>
Net Sales	\$ 2,137	\$ 2,564	(16.7)%
Gross Margin	50.0%	54.9%	-490bps
Operating Income (Loss)	\$ 44	\$ (365)	112.1%
Operating Income Margin	2.1%	(14.3)%	1640bps
Income (Loss) Before Income Taxes	\$ 138	\$ (358)	138.5%
Earnings Per Share (diluted)	\$.03	\$ (.08)	137.5%

Net sales in the second quarter decreased 16.7% to \$2,137,000 from \$2,564,000 in the prior-year quarter. For the first six months of 2023, net sales decreased 11.0% to \$4,182,000 from \$4,699,000 for the first six months of the prior year. Furthermore, gross margin for the 2023 six-month period was 50.0%, down from 54.8% in the corresponding six months in 2022, primarily due increased material costs across all product lines.

“During the second quarter, we experienced decreased sales of both our wired and wireless product lines as compared to the same period in the prior year, primarily due to reduced demand and delayed orders related to postponed facility modernization projects,” said David L. Klenk, Electro-Sensors’ president. “Several of our customers, particularly in agricultural applications, rescheduled capital expenditures to better align with their business levels.”

A full analysis of results for the period ended June 30, 2023 is available in the Company’s Form 10-Q, which is available on the Company’s website at www.electro-sensors.com or through the Securities and Exchange Commission’s Edgar database at www.sec.gov.

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Electro-Sensors, Inc.
Statements of Income
For the Three and Six Months Ended June 30, 2023 and 2022 (unaudited)
(in thousands except share and per share amounts)

	Three Months Ended June 30,	
	2023	2022
Sales	\$ 2,137	\$ 2,564
Cost of goods sold	<u>1,069</u>	<u>1,156</u>
Gross profit	1,068	1,408
Operating expenses	<u>1,024</u>	<u>1,773</u>
Operating income (loss)	44	(365)
Non-operating income, net	<u>94</u>	<u>7</u>
Income (loss) before income taxes	138	(358)
Provision for (benefit from) income taxes	<u>22</u>	<u>(74)</u>
Net income (loss)	<u>\$ 116</u>	<u>\$ (284)</u>
Earnings (loss) per share – diluted	\$ 0.03	\$ (0.08)
Average shares outstanding - diluted	3,443,394	3,395,521

	Six Months Ended June 30,	
	2023	2022
Sales	\$ 4,182	\$ 4,699
Cost of goods sold	<u>2,092</u>	<u>2,125</u>
Gross profit	2,090	2,574
Operating expenses	<u>2,184</u>	<u>2,953</u>
Operating income (loss)	(94)	(379)
Non-operating income, net	<u>187</u>	<u>8</u>
Income (loss) before income taxes	93	(371)
Provision for (benefit from) income taxes	<u>21</u>	<u>(78)</u>
Net income (loss)	<u>\$ 72</u>	<u>\$ (293)</u>
Earnings (loss) per share – diluted	\$ 0.02	\$ (0.09)
Average shares outstanding - diluted	3,443,930	3,395,521

Electro-Sensors, Inc.
Balance Sheets
June 30, 2023 and December 31, 2022
(in thousands)

	June 30, 2023	December 31, 2022
Assets	(unaudited)	
Current Assets		
Cash and investments	\$ 9,629	\$ 9,682
Trade receivables, net	1,202	1,161
Inventories	1,915	1,745
Other current assets	255	225
Total current assets	13,001	12,813
Deferred income tax asset, long-term	344	256
Property and equipment, net	929	975
Total assets	\$ 14,274	\$ 14,044
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of financing lease	\$ 3	\$ 6
Accounts payable and accrued expenses	787	624
Total current liabilities	790	630
Stockholders' equity		
Common stock	342	342
Additional paid-in capital	2,163	2,163
Retained earnings	10,980	10,908
Other comprehensive income (loss)	(1)	1
Total stockholders' equity	13,484	13,414
Total liabilities and stockholders' equity	\$ 14,274	\$ 14,044

About Electro-Sensors

Electro-Sensors, Inc. is an industry leading designer and manufacturer of rugged and reliable machine monitoring sensors and wireless/wired hazard monitoring systems applied across multiple industries and applications. These products improve processes by protecting people, safeguarding systems, reducing downtime, and preventing waste. Electro-Sensors is proud to be an ISO9001:2015 quality certified company and is committed to providing excellent customer service and technical support. Founded in 1968 and located in Minnetonka, Minnesota, Electro-Sensors provides its loyal customers with reliable products that improve safety and help plants operate with greater efficiency, productivity and control.

Cautionary Statement Regarding Forward Looking Statements

This press release may include statements about possible or anticipated future financial performance, business activities, plans, or opportunities. These forward-looking statements may include the words “will,” “should,” “believes,” “expects,” “anticipates,” “intends” or similar expressions. For these forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in federal securities laws. Forward-looking statements reflect the company’s current views with respect to future events and financial performance and include any statement that does not directly relate to a current or historical fact. These forward-looking statements are subject to a number of factors, risks and uncertainties, including those disclosed in our periodic filings with the SEC that could cause actual performance, activities, plans, or opportunities after the date the statements are made to differ significantly from those indicated in the forward-looking statements.

For more information please visit our website at: www.electro-sensors.com. Also look us up on:

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