

Electro-Sensors, Inc. Announces Third Quarter 2018 Financial Results

Minnetonka, Minnesota (November 13, 2018) – Electro-Sensors, Inc. (NASDAQ: ELSE), a leading global provider of machine monitoring sensors and hazard monitoring systems, today announced financial results for the third quarter ended September 30, 2018.

- **Third quarter revenue of \$2,146,000, up 3.3% from prior year quarter**
- **Gross margin of 55.7%**
- **Cash and investments of approximately \$8.6 million**

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

	<u>Q3 2018</u>	<u>Q3 2017</u>	<u>Change</u>
Net Sales	\$ 2,146	\$ 2,078	3.3%
Gross Margin	55.7%	54.6%	11 bps
Operating Income	\$ 199	\$ 222	-10.4%
Operating Income Margin	9.3%	10.7%	-14 bps
Income Before Income Taxes	\$ 237	\$ 234	1.3%
Earning Per Share (diluted)	\$.06	\$.04	50.0%

Net sales in the third quarter increased 3.3% to \$2,146,000 from \$2,078,000 in the prior-year quarter. For the first nine months of 2018, net sales decreased 7.1% to \$5,642,000 from \$6,075,000 for the first nine months of the prior year. The increase in the third quarter was primarily due to an increase in the number of orders in excess of \$5,000 and a 31% increase in international sales. The increase in international sales was driven by increased activity in South America.

“We are pleased to announce revenue growth during the quarter as customers moved forward with strategic projects for facility improvements and capacity expansion. Our improved large order performance and growth in international sales combined to deliver these strong results,” said Electro-Sensors President David L. Klenk.

A full analysis of results for the period ended September 30, 2018 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.

Electro-Sensors, Inc.
Statements of Income
For the Three and Nine Months Ended September 30, 2018 and 2017 (unaudited)
(in thousands except share and per share amounts)

	Three Months Ended September 30,	
	2018	2017
Sales	\$ 2,146	\$ 2,078
Cost of goods sold	951	944
Gross profit	1,195	1,134
Operating expenses	996	912
Operating income	199	222
Non-operating income	38	12
Income before income taxes	237	234
Provision for income taxes	50	82
Net income	\$ 187	\$ 152
Earnings per share – diluted	\$ 0.06	\$ 0.04
Average shares outstanding - diluted	3,398,238	3,400,988

	Nine Months Ended September 30,	
	2018	2017
Sales	\$ 5,642	\$ 6,075
Cost of goods sold	2,559	2,718
Gross profit	3,083	3,357
Operating expenses	3,240	2,942
Operating income (loss)	(157)	415
Non-operating income	90	30
Income (loss) before income taxes	(67)	445
Provision for (benefit from) income taxes	(9)	154
Net income (loss)	\$ (58)	\$ 291
Earnings (loss) per share – diluted	\$ (0.02)	\$ 0.09
Average shares outstanding - diluted	3,395,521	3,396,899

Electro-Sensors, Inc.
Balance Sheets
September 30, 2018 and December 31, 2017
(in thousands)

	September 30, 2018	December 31, 2017
Assets	(unaudited)	
Current Assets		
Cash and investments	\$ 8,602	\$ 8,719
Trade receivables, net	1,044	902
Inventories	1,604	1,552
Other current assets	188	186
Total current assets	11,438	11,359
Deferred income tax asset, long-term	178	182
Intangible assets, net	624	800
Property and equipment, net	1,041	1,074
Total assets	\$ 13,281	\$ 13,415
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of note payable	\$ 0	\$ 150
Accounts payable and accrued expenses	618	558
Total current liabilities	618	708
Stockholders' equity		
Common stock	339	339
Additional paid-in capital	2,011	2,004
Retained earnings	10,287	10,352
Other comprehensive income	26	12
Total stockholders' equity	12,663	12,707
Total liabilities and stockholders' equity	\$ 13,281	\$ 13,415

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 safeguarding systems, reducing downtime, and preventing waste. Most standard products ship within one to two days and have an industry-leading 5-year warranty. 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.

Contact: David Klenk
(952) 930-0100

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

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