

Electro-Sensors, Inc. Announces Third Quarter 2019 Financial Results

Minnetonka, Minnesota (November 12, 2019) – 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, 2019.

- **Quarterly revenue of \$2,049,000, down 4.5% from prior year quarter**
- **Year-to-date revenue of \$6,317,000, up 12% from similar prior year period**
- **Cash and investments of approximately \$8.9 million**

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

	<u>Q3 2019</u>	<u>Q3 2018</u>	<u>Change</u>
Net Sales	\$ 2,049	\$ 2,146	-4.5%
Gross Margin	52.4%	55.7%	-330bps
Operating Income (Loss)	\$ (18)	\$ 199	-109.0%
Operating Income (Loss) Margin	(0.9)%	9.3%	-1020bps
Income Before Income Taxes	\$ 25	\$ 237	-89.5%
Earnings Per Share (diluted)	\$.01	\$.06	-83.3%

Net sales in the second quarter decreased 4.5% to \$2,049,000 from \$2,146,000 in the prior-year quarter. For the first nine months of 2019, net sales increased 12.0% to \$6,317,000 from \$5,642,000 for the first nine months of the prior year. The year-to-date increase is primarily due to increased sales of HazardPRO™ wireless hazard monitoring systems. In addition, international sales increased 51% for the nine-month period, primarily driven by sales into Canada.

“We are very encouraged by the sales growth of HazardPRO wireless systems,” said David L. Klenk, Electro-Sensors’ president. “We continue to believe these systems deliver the most advanced hazard monitoring solution at a very competitive overall price point.”

A full analysis of results for the period ended September 30, 2019 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 (Loss)
For the Three and Nine Months Ended September 30, 2019 and 2018 (unaudited)
(in thousands except share and per share amounts)

	Three Months Ended September 30,	
	2019	2018
Sales	\$ 2,049	\$ 2,146
Cost of goods sold	975	951
Gross profit	<u>1,074</u>	<u>1,195</u>
Operating expenses	<u>1,092</u>	<u>996</u>
Operating income (loss)	(18)	199
Non-operating income, net	<u>43</u>	<u>38</u>
Income before income taxes	25	237
Provision for income taxes	<u>6</u>	<u>50</u>
Net income	<u>\$ 19</u>	<u>\$ 187</u>
Earnings per share – diluted	\$ 0.01	\$ 0.06
Average shares outstanding - diluted	3,398,533	3,398,238

	Nine Months Ended September 30,	
	2019	2018
Sales	\$ 6,317	\$ 5,642
Cost of goods sold	2,941	2,559
Gross profit	<u>3,376</u>	<u>3,083</u>
Operating expenses	<u>3,392</u>	<u>3,240</u>
Operating income (loss)	(16)	(157)
Non-operating income, net	<u>132</u>	<u>90</u>
Income (loss) before income taxes	116	(67)
Provision for (benefit from) income taxes	<u>25</u>	<u>(9)</u>
Net income (loss)	<u>\$ 91</u>	<u>\$ (58)</u>
Earnings (loss) per share – diluted	\$ 0.03	\$ (0.02)
Average shares outstanding - diluted	3,397,385	3,395,521

Electro-Sensors, Inc.
Balance Sheets
September 30, 2019 and December 31, 2018
(in thousands)

	September 30, 2019	December 31, 2018
Assets	(unaudited)	
Current Assets		
Cash and investments	\$ 8,903	\$ 8,799
Trade receivables, net	965	896
Inventories	1,719	1,618
Other current assets	194	155
Total current assets	11,781	11,468
Deferred income tax asset, long-term	196	192
Intangible assets, net	555	565
Property and equipment, net	1,063	1,050
Total assets	\$ 13,595	\$ 13,275
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of financing lease	\$ 5	\$ 5
Accounts payable and accrued expenses	736	521
Total current liabilities	741	526
Long-term liabilities		
Financing lease, net of current maturities	20	24
Total long-term liabilities	20	24
Stockholders' equity		
Common stock	339	339
Additional paid-in capital	2,027	2,019
Retained earnings	10,426	10,335
Other comprehensive income	42	32
Total stockholders' equity	12,834	12,725
Total liabilities and stockholders' equity	\$ 13,595	\$ 13,275

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. 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.

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

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