

Electro-Sensors, Inc. Announces Second Quarter 2020 Financial Results

Minnetonka, Minnesota (August 13, 2020) – 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, 2020.

- **Quarterly revenue of \$2,092,000**
- **Gross margin of 52.5%**
- **Cash and investments of approximately \$9.1 million**

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

	<u>Q2 2020</u>	<u>Q2 2019</u>	<u>Change</u>
Net Sales	\$ 2,092	\$ 2,260	-7.4%
Gross Margin	52.5%	54.6%	-210bps
Operating Income	\$ 19	\$ 88	-78.4%
Operating Income Margin	0.9%	3.9%	-300bps
Income Before Income Taxes	\$ 19	\$ 131	-85.5%
Earnings Per Share (diluted)	\$.01	\$.03	-66.7%

Net sales in the second quarter decreased 7.4% to \$2,092,000 from \$2,260,000 in the prior-year quarter. For the first six months of 2020, net sales decreased 5.9% to \$4,015,000 from \$4,268,000 for the first six months of the prior year. The quarter represents the first full quarter impacted by the pandemic and we believe that the net sales decrease is due to the impact of the pandemic on our customers' business.

“This past quarter brought significant challenges to our team as the pandemic forced us to modify many aspects of how we do business,” said David L. Klenk, Electro-Sensors’ president. “We will continue to adapt to the ever changing circumstances to ensure our employees stay safe and our customers get the products and services they need to effectively operate their businesses.”

A full analysis of results for the period ended June 30, 2020 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, 2020 and 2019 (unaudited)
(in thousands except share and per share amounts)

	Three Months Ended June 30,	
	2020	2019
Sales	\$ 2,092	\$ 2,260
Cost of goods sold	994	1,025
Gross profit	<u>1,098</u>	<u>1,235</u>
Operating expenses	<u>1,079</u>	<u>1,147</u>
Operating income	19	88
Non-operating income	<u>0</u>	<u>43</u>
Income before income taxes	19	131
Provision for income taxes	<u>1</u>	<u>28</u>
Net income	<u>\$ 18</u>	<u>\$ 103</u>
Earnings per share – diluted	\$ 0.01	\$ 0.03
Average shares outstanding - diluted	3,395,521	3,395,521

	Six Months Ended June 30,	
	2020	2019
Sales	\$ 4,015	\$ 4,268
Cost of goods sold	1,918	1,966
Gross profit	<u>2,097</u>	<u>2,302</u>
Operating expenses	<u>2,219</u>	<u>2,300</u>
Operating income (loss)	(122)	2
Non-operating income	<u>31</u>	<u>89</u>
Income (loss) before income taxes	(91)	91
Provision for (benefit from) income taxes	<u>(18)</u>	<u>19</u>
Net income (loss)	<u>\$ (73)</u>	<u>\$ 72</u>
Earnings (loss) per share – diluted	\$ (0.02)	\$ 0.02
Average shares outstanding - diluted	3,395,521	3,395,521

Electro-Sensors, Inc.
Balance Sheets
June 30, 2020 and December 31, 2019
(in thousands)

	June 30, 2020	December 31, 2019
Assets	(unaudited)	
Current Assets		
Cash and investments	\$ 9,052	\$ 8,830
Trade receivables, net	1,054	1,036
Inventories	1,735	1,695
Other current assets	174	159
Total current assets	12,015	11,720
Deferred income tax asset, long-term	221	203
Intangible assets, net	359	489
Property and equipment, net	1,024	1,063
Total assets	\$ 13,619	\$ 13,475
 Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of financing lease	\$ 6	\$ 5
Accounts payable and accrued expenses	776	560
Total current liabilities	782	565
 Long-term liabilities		
Financing lease, net of current maturities	15	19
Total long-term liabilities	15	19
 Stockholders' equity		
Common stock	339	339
Additional paid-in capital	2,034	2,030
Retained earnings	10,449	10,522
Total stockholders' equity	12,822	12,891
Total liabilities and stockholders' equity	\$ 13,619	\$ 13,475

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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