

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

Minnetonka, Minnesota (November 12, 2020) – 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, 2020.

- **Quarterly revenue of \$1,899,000, down 7.3% from prior-year quarter**
- **Gross margin of 52.2%**
- **Cash and investments of approximately \$9.1 million**

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

	<u>Q3 2020</u>	<u>Q3 2019</u>	<u>Change</u>
Net Sales	\$ 1,899	\$ 2,049	-7.3%
Gross Margin	52.2%	52.4%	-20bps
Operating Loss	\$ (54)	\$ (18)	-200.0%
Operating Loss Margin	(2.9)%	(0.9)%	-200bps
Income (Loss) Before Income Taxes	\$ (54)	\$ 25	-316.0%
Earnings (Loss) Per Share (diluted)	\$ (0.01)	\$ 0.01	-200.0%

Net sales in the third quarter decreased 7.3% to \$1,899,000 from \$2,049,000 in the prior-year quarter. For the first nine months of 2020, net sales decreased 6.4% to \$5,914,000 from \$6,317,000 for the first nine months of the prior year. Sales during the quarter continued to be negatively impacted by the COVID-19 pandemic, which significantly impacted our ability to travel and visit customers.

“While COVID-19 continues to negatively impact our business, sales of our traditional wire-based products were fairly stable during the quarter,” said David L. Klenk, Electro-Sensors’ president. “The larger impact was to sales of our HazardPRO wireless systems, which typically require greater engagement with the customer to move the sales process forward.”

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

	Three Months Ended September 30,	
	2020	2019
Sales	\$ 1,899	\$ 2,049
Cost of goods sold	907	975
Gross profit	<u>992</u>	<u>1,074</u>
Operating expenses	<u>1,046</u>	<u>1,092</u>
Operating loss	(54)	(18)
Non-operating income	<u>0</u>	<u>43</u>
Income (loss) before income taxes	(54)	25
Provision for (benefit of) income taxes	<u>(8)</u>	<u>6</u>
Net income (loss)	<u>\$ (46)</u>	<u>\$ 19</u>
Earnings (loss) per share – diluted	\$ (0.01)	\$ 0.01
Average shares outstanding - diluted	3,395,521	3,398,533

	Nine Months Ended September 30,	
	2020	2019
Sales	\$ 5,914	\$ 6,317
Cost of goods sold	2,825	2,941
Gross profit	<u>3,089</u>	<u>3,376</u>
Operating expenses	<u>3,265</u>	<u>3,392</u>
Operating loss	(176)	(16)
Non-operating income	<u>31</u>	<u>132</u>
Income (loss) before income taxes	(145)	116
Provision for (benefit from) income taxes	<u>(26)</u>	<u>25</u>
Net income (loss)	<u>\$ (119)</u>	<u>\$ 91</u>
Earnings (loss) per share – diluted	\$ (0.04)	\$ 0.03
Average shares outstanding - diluted	3,395,521	3,397,385

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

	September 30, 2020	December 31, 2019
Assets	(unaudited)	
Current Assets		
Cash and investments	\$ 9,103	\$ 8,830
Trade receivables, net	1,039	1,036
Inventories	1,659	1,695
Other current assets	219	159
Total current assets	12,020	11,720
Deferred income tax asset, long-term	227	203
Intangible assets, net	294	489
Property and equipment, net	1,010	1,063
Total assets	\$ 13,551	\$ 13,475
 Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of financing lease	\$ 6	\$ 5
Accounts payable and accrued expenses	754	560
Total current liabilities	760	565
Long-term liabilities		
Financing lease, net of current maturities	14	19
Total long-term liabilities	14	19
Stockholders' equity		
Common stock	339	339
Additional paid-in capital	2,035	2,030
Retained earnings	10,403	10,522
Total stockholders' equity	12,777	12,891
Total liabilities and stockholders' equity	\$ 13,551	\$ 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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