

## Servotronics Announces First Quarter 2022 Financial Results Including EPS of \$0.13 and Significant Growth in Revenue, Gross Margin and Operating Income

-- Revenue growth expected to continue in the second quarter of 2022 driven by increasing order volume from Servotronics' Advanced Technology Group --

ELMA, N.Y., May 16, 2022 /PRNewswire/ -- Servotronics, Inc. (NYSE American – SVT) a designer and manufacturer of servo-control components and other advanced technology products today reported financial results for the first quarter ended March 31, 2022, including significant growth in revenue, gross margin and operating income.

The company reported first quarter 2022 net income of \$325,000, or \$0.13 per diluted share. First quarter 2021 net income of \$541,000, or \$0.22 per diluted share, included a \$1.4 million or \$0.56 per share contribution to earnings from employee retention credits.

"Servotronics' first quarter results reflect the initial benefits of two years of incredible work by our talented workforce, to ensure this company would be ready to rapidly respond to a recovery in customer orders," said Chief Executive Officer William F. Farrell, Jr. "Thanks to their efforts, I'm able to join Servotronics at a time when there is significant upside, which we will pursue with renewed purpose. We intend to execute well on deliveries of existing customer orders, explore new opportunities for our current offerings, accelerate product development activities for new markets and applications, and intensify our focus on operational efficiency and excellence. Our work is only just beginning, and I'm very excited by the opportunities we're well positioned to seize in 2022 and beyond."

Significant revenue growth and gross margin improvement in the first quarter of 2022 were attributed to an increase in units shipped by Servotronics' Advanced Technology Group (ATG) and a shift in product mix toward higher-priced products at both the ATG and the Consumer Products Group (CPG).

First quarter consolidated revenues grew to \$11.2 million in 2022, increasing 23.3% from \$9.1 million last year. First quarter ATG revenue grew to \$9.2 million in 2022, increasing 26.9% from \$7.2 million last year. First quarter CPG revenue grew to \$2.0 million in 2022, increasing 8.9% from \$1.9 million in 2021.

Growth in consolidated revenue is expected to continue in the second quarter and first half of 2022, compared to the same periods last year, driven primarily by anticipated increases in ATG revenue and units shipped under long-term prime contracts and subcontracts.

(\$000s, unaudited)	1Q22	4Q21	3Q21	2Q21	1Q21	FY21
<b>Revenue</b>						
ATG	\$9,168	\$8,182	\$8,449	\$7,823	\$7,223	\$31,677
CPG	\$2,000	2,373	2,466	2,205	1,837	8,881
Consolidated	11,168	10,555	10,915	10,028	9,060	40,558
<b>Gross Margin \$</b>						
ATG	\$2,353	\$1,467	\$1,687	\$1,581	\$1,013	\$5,748
CPG	285	-116	85	291	-20	240
Consolidated	2,638	1,351	1,772	1,872	993	5,988
<b>Gross Margin %</b>						
ATG	25.7%	17.9%	20.0%	20.2%	14.0%	18.1%
CPG	14.3%	-4.9%	3.4%	13.2%	-1.1%	2.7%
Consolidated	23.6%	12.8%	16.2%	18.7%	11.0%	14.8%

First quarter consolidated gross margin grew to \$2.6 million, or 23.6% of revenue in 2022, more than doubling from the \$993,000 or 11.0% reported in 2021. The company continues to believe that its production resources and maintenance of a highly skilled advanced manufacturing workforce have positioned Servotronics well for

recovering orders, which will be critical to reducing per-unit costs and sustainably enhancing gross margin in future periods.

Growth in first quarter 2022 selling, general and administrative expenses (SG&A) and total operating costs and expenses were far outpaced by revenue growth for the period. First quarter SG&A was \$2.2 million in 2022, increasing 10.6% from \$2.0 million last year. First quarter SG&A as a percentage of revenue improved to 19.5% in 2022, declining 230 basis points from 21.8% last year.

The company's first quarter total operating costs and expenses were \$10.7 million in 2022, increasing 6.7% from \$10.0 million last year. Operating costs and expenses reflected higher revenues, as well as continued investments in the business including a March 2022 wage increase, designed to support advanced manufacturing employee recruitment and retention.

Servotronics first quarter operating income grew to \$456,000, an increase of \$1.4 million from an operating loss of \$980,000 last year, as double-digit rates of growth in consolidated revenues and gross margin more than offset modest increases in SG&A and total operating costs and expenses.

## ABOUT SERVOTRONICS

The Company is composed of two groups – the Advanced Technology Group (ATG) and the Consumer Products Group (CPG). The ATG primarily designs, develops and manufactures servo controls and other components for various commercial and government applications (i.e., aircraft, jet engines, missiles, manufacturing equipment, etc.). The CPG designs and manufactures cutlery, bayonets, pocket knives, machetes and combat knives, survival, sporting, agricultural knives and other edged products for both commercial and government applications.

## FORWARD-LOOKING STATEMENTS

This news release contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this release, the words "project," "believe," "plan," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve numerous risks and uncertainties which may cause the actual results of the Company to be materially different from future results expressed or implied by such forward-looking statements. There are a number of factors that will influence the Company's future operations, including: uncertainties in today's global economy, including political risks, adverse changes in legal and regulatory environments, and difficulty in predicting defense appropriations, the introduction of new technologies and the impact of competitive products, the vitality of the commercial aviation industry and its ability to purchase new aircraft, the willingness and ability of the Company's customers to fund long-term purchase programs, and market demand and acceptance both for the Company's products and its customers' products which incorporate Company-made components, the Company's ability to accurately align capacity with demand, the availability of financing and changes in interest rates, the outcome of pending and potential litigation, the severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic and of businesses' and governments' responses to the pandemic on our operations and personnel, and on commercial activity and demand across our and our customers' businesses, and on global supply chains, the ability of the Company to obtain and retain key executives and employees and the additional risks discussed in the Company's filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's analysis only as of the date hereof. The Company assumes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise.

SERVOTRONICS, INC. (SVT) IS LISTED ON NYSE American

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(\$000's omitted except share and per share data)

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
	(Unaudited)	(Audited)
<b>Current assets:</b>		
Cash	\$ 8,855	\$ 9,546
Accounts receivable, net	9,304	7,198
Inventories, net	20,186	20,132
Prepaid income taxes	593	792
Other current assets	1,431	647
<b>Total current assets</b>	<b>40,369</b>	<b>38,315</b>
Property, plant and equipment, net	10,349	10,557
Deferred income taxes	892	900
Other non-current assets	318	321
<b>Total Assets</b>	<b>\$ 51,928</b>	<b>\$ 50,093</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 266	\$ 276
Accounts payable	2,332	663
Accrued employee compensation and benefits costs	1,687	1,759
Current portion of postretirement obligation	136	136
Other accrued liabilities	1,347	1,414
<b>Total current liabilities</b>	<b>5,768</b>	<b>4,248</b>
Long-term debt	4,690	4,750
Postretirement obligation	5,732	5,729
<b>Shareholders' equity:</b>		
Common stock, par value \$0.20; authorized 4,000,000 shares; issued 2,614,506 shares; outstanding 2,435,032 (2,435,032 - 2021) shares	523	523
Capital in excess of par value	14,502	14,500
Retained earnings	26,183	25,858
Accumulated other comprehensive loss	(3,886)	(3,908)
Employee stock ownership trust commitment	(258)	(258)
Treasury stock, at cost 122,839 (122,839 - 2021) shares	(1,326)	(1,349)
<b>Total shareholders' equity</b>	<b>35,738</b>	<b>35,366</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 51,928</b>	<b>\$ 50,093</b>

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(\$000's omitted except per share data)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenue</b>	\$ 11,168	\$ 9,060
Cost of goods sold, inclusive of depreciation and amortization	8,530	8,067
<b>Gross margin</b>	<b>2,638</b>	<b>993</b>
<b>Operating Expenses:</b>		
Selling, general and administrative	2,182	1,973
<b>Operating income/(loss)</b>	<b>456</b>	<b>(980)</b>
<b>Other (expense)/income:</b>		
Other income: employee retention credit (ERC)	—	1,730
Interest expense	(70)	(61)
Gain on sale of equipment	26	—
<b>Total other (expense)/income, net</b>	<b>(44)</b>	<b>1,669</b>
<b>Income before income tax provision</b>	<b>412</b>	<b>689</b>
Income tax provision	87	148
<b>Net income</b>	<b>\$ 325</b>	<b>\$ 541</b>
<b>Income per share:</b>		
<b>Basic</b>		
Net income per share	\$ 0.13	\$ 0.23
<b>Diluted</b>		
Net income per share	\$ 0.13	\$ 0.22

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(\$000's omitted)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows related to operating activities:</b>		
Net Income	\$ 325	\$ 541
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization	313	356
Stock based compensation	25	31
Increase in inventory reserve	168	58
Increase in allowance for doubtful accounts	65	36
Gain on sale of equipment	(26)	—
<b>Change in assets and liabilities:</b>		
Accounts receivable	(2,171)	(98)
Other receivables-ERC	—	(1,593)
Inventories	(222)	1,091
Prepaid income taxes	199	140
Other current assets	(783)	(420)
Accounts payable	1,669	146
Accrued employee compensation and benefit costs	(72)	499
Post retirement obligation	34	24
Other accrued liabilities	(68)	25
<b>Net cash (used) provided by operating activities</b>	<b>(544)</b>	<b>836</b>
<b>Cash flows related to investing activities:</b>		
Capital expenditures - property, plant and equipment	(115)	(14)
Proceeds from sale of assets	38	—
<b>Net cash used by investing activities</b>	<b>(77)</b>	<b>(14)</b>
<b>Cash flows related to financing activities:</b>		
Principal payments on long-term debt	—	(637)
Principal payments on equipment financing lease/note obligations	(70)	(85)
Proceeds from equipment note and equipment financing lease	—	384
Proceeds from line of credit	—	500
Purchase of treasury shares	—	(81)
<b>Net cash (used) provided by financing activities</b>	<b>(70)</b>	<b>81</b>
Net (decrease) increase in cash	(691)	903
Cash at beginning of period	9,546	5,935
<b>Cash at end of period</b>	<b>\$ 8,855</b>	<b>\$ 6,838</b>

**SERVOTRONICS, INC. AND SUBSIDIARIES**  
**BUSINESS SEGMENTS**

	<b>(\$000's omitted except per share data)</b>					
	<b>ATG</b>		<b>CPG</b>		<b>Consolidated</b>	
	<b>Three Months Ended</b>		<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>March 31,</b>		<b>March 31,</b>		<b>March 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenues from unaffiliated customers	\$ 9,168	\$ 7,223	\$ 2,000	\$ 1,837	\$ 11,168	\$ 9,060
Cost of goods sold, inclusive of depreciation	(6,815)	(6,210)	(1,715)	(1,857)	\$ (8,530)	(8,067)
Gross margin	2,353	1,013	285	(20)	2,638	993
Gross margin %	25.7 %	14.0 %	14.3 %	(1.1) %	23.6 %	11.0 %
Selling, general and administrative	(1,774)	(1,585)	(408)	(388)	(2,182)	(1,973)
Total operating costs and expenses	(8,589)	(7,795)	(2,123)	(2,245)	(10,712)	(10,040)
Operating income/(loss)	579	(572)	(123)	(408)	456	(980)
Other income: ERC	—	1,413	—	317	—	1,730
Interest expense	(70)	(60)	—	(1)	(70)	(61)
Gain on sale of equipment	26	—	—	—	26	—
Total other (expense)/income, net	(44)	1,353	—	316	(44)	1,669
Income (loss) before income tax provision	535	781	(123)	(92)	412	689
Income tax provision (benefit)	113	168	(26)	(20)	87	148
Net income/(loss)	<b>\$ 422</b>	<b>\$ 613</b>	<b>\$ (97)</b>	<b>\$ (72)</b>	<b>\$ 325</b>	<b>\$ 541</b>

Capital expenditures, net	<u>\$ 77</u>	<u>\$ 10</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ 77</u>	<u>\$ 14</u>
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