Electro-Sensors, Inc. Announces Third Quarter 2023 Financial Results

Minnetonka, Minnesota (November 14, 2023) – 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, 2023.

- **Quarterly revenue of $2,057,000**
- **Gross margin of 48.3%**
- **Cash and investments of approximately $9.9 million**

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

	Q3 2023	Q3 2022	Change
Net Sales	$ 2,057	$ 2,216	(7.2)%
Gross Margin	48.3%	52.5%	-420bps
Operating Income (Loss)	$ (26)	$ 119	(121.8)%
Operating Income Margin	(1.2)%	5.4%	-660bps
Income Before Income Taxes	$ 83	$ 154	(46.1)%
Earnings Per Share (diluted)	$ 0.00	$ 0.04	(100.0)%

Net sales in the third quarter decreased 7.2% to $2,057,000 from $2,216,000 in the prior-year quarter. For the first nine months of 2023, net sales decreased 9.8% to $6,239,000 from $6,915,000 for the first nine months of the prior year. Gross margin for the 2023 nine-month period was 49.4%, down from 54.0% in the corresponding nine months in 2022, primarily due to increased product and labor costs across all product lines.

"During the third quarter, we experienced decreased sales of our wired sensor products, partially offset by an increase in sales of our wireless hazard monitoring systems," said David L. Klenk, Electro-Sensors' president. "Additionally, gross margin was negatively impacted during the quarter due to increased component and labor costs as the supply chain for both materials and labor continues to be challenging."

A full analysis of results for the period ended September 30, 2023 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.

Contact: David Klenk
(952) 930-0100

Electro-Sensors, Inc.
Statements of Income
For the Three and Nine Months End September 30, 2023 and 2022 (unaudited)
(in thousands except share and per share amounts)

| | Three Months Ended September 30, | |
	2023	2022
Sales	$ 2,057	$ 2,216
Cost of goods sold	1,064	1,053
Gross profit	993	1,163
Operating expenses	1,019	1,044
Operating income (loss)	(26)	119
Non-operating income, net	109	35
Income before income taxes	83	154
Provision for income taxes	75	32
Net income	$ 8	$ 122
Earnings (loss) per share – diluted	$ 0.00	$ 0.04
Average shares outstanding - diluted	3,428,021	3,401,880

| | Nine Months Ended September 30, | |
	2023	2022
Sales	$ 6,239	$ 6,915
Cost of goods sold	3,156	3,178
Gross profit	3,083	3,737
Operating expenses	3,203	3,997
Operating income (loss)	(120)	(260)
Non-operating income, net	296	43
Income (loss) before income taxes	176	(217)
Provision for (benefit from) income taxes	96	(46)
Net income (loss)	$ 80	$ (171)
Earnings (loss) per share – diluted	$ 0.02	$ (0.05)
Average shares outstanding - diluted	3,428,021	3,397,664

Electro-Sensors, Inc.
Balance Sheets
September 30, 2023 and December 31, 2022
(in thousands)

	September 30, 2023	December 31, 2022
Assets	(unaudited)	
Current Assets		
Cash and investments	$ 9,928	$ 9,682
Trade receivables, net	1,066	1,161
Inventories	1,836	1,745
Other current assets	415	225
Total current assets	13,245	12,813
Deferred income tax asset, long-term	198	256
Property and equipment, net	907	975
Total assets	$ 14,350	$ 14,044
Liabilities and Stockholders' Equity		
Current Liabilities		
Current maturities of financing lease	$ 1	$ 6
Accounts payable and accrued expenses	820	624
Total current liabilities	821	630
Stockholders' equity		
Common stock	342	342
Additional paid-in capital	2,201	2,163
Retained earnings	10,988	10,908
Other comprehensive income (loss)	(2)	1
Total stockholders' equity	13,529	13,414
Total liabilities and stockholders' equity	$ 14,350	$ 14,044

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. 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:
LinkedIn: linkedin.com/company/electro-sensors-inc-
Twitter: twitter.com/ESIsensors
Facebook: facebook.com/ElectroSensors