



Contact: Robert Lentz  
(614) 439-6006

## **SCI Engineered Materials, Inc. Reports 2021 First Quarter Results**

COLUMBUS, Ohio (April 29, 2021) SCI Engineered Materials, Inc. (“SCI”) (SCIA: OTCQB), today reported financial results for the three months ended March 31, 2021. SCI is a global supplier and manufacturer of advanced materials for physical vapor deposition thin film applications which works closely with end users and OEMs to develop innovative, customized solutions.

Jeremy Young, President and Chief Executive Officer, commented “Positive developments occurred in our business throughout the first quarter of 2021. These included higher gross profit compared to a year ago, order backlog which more than doubled from 2020 year-end, and record cash of \$3 million on March 31, 2021. Our growth strategy is gaining momentum as we continue to add customers in complementary niche markets for SCI’s manufactured products and custom powder solutions.”

Mr. Young continued, “The global semiconductor chip shortage is currently impacting companies across a wide range of industries, including some of our customers. Based on recent industry reports and corporate announcements it is anticipated to continue into at least the second half of this year. This could create temporary volatility between quarters in the Company’s revenue and volume during the remainder of 2021. We are actively monitoring these developments, including frequent contact with customers, and adapting to specific changes in their forecasts.”

### *Total Revenue*

Total revenue for the 2021 first quarter was \$3,022,310 compared to \$3,438,795 for the same period in 2020. The 12% decrease was principally due to lower pricing which was partially offset by higher volume and product mix.

Order backlog more than doubled to \$5.7 million during the first three months of 2021. This amount compares to \$2.6 million on December 31, 2020, and \$5.0 million on March 31, 2020.

### *Employee Retention Credit*

The Company recognized an Employee Retention Credit totaling \$256,000 during the first quarter of 2021, which was authorized in the Taxpayer Certainty and Disaster Tax Relief Act enacted in December 2020. Of this amount, \$151,000 was included in gross profit and \$105,000 in operating expenses.

### *Gross profit*

Gross profit increased 58% to \$803,036 for the three months ended March 31, 2021, from \$509,338 a year ago. Approximately half of this increase was attributable to product mix and improved manufacturing efficiencies, while the remaining amount was due to recognition of an Employee Retention Credit of \$151,000.

### *Operating expenses*

Operating expenses (general and administrative expense, research and development expense, and marketing and sales expense) were \$377,493 for the 2021 first quarter compared to \$421,853 a year ago. The 11% decrease in operating expenses compared to the first quarter of 2020 was attributable to the \$105,000 Employee Retention Credit recorded during the 2021 first quarter related to qualifying compensation expenses. General and administrative expense for the 2021 first quarter included higher compensation and professional fees which were offset by an Employee Retention Credit of \$36,000. Marketing and sales expense for the 2021 first quarter included one-time

consulting expense plus the addition of a sales employee, which was offset by approximately \$30,000 related to the credit noted above. The Company continues to pursue research and development (R&D) initiatives including specialty materials and custom applications for niche markets. The 56% decrease in R&D expenses for the 2021 first quarter compared to last year was primarily related to recognition of \$39,000 of the previously noted credit.

#### *Income from Operations*

The Company's 2021 first quarter income from operations increased to \$425,543 from \$87,485 for the same period last year. Excluding the amount related to the Employee Retention Credit, income from operations increased 94% to \$170,036 compared to the 2020 first quarter amount.

#### *EBITDA\**

Earnings before interest, income taxes, depreciation, and amortization (EBITDA) increased to \$867,970 for the three months ended March 31, 2021, from \$203,195 for the same period last year. This significant increase was primarily due to higher gross profit, the Employee Retention Credit and gain on extinguishment of debt related to the forgiveness of the Company's Paycheck Protection Program (PPP) loan.

#### *Income Applicable to Common Shares*

Income applicable to common shares for the 2021 first quarter was \$646,547, or \$0.14 per share, compared to \$75,478, or \$0.02 per share, a year ago. The increase was attributable to a \$256,000 Employee Retention Credit and \$325,300 gain on extinguishment of debt related to forgiveness of the Company's PPP loan.

#### *Net Cash and Total Debt Outstanding*

Net cash on March 31, 2021, was \$3.0 million compared to \$1.8 million on the same date in 2020 and \$2.9 million on December 31, 2020.

Total debt outstanding was \$360,179 on March 31, 2021, or approximately 51% below the \$728,934 amount on December 31, 2020. Most of this decrease was due to forgiveness of the Company's PPP loan by the U.S. Small Business Administration in January 2021. Principal payments on finance lease obligations were \$43,454 during the first three months of 2021.

The Company was approved for an \$800,000 line of credit during the first quarter of 2021, which is specifically for the acquisition of equipment during this year. This amount is in addition to a \$1 million line of credit previously renewed in October 2020. There were no amounts outstanding on either line of credit on March 31, 2021.

*About SCI Engineered Materials, Inc.*

SCI Engineered Materials is a global supplier and manufacturer of advanced materials for PVD thin film applications which works closely with end user and OEMs to develop innovative, customized solutions. Additional information is available at [www.sciengineeredmaterials.com](http://www.sciengineeredmaterials.com) or follow SCI Engineered Materials, Inc. at:

<https://www.linkedin.com/company/sci-engineered-materials.-inc>

<https://www.facebook.com/sciengineeredmaterials/>

\*A reconciliation of the differences between the GAAP and non-GAAP financial measure of EBITDA as used in this release with the most directly comparable GAAP financial measures is included in the financial schedules that are a part of this release. This non-GAAP financial measure is intended to supplement and should be read together with our financial results. It should not be considered an alternative or substitute for, and should not be considered superior to, our reported financial results. Accordingly, users of this financial information should not place undue reliance on this non-GAAP financial measure.

This press release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but are not limited to, all statements regarding intent, beliefs, expectations, projections, customer guidance, forecasts, plans of the Company and its management. These forward-looking statements involve numerous risks and uncertainties, including, without limitation, other risks and uncertainties detailed from time to time in the Company's Securities and Exchange Commission filings, including the Company's Annual Report on Form 10-K for the year ended December 31, 2020. One or more of these factors have affected, and could in the future affect, the Company's projections. Therefore, there can be no

assurances that the forward-looking statements included in this press release will prove to be accurate. Due to the significant uncertainties in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company, or any other persons, that the objectives and plans of the company will be achieved. All forward-looking statements made in this press release are based on information presently available to the management of the Company. The Company assumes no obligation to update any forward-looking statements.

**SCI ENGINEERED MATERIALS, INC.**

**BALANCE SHEETS**

**ASSETS**

	<b>March 31, <u>2021</u></b>	<b>December 31, <u>2020</u></b>
	<b>(UNAUDITED)</b>	
Current Assets		
Cash	\$ 3,006,933	\$ 2,917,551
Accounts receivable, trade	482,440	459,471
Tax receivable-Employee Retention Credit	255,507	-
Inventories	3,430,883	1,180,359
Prepaid expenses	84,936	131,333
Total current assets	<u>7,260,699</u>	<u>4,688,714</u>
Property and Equipment, at cost	9,009,200	9,009,779
Less accumulated depreciation	<u>(6,916,978)</u>	<u>(7,121,647)</u>
	<u>2,092,222</u>	<u>1,888,132</u>
Right of use asset, net	337,189	357,396
Deferred tax asset	931,475	1,019,317
Other assets	95,592	96,623
Other Assets	<u>1,364,256</u>	<u>1,473,336</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,717,177</u></u>	<u><u>\$ 8,050,182</u></u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current Liabilities		
Finance lease obligations	\$ 140,744	\$ 160,416
Notes payable	-	252,577
Operating lease obligations	91,000	86,844
Accounts payable	298,588	147,284
Customer deposits	3,254,936	1,010,236
Accrued expenses	207,594	220,728
Total current liabilities	<u>3,992,862</u>	<u>1,878,085</u>
Finance lease obligations, net of current portion	219,435	243,218
Notes payable, net of current portion	-	72,723
Operating lease obligations, net of current portion	279,240	304,989
Total liabilities	<u>4,491,537</u>	<u>2,499,015</u>
Total Shareholders' Equity	<u>6,225,640</u>	<u>5,551,167</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$ 10,717,177</u></u>	<u><u>\$ 8,050,182</u></u>

**SCI ENGINEERED MATERIALS, INC.**

**STATEMENTS OF OPERATIONS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**

(UNAUDITED)

	<u>2021</u>	<u>2020</u>
Revenue	\$ 3,022,310	\$ 3,438,795
Cost of revenue	<u>2,219,274</u>	<u>2,929,457</u>
Gross profit	803,036	509,338
General and administrative expense	287,881	283,165
Research and development expense	38,219	86,904
Marketing and sales expense	<u>51,393</u>	<u>51,784</u>
Income from operations	425,543	87,485
Gain on extinguishment of debt	(325,300)	-
Interest expense	<u>7,638</u>	<u>4,069</u>
Income before provision for income taxes	743,205	83,416
Provision for income taxes	<u>90,620</u>	<u>1,900</u>
Net income	652,585	81,516
Dividends on preferred stock	<u>6,038</u>	<u>6,038</u>
<b>INCOME APPLICABLE TO COMMON SHARES</b>	<u><u>\$ 646,547</u></u>	<u><u>\$ 75,478</u></u>
Earnings per share - basic and diluted		
Income per common share		
Basic	<u><u>\$ 0.14</u></u>	<u><u>\$ 0.02</u></u>
Diluted	<u><u>\$ 0.14</u></u>	<u><u>\$ 0.02</u></u>
Weighted average shares outstanding		
Basic	<u><u>4,479,823</u></u>	<u><u>4,385,998</u></u>
Diluted	<u><u>4,506,531</u></u>	<u><u>4,394,574</u></u>

**SCI ENGINEERED MATERIALS, INC.**

**CONDENSED STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**

**(UNAUDITED)**

	<b>2021</b>	<b>2020</b>
<b>CASH PROVIDED BY (USED IN):</b>		
Operating activities	\$ 452,394	\$ 170,612
Investing activities	(319,558)	(156,237)
Financing activities	(43,454)	(24,152)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>89,382</b>	<b>(9,777)</b>
<b>CASH - Beginning of period</b>	<b>2,917,551</b>	<b>1,828,397</b>
<b>CASH - End of period</b>	<b>\$ 3,006,933</b>	<b>\$ 1,818,620</b>

**RECONCILIATION OF GAAP TO NON-GAAP MEASURES**

**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**

**(UNAUDITED)**

	<b>2021</b>	<b>2020</b>
Net income	\$ 652,585	\$ 81,516
Interest	7,638	4,069
Income taxes	90,620	1,900
Depreciation and amortization	115,106	113,690
<b>EBITDA</b>	<b>867,970</b>	<b>203,195</b>
Stock based compensation expense	21,888	31,180
<b>Adjusted EBITDA</b>	<b>\$ 889,858</b>	<b>\$ 234,375</b>