



Contact: Robert Lentz  
(614) 439-6006

## **SCI Engineered Materials, Inc. Reports 2022 Second Quarter and Year-to-date Results**

COLUMBUS, Ohio (July 29, 2022) SCI Engineered Materials, Inc. (“SCI”) (SCIA: OTCQB), today reported financial results for the three and six months ended June 30, 2022. SCI is a global supplier and manufacturer of advanced materials for physical vapor deposition thin film applications who works closely with end users and OEMs to develop innovative, customized solutions.

Jeremy Young, President and Chief Executive Officer, said, “Record total revenue and gross profit for this year’s second quarter and first six months contributed to record income applicable to common stock. Our financial results for the first half of 2022 benefited from increased volume, improved product mix and actions to mitigate the impact of significantly higher raw material costs. We entered the third quarter with solid order backlog and are cautiously optimistic our markets will remain relatively stable during the second half of this year despite continued economic uncertainties. The Company remains focused on factors we can directly influence which are contributing to manufacturing efficiencies and additional growth opportunities.”

### *Total Revenue*

Total revenue increased to a record \$6,505,005 for the three months ended June 30, 2022, from \$1,972,049 for the same period in 2021. For the first six months of 2022, total revenue was a record \$11,831,437 compared to \$4,994,359 a year ago. Higher pricing, primarily attributable to increased raw material costs, and favorable product mix particularly contributed to the revenue increases for both periods compared to last year.

Order backlog was approximately \$5.3 million on June 30, 2022, compared to \$3.0 million on March 31, 2022, and \$6.3 million a year ago. Customer orders accelerated during the second quarter of 2022 with continued emphasis on intra-quarter shipments.

#### *ERC Tax Credit*

During each of the first three quarters of 2021, the Company recorded an Employee Retention Credit (ERC). The Company recognized \$151,701 of this federal tax credit in the 2021 second quarter, which reduced cost of revenue by \$87,287 and operating expenses by \$64,414. For the first half of 2021, cost of revenue benefited from the \$238,275 ERC and reported operating expenses were \$168,933 lower due to the ERC.

#### *Gross profit*

Gross profit increased to \$1,377,668 for the 2022 second quarter from \$562,554 the prior year. For the six months ended June 30, 2022, gross profit increased to \$2,371,769 from \$1,365,590 a year ago. Excluding the ERC, gross profit was \$475,267 and \$1,127,315, respectively, for the second quarter and first half of 2021. Significantly higher revenue was the key factor which contributed to higher gross profit for both periods in 2022, partially offset by higher raw material costs and supply chain issues throughout the first half of this year.

#### *Operating expenses*

Operating expenses (general and administrative, research and development (R&D), and marketing and sales) were \$623,626 for the three months ended June 30, 2022, versus \$384,519 a year ago. For the first half of 2022, operating expenses were \$1,166,033 compared to \$762,012 the prior year. Excluding the ERC, operating expenses for the second quarter and first six months of 2021 were \$448,933 and \$930,945, respectively. The increases for both periods in 2022 compared to 2021 were attributable to additional staff, higher travel expenses directly related to in-person customer visits and trade shows, plus higher compensation, and professional expenses.

### *EBITDA\**

The Company's 2022 second quarter EBITDA (earnings before interest, income taxes, depreciation, and amortization) was \$853,823 for the three months ended June 30, 2022, versus \$290,642 a year ago. For the first six months of 2022, EBITDA increased to \$1,403,088 from \$1,150,253 the prior year. Record total revenue and gross profit for the second quarter and first half of 2022 were the principal factors in both periods that contributed to the increases compared to a year ago.

### *Income Applicable to Common Stock*

Income applicable to common stock increased to \$664,873, representing \$0.15 per share, from \$115,510, or \$0.03 per share, for the same period last year. For the six months ended June 30, 2022, income applicable to common stock was \$1,049,274 compared to \$762,057 in 2021. Higher revenue and gross profit were key factors contributing to the increases for both periods in 2022 versus a year ago.

### *Net Cash and Total Debt Outstanding*

Cash on hand was a record \$5,409,210 on June 30, 2022, versus \$4,140,942 on December 31, 2021, and \$3,497,202 on the same date last year. The 31% increase since 2021 year-end was primarily due to strong cash from operations of \$1,490,066 for the first six months of 2022.

Total debt outstanding was \$195,392 on June 30, 2022, versus \$243,218 on December 31, 2021, and \$316,212 on June 30, 2021. During the second quarter and first six months of 2022 the Company made principal payments of \$24,041 and \$47,824, respectively, for finance lease obligations.

\*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.

*About SCI Engineered Materials, Inc.*

SCI Engineered Materials is a global supplier and manufacturer of advanced materials for PVD thin film applications who 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/>

<https://www.twitter.com/SciMaterials>

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, 2021. One or more of these factors have affected and could affect the Company's projections in the future. 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>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>(UNAUDITED)</b>	
Current Assets		
Cash	\$ 5,409,210	\$ 4,140,942
Accounts receivable, less allowance for doubtful accounts	819,269	531,577
Inventories	3,617,648	1,073,218
Prepaid expenses	46,052	678,357
Total current assets	9,892,179	6,424,094
Property and Equipment, at cost	9,130,043	8,966,488
Less accumulated depreciation	(6,994,759)	(6,809,850)
Property and Equipment, net	2,135,284	2,156,638
Right of use asset, net	230,457	274,298
Deferred tax asset	531,720	663,820
Other assets	87,346	89,552
Total other assets	849,523	1,027,670
<b>TOTAL ASSETS</b>	<b>\$ 12,876,986</b>	<b>\$ 9,608,402</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current Liabilities		
Short term debt	\$ 98,828	\$ 96,702
Operating lease, current	101,525	97,292
Accounts payable	430,808	250,383
Customer deposits	3,862,439	1,724,556
Accrued expenses	312,618	348,026
Total current liabilities	4,806,218	2,516,959
Finance lease obligations, net of current portion	96,564	146,516
Operating lease obligations, net of current portion	153,654	205,623
Total liabilities	5,056,436	2,869,098
Total Shareholders' Equity	7,820,550	6,739,304
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 12,876,986</b>	<b>\$ 9,608,402</b>

SCI ENGINEERED MATERIALS, INC.

STATEMENTS OF INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021  
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	\$ 6,505,005	\$ 1,972,049	\$ 11,831,437	\$ 4,994,359
Cost of revenue	<u>5,127,337</u>	<u>1,409,495</u>	<u>9,459,668</u>	<u>3,628,769</u>
Gross profit	1,377,668	562,554	2,371,769	1,365,590
General and administrative expense	423,401	283,708	796,589	571,589
Research and development expense	92,085	54,377	179,116	92,596
Marketing and sales expense	<u>108,140</u>	<u>46,434</u>	<u>190,328</u>	<u>97,827</u>
Income from operations	754,042	178,035	1,205,736	603,578
Gain on extinguishment of debt	-	-	-	(325,300)
Interest expense	<u>5,769</u>	<u>9,014</u>	<u>12,262</u>	<u>16,652</u>
Income before provision for income taxes	748,273	169,021	1,193,474	912,226
Provision for income taxes	<u>83,400</u>	<u>47,473</u>	<u>144,200</u>	<u>138,093</u>
Net income	664,873	121,548	1,049,274	774,133
Dividends on preferred stock	<u>-</u>	<u>6,038</u>	<u>-</u>	<u>12,076</u>
<b>INCOME APPLICABLE TO COMMON STOCK</b>	<b>\$ <u>664,873</u></b>	<b>\$ <u>115,510</u></b>	<b>\$ <u>1,049,274</u></b>	<b>\$ <u>762,057</u></b>
Earnings per share - basic and diluted				
Income per common share				
Basic	\$ <u>0.15</u>	\$ <u>0.03</u>	\$ <u>0.23</u>	\$ <u>0.17</u>
Diluted	\$ <u>0.15</u>	\$ <u>0.03</u>	\$ <u>0.23</u>	\$ <u>0.17</u>
Weighted average shares outstanding				
Basic	<u>4,514,492</u>	<u>4,497,903</u>	<u>4,512,396</u>	<u>4,488,913</u>
Diluted	<u>4,541,819</u>	<u>4,526,062</u>	<u>4,539,988</u>	<u>4,516,478</u>

**SCI ENGINEERED MATERIALS, INC.**

**CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH PROVIDED BY (USED IN):</b>		
Operating activities	\$ 1,490,066	\$ 1,249,462
Investing activities	(173,974)	(558,237)
Financing activities	(47,824)	(111,574)
<b>NET INCREASE IN CASH</b>	<b>1,268,268</b>	<b>579,651</b>
<b>CASH - Beginning of period</b>	<b>4,140,942</b>	<b>2,917,551</b>
<b>CASH - End of period</b>	<b>\$ 5,409,210</b>	<b>\$ 3,497,202</b>

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

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net income	\$ 664,873	\$ 121,548	\$ 1,049,274	\$ 774,133
Interest	1,747	3,830	3,463	5,131
Income taxes	83,400	47,473	144,200	138,093
Depreciation and amortization	103,803	117,791	206,151	232,896
<b>EBITDA</b>	<b>853,823</b>	<b>290,642</b>	<b>1,403,088</b>	<b>1,150,253</b>
Stock based compensation	8,674	8,675	31,972	30,563
<b>Adjusted EBITDA</b>	<b>\$ 862,497</b>	<b>\$ 299,317</b>	<b>\$ 1,435,060</b>	<b>\$ 1,180,816</b>