



Mechanical Technology Incorporated

First Quarter – 2019 Highlights

- Revenue at MTI Instruments grew 4% thanks to a continued increase in sales of our PBS-4100R+ engine vibration and balancing systems to commercial customers, as well as a slight increase in quarterly activity with the U.S. Air Force under our current multi-year contract. This growth offset a decline in sales to our top commercial customer in Asia, as they have been impacted by slowdowns in the semiconductor industry.
- Gross margins on product sales declined on the higher sales volume due to the current product mix, along with a one-time \$13,000 charge for potentially obsolete inventory during the quarter. Investments continue to be made in the development of next generation engine vibration balancing systems and capacitance sensors, which accounted for a 14% rise in product development spending compared to this time last year.
- Operating income of \$81,000 for the first quarter was actually comparable to that of last year; since the reported operating income at March 31, 2018 was unfavorably impacted by one-time costs associated with the Company's deregistration of its common stock with the Securities and Exchange Commission.
- In March 2019, the Company distributed a total of \$3,541,000 in dividend payments to our shareholders; the first time a cash dividend has been paid. Cash usage by operations of \$260,000 was attributed to the timing in collection of three notable receivable accounts, which were all received during the first few days of April. Nevertheless, the Company still retained available cash of over \$2,000,000 at the end of March 2019.

- With the adoption of the new lease accounting standard during the first quarter of 2019, the Company established a \$151,000 right-of-use asset, along with a corresponding liability, in conjunction with current leases for our facility in Albany, New York and for office equipment.

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