MACE SECURITY INTERNATIONAL INC.

Moderator: Mark Barrus
March 6, 2020
11:45 a.m. ET

OPERATOR: This is Conference #: 4919426.

Operator: Thank you for standing by. Welcome to the Mace Security International Fourth Quarter Earnings Call. At this time, all participants are in a listen-only mode. After the presentation there will be a question and answer session.

To ask a question during that time, you will need to press "star" then the number "1" on your telephone keypad. If you require further assistance, please press "star," "0."

I would now like to turn the call over to our host, Senior Vice President and Chief Financial Officer, Mark Barrus. You may begin.

Mark Barrus: Thank you, (Charmay). Good morning, everyone. With me is Gary Medved, our President and Chief Executive Officer at Mace. Please visit Mace.com Investor Relations, where you can find additional materials, including the financial statements and OTC report for the year-ended December 31, 2019.

Before proceeding, I would like to point out that certain statements and information during this conference call will constitute forward-looking statements that are based on management expectations and information currently in the possession of management.

When used in our conference call, the words or phrases will likely result, are expected to, will continue, is anticipated, estimate, projected, and intended to or similar expressions are intended to identify forward-looking statements.

Such statements are subject to certain risks, known and unknown, and uncertainties including but not limited to economic conditions, limit of capital resources and the ability of management to effectively manage the business and integrate acquired businesses.

Such factors could materially adversely affect Mace's financial performance. It could cause Mace's actual results for the future periods to differ materially from any opinions or statements expressed during this call.

I will now turn the call over to Gary to comment on the fourth quarter and full year 2019 operational results.

Gary Medved: Thanks, Mark.

Now would be a good time to reflect on the priorities established for the company at the beginning of 2019, how we executed against those priorities and an early view of 2020.

Very early in 2019, we identified a return to profitability as measured by EBITDA as a priority. I am pleased that as of the fourth quarter of 2019 we have achieved that goal, and we expect to build on that financial performance in 2020.

From a net sales perspective, we took a very hard look at channels where we were not realizing an acceptable level of profitability as measured by total operating income, not just gross profit, during 2019.

As an example, as we've discussed several times throughout the past year, we prudently reduced advertising costs in our e-commerce channel, which resulted in short-term net revenue declines in favor of improving our ecommerce content as well as using a data-driven approach to advertising spend and timing.

These efforts should begin to pay off through increased net sales by the end of Q1 2020. Customers also have been reacting favorably to our refreshed products, colors and packaging as many of you have seen on the releases from the 2020 SHOT show in Las Vegas.

As we indicated in our press release in the fourth quarter of 2019, we were awarded new business from several significant national retailers, including several new customers in the automotive space and product line expansions at several existing national retail customers. These existing awards should yield around a 5 percent increase in revenues, and we have, of course, ongoing activities with other national chains that are very interested in having a world-class brand like Mace as part of their offerings.

We also identified improved performance in controlling expenses. As our quarterly results throughout 2019 have shown and we have discussed on prior calls, we have decreased SG&A expenses and manufacturing cost to prudent right sizing of personnel and controlling spending.

These efforts have been successful in reducing SG&A as a percentage of net sales as we exit 2019 and will be even more noticeable as we plan to increase net sales in 2020 without increasing our fixed cost in these areas.

I'll turn the call back over to Mark to discuss details behind the financial performance.

Mark Barrus: Thank you, Gary.

As to the financial highlights themselves, fourth quarter net sales were $2,377,000, compared to $2,836,000 last year, a decrease of 16 percent. Full year 2019 net sales decreased at $10,504,000 from $11,489,000 in the 12 months ended December 31, 2018, a decrease of 9 percent.

The decrease in fourth quarter-over-quarter sales was primarily due to several nonrecurring promotions and the acceleration of certain customer orders in 2018 that were not repeated in 2019 and a decline in year-over-year net sales in e-commerce. Full year net sales decreases were due to the decisions Gary references above that impacted our consumer segment.

Gross profit for the fourth quarter of 2019 totaled $928,000, or 39 percent gross margin, which was down sequentially by $41,000 over the third quarter of 2019. Prior year fourth quarter gross profit was $965,000 with a 23 percent gross margin. The gross margin percentage increase year-over-year was due primarily to the significant charge we had in Q4 2018 excess an obsolete inventory, which did not repeat to the same degree this year.

Full year gross profit in 2019 was $3,925,000, compared to $4,356,000 for a decline of 10 percent. The decline in gross profit dollars was primarily due to the decline in net sales. Full year gross profit margin percentage stayed approximately the same from $38,000 in 2018 to 37 percent in 2019. Both years' gross profit margins were influenced by excess in obsolete inventory charges throughout the year, which are further disclosed in our reconciliation of adjusted EBITDA in the press release.

Selling general and administrative expenses for the fourth quarter were $848,000, compared to $1,307,000 in the same period last year, a decline of 35 percent. This decrease is primarily due to decreased variable selling costs, decreased label fees as well as decreased personnel costs. Sequentially, SG&A costs declined by $148,000 from the third quarter of 2019.

The full year SG&A costs for 2019 were $5,057,000, compared to $4,754,000 in 2018, an increase of 6 percent. This increase is explained more fully in our OTC report and is primarily due to the large customer bad debt in Q2 2019 as well as increased legal professional fees due to increased litigation, employee matters and the Tornado acquisition.

As a result of the above, the company reported net loss after tax of $77,000 for the fourth quarter of 2019, compared to a $1,859,000 loss in 2018, a $1,782,000 improvement. Full year net loss for 2019 was $1,700,000, compared to $1,946,000 loss in 2018.

EBITDA for the fourth quarter of 2019 was $45,000, compared to an EBITDA of a negative $1,750,000 in the same quarter of 2018, or a $1,795,000 quarterly improvement. Fourth quarter adjusted EBITDA was $79,000, compared to a negative $224,000 in the fourth quarter of 2018.

Full year ended December 31, 2019 EBITDA was a negative $1,207,000, compared to a negative $1,523,000 in the year-ended December 31, 2018.

Adjusted EBITDA for 2019 was a negative $140,000, compared to a positive $172,000 in the full year 2018. From a liquidity perspective, we saw a net increase in cash and cash equivalents of $109,000 from December 31, 2018 to December 31, 2019. Our line of credit availability was $900,000 at December 31, 2019. Further details regarding our liquidity and capital resources are available in our 2019 OTC annual report.

Finally, our cash tax net operating loss carryover was approximately $56 million, which is fully reserved for our financial reporting perspective.

I'll now turn the call back to Gary, who will discuss outlook and priorities for the remainder of 2020.

Gary Medved: Thank you.

As stated at the beginning of our remarks, we have finally seen the results of our transformation paying off through improved SG&A and manufacturing cost, new customers and increased product placements for 2020 retailer reset and the resulting sequential improvement of EBITDA throughout 2019. We expect that in 2020, we will see the EBITDA as a percentage of net sales continue to improve as a benchmark for our improving financial performance.

At this time, I will stop and open the line to questions. I would ask that each caller limit themselves to one question with one follow on to allow everyone a chance to participate. And if we have additional time, we will try to get back into the queue.

Operator: And again, that is “star” and the number “1” on your telephone keypad. Our first question comes from the line of (Truman) – Andrew Shapiro.

Andrew Shapiro: I have a bunch of questions. I'll ask a few and certainly back out. These are nice numbers. I just want to dig a little bit deeper here to understand, we'll call it, the quality of the numbers. On the SG&A reductions, which are nice and sizable, did this quarter's SG&A number include any recoveries or one-time add backs that would have arbitrarily lowered it to these particular levels? Or this is a go-forward number we're looking at?

Gary Medved: Well, good question, Andrew. I would say that there were a couple bumps in there that are disclosed in our adjusted EBITDA schedule that hit the fourth quarter. There was an additional $18,000 write down to get the last fully reserve on our secure check note, and we had a couple other little, very minor things in there. But I would say that this is a starting point from moving forward. I would say it's not going to be what we have going forward.

I think it'll be improved from an SG&A perspective. I think we have several projects, they already begun, with more to come that will result in meaningful SG&A, meaningful meaning a few percentage points that we'll continue to work on. And we'll see this continue to hopefully trend down throughout 2020. So it is a good base to think from, but the hope is it's improving.

Andrew Shapiro: No, I guess I was getting at is that there was no add back that lowered this. In other words, if you recovered one of your past receivable writeoffs.

Gary Medved: No, there's nothing like that, currently.

Andrew Shapiro: Then, the quality of this lower number would be more questionable. But if you didn't add things back in here to reduce it, then this is even a greater improvement than many expected. So that's what I wanted to clear up.

Gary Medved: Yes. That's accurate, yes.

Andrew Shapiro: So that's clean. OK. Similarly, on the gross margin or the gross profit. I just wanted to confirm in the fourth quarter there wasn't any kind of blowout – there wasn't any kind of 100 percent margin sales of size here from inventory previously written off that you then ended up recovering on.

Gary Medved: No, Andrew, there wasn't. What I can add is we have multiple areas of our business, and throughout last year we did a lot of profit margin analysis on everything, all channels. And there was pricing issues that need to be cleaned up. And throughout the year, we addressed a number of those.

Margins have been enhancing on a couple different product lines that were historically at extremely low rates. So we got those cleaned up, and I think that's – that end of product mix that I think the 2 combined is why you saw the improvement, or why it will –

Andrew Shapiro: OK. Yes, so this is a sizable increase to last year, and similar to last quarter. Is this the new normal? Or what can drive – or what can and do you feel will be the primary drivers for a higher gross margin? Is it simply volume, or do you have some new products and sales mix plans as well that will bring the gross margin even higher?

Gary Medved: Well, OK. The first part of your question, yes, this is the new norm going forward. OK, and I think I made the comment in a number of previous calls that a lot of margin analysis had to be done. And we've been doing that, and we continue to improve.

Number 2, when Julie came on board, she brought a pricing discipline with her that the business was lacking. And she's been really disciplined about sticking with that, and that has helped us. And #3, as we get new business, we're – historically, the company didn't realize to the extent that we do that retailers and consumers will pay for a brand, a powerful brand, a well-recognized brand, a high-quality brand.

And so when we meet with new customers, potential new customers, and the presentation goes through, we don't feel a need that we have to get down in the open price point arena to get the business.

We have something that a lot of other companies don't have, and we're going to be leveraging that going forward. And as we roll out new products and packaging, that attracts even a higher margin. So I think what you're probably seeing are the fruits of the labor here in terms of pricing discipline, #1. And then #2, recognizing that we do have a brand, and we just don't have to crawl down in the lower price levels to compete.

Andrew Shapiro: OK. And last question here on the margin and I'll back out into the queue here. Last quarter, I think the quarter before, even, you described that actual direct margin for products before the fixed overhead was comparable to prior year.

With another quarter under your belt and additional manufacturing efficiencies employed under your strategy, how did actual direct margin for product sales this quarter before overhead compare to prior year, Xing out, obviously, the inventory writeoffs, et cetera, so we can figure out apples to apples what kind of migration and improvement here we're getting?

Gary Medved: Well, the direct margin, OK, just so everybody's on the same page here, only takes into account your direct cost for the product. Direct labor, direct material, that's it. There are no overhead elements in there at all. So that being said, if you make a product for $5 and sell it for $10, that making it a product is only labor and only material.

So that's a 50 percent margin per the span that it's in the system. The only thing that varies after that is your PPV that comes through price increases from suppliers, things like that, or labor costs going up, or inefficiencies, or efficiencies, as we like to look at more so.

OK, so those 3 things, again, getting back to this disciplined price we have in place, we're mindful of the margins out there. We're mindful of our costing structure, whether it's labor, purchase price that we're paying for raw materials or the efficiencies in the operations here.

So all 3 of those areas get attention. And just at the beginning of January, we brought on a new procurement manager well versed in all things procurement. He brings himself a different discipline to the whole function. I think as we go forward, a lot of our raw material cost will improve and thereby improving direct margin as we move forward.

We've already found a number of things that can be addressed, and we need to just start rolling these things out. Rest assured, these costs are very critical here. We are in a consumer environment, so they get a lot of attention on a daily, weekly, monthly basis. And I think we just brought in new financial discipline that was missing for a while. So hope that answers your question, Andrew.

Operator: Our next question comes from the line of Thurman Willis.

Thurman Willis: On prior conference calls, Gary, you had said by the end of 2019, especially with respect to new products –

Gary Medved: Thurman, you're really breaking up. Hello?

(technical difficulty)

Thurman Willis: Can you hear me?

Gary Medved: Yes. Can you try that again, Thurman? We didn't catch any of that.

Thurman Willis: Yes. I'm sorry. I apologize. OK, then. I was saying that on prior conference calls, you said by the end of 2019, especially with respect to new products and new customers and placement and stocking decisions, you would know if your new plan was working at February 2020. Is your plan working? And more importantly, what supports this conclusion?

Gary Medved: Well, I would first of all state that the strategy that we came in with early in 2019 in getting Julie in here to round out that strategy and put its execution in place, we've seen the benefit already. We're working with national retailers.

We're talking to even more national retailers right now, and the feedback has been tremendous, witnessed by the fact that in existing retailers where we had a presence, we're getting additional hooks. And in retailers where we did not have a presence, we're getting initial hooks.

And we have a major test being implemented at a national retailer in the next few weeks, and I think it's 100 locations of their chain. And we feel pretty buoyant about that.

So when I look at everything that we brought, just changing the whole strategy over to one of nonlethal personal safety products as a category with a full product line, making the product more appealing to the consumer off the shelf, gets their attention, messaging, branding. It's all coming together, and we're seeing that.

Q4 doesn't specifically indicate that because as we've talked a number of times before, retailers do a reset in early midspring, so a lot of this hasn't panned out yet from a Q4 standpoint.

So yes, I made the comment last July, I think, at Investors' Day that by the end of last year, we'll know if people are bringing the program on, and by February this year, we'll know if it's working. And I can say yes on both accounts.

Thurman Willis: Well, let me just say congratulations and much improved. A follow up and one additional. Then, I'll get out of the queue. Is Mace capable of growing its revenues by 25 percent annually from its present levels, and what will it take for Mace to actually achieve that?

Gary Medved: I think it's doable. I'm not going to sign up for that because there's an acceptance level that – the street goes both ways. But I think the bigger question is here, from a strategic standpoint, and you've heard me say this before, is if we view this category as just a couple looks in obscure locations at retailers, get it out there, get it on a hook, and just in case somebody walks by, and just in case somebody sees it, and just in case they feel the need to purchase it, then you get a sale. We have a major initiative going on right now, I can't get into the details, that is looking to change that thinking, if you will.

So is 25 percent top line doable? Absolutely. Like I said, I'm not going to sign up for it because there is a tremendous amount of work that has to go into the audience out there, and that's going to take some effort, take some time, take some resources. So we're in the right direction.

We're on the right track. You've heard me say before, some of these things take time. We just got to keep plugging away at it, and I think we've had pretty decent success for the limited time we've been involved.

Thurman Willis: And my last question before getting back in the queue. What are the ways you presently and plan to educate potential customers of the utility and value provided by Mace products? And what additional products can you presently share are in the works to further grow Mace products line and revenues?

Gary Medved: Actually, I can't comment on either of those because that gets into roadmapping, where we're going, and I'm not going to go down that road right now. As these plans and products come out, we can talk about them more. But right now, it's just – they're under wraps here at Mace. So I'll leave it at that for now. And then in the future, we can circle back to it.

Operator: And your next question comes from the line of Andrew Shapiro.

Andrew Shapiro: On the last call, you discussed the 3 components of potential revenue to Mace through the new and emerging Kuros partnership. The first was selling Kuros products through e-commerce and retail channels, the second being Kuros purchasing products from you and the third being Kuros purchasing products and distributing them overseas as part of its company mission.

Can you update us on how those 3 revenue streams are going and what you see as the biggest opportunity for Mace to grow revenue from this partnership moving forward? Because I'm assuming there wasn't that much revenue from it yet in Q4, but maybe there was. You didn't call it out, so I didn't assume it was that large yet.

Gary Medved: The program itself, Andrew, the partnership, has kicked in. Every retailer we visit with, we're showing product to. I should say on all e-commerce channels, ours and Amazon and so forth, the product is out there and it is moving. I think the biggest overhang, if you will, for that program is a legal matter that is being tended to by Kuro and the other party in the legal matter.

So I know that's viewed as an overhang by some channels out there, so that has to be put to bed first before we can really take the lid off this thing, but we have not shortchanged it. We haven't tucked it in our back pocket. We haven't put it on the shelf. It's front and center.

Next Monday, Julie and I have a meeting at a large national retailer, and they're going to see the program. And we have other leads that we're chasing down on other retailers, and they're going to see the program. So everybody's seeing it. They're all hearing the message, and it is part of our package, part of our slide deck.

But e-commerce is moving the product, and retailers will get behind it. And I've had this discussion with Kuro. He knows where this is, and we got to get the legal matter put to bed. So that's really all I can say about it at this point.

I can't comment on anything else because I'm not a party to the legal issue going on. But suffice it to say, we're ready, we're showing people, we have production, we have inventory and it's being sold where we can sell it.

Andrew Shapiro: So are you getting into some doors, retail doors, already yet with the Kuros product, or net yet?

Gary Medved: Not yet onto retail doors.

Andrew Shapiro: OK. So that's still ahead for us, then?

Gary Medved: Yes, yes.

Andrew Shapiro: OK. And can you update us as to the status of the USPS, the postal service, joint venture, joint labeling, of a product as to where they stand on, I guess, approving or finalizing the final product?

Gary Medved: Yes. Mark can handle this one.

Mark Barrus: Yes. So Andrew, we have not been successful in getting the postal service to move forward with us on the project as of now. We have been in contact about either agreeing to move forward or agreeing that this isn't the right partnership.

And so there are no actual sales. There are no products approved, and we're negotiating with them right now to determine if this partnership will continue. And I will say that that is probably something that's going to be resolved in Q2 of 2020.

Andrew Shapiro: OK. And is there any capitalized amounts or amounts on the balance sheet on the asset side that would be subject to any writeoff?

Mark Barrus: That's a good question. I think most of the amounts were actually expensed. There may be the original license fee that has been capitalized. Actually, I will have to follow up on that. I'm sure that the development costs for the products, et cetera, were expensed as we went.

So if anything, it would be a $25,000 exposure. I would tell you that in our negotiations with them, we are going to be asked that if this partnership does end at their request, then that there be a reimbursement of those costs, and so I …

Andrew Shapiro: A cost recovery, then, yes.

Gary Medved: Correct, correct. So I would anticipate that we will exit the – if we are going to exit the venture, it will be neutral to the P&L going forward.

Andrew Shapiro: OK. And on e-commerce and such, you guys took a step back in terms of social media, other activities, to support the e-commerce sales and all and reset things. During the Q4 results as well as what you're deploying assets and resources to here in the current quarter, can you update us and expand a bit more on your e-commerce efforts and success? Is it driving things with Amazon, separate from Amazon, and how's our own website doing?

Gary Medved: OK. Let's break it down into a couple – we'll talk about the elephant in the room first. On the Amazon side, we've talked about in the past, the sales were at a decent level. The cost structure to obtain those sales was too high a sell. So we made some changes. I'm very happy the changes that we've made.

And they've only been engaged for, I'd say, starting in mid-October is when the rubber started hitting the road. We were engaged with an outside firm for a couple months doing a lot of homework. And then we pivoted over to getting better content on Amazon. And then we started working on the SEO and the Amazon algorithm top of mind and so forth.

So at the rate that we're tracking, the one thing that I can tell you is starting in November of last year, I believe, that each month since then, including February, has been higher revenue than prior year, same month. So we're looking at probably the fourth month right now where our revenue level for that online retailer is higher than it was the prior year same month, and with a much lower cost structure in place.

So my belief was going into these changes that we needed to do more work on the SEO and building out the content and A-plus content and really curtail the advertising expense. So we took a temporary hit on that for a number of months. And we explained that on the call – I'm sorry, earlier calls. And like I said, for the last 4 months, I think we're now realizing that that effort is starting to pay off after that temp rare hit.

Mark Barrus: I would also add to that, Gary, that if you look at our results, these are absolute tailwinds that can occur in 2020. So while the numbers – and we don't break out Amazon specifically, but while the numbers are better year-over-year, they're not where we expect to take this yet.

So I think if you want to see where we're headed in the subsequent quarters, we're really going to see the increase to Amazon, and, as related to that, to Mace.com, because there's some umbrella effect there. But those will really start to improve.

If you also look on a periodic basis, and you will see our rankings and our product placements moving up as our advisors promised they would. So the way to think about this is there is more – the fruit to the tree in e-commerce has not yet meaningfully occurred. But we believe it will early in 2020.

Gary Medved: And then pivoting over on the other side, as you probably know, we have a number of other dot com partners with the major brick and mortar retailers we work with. So we have initiatives in place now to where this content, whether it's A-plus content or even SEO optimization and descriptive characters and so forth.

So we're starting to carry this over to these other retailers. And if you've been following Walmart, they got a big push on Walmart.com. They're doing a lot of things like Amazon now, and they want to mirror themselves, I think, even more like Amazon. So that'll be working in on favor going forward.

And then the last part of your question, Andrew, on the Mace.com. You're right. Social media. We're in the process now of pivoting partners from who we were working with in the past to handle our social media and our content marketing. I think we tapped out there.

And in the broader scope of things, it really wasn't getting the traction that I thought it could be getting. So I spent the better part of last year doing a lot of research, and interviewing, and talking to consultants, and meetings and everything I can get my hands and eyes on to learn more about it and seek out the right people that could help us.

And I think we now have a plan that we'll be rolling out here in the next couple few months that it has its roots in what are our customers thinking, what problems are we solving, a host of data evolving through brand messaging and then ultimately with a go-forward digital marketing campaign. And we have some strong players in each of these roles that we're right in the middle of it now.

And I think what you're going to see going forward, not for a couple months yet, is more of a concerted, consistent effort across all social media platforms tying back to our own website, Mace.com. But with the approach that we're taking, it's not really singularly pointing at only Mace.com, it's really just to give the entire category of lift, no matter where our products are, if they're on brick and mortar retailers, on Amazon, or Mace.com.

So the approach that we're taking, I think, is a very holistic approach. And it's not just going to be putting a couple Facebook posts out there. I've done enough research on Facebook posts to know that if we're doing it the right way, we'll get traction. And we weren't getting traction doing it the way we were doing it.

So much like the Amazon effort, we had to pivot roles there. And we're doing the same thing with the social marketing and – social media marketing, if you will, and other things out in the cybersphere. So there will be a lot more coming on that going forward in the next couple quarters that you'll start to see roll out. But at this point, we're in the very early stages of design and implementation.

Andrew Shapiro: Can you discuss your international sales and what is working, not working? Previously, you spoke of decent distributor growth. Can you elaborate on continued growth and penetration internationally in the recent quarter and plans for later this year?

Gary Medved: Yes. Let me give an overview of the first. We brought an international sales director on board, I think, last summer, July, August, somewhere around there. She operates out of Chicago. And she's bringing a lot of initiative and energy to that channel that was another – it was lacking when I got here.

And we attended SHOT and got a large number of qualified leads that are being followed up on now, pro formas being issued. Our strongest international partner increased sales dramatically last year and looking to do it again this year.

So I think all the needles are pointing in the right direction. You heard me say this 100 times, Andrew. Every one of these needs a lot of attention, and every one has been in a cleanup, if you will. So we spend quite a bit amount of time just getting down to bedrock on any one of these channels, issues, whatever it is.

And then we spend that much more time getting back up to Ground Zero and building on it. So international, we've only been really strongly at it for maybe 6 months right now. We had a decent year last year. I don't know if Mark has the breakout here.

Mark Barrus: Yes. This is one of the, I'll call it, reasonable bright spots in the year-over-year. There was a year-over-year increase of about 4 percent on the top line.

We break that out in our OTC report. And it's within a very nice bottom line as well on these particular sales with not a ton of risk.

And so I think if you look at this 4 percent growth year-over-year, this is probably back ended more. At the beginning of the year, it was maybe flatter. So with the other Julie on board, I think this will be a continued bright spot when you look at year-over-year sales going into '20. I think we'll continue to see this one trend up.

Gary Medved: And we're focusing on 3 major areas in the world. So there's a lot of energy going into it, a lot of follow up. Like I said, we have a number of orders in house now, a number of pro formas that we've issued just in SHOT. It was, what, 3 or 4 weeks ago.

So I like where we are, and this is very early in the game for the international side. And again, getting back to that initiative that we'll be launching here in the next couple quarters, this is a worldwide list on the brand. So I expect that it'll have some carryover umbrella effect for the international side as well as the domestic side.

Andrew Shapiro: So let me ask you this question for you and Mark. Maybe you share the views. Maybe you have slightly differing views. But you've been here now both for almost a year. Maybe it is a year for Mark, but you've been here for a year.

Mark Barrus: Thirteen months, but who's counting?

Andrew Shapiro: Yes. But you guys have been here for long enough, all right, and I appreciate the revamping you've had to do in almost every area of the company, and in some areas that you didn't even expect you had to do. OK, but that's in the past, right? You own some shares.

You got bonuses tied to growth and all of that. I have owned shares here for, I don't want to say too long, but too long relative to the stock price and valuation movement here. But I own a lot of shares. I'm the largest independent shareholder here.

I know why I own it. You guys took the job here. You got equity. Just each of you, can you rank – just what are your top 3 things that you are excited about? I don't want to hear about the past and all the past troubles.

That's what a lot of this commentary has been. I want to hear what are you excited about for the coming year in terms of either a particular market, a particular channel, particular cost? What excites you about creating higher cash flows and profits at this company for the coming year?

Gary Medved: Well, there's the project answer, and then there's the overall answer. What excites me the most is watching this stock price in the future ratcheting up. And that's only going to be done by all the other stuff we have going on in –

Andrew Shapiro: Which is what I'm asking about. What excites you? And you can be general, because I know there's competitors on the phone call, but –

Gary Medved: Andrew, what excites me is having one retailer after another after another with the new look and the new products. What excites me is blowing Amazon out of the water to the level that I think it should be. And we're at a small fraction of that, but I know we're going in the right direction.

I think there's – I'm excited about the private label business growth that we're seeing that we can continue to see. I'm excited about the international growth that we're seeing and that we'll continue to see. And then after all these things start to take place and they're moving, my experience is being in the new business and new product development side.

We have a number of new products that we're looking at doing that will shake up the category even more. And as I mentioned before, we're not looking at gimmicks, we're not looking at just cheap knockoffs or tchotchke type stuff. We're looking at relevant, meaningful, new product development that's patented and is going to help grow the Mace brand.

So I think there are a number of things that we've stated on these calls. The reason that I always preface them with where we've started was because it's been 13 months, and I think a number of people are saying, "Boy, why is it this?" Well, you know what?

When you're spending 6 months digging down before you can start building up, that's half the time we've been here. And then you're looking at a retail calendar that we got in here and just got under the calendar to get on these schedules with retailers for product resets that aren't taking place until this spring.

So I think the appreciation for what has been done here – forget the stock price, forget the sales level. And I've said this in 4 phone calls now. We're building a foundation for this company to go well into the future. It's not a house of cards that we're building.

And that is what excites me, that the work that we've done, and the work that we're doing, and the results we're seeing, I'm excited about the future of Mace. And I know that will ultimately culminate in a higher stock price.

I'm convinced of that, and I know that's the #1 goal hanging out there, but we have a lot of work that we've put in and a lot more that needs to be done to get this place where it needs to be. So I'm just overly excited for the future, and what we've done, and where we're going.

Andrew Shapiro: Yes. And Mark, anything additional that's more on the, we'll call it, the investment, financial side here?

Mark Barrus: Yes. I'm glad Gary got to go first, because I got to rank my items. But I'm very excited about the improved culture within the company. I think we are a very much more optimistic company. And I'm excited about the optimism I see amongst our people that these – the ability to make more decisions, and to make good decisions, and to produce good products.

And everybody's got a place from top to bottom in this company. I definitely see the culture improving, and I'm excited about that. I'm excited, being a financial guy, the process improvements that we're making. I think we've done a lot of the big ones, but there's lots more to go in little areas. And those are fun to come across, and to tackle, and to problem solve to have a better answer, or more efficient cost or what have you.

We all get excited about different things. But that challenge is exciting, and it's fun. And I think it keeps a lot of us going. And the last piece, and I'll echo. When we started on board, our priority is getting EBITDA to a sustainable level and to continue to grow it.

I'm now excited about the chance to tell our story to the financial community. We have some meaningful resources and time devoted in 2020 to telling our story more publicly in the venues that our potential investors and our existing investors exist in.

And I think that we have a good story to tell. I think we have something good to point to, and I think that there's going to be a great reception to people hearing about the company, in not only the brand name of Mace, but the company, Mace.

So I'm very excited about the opportunity to tell that story more and to really focus on that in the financial community in 2020.

Operator: Our next question comes from the line of (Kim Phil).

(Kim Phil): Just a follow up on that telling the story to investors. So you guys have lined up some conferences for 2020? You guys are all set to go?

Gary Medved: We have. And we're going to be making an announcement very shortly on that in terms of the cadence for 2020. We have a combination of several (inaudible) and physical conferences, if you will, that are suitable for OTC companies to tell their story.

We have several virtual conferences where we'll be telling our story a little more cost-effectively remotely and through the internet. We'll, of course, continue our earnings calls. And we're going to add some road shows, nondeal-type road show where we can get in front of some potential investors as well.

We've also tried to stagger this geography-wise. So we realize as an OTC company that we're U.S.-focused investors and we want to tell the story to all parts of the country. So we're not focusing on one or 2 New Yorks and West Coasts. So we're going to get that calendar out so people see it.

We're keeping a little powder dry for later in the year, so this probably won't be all the ones that we announce. But we want to get the story going here. And a little preview, the first conference is coming up in April. We'll get the name of that out. And we really are pretty excited about the chance to tell our story.

(Kim Phil): Great. Looking forward to that announcement. Appreciate that. Now, I noticed in your annual report, Stealth Technology has filed for bankruptcy. Do you foresee any possibility of maybe getting some of that trade writeoff back?

Gary Medved: Yes. We don't have any further expectations or news on that. It's fully reserved for. It is a Chapter 7, and the public filings have indicated that they expect no recovery to any of the unsecureds, of which we are unsecured along with many others. So I would say that that probably speaks for itself at this point.

Operator: Your next question comes from the line of Thurman Willis.

Thurman Willis: Yes. Just a couple of follow ups. So Mark, you'll be getting us out pretty soon a schedule of upcoming IR events?

Mark Barrus: Yes. That's correct, Thurman.

Thurman Willis: Good. Thank you. And then, finally here, could you – and this is the overhang of the stock. If you could discuss the company's policy mandating minimum stock ownership by officers and directors, and in what manner such purchases will occur.

And when does the window open for insider open market purchases, and especially that? Because I'd love to see this overhang that's out there get taken out. And I've love for insiders to take out some of that overhang, especially at these prices. So could you mention about the overhang and when they'll open?

Gary Medved: Yes. We've sent a reminder out today, but the window period opens 2 days after our earnings call or next Monday. Our board does not have a mandatory minimum equity ownership percentage for the officers, so that's a continuation of the prior policy on that.

As we've mentioned before, our officers and directors have a significant portion of their compensation in equity and are therefore equally motivated as shareholders to ultimately improve the share price. And that will, I'm sure, continue. That's up to the board how they view that. But all indications are that that's going to continue.

And finally, you will recall that our board, as a show of their enthusiasm about our prospects, have agreed to exchange their otherwise cash directors' fees, quarterly directors' fees, and instead have been taking Mace shares in lieu of that cash priced on the closing share price at each quarter. So they're continuing to do that, and they are very enthusiastic.

As we become aware of additional insider purchases, we have had a couple releases in the past. We'll continue to make that known. We do understand not only is there an overhang potentially in the stock, but there's shares available. So it cuts both ways.

Those that are interested in investing in the company, and we certainly hope that there will be increased enthusiasm as you see our results improving and we tell our story that the good news is that there's shares available out there. So that cuts both ways, and we hope that will support the share price.

Operator: And our next question comes from the line of Andrew Shapiro.

Andrew Shapiro: I know we're approaching the end of our time, and so I'm going to give this a good opportunity for a summarization kind of question that I tried to do with my last question when I asked you about what excited you. And Mark, you said you're excited about the opportunity to tell the story.

Well, I was trying to actually ask you what your – give you the opportunity to summarize and tell us your story right here to us right now in an elevator pitch format as to what excites you about this investment opportunity that you're going to say somewhat at the conferences in much greater detail.

And I didn't mean to draw you guys down into the minutia weeds. But big picture, what excites you here for the stock price at this particular price? What makes this a good investment?

Mark Barrus: So I'll start, and Gary will go on. So why I think this is exciting and a great investment. I'll start with the well-known brand name, which is an asset to the company and one in the consumer space that people spend millions and millions of dollars to build a brand name that's got over 50 percent recognition, and we have it.

The second reason I think this is a great investment is that the financial performance has improved to the point where we have lowered our break-even, and we have set the company to move forward that every dollar we get in increased revenue through all of these streams that we've been talking about is going to drop largely to the bottom line.

The restructuring that we've done has allowed us to get our fixed cost to a point where additional top line revenue becomes additional bottom line revenue. We see it accelerating.

And the last reason I think this is a good investment, besides cost and besides brand name, is the very things that Gary talks about. We see every day in the enthusiasm from our customers that we are in a business that turns around and has a 50 percent churn in customer retention. We have great customer retention. These people love our product. They're going to buy more, and we just have to make it easy to support them all in doing it.

But if you look at programs that we talked about, as we go through each one of these, brick and mortar retail, e-commerce, we haven't even scratched the surface on tactical. We haven't even – we have scratched the surface in international, but there's much more to go.

So all these other areas – private label we didn't get the chance to talk about, but we have a great private label business that all these have great tailwinds that will hit the top line in increasing amounts. And because of the work we've done, that's going to drop right to the bottom line. So that's why I think this company's a great investment.

Gary Medved: And Andrew, let me – I know we got to get off the line here in a minute or 2, but let me follow up to everything I said before with a very, very short story, a humorous anecdote. There was a guy selling shoes for a shoe company. He was the #1 salesman year in and year out, year in and year out, year in and year out.

The owner comes to him and says, "Listen, I want you to go over to Asia. There's a country over there called China. I think there is a great opportunity over there." He ships him off to Asia. The guy calls back in a month and says, "I'm coming home." He says, "Why's that?" He said, "Nobody over here wears shoes."

That is the nonlethal personal safety market in a nutshell. And what excites me, there is nothing but upside going forward. The overwhelming majority of people, consumer, it doesn't matter where, does not think about personal safety. If they do, the first thing come to mind is a gun. Most people don't want to own a gun.

Most people don't want to have a gun in their home. That is our audience, and it is massive. And with the initiatives we have going on, brick and mortar, what we're going to be doing in the individual space going forward, what we're doing internationally, what we're doing with private label, everything is geared towards tapping into that huge potential.

And that's what excites me, is we haven't even scratched the surface in terms of the percentage of consumers that could own a product versus how many actually own one of our products. Hope that answers your how-excited-am-I question for the investment.

All right. Well, it's noon. I think we're going to close up here. Doesn't look like anybody else is in the queue. So operator, you can close the line. Thanks, everybody, for joining. Take care. We'll be talking in 90 days.

Operator: Thank you. This does conclude today's conference call. Thank you for your participation. You may now disconnect.

END