Mace Security International, Inc. ([OTCQX:MACE](https://seekingalpha.com/symbol/MACE)) Q3 2020 Earnings Conference Call November 2, 2020 11:00 AM ET

**Company Participants**

Sanjay Singh – Executive Chairman

Gary Medved – President and Chief Executive Officer

**Conference Call Participants**

Andrew Shapiro – Lawndale Capital Management

Ken Fell – Fell Capital Management

**Operator**

Ladies and gentlemen, thank you for standing by, and welcome to the Mace Security International Third Quarter 2020 Earnings Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to your speaker for today, Sanjay Singh, Executive Chairman. Thank you. Please go ahead, Mr. Sanjay.

**Sanjay Singh**

Thank you, Karol, and good morning, everyone. With me is Gary Medved, President and Chief Executive Officer of Mace. Please visit mace.com, Investor Relations, where you can find additional materials, including the financial statements and OTC report for the third quarter ended September 30, 2020. Before proceeding, I would like to point out that certain statements and information during this conference call will constitute forward-looking statements and are based on management expectations and information currently in the possession of management. When used during 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, impact of the current COVID-19 health emergency and the ability of management to effectively manage the business. 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 third quarter 2020 operational results.

**Gary Medved**

Thank you, Sanjay. Hello everyone. Thank you for joining us. Once more I'm very pleased with Macy's performance in the third quarter of 2020, a direct result of the hard work of all dedicated Mace associates. Though we continue to work through the last few supply chain disruptions due to COVID-19, going forward our number one priority remains the health and safety of all our employees.

As noted in our press release, our business continued to be very strong during the third quarter as consumers demanded more non-lethal personal security products. Our focus on the Mace Brand, our product lineup, and digital awareness lined up well with the accelerated shift to consumer personal safety products. Our new product look and lineup continues to be a big hit with our retail partners. Also, during the third quarter, digital sales experienced its second straight quarter of triple digit percentage increase.

While many of our large brick-and-mortar customers experienced a drop in foot traffic in the early part of the second quarter, that pace has picked up considerably throughout the third quarter. We continue to see a substantial uptick in our e-commerce sales admit a strong shift towards online purchasing. And we continue to experience a substantial increase in online traffic for our own website, as well as our e-commerce partners attributed to our social media advertising strategy initiated early Q2.

I will now turn the call over to Sanjay to discuss details behind the financial performance.

**Sanjay Singh**

Thank you, Gary. Third quarter net sales were $4.757 million, a 94% increase from $2.447 million in the same period last year. This increase in net sales was driven by organic growth product line extensions to existing customers and the addition of new customers. Gross profit increased $1.016 million, or 108%, to 41% of net sales during the three months ended September 30, 2020 compared with 38.4% of net sales during the three months ended September 30, 2019. Gross profit improved in the third quarter 2020 due to higher sales and improved efficiencies gained from higher production due to higher sales.

SG&A expenses for the third quarter increased by $177,000, or $1.183 million, or 25% of net sales. Selling, general and administrative expense increase is primarily attributable to higher variable sales, commissions, and performance related incentives. As a result of the above, net income improved by $843,000 in the three months ended September 30, 2020 or 14% of net sales. EBITDA for the third quarter 2020 was $824,000, or 17% of net sales compared to a negative $36,000 in EBITDA in the same quarter of 2019 for $860,000 improvement. Third quarter adjusted EBITDA was $889,000.

For the nine months ended September 30, 2020, net sales increased $2.854 million, or 35% over the same period last year. Net income for the nine months ended September 30, 2020 was $1.255 million or 11% of net sales compared to a net loss of $1.623 million in the same period of 2019 for $2.878 million improvement. From a liquidity perspective, cash increased to $549,000, an increase of $242,000 from December 31, 2019. The company also paid off its line of credit in the amount of $600,000 on September 30, 2020. As disclosed in our financial statements due to current economic uncertainty necessary to support the ongoing operations as well as the limited ability for us to access capital markets in a timely manner, the company applied for and was granted a paycheck protection program loan from its bank through the us small business administration in the amount of $619,000 in the second quarter of 2020.

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

**Gary Medved**

Thank you again, Sanjay. Going forward, looking outward, our topline focus is landing new retailers, introducing product line extensions, and new products and implementing significant actions related to our digital to consumer strategy across all platforms.

At this time, I will stop and open the lines, the questions. I would ask each caller to limit themselves to one question with one follow-up to allow everyone a chance to participate. If we have additional time, we'll try to get you back into the queue. Karol, please open the line for questions.

**Question-and-Answer Session**

**Operator**

Thank you. [Operator Instructions] Your first question this morning comes from Andrew Shapiro [Lawndale Capital Management]. Please go ahead.

**Andrew Shapiro**

Hi, thank you. Have several questions, but I'll ask my one in follow-up and get back into the queue. First and foremost, since it would be a meaningful impact to the bottom line, questions about this PPP loan, with part of the PPP loan now being reclassified as current maturities, does that mean you have also filed now for forgiveness? And when did you do that filing and expect the determination on the quantity of the forgiveness? For example, did you apply for the full amount for forgiveness because you maintained or expanded the payrolls, et cetera?

**Sanjay Singh**

Good morning, Andrew. This is Sanjay. We have not filed yet for forgiveness. And we are in the process of completing our evaluation before we approach our lender for next steps. And hence the impact of the PPP is also not reflected in the income statement, it is shown on the balance sheet as it was in the second quarter of 2020.

**Andrew Shapiro**

I understand, but the reclassification to current maturities took place. And so I was just wondering, you guys are not planning on making any pay down on that loan, you don't have to for, I think, sometime and in fact until the determination of the forgiveness probably comes and goes.

**Sanjay Singh**

Oh yes, that is correct.

**Andrew Shapiro**

Okay. Just wanted to make sure since you did with the excess cash pay down the demand note that got called on short notice.

Okay, follow-up question, which of your sales channels or areas Gary, do you feel provide the best opportunities for growth for the company right now?

**Gary Medved**

I think probably equally would be the digital channel, because as you know we haven't been a major player in digital over the years. Now that's received the renewed emphasis the last six to nine months or whatever. But there is a huge amount of upside in that channel. In addition, brick-and-mortar retail still remains a huge channel for us because, even though we have some good penetration in a few national retailers, there's always more that we're working on.

So I really think going forward, those are going to be the two channels that give us the all through drive. And remember, we are very consumer-focused with our products, and the look, and so forth. So, I think, channel wise, those two channels represent the biggest opportunity with probably digital in terms of a percentage increase representing the greater opportunity of the two of them.

**Andrew Shapiro**

Okay. Thanks. I have many more questions. So please come back to me.

**Gary Medved**

All right. Thank you.

**Operator**

Our next question comes from Ken Fell [Fell Capital Management]. Please go ahead, your line is open.

**Ken Fell**

Good morning, Gary and Sanjay. Congratulations on a really good quarter.

**Gary Medved**

Good morning, Ken. And thank you.

**Ken Fell**

My question kind of relates to the 94% increase in revenues. What part of that was maybe driven by price increases or was it strictly unit growth?

**Gary Medved**

None of it was price increases, okay. Price increases went out on January. Well, they actually went out Q4 last year for January 1 of this year. So those were all in the bag. It was basically all growth across really all channels with the exception of international that was mostly due to part shortages. Otherwise had we shipped what we had on the books, we would have had nice growth percentage attached to international as well.

The supplement that we issued with the Q2 earnings release, showed like a mighty solution in terms of month-by-month for Q2. And that increase continued through Q3 as well, okay. And that's directly tied to the initiatives in digital, when the country locked down, a lot of people switched over to digital shopping. And then when the country opened back up, all that pent-up demand, people went out and started shopping brick-and-mortar.

So Q3 just saw really the perfect storm of those events where online shopping was really doing well, brick-and-mortar was doing very well. And those two are primarily responsible for the drive in revenue growth – for the increase in revenue growth, I'm sorry.

**Ken Fell**

Great, thanks. Just one more, to leave Gary on the – Over-The-Counter Virtual Investor Conference, you talked about new products and something was in the line there that kind of piqued my interest. It wasn't product line extension, but it was something you said it was brand new, any updates on what that would be, or when that's coming out?

**Gary Medved**

Here is what I can tell you. We're probably 95% finished with our prototype. I'm expecting the final iteration here in the next week or two, actually by the end of this week. And it's already been shown to a couple retailers we're waiting to hear back from them mid-November. And our hope right now is a late Q1 launch in 2020 to coincide with planogram resets, and so forth.

And depending on how that goes, we still may take the initiative to do a really nice launch on our own website, Mace.com, okay. So, stay tuned Ken.

**Ken Fell**

Okay, great. Well, you piqued my interest, I'll tell you that. Well, I appreciate the answers and I'll back out.

**Gary Medved**

Sure. Thank you.

**Operator**

[Operator Instructions] Our next question comes from Andrew Shapiro. Please go ahead.

**Andrew Shapiro**

Hi, some follow-ups here. On your slide presentation, which I found now for this call and I was looking through this, you describe – well, you’ve mentioned a line item that you’d have two new products that were placed in key retailers. And so since they are now out there, and I understand product development might be under wraps. But you have two new products that are now in key retailers. Can you discuss what those products are? And are they limited to those retailers? Or are you offering – are planning to offer those products through your broader retail channel as well as online or your website?

**Gary Medved**

Yes, the products we referred to those product line extensions, both of them. One is on a good shipping out there and about a thousand locations and a national retailer. And another one is our personal alarm taken by an automotive national retailer, okay. So those are both items that were introduced in Q3 of this year that were not there prior to Q3, other than a test market that we did with one of them. And then it was expanded in Q3.

**Andrew Shapiro**

Okay. And then in Q3 or – in Q3, that’s part of your growth, what was the experience has been favorable in your plan? What are your plans to further expanded or and get uptake?

**Gary Medved**

Yes. The – here’s what I can tell you, Andrew is, we hit a thousand stores. They set a target that they want to hit in dollars per day per store. And we’re about 70% over that target. And then they set another target that lends itself, that they monitor closely to get a permanent location and other stores. And we’re running about 15% to 20% higher than that target. Okay, that’s what I can tell you on the one.

On the automotive retailers, the product itself is doing very well. It gets – it’s blended and it’s at the front of stores is an automotive chain. It’s doing very well. We’ve made an initial shipment in August for their planogram resets. And we’ve been doing subsequent shipments since then. So right now those are doing well. And if you know me, the product line extensions are kind of a gas field before between where we were and where we want to go, okay. So where we want to go, new products development in a big way, that these extension services has a really nice offering to broaden the product line and keep the retailers really interested in us until we come out with something really new.

**Andrew Shapiro**

And as a follow-up to your answer or comments to Ken on the shortages of parts for international products or in the international segment, you highlighted that there the orders are still there and backlog, what is your expectations as to when you will be able to satisfy the shortages and fulfill these orders, which I would presume cause a nice year-over-year increase in the international sales numbers.

**Gary Medved**

Yes. Actually two of those – two of the orders that we were referring to when this was all – have already shipped, okay. There are a number of others that are on there.

**Andrew Shapiro**

They shipped in October. I mean this quarter they’ve shipped now.

**Gary Medved**

Yes. They’ve already left the building. And the remaining orders will be out this quarter, okay, before we break for the holidays, they’ll be gone.

**Andrew Shapiro**

Okay. So you’ll catch up and at least that would be a tailwind towards international channel for this quarter then.

**Gary Medved**

Right, right, right.

**Andrew Shapiro**

Excellent, okay. I’ll back out again. But please come back, I’ve got more questions.

**Gary Medved**

Sure.

**Operator**

[Operator Instructions] Again, we have Andrew Shapiro. Your line is open.

**Andrew Shapiro**

Okay. Thank you. Your SG&A has stayed steady at reduced levels when compared to sales versus where they stood under the previous levels you’ve improved from previous management. Is this an indication that all the cuts and corporate expenditures that can be made have now already been made. And what level do you feel you need for SG&A to continue to grow your sales or you have the capacity to grow your sales without sizable SG&A increases?

**Sanjay Singh**

So the SG&A expenses that were cut, we’ll need to – those expenses will increase. The – our focus inside the company is that at the current run rate in our shipments, if the growth sort of continues at this space year-to-date, we are up significantly. We will need to fill certain spots and we will need to invest in digital to consumer folks as well as other folks involved in the user experience or even product development. The all SG&A increases will most likely be funded by increase in efficiency for the most part. So we are very, very cognizant of our focus on furlough costs in the company.

**Andrew Shapiro**

Now, you previously reduced your e-commerce advertising expense. How are you reallocating your e-commerce expenses to grow those sales? Is that an area of new investment that will come to help continue and further that segment growth?

**Gary Medved**

Yes. I want to be clear on why those expenses were cutting Andrew. There’s two ways you can go about e-commerce and one is just a load of advertising dollars. And at the end of the day, you’re not much better off than you were. You’re just – you just spent a lot of money advertising. We’re taking the approach on developing really good content, number one. Number two, SEO development. Number three, social media advertising. And then I guess, the fourth item, which we’re doing some right now in-house that will be working with outside partners or possibly a new hire on digital marketing content. All of those are going to be designed to really, we have a huge – a lot of great brand awareness at an 80% clip higher than anybody in this space.

And when we look at the revenue and the wallet size and where people are doing shop – where consumers are shopping today, our goal wasn’t to run it a high percentage of revenue for advertising dollars, but it really start developing and sold for the brand, look for the brand and really reaching out to people and more than just shopping or advertising. So I can’t get him too far with the details now, some of that stuff is being rolled out if you look at our presence, even on Amazon, some of the A-plus content it’s out there, digital and social media advertising and so forth.

And a lot of this has been done in-house, we’re working with an outside partner on the e-commerce stuff, but I think going forward, it was really a calibration of the ad dollars and where they were going to be spent as opposed to just dumping a ton of money into Amazon’s cost shares. So we’re just taking a different approach, not a really good into the emotional side of the consumer.

**Andrew Shapiro**

Okay. And as I’m looking through, again, this supplemental slide presentation for today’s call, which I was now able to find. On Slide 8, you have this chart, I was wondering if you could better explain it. This chart that shows year-to-date incoming orders, and it’s a 12-day moving average. And it’s been updated of course, through the end of September.

**Gary Medved**

As far as I could show for this.

**Andrew Shapiro**

Yes. No, no, I understand. But it’s been updated, but I’m just trying to understand this chart. And then how it applies to the company’s backlog to understand, I guess, your throughput in meeting and fulfilling orders, as well as whether the backlog is building or we’re satisfying the sales growth here by now, we’re catching up to the backlog.

**Gary Medved**

Well, first a clarity point on this chart, it is a 12-day moving average that each one of these data points on this chart is a 12-day moving average point, okay. So it’s the average of that, that day’s incoming orders with the previous 11 days average also one number. So the zero line represents where our normal levels of activity was for incoming orders on a daily basis, as we turned from 2019 to 2020 – from 2019 into 2020.

And you can see, we waddled around that line a little bit. It was starting to increase up about 50%. And then everybody hunkered down sheltered in place. That’s when nobody was going to retail. Retail stopped ordering. And we were down almost 50% in the ensuing so weeks. And then the country opened back up and we went on this substantial increase where we were up almost 250%. And almost about 6 times, our volume from when – from our low as April 15 to the high as June 15. Now, since then, you see we’re settling back into a range, somewhere around the 80% to 000% of our normal run rate for incoming orders, okay. These are not shipments. So as time goes on…

**Andrew Shapiro**

So this is 80% growth from last – you’re still as of the last 12 days of, whether it’s business days or whatever, the last 12 days of September. You’re still clicking around 80% of growth – 80% above prior year.

**Gary Medved**

Correct.

**Andrew Shapiro**

Is that right?

**Gary Medved**

Correct. Correct. Okay. Now, as it relates to backlog, obviously, because we’ve talked on these calls before investor conferences about a substantial backlog. We are working through that. And as we’ve noted, when we first got on here in our scripted remarks, we’re experiencing over the last couple of months, improved manufacturing efficiencies, number one. Number two, we’re getting kinks in the supply chain worked out. We had a new hire in procurement here about a month and a half ago, and she’s really doing a great job in getting some of these issues cleaned up. We shall be safe.

And so the inputs here, Andrew, are labor and material, okay. And we’ve altered our hiring practices to reflect that backlog. We’ve really paid a lot more attention on the demand planning side and supplier relationships given that backlog. And I think over the last few months with all the efforts that’s been going in, what we’re witnessing now is that backlog coming down, okay. I can’t speak to where we’ll be in another month or two months or beginning of the year, when half of your business is retail. You got to look, wait to see, what retail does.

But we’re addressing the issues, our efficiencies are much higher than they were just a few months ago, the labor content that we have in the building is jelling and the supply chain issues are being – the last few issues related to COVID are being worked out. And so going forward, we want to get into a position where we’re really starting to build some nice finished goods inventory to decrease our lead time when an order does come in, no matter how large.

**Andrew Shapiro**

No, certainly I would think that would be most pleasing to your retailers. And I don’t know, do you have a lot of lead time when it comes to direct to consumer that probably your fulfillment quickly.

**Gary Medved**

Direct to consumer on our website, that those orders are shipped within 24 hours.

**Andrew Shapiro**

Right. But your retailers, if you’re trying to have these guys develop isles that are product safety and you’d like them to buy all of – you like to have all those hooks on assuming fulfillment. Fulfillment time is going to be a nice selling point.

**Gary Medved**

Correct. And yes. In-house, we know who the big dogs are, okay. So when they place an order, there’s a reflective amount of attention that they get. So the larger guys are taken care of in e-commerce we ship out within 24 hours. Like I said, just in the last few months, we’ve gotten a lot better things are getting better. And we just got to keep our foot on the gas. And if things slow down a little bit going forward, is only affords us the opportunity to get finished goods built up. Something that, know, the last six months has been a little bit difficult to do, given the order patterns – ordering patterns.

**Andrew Shapiro**

When did the – when does the bubble of orders for the holiday season generally take place? Is that a Q3 event that finished up in September or is it something that you experienced and see in October and November? When do you usually and with your particular lead times right now, when are the holiday orders from your retailers coming through and flowing through the company's revenue stream?

**Gary Medved**

We'll see most of those in Q4, but there's a couple of points around this. Number one, Q4 is typically our slower quarter. A lot of people just aren't out and about, it's not like springtime where you've got the runners, joggers, campers, hikers, bikers, everybody going out, mothers pushing strollers around the neighborhood a lot of that comes to an end in Q4. You do have the holidays, but unless you're running a promotion for the holidays in retail, I should say unless the retailer is running a promotion your ordering patterns just come in on a weekly basis like they do now. So we can be surprised, second week in November, somebody ordering heavy, it just depends on what the retailers are seeing.

**Andrew Shapiro**

I guess that's barring a debacle tomorrow and subsequent social unrest.

**Gary Medved**

Yes. It depends on what you define as a debacle.

**Andrew Shapiro**

The debacle is anything that creates social unrest actually. Well, I'm not designating the side. I'm just trying to say is that uncertainty is someone's not going to be happy here.

**Gary Medved**

And Andrew, we get a – we've had enough of these calls, a number of these calls that you've been on, whether it's the earnings calls or investor conferences. And a company like ours operating in the space we operate, uncertainty gives us spikes in activity, just to put that out there. And you get enough uncertainty and it breathe a little bit of fear as well. When the riots were taking place, the protests and so forth back in June and July, there was a lot of fear, it was less about uncertainty. If you go back to the COVID shutdown, 30 million people or whatever the number was losing their jobs that was a lot of uncertainty that started bringing in the fear.

And we saw a spike now – again, notwithstanding retail shutting down for a number of weeks, when people sequestered, quarantined in their own homes. Since that lifts has happened, we’ve just seen a steady increase. And when the fear of the protest, riots took over that gave a bump as well. So, you see the COVID cases, everybody sees them, they're on the rise, they are on a sharp increase, but at the same time, everybody say, we can't shut down again, the economy. And you do have an election coming tomorrow, who knows that might not pay-off for a week, play out for weeks, ballot counting, Supreme Court involvement or whatever.

But it's going to – to your point, it's going to generate some uncertainty out there, whether or not it leads to unrest I don't know. And so you got shutdowns with a pandemic third wave of that coupled with a flu season left soon. So there, I still think we have another month or two of uncertainty in this country before things start to settle down.

**Andrew Shapiro**

Okay. I have a few more questions, but I thank you for letting me ask a little bit more in this last round, but I'll back out in the queue, please come back.

**Gary Medved**

All right.

**Operator**

Our next question comes from Ken Fell. Please go ahead.

**Ken Fell**

I just have, one more question. I was wondering Gary, if there was a update on the Kuros partnership, anything new going on there?

**Gary Medved**

I don't know about anything new. We are still doing the same thing we'd been doing, but we've seen a dramatic uptick in Q3, through our e-commerce partners. And the only thing else I can say, Ken is anytime we present to the brick and mortar retailers, that program is presented as well. Okay. So we’re seeing some nice traction here in the last couple of months for the program.

**Ken Fell**

Great, great. So have they resolved, I know Kuros was in some kind of dispute with their prior provider. Is that been resolved?

**Gary Medved**

That I couldn't tell you because, obviously Mace is not a party to that, you'd be better reaching out to Kuros themselves and find it out. And we are just focused on building and distributing the product from here, and hopefully it does him well with its mission around the world for at-risk women and underdeveloped nations.

**Ken Fell**

Right. Great. Is there any changes to the investor conferences that are coming up? I know on your website, you have a press release and it looks like you have scheduled the two more for the rest of the year are those still a go the one in a couple of weeks in November? And then I believe there's one in December.

**Gary Medved**

Yes. The November one –we're doing both. We’re presenting at both, but they've redone the format for the one in December. And I've reached out to the team at LD Micro, because they – we got an email that the date had changed and they're doing a different type of conference. So once I get confirmation on that, we'll get a press release out. It'll be updated on our website. But I think the dates we had was the December 8th to 10th. And now there – I think that moved to December 14 to 15, and it's a completely different format. And Andrew has more information on it that he could probably share with you offline. I'm just trying to get confirmation right now from the guys over at LD Micro, so we can redo our date and timeline on the website.

**Ken Fell**

Thanks guys. Okay, great. Thanks. I'll back out now. Thanks.

**Operator**

Our next question comes from Bradshaw. Please go ahead.

**Unidentified Analyst**

Hey, Gary and team, congratulations on a amazing quarter.

**Gary Medved**

Thank you.

**Unidentified Analyst**

Definitely. I was curious, in your last call, you had mentioned something about going to a second shift and then additionally what about a third shift? Can you give any color to those two things?

**Gary Medved**

Here's what I can tell you. Okay. We did have – we do have a second shift. All right. It's our second shift that it operates in the third shift hours. Okay. So, and we've extended our first and our third shift by a couple hours each day. So we're running two 10-hour shifts. In terms of adding yet another shift, as I mentioned – as we mentioned in the opening comments, and then on one of the questions a little bit ago, was that though our manufacturing efficiencies have really improved over the last few months.

And I got an email from someone. I'm not sure if it was you or somebody else asking about adding another shift like a month or two ago. And I comment back was that, we really want to get efficiencies where they need to be before we look at adding another – yet another shift. We do know we need the additional shift that we're running right now. We do absolutely need that. So we felt that there were more efficiencies to gain by restructuring through things and the plant layouts and other things that really have us holding right now before we try to go to 24 hours a day. Okay, especially if we're already running 20.

**Unidentified Analyst**

Right. That's amazing. I was curious, when did you guys actually get to that point with the hours where that next shift was maxed or close to it, and then, when does that facility max out, so to speak?

**Gary Medved**

Well, we're – I think overall for the building, the capacity that we have here, we're probably running at 40% full tap.

**Unidentified Analyst**

Yes, okay. Okay.

**Gary Medved**

So we have a lot of upside yet. And to your first part of the question, I'm not sure was there yet. Okay.

**Unidentified Analyst**

Okay.

**Gary Medved**

In Sanjay’s world or my world, we think there's more to get – more going to get. We really want to have operations dialed in really, really tight before we consider adding another shift. So, in our conversations, we think there's more room in the current situation, before we add more people.

**Unidentified Analyst**

That makes a 100% sense. Thank you so much, Gary, again, great quarter. I appreciate it.

**Gary Medved**

Thank you. Take care.

**Operator**

Our next question comes from Andrew Shapiro. Please go ahead.

**Andrew Shapiro**

Yes. Are you seeing or making any progress, or can you during this COVID impacted era, getting retailers to have a personal safety category and section in their aisles as you saw it, or is it that you need to introduce a bunch of the new products and hooks first? What's the progression – your plan?

**Gary Medved**

The progression is, the strategy is the same as it's been for quite a while now that, we work on getting one posted at a time, one display at a time, one clip strip at a time, one product at a time, into existing retailers, just keep adding and adding. And you don't want to have eight pepper sprays in one retailer. You want to have a blend of alarms, pepper spray, stun guns to where it looks like a program to the retailer. And then it makes sense to put it all into one category.

That goal is still there. Retail sees that as our goal, retail understands that as our goal. And some retailers have told us they were going to work with us to get us there. But these things take time because of every hook that you want to put in there, every hook you want to put a product on, they have to take something out. And it's more of that decision. What comes out for putting something in that they don't know what the history will be once they put it in? So there's 1x number of units per store per week – I should say dollars per store per week on a hook. And they take it out and put one of our items in, and it's 50% of that or twice that. They don't know that going in.

So that is a constant area of attention. Dan, who's our sales director came in about five months ago or so maybe six months, actually just a little over six month now. And that's his approach. And we're seeing success, Andrew, we are getting more hooks out there. We got a couple of product line extensions out there. We've got a lot of key retailers we're talking to right now. It's a long game with COVID, with protests, some that stuff moves the needle for these guys. But you still have to stay at it. It's a long game with retailers, a very long game. So, there's no let up on our side. I can tell you that.

**Andrew Shapiro**

Okay. You previously announced you are launching e-commerce as well as distribution channels to the EU. In what ways, has Mace benefitted in produced results in these markets now?

**Gary Medved**

Wait, rephrase that EU – you talking about the European Union.

**Andrew Shapiro**

Yes. In the – I think, you're hired someone at Chicago to write out and then we were working on expanding the international and part of it was to launch either dedicated e-commerce towards the geography, as well as other distributors maybe…

**Gary Medved**

Okay.

**Andrew Shapiro**

I was just wondering what way you benefited and produced any results yet.

**Gary Medved**

Okay. The – it was less about e-commerce and more about master distributors. I think that's what you're hinting at.

**Andrew Shapiro**

Okay.

**Gary Medved**

And we hired Julie over in Chicago, someone I've known for years in the international arena, and we've actually been quite successful, had we been able to ship everything that we had in the books during Q3, we would have had a nice uptick in international business year-to-date and for Q3. If it stands that happened for myriad reasons that we're getting it cleaned up, she's landed a number of new distributors, growing the existing distributors. And again, keep in mind and I've mentioned this before, pepper spray is legal in all 50 states in our country. That is not the same when you go to Europe, Asia, in China, okay. They can't sell pepper spray. Police can own it, but the consumers can't.

South of the border, there are restrictions. Europe, there are countries over there where its band, so, my previous experience with master distributors and the product lines that I was selling was a lot easier because they could be sold everywhere. Well, pepper spray doesn't have that kind of cloud. Not right now, anyhow. So where we're able to work with somebody we're adding distributors there, okay. I think there's just a few more countries that we want to get covered. We we've spoke to people at shot 2020. Unfortunately shot 2021 has been canceled, and even if it was being held, there was no – the internationals weren't traveling because they would've been quarantined when they tried to get out of our country and get back into theirs.

So, Julie is still pushing ahead on. She's doing a great job given the environment with travel and trade shows being canceled, not we unable to see the product line and in it all its glory. But I'm happy with international progress so far. We've got a lot of different things to deal with them, we have over here, that's for sure.

**Andrew Shapiro**

Yes. Now presumably with the – these limitations and hurdles, a company like Mace with a world renowned brand would have some advantages versus we'll call it smaller players with less well-known brands. What is the status or the plans it was hinted at in the prior call regarding licensing opportunities in ways that are Mace brand might generate very high margin royalty income to offset our sizable tax NOL, tax yield. But also when others spend money, marketing products using the Mace brand, if they're the right partners that helps enhance our brand and our own sales with our own ancillary products.

**Gary Medved**

Yes. None of us would dispute anything of what you just outlined Andrew. The only thing that I can add, there are a couple of opportunities that we're looking at. Longer term place for a couple of different reasons that I'm not going to get into right now. And then the other part is we have a list of opportunities that we feel were licensing would be a great place for us, but there's more that we want to need to do on the retail side before that can happen, okay. So I'll talk that one up the timing more than anything. We do have a well-recognized brand without a doubt that, it is a brand, okay. And we need to do more on the education side and the retail side to distinguish the brand from the product. And so we have a list of opportunities where we're excited about. We have a couple that we're looking at closely. We've had a number of calls with one in particular. It's a longer-term thing. Like I said, I can't get into why, that I think when this all starts to kick in, it'll be good for the company and especially for the brand.

**Andrew Shapiro**

And I noticed unfortunately, it was somewhat buried in the press release, but you guys added Jen Kretchmar who I'm really excited that she was a person you added because I introduced her, but you added Jen who's, and you highlighted in the press release extensive retail digital merchandising experience to add into the boardroom. How do you plan to utilize her skills, network experience to help you grow your sales and your various channels? Are there any particular thoughts that you have regarding this addition to the board?

**Gary Medved**

Andrew, first of all thank you very much for introducing us to Jen a while back, I've come to know her quite well. And she's very, very impressive. So thank you very much. She will be and is excited to be involved in our e-commerce play for sure. So she will be involved in shaping our future strategy and advising us as a board member.

**Andrew Shapiro**

Awesome. Great. And you see, Gary already feels that's a great revenue growth opportunities for the company still, so that's awesome. Very good, I have no further questions. Thanks.

**Gary Medved**

Okay, great. Thanks, Andrew.

Anyone else before we adjourned, we're pretty much near our one hour limit.

**Operator**

[Operator Instructions]

**Gary Medved**

Okay. Well, Karol, we will take that as our opportunity to thank everyone for their questions and their interest in our company. We greatly appreciate it. As I mentioned earlier, a transcript and the recording of this call will be posted on our website later. This concludes our third quarter 2020 earnings call. Have a good day, everybody. Thanks again,

**Operator**

Ladies and gentlemen, this does indeed conclude today's conference call. Thank you again for your participation and you may now disconnect.