Mace Security International Inc.

Moderator: Singh, Sanjay

March 30, 2022

11:00 AM ET

OPERATOR: This is Conference # 4367199

Operator: Ladies and gentlemen, thank you for standing by and welcome to the "Mace Security International Fourth Quarter 2021 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. To ask a question during the session you will need to press Star One on your telephone. Please be advised that today's conference is being recorded. I would now like to hand the conference over to your first speaker for today, Mr. Mike Weisbarth. Thank you. Please go ahead.

Mike Weisbarth: Thank you, Sarah and good morning, everybody. Sorry for the delay. We were trying to make sure we got everybody in out of the queue. So thank you for your patience. Joining me on the call today is Sanjay Singh, our Chairman and Chief Executive Officer of Mace. I would like to direct you to please visit corp.mace.com under our newsroom dropdown where you can find additional materials including our financial statements and the OTCQX report for the fourth quarter ended December 31st, 2021, that was filed Monday evening as well as our Q4 financial overview presentation.

Before proceeding, I'd like to point out that certain statements and information during the conference call today 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 such as will likely result, are expected to, will continue, as anticipated, estimated, projected, and intended to are 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 the economic conditions, limit of capital resources, and disruptions in domestic and international supply chains. Such factors could materially adversely affect

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

At this time, I will turn the call over to Sanjay for some comments about the quarter.

Sanjay Singh: Thank you, Mike. Good morning, everyone. The fourth quarter was very challenging from both an incoming order perspective, vendor delays, and a difficult year-over-year comparison. Business conditions required that we pivot very quickly, and we did. We executed on our plans of reducing base costs, which led to a run rate at the end of the year that was 34% lower than the first quarter of 2021. We experienced lower than normal revenue from some of our large retailers and expect that to continue in the near term.

We have implemented action plans to mitigate the lower sales volume by further reducing controllable costs and by increasing penetration in our base business which includes international customers, gun, and ammo stores. We are increasing our inside sales efforts to better serve the regional convenience and sports stores which are experiencing an increase in pepper spray sales driven by a spike in crimes in specific pockets of the country.

We are directing our effort towards activities that we can control, such as best in class customer service, including timely fulfillment of orders with high quality products. We cannot control inflation or a difficult comparison to prior year results aided by social unrest. We have increased pricing across our customer base to lessen the impact of increased component and transportation costs.

We continue to modify our cost structure to be in line with the current economic and business conditions. Our manufacturing variances continued to improve every month. This amounts to a potential improvement opportunity of $600,000 in EBITDA. We're also focusing on our gross to net sales deductions which amount approximately $200,000 annually.

Our existing cost model requires approximately $1 million per month in revenue to achieve breakeven EBITDA. Obviously, this is not what we're striving to achieve, but want to provide you some context as to how we have adjusted our business model.

Each incremental sales dollar over the breakeven point drops about 34% to the EBITDA line. We have a cohesive and focused team that is working very hard to improve our numbers. We continue to make investments in our online marketing and advertising, to spur e-commerce growth as we still believe it is paramount that we are committed to an omnichannel approach. We remain focused on diversifying our distribution channels and increasing our reach.

Over the past two years, our Amazon business expanded 318% when compared to 2019. We kept the momentum going for improving our operational efficiencies and expect that to continue through 2022. We have streamlined our assembly processes, allowing us to gain efficiencies with lower committed costs.

I will now turn the call over to Mike to comment on the fourth quarter and full year 2021 results.

Mike Weisbarth: Thank you, Sanjay and once again good morning, everyone. Fourth quarter net sales were $2.6 million, which was a 42% decrease from the $4.4 million. We achieved in our record fourth quarter sales of 2020. Private label sales were down 89% during the past quarter and retail sales were off 47%.

The difficult private label comps soften after the first quarter of 2022. The sales to our larger retail customers were down significantly as POS traffic slowed, relatively speaking, and at certain retailers, Mace's products were removed on a year-over-year basis from the product offering as part of a category exit, such as guns at Walmart, along with other category realignments.

We continued to achieve strong growth of more than 100% in our Guard Alaska Bear Spray and this was over a very meaningful base in the fourth quarter of 2020. Our e-commerce sales were up 4% in the fourth quarter, which was also over a very robust base in the fourth quarter of 2020 as 36% of our full year 2020 online sales were recorded in the fourth quarter of last year.

Gross profit for the quarter decreased $822,000, or 47%, from our fourth quarter 2020 results. Our margin rate was 37%, down three points from the 40% we rate that we achieved in the fourth quarter of 2020. Our product margin, defined as sales price over product costs, was up 7%; however, the lower sales volume leading to deleveraging of our fixed manufacturing costs, coupled with increased transportation costs, led to our overall reduction in gross margin. We have continued to lower our controllable variable costs and as Sanjay mentioned, we've reduced our monthly breakeven sales to $1 million.

SG&A expenses for the fourth quarter decrease by $24,000 to $1.2 million that was 46% of our net sales. We doubled our online advertising spend to further penetrate the DTC market and we reduced our customer penalties through focus and our customer service initiatives.

Additionally, we had a reduction in outside sales commissions correlated to our lower sales volume. All in, we were able to continue to invest in selling activities that we expect to provide future returns while reducing our overall SG&A expense.

Our lower sales volume resulted in a net loss for the quarter of $314,000, which was down from our record $446,000 of net income in the fourth quarter of 2020. EBITDA for the fourth quarter 2021 was a loss of $201,000 or 8% in net sales, compared to our fourth quarter record of $592,000, or 13% of net sales, for the like period last year.

Fourth quarter adjusted EBITDA was a loss of $136,000, down $793,000 from the $657,000 that we generated in the fourth quarter of 2020. The low sales volume resulted in negative EBITDA for the first time in our last nine quarters.

For the full year of 2021, net sales of $13.1 million were down $2.3 million, or 15%, from the full year of 2020. Net income for 2021 was $639,000, or 5% of net sales, compared to the net income of $1.7 million for all the 2020 or a decline of $1.7 million.

Our current year results were supported by a $625,000 gain we recognize from the Paycheck Protection Program loan forgiveness that we obtained back in the first half of the year. EBITDA for the year was $1.1 million including the PPP loan forgiveness compared to our record setting EBITDA of $2.3 million for the full year of 2020. Earnings per share were $0.01 per share for 2021, and was $0.03 per share for 2020.

We did draw on our line of credit during the fourth quarter, but remained debt free at December 31st and had a cash balance of $239,000 at the end of the year. Candidly, though, our cash is tied up in our inventory as longer procurement times and supply chain disruptions combined with our lower sales volume have led to a build in our inventory. Our working capital decreased approximately $200,000 from our September balance with the inventory balance shifting into finished goods from component parts.

I'm now going to turn the call back over to Sanjay for additional comments before we take questions.

Sanjay Singh: Thank you, Mike. Let me start my closing comments by stating that we are very disappointed in our 2021 financial results; however, I'm very committed to continuing to make progress and improving our results. The focus clearly is sales. So far, we have persevered and navigated our way through the new challenges that were presented to us in 2021. We modified a cost structure during the fourth quarter and continued with their changes in the first quarter of 2022.

Now our attention is on our base customers through expansion of our inside sales efforts, organic growth of our international customer base and reducing our controllable costs mostly through process waste reductions and launching new unique products. With the continuing price pressures from our international and domestic suppliers, we raised our pricing during the first quarter of 2022, more than our historical increases. This has helped us maintain our product margins at an appropriate level while remaining very price competitive in the market.

I'm excited to announce that we will be launching our new pepper spray product, the Chameleon. This is a unique item that features replaceable skins, providing our customer a customized look and a cam twist lock that allows for interchanging the skins and the pepper spray canister. It is the first personal pepper spray in our product lineup that allows for a changing of the pepper spray cartridge. We have already secured customer orders for this product, and it will be available on mace.com and on our store on Amazon. We currently expect to launch an additional new product by the end of the second quarter.

At this time, I will stop and open the lines for 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. Operator, please open the line for questions.

Operator: Again, if you would like to ask a question, press star then the number one on your telephone keypad. Your first question comes from the line of Howard Rosencrans. Your line is open.

Howard Rosencrans: Yes. Hi, guys. Certainly, horribly disappointing. I appreciate your somewhat humble remarks in your prepared remarks, it's really a crime. What sort of access do you have to money, because, obviously, viability is at risk? You say your money is tied up in your– finished the year with \$200,000, clearly appears you're not doing the \$1 million a month that you need to do breakeven, so– and how are you going to be viable? Where is the money going to come from to support? We hoped for turnaround. That's my question.

Mike Weisbarth: Okay. Thank you, Howard. Appreciate you supporting the Mace brand and our organization. We have available a \$3 million line of credit. And we do draw on that line from time to time. We have been able to pay that down. And as I mentioned in our comments that we did have a paydown at the end of December. We had just put that line in place, an annual line that we put in place November 30th of last year. So our bank is a good partner of ours and we expect to be able to utilize that line as needed for our growth going forward.

Howard Rosencrans: So how deep are you into this line presently? And what– are there any sort of covenants that would preclude it or why would you not be able to access this? So, I don't know, when you say you pay it down, so it's pretty much– where do you stand today on the line? It's now the first quarter is over, so where do you stand on the line? And what would preclude you from being able to drawdown the balance? Thank you.

Mike Weisbarth: Okay. I'm not going to provide current status, we will provide the results of the first quarter at the end of April when we announce our first quarter results; however, we are not precluded from drawing down on the line. We do not have covenants that would restrict us in any of our cash draws.

Howard Rosencrans: Okay. Thank you. I'll get back in queue.

Sanjay Singh: Okay.

Operator: Your next question comes from the line of Andrew Shapiro. Your line is open.

Andrew Shapiro: Hi. While your fixed operating capacity cost under absorption illustrates the great importance of revenue generation from both existing and prospective customers and with existing and new products. My question and follow-up question are initially focused on that area. Your Q3 press release highlighted how Mace launched sales with new retail customers, citing Advance Auto and the Carquest and online retailers lowes.com and target.com.

What was your Q4 experience in terms of sell through, reorder, additional doors, et cetera with these new customers? Are they expanding your relationships or was your Q4 shortfall in the retail side a lack of follow through with these new customers? Where was the shortfall?

Sanjay Singh: Well, there are a lot of questions in there, Andrew. First of all, in terms of those new businesses in Q3, those made up a fairly small amount compared to our entire pie. The issue in Q4 was mostly a continuing trend from Q3, there was slower momentum in our few of our larger retailers, including Amazon and that continued through Q4, but in December there was a significant drop-off in revenues, we had the orders, but our shipments were under $1 million because we didn't have one of the products due to a vendor delay. We actually did not received those products until middle of the first quarter in 2022. So, the trend that started in Q3 continued in Q4, to summarize it.

Andrew Shapiro: Okay. And outside of the loss private label sales, did Mace lose any retailers or it's just volume and certain retailers are comping down. I mean, can you if you even lost market share or not to Mace's competitors since they're all private companies and we obviously can't monitor their phone calls. Are there any retailers here versus 2020 where you replace other pepper brands and– or are your new retailers are they just the first introduction to pepper spray? Are you gaining share?

Sanjay Singh: So, again I will go point by point. In terms of private label there was primarily one, but there were three in total, that one, set up their own factory, two, we lost in 2021, it was in the first quarter or two of 2021. In terms of retailers, there is one retailer that bought a significant amount of our pepper guns that they could not sell through and they were a lower cost price point sports retailer, so that is that, but in terms of market share with the others, we saw lower foot traffic, we get point of sale data from some of our retailers and customers, so we can see what the rankings are.

For example, the ranking of pepper spray on the Amazon platform, if it is in the top 500 which it has been since we've been tracking it, that bodes well for us. We saw those rankings starting to decline and it became a proxy for the foot traffic in some of our retailers, so in terms of losing market share, I don't believe we have lost that. We have no such data to say that, but our focus now is to mitigate some of the losses in those retailers and we started that effort in Q4 is to go after the base business.

There is a sizable amount of base business granted, the ticket is a lot lower, it takes a lot of continual focus and effort which we– our team is perfectly capable of doing. Some of our manufacturing lows that we saw in 2021 where most of the focus of our management team was in that particular area that has now shifted entirely to the sales fees, mostly because our manufacturing efficiencies have improved, granted the volumes are a lot less that makes it a lot easier, but the management team has shifted its focus on driving sales with our base business and international customers, which are being very well received.

Andrew Shapiro: Okay. Thank you. I have further questions. I'll get back in the queue.

Operator: Again, if you would like to ask a question, press star, then the number one on your telephone keypad.

We have a follow-up question comes from the line of Howard Rosencrans. Your line is open.

Howard Rosencrans: Yes. I'm sorry. I'll have to get back in queue again. I'm sorry. Thank you.

Operator: We have a follow-up question comes from the line of Andrew Shapiro. Your line is open.

Andrew Shapiro: Okay. Thank you. Sanjay, to follow further on this with a question and then a follow-up on new products. You cite lower foot traffic, this POS and all this likely due to inflation. And this quarter again inflation is the boogeyman, contributing the weak retail sales. And I drive again on this issue about lost market share or not. And that's because, when we analyze the comp store sales of some of your largest retail customers Dick's, Walmart, AutoZone in the same financial periods their comp store sales growth is skyrocketing.

Now, admittedly inflation is generating some of that absolute dollar growth number, but where does it stand? Why is or how is our product such an, I guess, impulse item? Is it price point? Is it our marketing message and theme about– it's not about you need this product.

Sanjay Singh: So, our view is that and this has been consistent with prior quarters as well. Our typical consumer, typical consumer, we are obviously trying to change that with our new product introductions is, our folks who earn less than $75,000, who are educated, who live in the downtown, the metro areas, their profile is a lot different from– when you look at the comp of the stores you described and there is a correlation that we see when the Amazon rankings of pepper spray drop and it lines up with our POS on Amazon and some of the other retailers. It all sort of ties together. It's not a linear relationship and that's where we drew the conclusion.

Part of it is also having the belief that once you see some dips in the large retailers there is this mentality that, yes, it will go back up. We don't need to do anything drastic. Well, sometimes it is too late. And frankly we were a bit late to react. We pivoted quickly, but in hindsight we should have reacted much quicker.

Andrew Shapiro: Okay, I appreciate that candor and accountability. Thank you on that. And for, my follow-up question regarding, again, focusing on the whole need for an ability to get incremental revenues. So for this new Chameleon product, can you elaborate on the benefits and value proposition of this product in terms of like what if any of our proprietary Mace-owned IP features of this product? And can you discuss its competitive pricing at this time? And our marketing plan and spend in the budget that's going to support this product's introduction?

Sanjay Singh: So, the Chameleon product is based on research that was done by our team, primarily former CEO and our Sales Director, the focus was on soccer moms and the 25 to 32 female demographic, there's 28 million of that in the demographic, was to offer a replaceable skin.

Now, some of you might feel that that's not very attractive but based on the research that was done by our team members that tells that our customers really welcome that, because there was a first-time something that is personalized safety product was on the market.

The other is the way the actuator and the housing are designed is that it allows for a much more efficient way of discharging pepper spray. So, it's a direction positive design. So, it's an improvement over other designs. We do have a patent on this product, that's been– that's being filed or has been filed already.

And so, that's the other differentiating factor. It also shoots up to 10 feet, so that's great. And in addition to that, the pepper spray canister is replaceable, so it's seen as relatively speaking, as an environmental-friendly product where you don't have to dispose the entire housing once you empty out of the canister.

Andrew Shapiro: Okay. Thank you. I have more questions. I'll get back into the queue.

Operator: Your next question comes from the line of Ken Fell. Your line is open.

Ken Fell: Hi, guys. Thanks for taking my call. Questions for Sanjay. Sanjay, you've been CEO for maybe what, a little over a month, just under two months?

Question is about strategy, what strategy or changes in strategy are you making that are different than the previous managements? I'm really not looking for changes in corporate governance, but for instance, what marketing changes might you make or distribution strategies going forward? I guess, on a nutshell, Sanjay, you how is your strategy different from the Gary's?

Sanjay Singh: So, the strategies, I'll summarize it this way for you Ken. Number one is, as I mentioned in my response to an earlier question, there was a tremendous focus on the operational side of things for Mace for the last 24 months, in some instances, it was required in 2020 when we had the sizable jump in our revenues and we were not really prepared. It's hard to be prepared for that kind of an increase. Then it turned into an investment in an operations team that would lean out wasteful processes, when you have an 84% growth in the quarter or 43% growth in the quarter, you do have a lot of waste and because everyone's focused on shipping their product out the door.

So that investment didn't pan out and we brought the old– the former operations leader back in the business. He joined us in November and has made very good progress and he brought along a couple of his other team members from his former employer who are also very, very good in the process improvement landscapes.

So operational improvements in terms of our strategy is more about now having a very stable and consistent execution without excessive focus from Mike or I or other leadership team members. It is mostly about, here are the parameters for execution, let's go get it done. And so far, they've made very, very good progress.

Our manufacturing variances run– there are– we call them unfavorable manufacturing variances, they run anywhere in the $50,000 to $60,000 range a month and the target is to get to a favorable variance, and they are beginning to do that.

The focus is on the top line, on the sales side and it is across a couple of different fronts. One is understanding a very clear strategy with all of the retailers that we are pursuing, in terms of what product offering works best for them, what are their ESG requirements? So really understanding our customer base from a retail side. And orchestrating a plan as we meet with the buyers with a very, very clear plan of the problem we were solving for those retailers.

On the base business side, we have now assembled a team that did not exist before of inside sales and they are making an average of 30 calls a day, at a minimum, to reach out to our base business. So, these are existing customers of Mace that on and off have done business between a $1,000 to $10,000 or $15,000 a year, but there are thousands of them.

And the idea is to go in several stages to make contact, that takes about five calls to convert, sometimes eight to convert one of these accounts back to purchase from Mace. So that's the focus on the base business. That is the leading strategy right now. We can't control foot traffic, but we can control that.

The third is to further accelerate our direct to consumer. So, as we reduced our programmatic advertising campaigns, our return on advertising sales went up significantly, a ROAS as we referred to. A ROAS of 3X gives you about a 25% EBITDA. And sometimes with marketing agencies when you increase your advertising spend and when you accelerate it your ROAS may actually decrease temporarily.

We have consistently planned on operating between 2X and 3X and we are not okay with just spending money on advertising to drive revenues. It has to have a minimum ROAS as of two to a baseline of three and we are accelerating programs to do that. So, there are different landing pages, there are different social media opportunities. We're looking at all of those. We recently replaced our graphics artist with another individual who is very creative on new product concept design as well as on social media and Shopify, which is our platform.

So, to summarize, it's all about sales and the processes behind each and every segment of our sales revenue channels and sharpening those. That's the focus right now.

Ken Fell: Great. Okay. I appreciate that, Sanjay. I really like the color on that. I will back out and give somebody else a chance.

Operator: Next question comes from the line of Andrew Shapiro. Your line is open.

Andrew Shapiro: Hi. Thanks. Following up also on past strategy and if there is a transition. The stated strategy for new product rollout has been new products for skin introduced on mace.com website and thereafter migrated into other customer digital platforms and also into our bricks and mortar retailers.

Is that still the strategy? And I'm wondering how the new products that were introduced in 2020 have performed in these routes? Have they already been introduced into the expanded channels yet? And how are they doing?

Sanjay Singh: So, a couple of questions there. We introduced, at the time, Gary and his team, Julie had introduced an extension with the neon's, those have done very well, both in retail and online. So that was a very good move for rebranding the products.

And then the new stun gun was introduced, those are mostly online. They've done okay. It's not great. I mean it's not like it's a number one bestseller, but they've done great. We've sold a few thousand units or more. And the Guard Alaska Bear spray that was introduced in early 2020 has done extremely well at our retail, in our retail segment, and as well as on Amazon. In fact, it's a best seller on Amazon.

In terms of the rollout, the thesis that we have pursued is that we excel at selling it online through a programmatic and branding campaigns, so that when we– by the time we go to retailers, we can show that data and they like to carry some of those new products.

What we've also found is, the new products that we have looked into are sometimes not favored by our buyers at some of our retailers. I think the profile of our products that are sold well at retailers are very different from those that are sold online. That's what we've discovered. So, a new product rollout is going to be exclusive to our e-commerce channels unless we have proven otherwise in our thinking.

Andrew Shapiro: So, with the new Chameleon product, how do you envision that since you kind of talked about how certain retailers are excited about it? And then what is the concept here? Is there going to be sales and fulfillment of replacement cartridges done by Mace done at the retailers because I could see once you place these things out there, it's a razor– razorblade type of situation and since pepper spray has a shelf life that there could become an embedded population of Mace placed Chameleon product that upon achieving shelf life, you're still selling replacement cartridges and you have a database of placed customers you can directly market to.

Sanjay Singh: You're absolutely correct, Andrew in you're thinking about that, but just let me address a couple of questions that you raised. So, when we talked about receiving orders from– advanced orders on Chameleon, they were not necessarily from all our retailers. They are from our customer base that liked our products and they place those orders, actually a couple of months ago, even prior to the release.

So, at the moment, our phase I launch is on mace.com and on Amazon. We want to make sure that before we complicate things or make the supply chain more complicated we want to see how these things do, we want to listen to our customers and get their feedback. We are prepared to provide replacement canisters. We provide those– we provide water trailers already, so that's not an issue, but the rollout is in the online segment only at the moment except for some of the base business customers that have placed orders already.

Andrew Shapiro: Okay. I have other questions. I'll get back into the queue. Thank you.

Operator: Your next question comes from the line of Howard Rosencrans. Your line is open.

Howard Rosencrans: Yes. Hi, guys. I'm wondering if– I'm wondering if you guys– can you hear me?

Mike Weisbarth: Yes.

Howard Rosencrans: I'm wondering if the two of you in particular and other insiders have any confidence in the company going forward. You're all quite well to do people. We continue to issue a lot of stock, it seems like the board members got– you know how Warren Buffett feels about executive compensation and I'm certainly in his camp, are you putting your money up and please don't tell me about the free stock or the stock options and all that nonsense. Are you buying stock in the open market?

Sanjay Singh: So, the management team and others are very committed to the Company at various levels. Our employees feel that we've– that we make products that save lives. They are proud to be employees at Mace.

Howard Rosencrans: Respectfully– respectfully, Sir. I'm a shareholder. I'm concerned about the stock price and I'm concerned about whether or not you're putting your own money going into your pocket and buying more stock with a market capitalization of about $10 million.

You are the ones who put out the PowerPoint today talking about how you'd be doing $50 million incremental, you put out the PowerPoint. I didn't issue the PowerPoint. You talked about how you'd capture like $50 million in incremental business in the next few years, which would make this a better buy than Amazon at 8 bucks, so please address whether or not you're putting up your own money. Thank you.

Sanjay Singh: Howard, if I could, I would be buying Mace stock. I'll just leave it at that.

Howard Rosencrans: So, you don't have the money. So, you're going to go out to dinner tonight instead, is that it?

Sanjay Singh: I didn't say that.

Howard Rosencrans: Okay. You're staying in, you're not– you're going to cook yourself, will it be a $10 meal and you could have invested that $10. So, you're going to– that's the way you and all of the other insiders feel, is that correct? So there has been– there is no insider buying and everybody is still going to continue to take the directors I noticed take 100,000 shares or something like that per year which based on the TAM that you just said and how you're going to execute on that TAM means that the stock is going to be worth many, many, many, many, many millions of dollars in appreciation over the next few years, but nobody is going to pony up a penny and buy the stock. Am I getting that correct?

Sanjay Singh: No, that's not correct. I'll buy the stock. I'll just speak for myself. I'm not going to speak for Mike or any of our board members. I'll buy the stock, so long as my CFO and my Corporate Counsel say that I'm eligible and there are no restrictions for me to buy.

Howard Rosencrans: Okay. Will you report that to shareholders since there are no Form-4 filings will you report that to shareholders?

Sanjay Singh: We're not required, but I'm happy– we're happy to do so. That would be really good news for our shareholders. So, I would assume that. It's not required, but we have done that in the past when other –

Howard Rosencrans: I know you have. I mean, that's why I'm hoping you will continue to. So, I look forward to seeing that state– I look forward to seeing that statement from every single insider. Thank you.

Operator: Your next question comes from the line of Andrew Shapiro. Your line is open.

Andrew Shapiro: Hi. Thanks. I mean I do echo Howard's concern that we haven't seen a disclosure of inside purchases and obviously with the CEO transition that took place, perhaps that had closed the window, but there is likely to be an open window in the coming period, especially if you guys continue and now deploy an active investor relations and disclosure regime, there should become open windows for which insiders should be allowed to purchase and we would expect then a press release that would update the fact that insiders have purchased.

But moving on to my questions, Guard Alaska sales growth in triple digits again is great. And I'm pleased that you say now it's not off of a minimal base anymore. And so, it's becoming may be meaningful. Can you share what the revenues have grown to in Q4 or for the full year of 2021? And have market share gains our brand made against the, I think, now formally recalled Sabre Frontiersman bear spray product, have those market share gains been maintained? Are they still expanding? Or are they starting to come back in? And still on the same issue here, are there some share gains that will be kept for the long run?

Mike Weisbarth: Andrew, great questions. And one, we don't want to get down to the level of product sales by product line, what the actual dollars are.

Andrew Shapiro: Okay.

Mike Weisbarth: But I can – I'll go as far as saying that they are more than 10% of our sales, okay. So let me at least put that there so you can get some sort of context. And the growth that we've seen, we saw the growth– within every quarter, we saw year-over-year growth. And that each quarter got a more difficult comparison year-over-year. So it's– we have not lost any momentum there and we expect that momentum to continue based on the future orders that we see.

Andrew Shapiro: Okay. And on the international side, after rebounding Q3 international sales, again, dropped to be virtually non-existent in the recent quarter. What's this decline attributable to? Was it a large bulk order we saw in Q3? Is it seasonality? And then can you discuss, Sanjay, what is working and what is not working with respect to your international sales efforts and your plans that you're taking to further grow international sales? And can we expect a better– I know we can expect a better run rate in international in this quarter or the coming quarters since it was, again, virtually non-existent in Q4.

Sanjay Singh: So, Andrew, typically international sales are less than 5% of our base on average, and recent– once I– just very recently started interacting with our associates who has been handling that. What we've discovered is, first of all, in Q4 we had– we were short on some products and we couldn't complete our orders. So those orders didn't go out. So, there was a vendor delay.

The second is, I don't believe there is a specific cyclical pattern, but there are patterns where a customer in Poland might buy depending on what's going on in the sort of the political climate right now. I mean, Poland it abuts Ukraine, so we're seeing some relative action there. So, there are some of those patents that we see, but the strategy around international sales is to touch every customer that we have done business with in the last eight years and get some really good insight on what their needs are. There are some that have stopped doing business from us, some that had partnerships with us, so it's a complete revamp of going back to the basics with some of those customers. And that is what is going really well.

Andrew Shapiro: Okay.

Sanjay Singh: – we're seeing a lot of–

Andrew Shapiro: –that was two. I have more questions. I'll back into the queue unless you have no one else there.

Mike Weisbarth: Operator, are there other questions in the queue?

Operator: Yes, Sir. We have a follow-up question comes from the line of Howard Rosencrans. Your line is open.

Sanjay Singh: Very good. Thank you.

Howard Rosencrans: Guys, we're done with the first quarter. I just don't understand the methodology or I didn't understand why you weren't willing to provide guidance. Guidance is, of course, protected by Safe Harbor. I didn't understand in the past why, I mean, even though it would have been in other embarrassment of God knows what proportions to have missed any semblance of idea of how much money you guys would have been able to generate or then you could find things to blame it on like the social environment dissipating or whatever, but I find it outrageous that it's March 30th and you can't– and that you won't provide any disclosure on the first quarter and in fact on the second quarter because you should have ideas, so you're– if you want to talk about Safe Harbor things, you are then doing something that you're operating with information that we don't have. So why not place us all on the same boat and tell us where you stand because obviously you know what the first quarter looks like.

Mike Weisbarth: Howard, yes, that's, it's a true statement. We have historically and we continue not to provide forward-looking guidance. And we don't want to stop and start on that, if we do it now then we should be doing it every quarter. It's just not what our Governance Committee and along with us want to take on going forward. So, I'm sorry that you find that frustrating, but again, we don't want to do it now and then if we don't do it at the end of the second quarter, you wonder why we're not doing it on a consistent basis.

Sanjay Singh: And just to add [multiple speakers]

Howard Rosencrans: So what– yes, Sir.

Sanjay Singh: –from an investor perspective, if I can just add a quick comment here. As we've mentioned on this call, we are making on our efforts to correct the situation that's going to take a while. So, if you want to read on the first quarter, you can read it that way. It's going to take a little while. We don't expect those retailers that are down to go back up to a normalized pattern over a quarter.

And that's how we are operating inside the company. If it happens, great, but we are riding the ship in a different manner to offset and to be– we are pessimistic that those– that situation will change dramatically or has changed dramatically this quarter.

Howard Rosencrans: Okay. So, one follow-up to that. Omicron is basically, for all intents, apparently in the rearview mirror. And a lot of stores are reporting a lot better traffics since Omicron appears to be behind us, so whatever the new variant of the day is, so have you seen a pickup since, let's say, February-March. Have you seen a pickup in your business? I don't know exactly what the month-by-month seasonality is, but have you seen and I'm not talking about the year-to-year comparison. I assume that the benefit of social disruption in the black lives matter or whatever it was that drove the numbers up temporarily in 2020, but have you seen an improvement since Omicron is largely in our rearview mirror?

Sanjay Singh: We have seen our pepper sprays sales spike in certain pockets. And New York City, for example, because of that crime against that Asian-American women that did cause a spike, that's– I spoke about that publicly a couple of months back. We have seen similar spikes in other areas, the West Coast, for example, in San Francisco, and we are seeing those spikes, but those are not where some of our retailers are located, but to answer your question, we are seeing that.

Howard Rosencrans: Okay. Will that basically just says to me that your business is dependent on like a one-off social event, not on being a continuous business. That's what that says to me. Will the window open up to the TAM and all that conversation becomes completely immaterial?

Well, I assume that– when would theoretically assuming you have no discussions that would be based on prior years, theoretically when would the window for insider activity theoretically– theoretically assuming you've got nothing new going on. When would that window open up?

Would it be after the first quarter release? Is it like, I don't know, five days or something after the first quarter release? Is that historically barring anything inside going on? Is that theoretically when the window would open up for insider activity?

Mike Weisbarth: Yes. It will be after the first quarter.

Sanjay Singh: Just to also comment that we are– while we are driven by some of these events and things like that. I think the idea that we are also a company that is very much committed to educating our consumers and with the idea of being prepared and not just being fearful.

And that is sort of what is driving our new product strategy to. So it's not purely – yes, you have growth during the social unrest in crime spikes, but it is also the idea of being prepared that does not necessarily have to be related to an increase in crime rates. I think we are up– I think we're a little bit beyond our time here, right?

Mike Weisbarth: Yes, again we appreciate everyone's support and participation. I know it was a challenging year, and the results reflected that. Thank you for the questions that you did provide today and again, we're trying to be as transparent and candid as we can be in answering the questions that are asked. So, thank you. And we will talk to you at the end of the first quarter.

Sanjay Singh: Thank you all.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.