

**Mace Security International, Inc.**

**Quarterly Report**

**March 31, 2022**

### **Forward-Looking Statements**

Certain statements and information included in this Annual Information and Disclosure Statement constitute “forward-looking statements” within the meaning of the Federal Private Securities Litigation Reform Act of 1995. When used in this Annual Information and Disclosure Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “projected,” “intend to” or similar expressions are intended to identify “forward-looking statements” within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to several known and unknown risks and uncertainties that may cause our actual results, trends, performance or achievements, or industry trends and results, to differ materially from the future results, trends, performance or achievements expressed or implied by such forward-looking statements. Those risks and uncertainties may include, but are not limited to, (a) general economic and business conditions, including the impact of the COVID-19 pandemic and other possible pandemics and similar outbreaks; (b) competition; (c) potential changes in customer spending; (d) acceptance of our product offerings and designs; (e) the variability of consumer spending resulting from changes in domestic economic activity; (f) a highly promotional retail environment; (g) any significant variations between actual amounts and the amounts estimated for those matters identified as our critical accounting estimates, as well as other significant accounting estimates made in the preparation of our financial statements; (h) the impact of current and potential hostilities in various parts of the world, including but not limited to the war which resulted from Russia’s invasion of Ukraine, as well as other geopolitical or public health concerns; (i) the impact of international supply chain disruptions and delays; (j) the impact on the Company of changes in U.S. Federal and State income tax regulations; and (k) the impact of inflation and the ability of the Company to pass on rising prices to its customers. You are urged to consider all such factors. Because of the uncertainty inherent in such forward-looking statements, you should not consider their inclusion to be a representation that such forward-looking matters will be achieved. Mace Security International, Inc. assumes no obligation for updating any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

#### **Item 1 The exact name of the issuer and the address of its principal executive offices**

Mace Security International, Inc. (“Company”)  
4400 Carnegie Avenue  
Cleveland, OH 44103  
Phone: (440) 424-5321  
Fax: (216) 361-9555  
Website: [www.mace.com](http://www.mace.com)

Investor Relations: Michael Weisbarth  
Phone: (216) 539-0485  
Email: [mweisbarth@mace.com](mailto:mweisbarth@mace.com)  
Address: Same as above

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**Item 2 Shares outstanding**

**Common Stock**

(i)	Period end date:	March 31, 2022	December 31, 2021
(ii)	Number of shares authorized	100,000,000	100,000,000
(iii)	Number of shares outstanding	64,778,571	64,703,965
(iv)	Freely tradable (public float)	40,868,739	38,504,286
(v)	Total number of shareholders of record	94	95

The number of beneficial shareholders of Mace Security International, Inc. owning at least 100 shares exceeds 50.

**Preferred Stock**

(vi)	Period end date:	March 31, 2022	December 31, 2021
(vii)	Number of shares authorized	10,000,000	10,000,000
(viii)	Number of shares outstanding	-	-
(ix)	Freely tradable (public float)	-	-
(x)	Total number of shareholders of record	-	-

**Item 3 Interim financial statements**

The Company's unaudited interim consolidated financial statements for the three months ended March 31, 2022 and 2021, including the unaudited interim Consolidated Balance Sheets, Consolidated Statements of Operations, Consolidated Statements of Shareholders' Equity and Consolidated Statements of Cash Flows and Notes to the Consolidated Financial Statements, are filed separately and called Quarterly Report – First Quarter 2022 and are hereby incorporated by reference into this Quarterly Report.

**Item 4 Management's discussion and analysis or plan of operation**

**A. Plan of operation**

This item is not applicable, as the Company has had net sales in each of the last two fiscal years.

**B. Management's discussion and analysis of financial condition and results of operations  
(amounts in thousands, except share and per share amounts)**

Mace Security International, Inc. operates in one business segment, the Security Segment, which sells personal safety and security products to retailers, distributors, and individual consumers. The Company also sells tactical spray products and systems to law enforcement, security professionals, correctional institutions, and military markets.

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**Three months ended March 31, 2022 compared with three months ended March 31, 2021**

*Net Sales*

Net sales comparative information for the three months ended March 31, 2022 and 2021, respectively, is as follows:

<b><u>Net Sales by Type of Customer</u></b>	<b><u>Three Months Ended</u></b>		<b><u>Increase</u></b> <b><u>(Decrease)</u></b>
	<b><u>2022</u></b>	<b><u>2021</u></b>	
Consumer	\$ 1,649	\$ 3,060	\$ (1,411)
Tactical	53	70	(17)
International	363	118	245
Other	91	56	35
<b>Total</b>	<b><u>\$ 2,156</u></b>	<b><u>\$ 3,304</u></b>	<b><u>\$ (1,148)</u></b>

Total net sales decreased for the three months ended March 31, 2022 by 34.7%, compared with net sales for the three months ended March 31, 2021. Net sales to customers in the consumer market decreased \$1,411, or 46.1%, in the three months ended March 31, 2022, compared with the same period in 2021. This decrease in net sales was due primarily to an overall decrease in sales to existing brick and mortar retailers and e-commerce channels from declining consumer demand in response to the effect of inflation on the price of household staple products and the corresponding reduction in impulse or discretionary purchases.

Tactical net sales, which include tactical spray products, for the three months ended March 31, 2022 decreased \$17, or 24.3%, compared with the three months ended March 31, 2021, primarily due a decrease in sales to a couple of larger tactical customers.

Sales to International customers increased \$245, or 207.6%, for the three months ended March 31, 2022, compared with the three months ended March 31, 2021 due primarily to the beginning of the recovery from the impact of Covid-19 overseas and international freight issues impacting delivery of product in 2021.

Sales to other types of customers increased \$35, or 62.5%, for the three months ended March 31, 2022, compared with the three months ended March 31, 2021 as the Company increased sales to non-traditional customers in the healthcare and hospitality industries.

*Cost of goods sold*

Cost of goods sold decreased for the three months ended March 31, 2022 by 38.0% to \$1,257, or 58.3% of net sales, compared with \$2,029, or 61.4% of net sales, for the three months ended March 31, 2021, primarily due to the 34.7% decrease in net sales. Cost of goods sold for the three months ended March 31, 2022 benefited from the Company's efforts to reduce its base operating costs.

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*Gross Profit*

Gross profit decreased \$376, or 29.5%, to \$899, or 41.7% of net sales, for the three months ended March 31, 2022, compared with \$1,275, or 38.6% of net sales, for the three months ended March 31, 2021, primarily due to decreased sales. Gross profit as a percent of net sales improved due to reduced base operating costs.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased by \$352 to \$1,413, or 65.5% of net sales, for the three months ended March 31, 2022, compared with \$1,061, or 32.1% of net sales for the three months ended March 31, 2021. The following table presents the significant expense items causing the increase in selling, general and administrative expenses for the three months ended March 31, 2022, compared with the same period in 2021.

<u>Selling, General and Administrative Expense Categories</u>	<u>Increase (decrease)</u>
Salaries and related employee benefits expense primarily related to accrual of severance	\$ 199
Professional services expense increase primarily attributable to digital marketing strategy and increased legal support	129
Research and development expenditure increase related to new products	35
Variable commission expense decrease due to lower sales in 2022	(66)
Other factors, net	<u>55</u>
Net increase	<u>\$ 352</u>

*Amortization of intangible assets*

Amortization of intangible assets relates to the intangible assets associated with the Company's acquisitions.

*Interest expense*

Interest expense was \$5 and \$5 for the three months ended March 31, 2022 and March 31, 2021, respectively, primarily related to the Company's debt.

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*Net income (loss)*

Net income decreased by \$693 to net loss of (\$584) for the three months ended March 31, 2022, compared with a net income of \$109 in the three months ended March 31, 2021, due primarily to the factors noted above.

**Liquidity and Capital Resources**

Cash, cash equivalents decreased by \$215 to \$24 at March 31, 2022, compared with \$239 at December 31, 2021. The Company's operating activities used \$611 of cash in the three months ended March 31, 2022, compared with providing \$200 in the three months ended March 31, 2021. In the three months ended March 31, 2022, depreciation and amortization, stock-based compensation and other non-cash charges totaled \$261. Changes in operating assets and liabilities used \$288 of cash due primarily to factors resulting from normal business conditions of the Company, including (1) higher inventory, and (2) higher accounts payable due to timing of payments.

The Company's capital expenditures in the three months ended March 31, 2022 were \$89, compared with \$66 in the three months ended March 31, 2021. At this time, the Company anticipates total fiscal 2022 capital expenditures will be approximately \$250 and will relate principally to capital expenditures for tooling and fixtures for new products. The Company anticipates funding future capital expenditures from operating cash flow. There were \$140 commitments for capital expenditures at December 31, 2021.

The Company has not declared or paid any cash dividends within the last two (2) fiscal years and does not anticipate paying any such dividends in the foreseeable future. The Company currently intends to retain all earnings for the operation and expansion of its business.

The Company has a \$3,000 line of credit agreement with a bank (the "2021 Credit Agreement") which replaced its previous \$2,000 line of credit agreement with a bank (the "2020 Credit Agreement"). The 2021 Credit Agreement is secured by substantially all the Company's assets and matures on November 30, 2022. The 2021 Credit Agreement provides for monthly interest payments at a rate equal to SOFR plus 2.0%, with a floor of 2.50%. The interest rate was 2.50% on March 31, 2022. From time to time, the Company may draw against its line of credit as business conditions warrant. At March 31, 2022, \$490 was drawn against the bank line of credit.

The Company's 2021 Credit Agreement matures on November 30, 2022. Should the Company be unable to renew or secure a replacement credit facility, this could have a material adverse effect on the Company's ability to acquire inventory in support of anticipated sales increases.

The Company continues to monitor the impact of the COVID-19 pandemic on its results of operations. The extent to which the Company's operations may be impacted by the pandemic depends on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity, or reemergence, of the pandemic and actions by government authorities to contain the pandemic or treat its impact. Given the uncertainty associated with the COVID-19 pandemic, including potential further slowing of accounts receivable collections, decreases in orders and sales, and potential agreement modifications with customers, the afore described sources of working capital may not be sufficient to satisfy the Company's cash requirements over the next twelve months and the Company may require significant external financing. The magnitude, nature, availability and cost of future additional financing and its timing are not known.

### **C. Off-balance sheet arrangements**

In the ordinary course of business, the Company is party to certain arrangements that are not reflected in the Consolidated Balance Sheets. The Company does not have any obligations that meet the definition of an off-balance sheet arrangement that have had, or are reasonably likely to have, a material effect on the Company's financial condition or results of operations.

#### **Item 5 Legal proceedings**

None

#### **Item 6 Defaults upon senior securities**

None

#### **Item 7 Other information**

Amended and Restated Certificate of Incorporation of Mace Security International, Inc. was previously filed with the Securities and Exchange Commission as Exhibit 3.7 to the Company's Registration Statement on Form S-3 on June 16, 2004 and is incorporated herein by reference.

Amended and Restated Bylaws of Mace Security International, Inc. were previously filed with the Securities and Exchange Commission as Exhibit 3.1 to the Company's Annual Report on Form 8-K filed on April 21, 2010 and is incorporated herein by reference.

#### **Item 8 Exhibits**

- 18.1 Mace Security International, Inc. 2012 Stock Incentive Plan (incorporated herein by reference to Form DEF 14A filed on May 18, 2012)
- 18.2 Asset Purchase Agreement between Mace Security International, Inc. and SecureCheck LLC dated September 28, 2016 (incorporated herein by reference to OTCQX Annual Information and Disclosure Statement December 31, 2016)
- 18.3 Asset Purchase Agreement between Washington Laboratories, LLC, Larry W. Harris and Mace Security International, Inc. dated March 22, 2017 (incorporated herein by reference to OTCQX Annual Information and Disclosure Statement December 31, 2017)
- 18.4 Asset Purchase Agreement between Mace Security International, Inc., Robinhood Digital LLC and David A. Happe dated October 19, 2017 (incorporated herein by reference to OTCQX Annual Information and Disclosure Statement December 31, 2017)
- 18.5 Asset Purchase Agreement between Mace Security International, Inc., Bigfoot Holdings Ltd. and Persons constituting the beneficial holders of a majority of the issued and outstanding shares of voting capital stock of Bigfoot Holdings Ltd dated January 18, 2019 (incorporated herein by reference to OTCQX Quarterly Report dated March 31, 2019)
- 18.6 Employment Agreement dated April 2, 2020 by and between Mace Security International, Inc. and Sanjay Singh (incorporated herein by reference to OTCQX Quarterly Report dated March 31, 2020)
- 18.7 Amendment to Employment Agreement dated July 30, 2020 by and between Mace Security International, Inc. and Sanjay Singh (incorporated herein by reference to OTCQX Quarterly Report dated June 30, 2020)

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**Item 9 Issuer's Certifications**

I, Sanjay Singh, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report of Mace Securities International, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.

Date: May 2, 2022

/s/ Sanjay Singh

Chairman and Chief Executive Officer

I, Michael Weisbarth, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report of Mace Securities International, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.

Date: May 2, 2022

/s/ Michael Weisbarth

Chief Financial Officer