



## **Mace® Security International, a Global Leader in Personal Self-Defense Sprays, Announces 3Q22 Financial Results with Revenues up 26% and positive Adjusted EBITDA vs Q2, 2022**

CLEVELAND, Ohio, November 1, 2022 – Mace Security International (OTCQX: MACE) today announced its third quarter and year-to-date 2022 financial results for the periods ended September 30, 2022.

The Company's net sales for the third quarter were \$2,504,000, down 34% versus the like period in 2021 and up 26% vs Q2, 2022. The decrease is mostly the result of a continuing slowdown in retail impulse purchases seen in the last three quarters due to inflation concerns across all sectors, as well as inventory adjustments at several retailers. The decline vs prior year was partially alleviated with a 145% growth in sales to Mace's new and existing B2B customers. The revenues were up versus Q2, 2022 due to improvements in online revenues, new products and increased demand in sporting goods channels.

Mace reported a gross profit rate for the quarter of 38% vs 40% for the same quarter last year. Increasing component and freight costs and the impact of lower sales, were partially offset by price increases, lower manufacturing overhead and higher labor efficiencies. SG&A expense of \$1,189,000 when adjusted for transition and non-cash costs was \$893,000 in the third quarter 2022 or \$359,000 (or, 29%) lower than the comparable SG&A expense in the third quarter of 2021 of \$1,252,000. The decrease in SG&A expenses is attributable to lower variable commission expense due to lower sales, lower bad debt expense and lower digital marketing expenditures. The adjusted EBITDA for the quarter was income of \$124,000 vs \$316,000 in the same period 2021 and a loss of (\$116,000) and (\$190,000) in the second and first quarters of 2022, respectively.

Sanjay Singh, Chairman and CEO commented, "While 3rd quarter revenues were lower than the prior year 3rd quarter, the rate of decline began to moderate. Positive trends included the sporting goods segment, which accounts for roughly 25% of total revenues, where revenues were up 69% vs the second quarter. Also, sales on Mace.com were up 144% compared with the same quarter a year ago and up 54% vs the second quarter of this year. Also encouraging were the announcements of Mid-States, Cornwell, NAPA and Dollar General being added to our lineup of retailers offering Mace products, the benefits of which should begin to play out over the next several quarters. While we anticipate sales to continue to improve, we took proactive actions to lower our breakeven sales level and reach positive EBITDA by increasing operational efficiencies as well as focused SG&A cost controls."

### **Third Quarter 2022 Financial Highlights**

- Net sales were \$2,504,000, down (34%) from the third quarter of 2021. The decline from prior year was due to the continuing slowdown in retail sales in several of the Company's large retail customers as impulse sales were impacted by a slowing economy and the highest U.S. inflation rate experienced in decades. The Company also had a difficult quarter-over-quarter comparison against third quarter 2021 which was aided by backlogged orders from 2020. Mace did achieve significant growth of 144% in online sales and 69% in the sporting goods segment vs the second quarter of 2022.

- Gross profit rate of 38% decreased 2% from the same period in 2021 on decreased sales volume and higher freight and component costs. The modifications implemented to its operational cost structure during the second half of 2021 led to a 25% reduction in four-wall manufacturing costs on a quarter-over-quarter basis and a 50% increase in direct labor efficiency. This bodes well for margin improvement as revenue recovers. Product margins decreased over the third quarter of 2021 as increasing component prices were partially offset by price increases implemented in the first quarter 2022, lower manufacturing overhead and efficiency improvements.
- Gross profit for the third quarter decreased by \$558,000, or 37%, from the third quarter of 2021, due primarily to the decline in sales volume and increased component and freight costs.
- SG&A when adjusted for (a) \$56,000 in increased legal support primarily related to the Company's announcement in the third quarter 2022 to explore and evaluate potential strategic alternatives for the Company, as well as certain EPA compliance expenses, (b) \$97,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (c) non-cash stock compensation expense of \$43,000 was \$893,000 in the third quarter of 2022, compared to SG&A when adjusted for \$59,000 of non-cash stock compensation expense was \$1,252,000 in the same period in 2021. SG&A in both periods contains expenditures in support of the Company's commitment to its growth plan and the related cost for digital advertising.
- Net loss of (\$233,000) in the third quarter of 2022, compared with net income of \$142,000 in the same quarter in 2021.
- Cash and cash equivalents decreased to \$48,000 as of September 30, 2022, a decline of \$191,000 over the \$239,000 on hand on December 31, 2021. \$715,000 was drawn against the Company's \$3.0 million bank line of credit at September 30, 2022, a reduction from the \$865,000 drawn against the line of credit at June 30, 2022.
- Working capital decreased by \$873,000 compared to December 31, 2021, with an increase in debt of \$715,000 and a \$140,000 decrease in accounts receivable on lower sales. Inventories decreased \$320,000, and accounts payable decreased \$428,000. Inventory converted to finished goods ready for shipping as sales volume picks up increased \$94,000, while raw material inventory declined (\$414,000), compared with December 31, 2021.
- Adjusted EBITDA for the third quarter 2022 was income of \$124,000 and excludes severance pay, transition legal costs associated with the strategic alternative review process and certain EPA compliance expenses, transition payroll/temporary labor costs associated with the Company optimizing its headcount and non-cash stock compensation expense. Adjusted EBITDA for the second quarter 2021 was income of \$316,000.

### **Third Quarter 2022 Operational Highlights**

- The modifications implemented to its operational cost structure during the second half of 2021, partially offset the decrease in Q3 2022 gross margin driven by higher freight and component cost and lower sales, compared with Q3 2021. The Company will continue to invest in manufacturing process improvements and new product development as these are instrumental components of management's strategic vision for growth. This gross margin improvement was offset by inflationary increases in freight and component costs.

### **Year-to-Date September 2022 Financial Highlights**

- Net Sales of \$6,640,000 decreased by \$3,879,000, or 37%, versus same period 2021 net sales of \$10,519,000 due to the slowdown in retail sales in several of the Company's large retail customers as

impulse sales were impacted by a slowing economy and the highest U.S. inflation rate experienced in decades.

- Gross profit rate improved to 40% for 2022, compared to 39% for the same period in 2021. Price increases, lower manufacturing overhead and higher labor efficiencies led to the increase in gross margin despite lower sales volume and increasing component and freight costs.
- SG&A when adjusted for (a) \$233,000 in personnel related expenses primarily for the transition in Mace's CEO role, (b) \$166,000 in increased legal support primarily related to the Company's announcement in the second quarter 2022 to explore and evaluate potential strategic alternatives for the Company and certain EPA compliance expenses, (c) \$142,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (d) non-cash stock compensation expense of \$148,000 was \$2,991,000 in the first nine months of 2022, compared to SG&A when adjusted for \$155,000 of non-cash stock compensation expense and \$30,000 of severance was \$3,388,000 in the same period in 2021. SG&A in both periods contains expenditures in support of the Company's commitment to its growth plan and the related cost for digital advertising.
- Net loss was \$1,270,000, a decrease of \$2,223,000 over net income of \$953,000 in the first nine months of 2021. The 2021 net income was enhanced by a \$625,000 gain from PPP Loan forgiveness.
- Adjusted EBITDA for the first nine months of 2022 was a loss of (\$188,000) and excludes severance pay, certain EPA compliance expenses, transition legal costs associated with the strategic alternative review process, transition payroll/temporary labor costs associated with the Company optimizing its headcount and non-cash stock compensation expense. Adjusted EBITDA for the first nine months of 2021 was income of \$875,000 and excludes the \$625,000 gain from PPP Loan forgiveness, gain on extinguishment of debt, severance and non-cash stock compensation expense.

### **Earnings Conference Call**

Mace® will conduct its third quarter 2022 earnings conference call on Wednesday, November 2, 2022 at 11:00 AM EDT, 8:00 AM PDT. The earnings conference call can be joined using the following link [Connect Me](#) (Ctrl + Click to follow link) or by telephone within the US at **(800) 776-0420**. Please use **passcode** number **323345**.

The full set of Q3 2022 financial statements and the slide presentation accompanying the November 2, 2022 earnings conference call will be available after the market closes on November 1, 2022, on Mace's website [www.corp.mace.com](http://www.corp.mace.com) under the subheading "Newsroom."

### **About Mace Security International, Inc.**

Mace® Security International, Inc. (MACE) is a globally recognized leader in personal safety and security. Based in Cleveland, Ohio, the Company has spent more than 40 years designing and manufacturing consumer and tactical products for personal defense and security under its world-renowned Mace® Brand – the original trusted brand of defense spray products. The Company also offers aerosol defense sprays and tactical products for law enforcement and security professionals worldwide through its Mace® Take Down® brand, KUROSI® Brand personal safety products, Vigilant® Brand alarms, and Tornado® Brand pepper spray and stun guns. MACE® distributes and supports Mace® Brand products through mass market retailers, wholesale distributors, independent dealers, Amazon.com, Mace.com, and other channels. For more information, visit [www.mace.com](http://www.mace.com).

### **Forward-Looking Statements**

Certain statements and information included in this press release constitute “forward-looking statements” within the meaning of the Federal Private Securities Litigation Reform Act of 1995. When used, 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.

Mace Security International, Inc. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

(Amounts in thousands, except share and per share data)

	<b>Three Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Net sales	<b>\$ 2,504</b>	\$ 3,819
Cost of goods sold	<b>1,543</b>	2,300
Gross profit	<b>961</b>	1,519
Selling, general, and administrative expenses	<b>1,089</b>	1,311
Amortization of intangible assets	<b>65</b>	66
Operating income (loss)	<b>(193)</b>	142
Interest expense	<b>(40)</b>	(5)
Other income, net	<b>-</b>	10
Income (loss) before income tax provision	<b>(233)</b>	147
Income tax provision	<b>-</b>	5
Net income (loss)	<b>\$ (233)</b>	\$ 142
Net income (loss) per share		
Basic	<b>\$ -</b>	\$ -
Diluted	<b>\$ -</b>	\$ -
Weighted average number of common shares (basic)	<b>64,913,150</b>	64,618,761
Weighted average number of common shares (diluted)	<b>64,913,150</b>	65,035,243

Mace Security International, Inc. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(Amounts in thousands, except share and per share data)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>
Net sales	<b>\$ 6,640</b>	\$ 10,519
Cost of goods sold	<b>3,994</b>	6,399
Gross profit	<b>2,646</b>	4,120
Selling, general, and administrative expenses	<b>3,680</b>	3,573
Amortization of intangible assets	<b>195</b>	229
Operating income (loss)	<b>(1,229)</b>	318
Interest expense	<b>(53)</b>	(15)
Gain on forgiveness of PPP Loan and accrued interest	-	625
Gain on extinguishment of debt	-	8
Other income, net	<b>12</b>	29
Income (loss) before income tax provision	<b>(1,270)</b>	965
Income tax provision	-	12
Net income (loss)	<b>\$ (1,270)</b>	\$ 953
Net income (loss) per share		
Basic	<b>\$ (0.02)</b>	\$ 0.01
Diluted	<b>\$ (0.02)</b>	\$ 0.01
Weighted average number of common shares (basic)	<b>64,835,743</b>	64,453,016
Weighted average number of common shares (diluted)	<b>64,835,743</b>	64,985,265

Mace Security International, Inc. and Subsidiaries  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except share and per share information)

<b>ASSETS</b>	<b>September 30, 2022 (unaudited)</b>	<b>December 31, 2021</b>
Current assets:		
Cash and cash equivalents	\$ 48	\$ 239
Accounts receivable, less allowance for doubtful accounts of \$200 and \$586 at September 30, 2022 and December 31, 2021, respectively	1,430	1,570
Inventories	4,391	4,711
Other current assets	644	492
Total current assets	6,513	7,012
Property and equipment:		
Buildings and leasehold improvements	260	260
Machinery and equipment	2,373	2,234
Furniture and fixtures	111	111
Total property and equipment	2,744	2,605
Accumulated depreciation and amortization	(2,241)	(2,096)
Total property and equipment, net	503	509
Operating lease - right-of-use asset, net of amortization	170	334
Finance lease - right-of-use asset, net of amortization	51	66
Goodwill	1,031	1,031
Intangible assets, net	1,898	2,093
Other non-current assets	14	14
Total other assets	3,164	3,538
Total assets	\$ 10,180	\$ 11,059

Mace Security International, Inc. and Subsidiaries  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except share and per share information)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>September 30, 2022 (unaudited)</b>	<b>December 31, 2021</b>
Current liabilities:		
Line of credit	\$ 715	\$ -
Current operating lease obligations	176	227
Current finance lease obligations	16	16
Accounts payable	427	855
Income taxes payable	55	59
Accrued expenses and other current liabilities	666	524
Total current liabilities	<b>2,055</b>	1,681
Non-current operating lease obligations	-	118
Non-current finance lease obligations	35	50
Total liabilities	<b>2,090</b>	1,849
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized 10,000,000 shares, no shares issued and outstanding at September 30, 2022 and December 31, 2021	-	-
Common stock, \$.01 par value; authorized 100,000,000 shares, issued shares of 64,927,574 and 64,703,965, at September 30, 2022 and December 31, 2021, respectively	649	647
Additional paid-in capital	103,970	103,822
Accumulated deficit	(96,507)	(95,237)
	<b>8,112</b>	9,232
Less treasury stock at cost, 90,548 shares at September 30, 2022 and December 31, 2021	(22)	(22)
Total shareholders' equity	<b>8,090</b>	9,210
Total liabilities and shareholders' equity	<b>\$ 10,180</b>	\$ 11,059



Mace Security International, Inc. and Subsidiaries  
**RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA**  
(Unaudited)  
(Amounts in thousands)

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>
Net income (loss)	\$ (233)	\$ 142
Adjustments:		
Interest expense	40	5
Income tax expense	-	5
Depreciation and amortization	121	105
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EBITDA	<b>(72)</b>	<b>257</b>
	<hr/>	<hr/>
Strategic alternative review related legal costs and EPA costs	56	-
Transition payroll/temporary labor costs	97	-
Non-cash stock compensation expense	43	59
	<hr/>	<hr/>
Adjusted EBITDA	<b>\$ 124</b>	<b>\$ 316</b>

Mace Security International, Inc. and Subsidiaries  
**RECONCILIATION OF NET INCOME TO EBITDA AND ADJUSTED EBITDA**  
(Unaudited)  
(Amounts in thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Net income (loss)	<b>\$ (1,270)</b>	\$ 953
Adjustments:		
Interest expense	53	15
Income tax expense	-	12
Depreciation and amortization	<b>340</b>	343
	<b>(877)</b>	<b>1,323</b>
EBITDA		
Gain on forgiveness of PPP Loan and accrued interest	-	(625)
Gain on extinguishment of debt	-	(8)
Severance	<b>233</b>	30
Strategic alternative review related legal costs and EPA costs	<b>166</b>	-
Transition payroll/temporary labor costs	<b>142</b>	-
Non-cash stock compensation expense	<b>148</b>	155
	<b>\$ (188)</b>	<b>\$ 875</b>
Adjusted EBITDA		

In this press release, the Company's financial results and financial guidance are provided in accordance with accounting principles generally accepted in the United States (GAAP) and using certain non-GAAP financial measures. Management believes that presentation of operating results using non-GAAP financial measures provides useful supplemental information to investors and facilitates the analysis of the Company's core operating results and comparison of operating results across reporting periods. Management also uses non-GAAP financial measures to establish budgets and to manage the Company's business. A reconciliation of the GAAP financial results to non-GAAP financial results is included in the attached schedule.

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