



# 1Q23 Highlights

**May 25, 2023**

# About Us



## **Mission Statement**

***Provide  
Family & Community Safety through  
Individual Empowerment***

## **Vision Statement**

***To be the most customer-centric company that  
provides innovative products to keep our  
customers safe all the time and is an expert in  
the non-lethal product segment***



# Supplemental Sections

**Section 1**

**Finance**

**Section 2**

**Sales & Marketing**

**Section 3**

**New Products**

**Section 4**

**Focus in 2023**

# Section 1 Finance

- Economic Conditions and Revenue
- Key Financial Highlights 1Q23
- 1Q23 Overview
- Cash Flow 1Q23 vs 1Q22
- Select Financial Stats through 1Q23

# Economic Conditions

- ❑ Revenue decreased to \$1,662K or, 23% in Q1, 23 vs Q1, 22 ( \$494K)
- ❑ Almost 50% of the decrease was from one customer's efforts to paring back of their inventory
- ❑ Component shortages and slowdown in retail impulse purchases due to inflation concerns across all sectors and paring back of inventory at several retailers.
- ❑ Inventory levels decreased by \$467K since December 31, 2021 but increased by \$100K vs Q4, '22 due purchases of components for Dollar General Back to School Program shipments in Q2
- ❑ **Reduced four-wall manufacturing costs 7%** from 1Q22
- ❑ **Our break-even point at the EBITDA level is** as of now is \$8,000K in annual revenues
- ❑ Every incremental sales dollar generates an approximate **incremental 30% EBITDA**

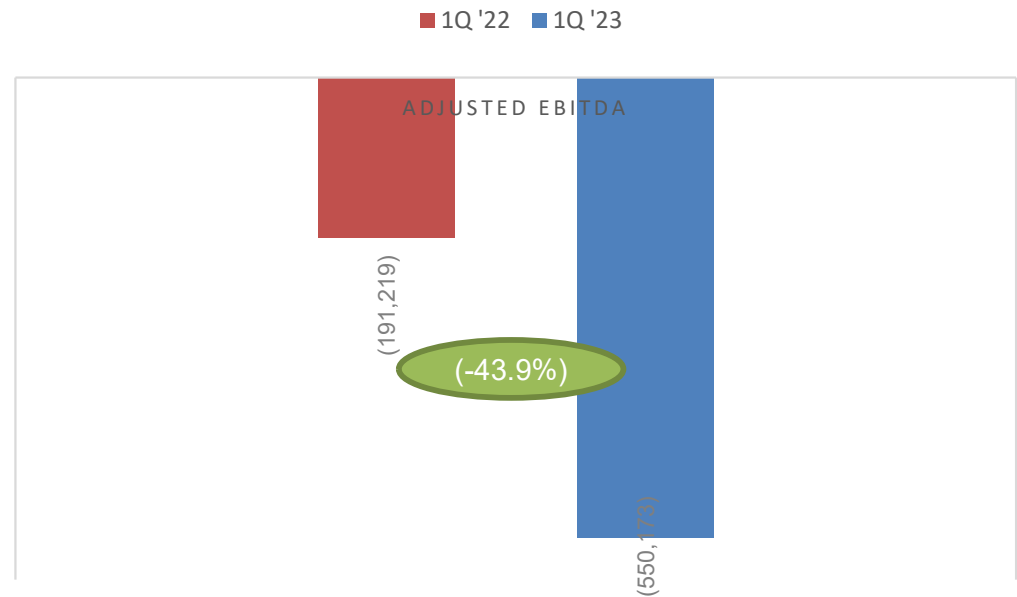
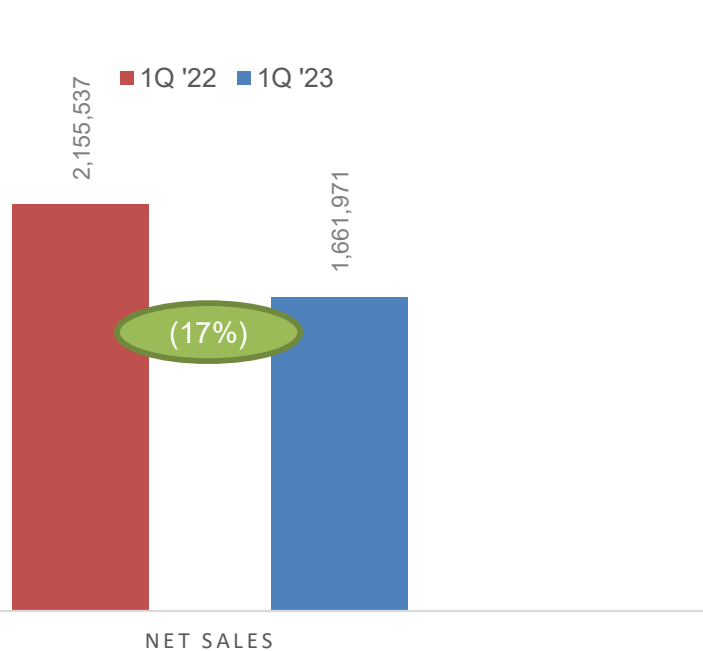
# Key Financial Highlights 4Q22



- ❑ Net Sales of \$1,662K down 23%, versus 1Q22
  - Direct to consumer sales on the Company's e-commerce platforms were up 64 % vs 1Q22
  - Slowdown in consumer impulse purchases due to inflation concerns and paring back of inventory led to significantly lower retail sales
  - Sales to tactical channel customers were up 33% vs 1Q22
  - Private label channel sales were up 105% vs 1Q22
  - International channel sales were down 91%. Q1 2022 net sales benefited from a revised focus on international sales in early 2022 around the time that COVID and freight restrictions were less impactful to the Company. This resulted in significant opening order shipments in Q1, 22.
- ❑ Gross Profit was \$410K, down 54% versus 1Q22 driven by decreased sales volume
- ❑ Gross Profit rate decreased to 24.7%, versus 41.7% in 1Q22 driven by
  - Decreased sales volume causing unfavorable fixed cost leverage – this accounted for almost half the \$410K variance
  - Sales allowances for Dollar General
  - Unfavorable channel sales mix – higher revenues of lower margin channel
  - Higher freight and component costs due to inflation and
  - Lower plant efficiencies due in part to COVID at the Mace facility affecting production and a physical inventory in March 2023 which halted production for several days.
- ❑ Adjusted SG&A expenses decreased by \$117K, versus 1Q22 adjusted SG&A
- ❑ Working Capital decreased by \$594K, compared with 4Q22
  - Increase in cash of \$369K, compared with 4Q22
  - Debt increased by \$985K, compared with 4Q22
- ❑ Adjusted EBITDA for 1Q23 loss of (\$550K), versus a loss of (\$191K) in 1Q22
  - Non-cash stock compensation \$52K and \$60K in 1Q23 and 1Q22, respectively
  - \$220K severance in 1Q22 that was excluded from the adjusted EBITDA last year in Q1, 22



# 1Q23 OVERVIEW



- ❑ Net sales in Q1 23 decreased by (\$494K) as consumers reduce discretionary spending and retailers reduced inventories
- ❑ Company shipped opening Dollar General orders in Q1 23
- ❑ Direct to consumer sales increased by 64% at our online stores vs Q1,22
- ❑ Gross Margins degraded mostly due to operational inefficiencies driven by lower revenues and higher component costs
- ❑ Adjusted EBITDA a loss of (\$550K) vs. a loss of (\$191K) in Q1,22
- ❑ Adjusted S, G and A costs decreased by \$117K vs Q1,22



# Cash Flows 1Q '23 and 1Q '22



(\$ in 000's)	2023	2022	Incr.(Decr) in Cash
Net loss	\$ (747)	\$ (584)	\$ (163)
Non-Cash Adjustments,			
Depreciation and amortization,			
Including right-of-use asset amortization	179	167	12
Stock-based compensation	52	60	(8)
Provision for obsolete Inventory	-	-	-
Provision for losses of Receivables	7	34	(27)
Change in operating assets and liabilities	(83)	(288)	205
Operating Cash Flow	(592)	(611)	19
Capital Expenditures	(19)	(89)	70
Free Cash Flow	\$ (611)	\$ (700)	\$ 89



# Section 2 Sales & Marketing



- ❑ Added **three new retailers** in 2022 ( Mid-States, Cornwall, and Dollar General)
- ❑ **Replenishment revenues from Dollar General** will continue during '23
- ❑ **New Dollar General Back to School** program shipments will take place in Q2 and Q3
- ❑ **Expanded SKUs** at two existing retailers will be shipped in Q2 and 23
- ❑ **Average order value on mace.com increased by 14% vs Q4 22,**
- ❑ Changes to the web site increased **the conversion rate** by 155% on the direct platform
- ❑ Launched a new line of business of **providing training to end consumers** in partnership with Legal Heat; targeting launch in Q2, '23
- ❑ Launched **F3 Mobile pepper spray** in Q4, 23; expected revenues in Q2, '23
- ❑ Targeting a **\$8MM pipeline of new opportunities** in '23

# The Opportunity



Home  
Sphere

128M households in America

Professional  
Sphere

5.6M employer firms in USA  
99.7% are less than 500 employees

Social  
Sphere

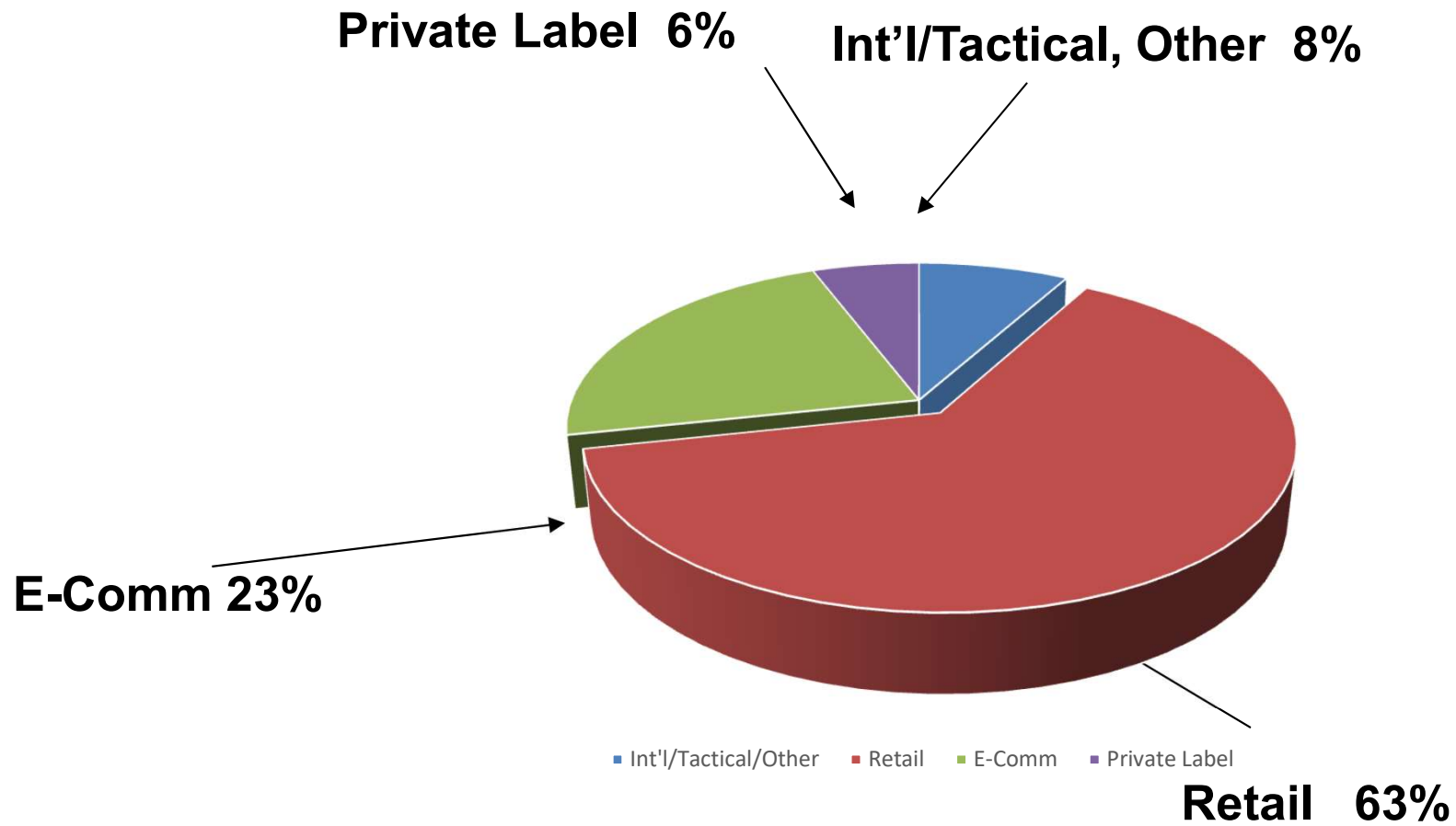
209M+ citizens over the age of 18

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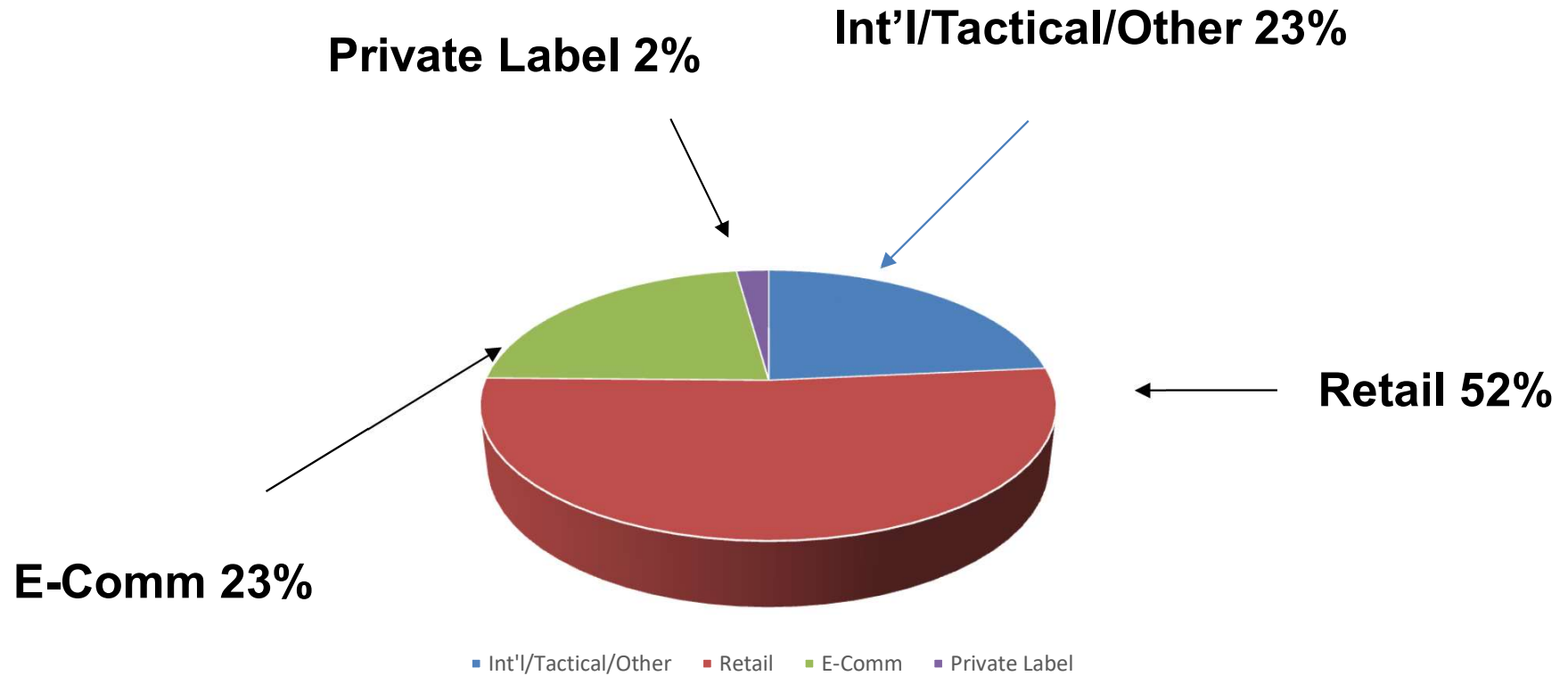
***Targeting \$8MM in incremental annualized revenues from retailers  
and direct to consumer channels in '23***



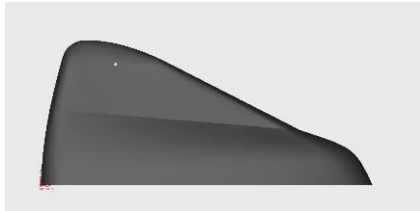
# 1Q23 Net Sales



# 1Q22 Net Sales



## Section 3 : New Products and Extensions to be introduced in Q4 2022 and beyond



### LEGAL HEAT

#### ***F3 Vehicle Defense System***

- Exclusive to Mace in commercial and civilian markets
- Envelops the outside of a passenger or commercial vehicle with Mace pepper spray to defend against carjacking, attacks, civil unrest.
- Launch Q1, '23
- \$249-\$299

#### ***Non-Lethal and Situational Awareness Training, In-Person and Online***

- *Courses under development right now*
- *Courses for civilians and law enforcement/security personnel*
- *Launch early 2023*
- \$25- \$65.00 per user



# Section 3 : New Products and Extensions introduced in 2022



## ***The Chameleon***

- 10 ft range
- Replaceable canister
- Change the look by changing the insert
- Made in USA
- \$9.99 @Mace.com



## ***The Personal Pocket***

- 10 ft range
- Replaceable canister
- Double safety to prevent mis-fires
- Unique design for accuracy
- Made in USA
- \$14.99 @ mace.com
- A best seller!!!



## ***The Twist Lock (2) Pack***

- 10 ft range
- Made in USA
- \$14.99 @ mace.com

# Focus and Objectives in 1H '23



- ❖ Obtain 60-day extension from current lender
- ❖ Obtain working capital financing
- ❖ Execute the \$1.2MM annualized cost reduction plan in Q2, '23
- ❖ Deep focus on retail; actions on \$8MM of identified opportunities
- ❖ Further penetrate international and expand domestic base business
- ❖ Mobilize revenues from Legal Heat and F-3 partnerships
- ❖ Increase DTC revenues via branding and awareness actions
- ❖ Targeting 2 new co-branding opportunities

# 2023 Targets\*



		2022		*Target (2023)	Notes
Core Metrics	Net Sales	\$8.8MM	➡	\$9.5MM - \$11.0MM	<ul style="list-style-type: none"> <li>Assumed a further decline of 15% in organic 2022 baseline revenues; revenues from 3 new retailers added in 2022; new retailers in 2023; new line of business plus new products in new segments;</li> </ul>
	Adj. EBITDA	(4.4%)	➡	5-15%	<ul style="list-style-type: none"> <li>Based on decline of 15% in organic plus new revenues and cost reductions</li> </ul>
	New Retailers	4	➡	4	<ul style="list-style-type: none"> <li>Assumes no <u>significant</u> further deterioration in the economy and foot traffic in stores</li> </ul>
	New line of Business	0	➡	\$0.5-1.0MM	<ul style="list-style-type: none"> <li>Assumes retailers are receptive to in-store training; included in the \$11MM target</li> </ul>
	New Products/Segments	4	➡	2	<ul style="list-style-type: none"> <li>Includes broader array of protection devices</li> </ul>
	New Int'l/ Mace.com sales	\$1.0MM	➡	\$1.0MM	<ul style="list-style-type: none"> <li>Included in the \$11MM target</li> </ul>

- Cost reductions have been identified and are being implemented
- Design and deploy training programs with LEGAL HEAT
- Design and deploy innovative co-branded partnerships that solve a significant problem

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*\* Mace does not provide forward guidance; the targets shown here are for informational purposes only*

