



# **4Q22 Highlights**

**May 12, 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 3Q22
- 4Q22 Overview
- Cash Flow 4Q22 vs 4Q21
- Select Financial Stats through 4Q22

# Economic Conditions

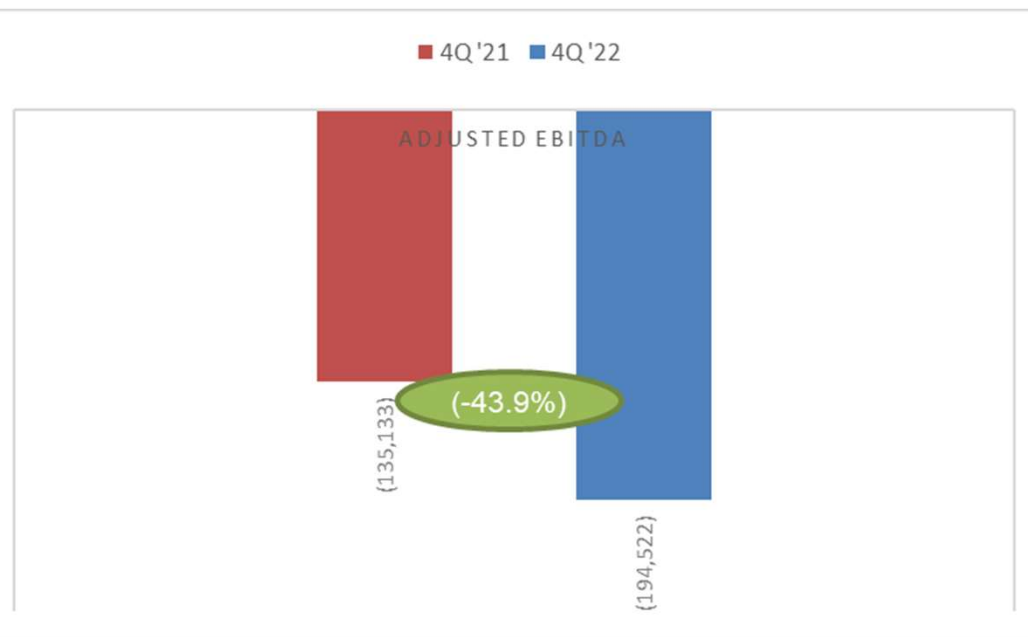
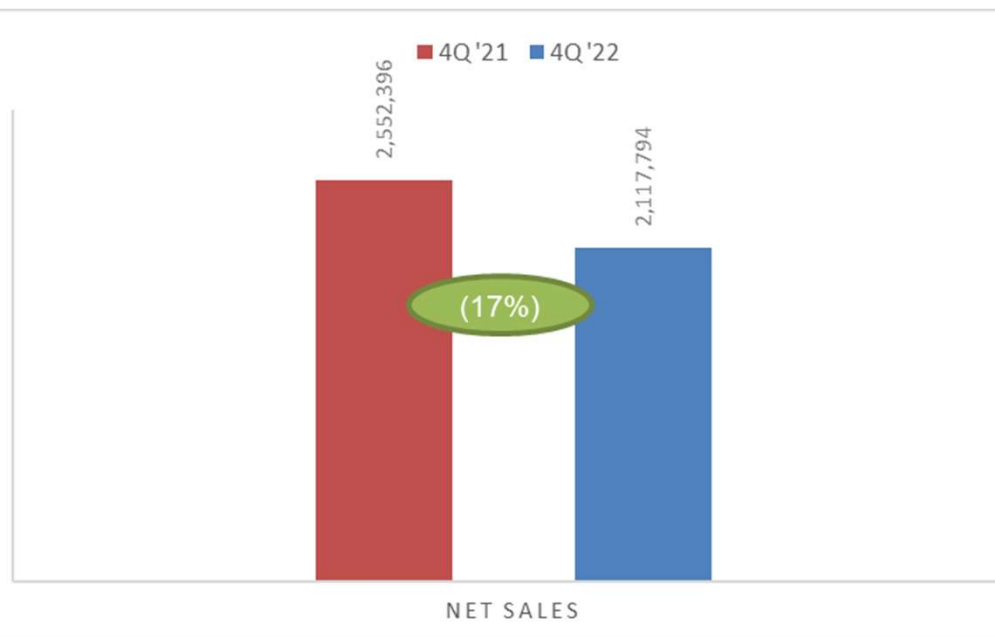
- ❑ **Revenue decreased** to \$2,118K or, 17% in Q4, 22 vs Q4, 21 mostly at two specific retailers as POS traffic and replenishment demand slowed due to high inventory levels
- ❑ **Revenues are generally lower** in the first and fourth calendar quarters
- ❑ **Inflation** of basic necessities changed buying patterns of consumers at most of our customers
- ❑ **Inventory** levels decreased by \$573K since December 31, 2021
- ❑ **Raw material, component and freight price increases** have now stabilized
- ❑ **Reduced four-wall manufacturing costs 12%** from 4Q21
- ❑ **Our break-even point at the EBITDA level is** as of 12/31/23 is \$9,000K in annual revenues
- ❑ Every incremental sales dollar generates an approximate **incremental 30% EBITDA**

# Key Financial Highlights 4Q22



- ❑ Net Sales of \$2,118K down 17%, versus 4Q21
  - 5% increase in sporting goods channel
  - Direct to consumer sales were up 64 % vs 4Q21
  - Slowdown in consumer impulse purchases due to inflation concerns and higher inventory levels led to significantly lower retail sales
  - 15% decrease in revenues when compared to Q3, 2022
- ❑ Gross Profit was \$695K, down 26% versus 4Q21 driven by lower revenues
- ❑ Gross Profit rate decreased to 32.8%, versus 36.7% in 4Q21 driven by lower revenues and the effect of inflation on component costs
- ❑ Adjusted SG&A expenses decreased by \$170K, versus 4Q21 adjusted SG&A
- ❑ Working Capital decreased by \$1,207K, compared with 4Q21
  - Increase in debt of \$515K, compared with 4Q21
  - Debt decreased by \$200K, compared with 3Q22
- ❑ Adjusted EBITDA for 4Q22 loss of (\$194K), versus a loss of (\$136K) in 4Q21
  - Transition payroll/temporary labor cost \$84K
  - Non-cash stock compensation \$51K

# 4Q22 OVERVIEW



- ❑ Net sales decreased by \$0.4MM as consumers reduce discretionary spending
- ❑ Direct to consumer sales increased by 64% at our online stores vs Q4,21
- ❑ Gross Margins degraded mostly due to operational inefficiencies driven by lower revenues and higher component costs
- ❑ Adjusted EBITDA a loss of (\$194K) vs. a loss of (\$136K) in Q4,21
- ❑ Adjusted S, G and A costs decreased by \$170K vs Q4,21



# Cash Flows 4Q '22 and 4Q '21



(\$ in 000's)	2022	2021	Incr.(Decr) in Cash
Net Income	\$ (1,738)	\$ 639	\$ (2,377)
Non-Cash Adjustments,			
Depreciation and amortization,			
Including right-of-use asset amortization	695	679	16
Stock-based compensation	199	220	(21)
Provision for obsolete Inventory	-	22	(22)
Provision for losses of Receivables	176	123	53
Gain on forgiveness of PPP Loan	-	(625)	625
Gain on extinguishment of debt	-	(8)	8
Change in operating assets and liabilities	149	(1,194)	1,343
Operating Cash Flow	(519)	(144)	(375)
Capital Expenditures	(153)	(191)	38
Free Cash Flow	\$ (672)	\$ (335)	\$ (337)



# Section 2 Sales & Marketing



- ❑ Added **three new retailers** in 2022 ( Mid-States, Cornwall, and Dollar General)
- ❑ Revenues from Dollar General will materialize in Q1 23 and onwards
- ❑ The program with **NAPA is on hold** at the moment
- ❑ **Expanded SKUs** at two existing retailers
- ❑ **Increased sessions** on mace.com vs Q4, 21 by 98% and **revenues by 57%**
- ❑ Changes to the web site increased **sessions on mace.com** by 28% vs Q3, 2022 and **conversion rate** by 62%
- ❑ 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

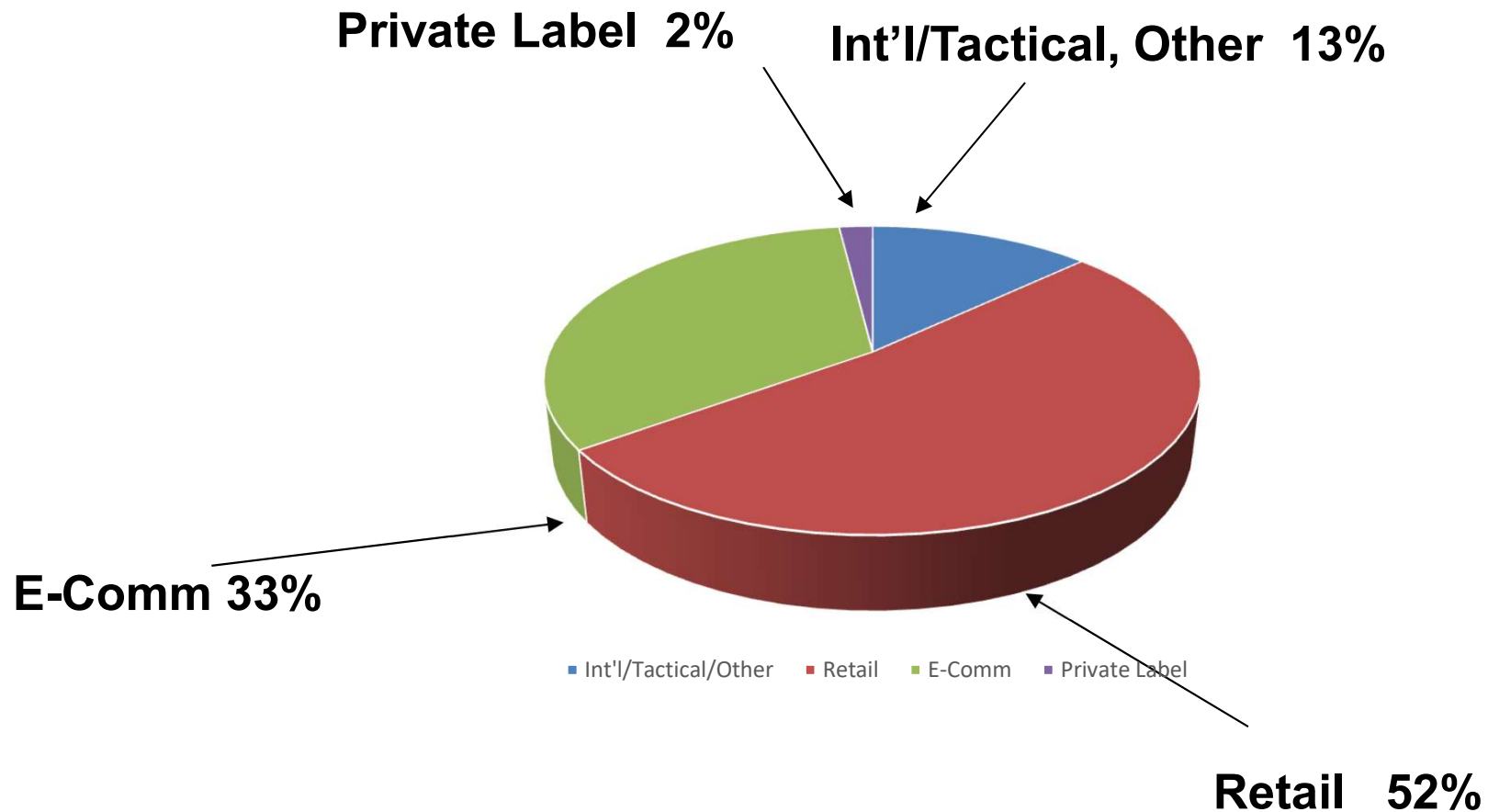
209M+ citizens over the age of 18

---

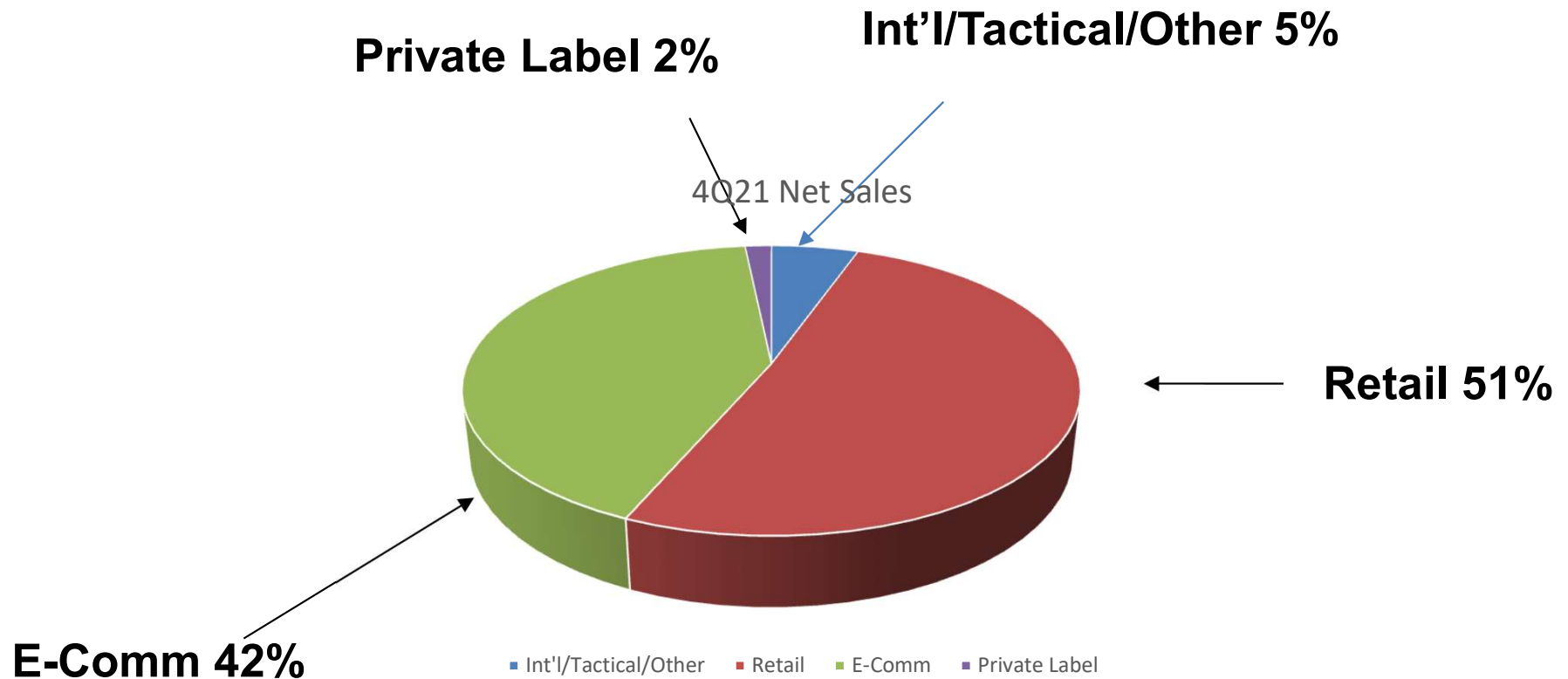
***Targeting \$8MM in incremental annualized revenues from retailers  
and direct to consumer channels in '23***



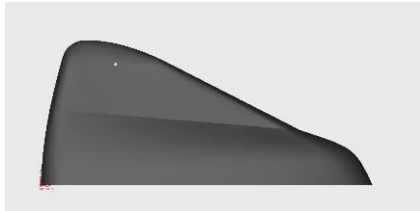
# 4Q22 Net Sales



# 4Q21 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 Pocket Hero***

- 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 working capital financing**
- ❖ Continue to reduce 4 wall costs to improve efficiencies and operate at **positive EBITDA levels**
- ❖ 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
- ❖ Target **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

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

16

