



Mace® Security International, a Global Leader in Personal Self-Defense Sprays, Announces 4Q22 Financial Results

CLEVELAND, Ohio, May 12, 2023 – Mace Security International (OTCQX: MACE) today announced its fourth quarter and year-to-date 2022 financial results for the periods ended December 31, 2022.

The Company's net sales for the fourth quarter were \$2,118,000, down 17% versus the like period in 2021. The decrease vs prior year is mostly the result of a continuing slowdown in retail impulse purchases seen in the last four quarters due to inflation concerns across all sectors, as well as inventory adjustments at several retailers. The decline vs prior year was partially alleviated in Q4, 2022 with a 64% growth in e-commerce platform sales and 382% increase in sales to international customers compared with Q4, 2021.

Mace reported a gross profit rate for the quarter of 33% vs 37% for the same quarter last year due to lower revenues and the effect of inflation on component costs. Increasing component and freight costs and the impact of lower sales, were partially offset by price increases, lower manufacturing overhead and improved labor efficiencies. SG&A expense of \$1,080,000 when adjusted for transition and non-cash costs was \$945,000 in the fourth quarter 2022 or \$170,000, or (15%), lower than the comparable SG&A expense in the fourth quarter of 2021 of \$1,115,000. The decrease in SG&A expenses is attributable to lower digital marketing expenditures and lower insurance expense due to favorable insurance post audit adjustments. The adjusted EBITDA for the quarter was a loss of (\$194,000) vs a loss of (\$136,000) in the same period 2021.

Sanjay Singh, Chairman and CEO commented, "We are extremely disappointed with the Q4, 2022 financial results of the company. We started the quarter with a profitable EBITDA cost structure. But revenues declined further by 15% when compared to Q2, 2023. Orders from two of our larger customers declined by double digits. We do not expect these economic trends to improve in the foreseeable future. Positive trends included the sporting goods segment, which accounts for roughly 25% of total revenues, saw revenues increase by 69% vs the second quarter. Also, sales on Mace.com were up significantly when compared to the same quarter last year due to an increase in conversions and visitors resulting from changes to the web site and sales promotions. Also encouraging were the announcements of F3, Legal Heat, Mid-States, Cornwell and Dollar General being added to our revenue portfolio, the benefits of which should begin to play out over the next several quarters. Our focus now is to obtain another source of capital, continue to land new revenue opportunities and reduce costs further to get us to a positive EBITDA in the foreseeable future."

Fourth Quarter 2022 Financial Highlights

- Net sales were \$2,118,000, down (17%) from the fourth 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. Mace did achieve significant growth of 10% in sales on www.mace.com, 29% in e-commerce platform sales and 271% in sales to international customers vs the third quarter of 2022.
- Gross profit rate of 33% decreased 4% 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 12% reduction in four-wall manufacturing costs on a quarter-

over-quarter basis. This bodes well for margin improvement as revenue recovers. Product margins decreased over the fourth 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 fourth quarter decreased by \$243,000, or 26%, from the fourth quarter of 2021, due primarily to the decline in sales volume and increased component and freight costs.
- SG&A when adjusted for (a) \$84,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (b) non-cash stock compensation expense of \$51,000 was \$945,000 in the fourth quarter of 2022, compared to SG&A when adjusted for \$65,000 of non-cash stock compensation expense was \$1,115,000 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 (\$468,000) in the fourth quarter of 2022, compared with net loss of (\$314,000) in the same quarter in 2021.
- Cash and cash equivalents decreased to \$62,000 as of December 31, 2022, a decline of \$177,000 over the \$239,000 on hand on December 31, 2021. \$515,000 was drawn against the Company's \$3,000,000 bank line of credit at December 31, 2022, a \$200,000 reduction from the \$715,000 drawn against the line of credit at September 30, 2022.
- Working capital decreased by \$1,207,000 compared to December 31, 2021, with an increase in debt of \$515,000 and a \$402,000 decrease in accounts receivable on lower sales. Inventories decreased \$573,000, and accounts payable decreased \$335,000. Inventory converted to finished goods ready for shipping as sales volume picks up decreased (\$52,000), while raw material inventory declined (\$521,000), compared with December 31, 2021.
- Adjusted EBITDA for the fourth quarter 2022 was a loss of (\$194,000) and excludes transition payroll/temporary labor costs associated with the Company optimizing its headcount and non-cash stock compensation expense. Adjusted EBITDA for the fourth quarter 2021 was a loss of (\$136,000).

Fourth Quarter 2022 Operational Highlights

- The modifications implemented to its operational cost structure during the second half of 2021, partially offset the decrease in Q4 2022 gross margin driven by higher freight and component cost and lower sales, compared with Q4 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 December 2022 Financial Highlights

- Net Sales of \$8,758,000 decreased by \$4,314,000, or 33%, versus same period 2021 net sales of \$13,072,000 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 decreased to 38% for 2022, compared to 39% for the same period in 2021. Price increases, lower manufacturing overhead and higher labor efficiencies were offset by the impact of lower sales volume and increasing component and freight costs.

- SG&A when adjusted for (a) \$220,000 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) \$226,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (d) non-cash stock compensation expense of \$199,000 was \$3,949,000 in 2022, compared to SG&A when adjusted for \$220,000 of non-cash stock compensation expense was \$4,533,000 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 in 2022 was \$1,738,000, a decrease of \$2,377,000 over net income of \$639,000 2021. The 2021 net income was enhanced by a \$625,000 gain from PPP Loan forgiveness.
- Adjusted EBITDA for 2022 was a loss of (\$382,000) 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 2021 was income of \$739,000 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 fourth quarter 2022 earnings conference call on Monday, May 15, 2023 at 11:00 AM EDT, 8:00 AM PDT. The earnings conference call can be joined by using the following link to have the conference call you. Simply click the link below and enter your information to be connected: https://event.webcasts.com/starthere.jsp?ei=1610050&tp_key=3f5dd8a5ce

The link becomes active 15 minutes prior to the scheduled start time. Or you may dial in to the conference call directly via phone. To dial in, please call 800-289-0462 or +1 323-794-2095 and enter passcode 646848# when prompted.

The full set of Q4 2022 financial statements and the slide presentation accompanying the May 15, 2023 earnings conference call will be available after the market closes on May 12, 2023, on Mace's website 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, KUROS!® 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.

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)

	Three Months Ended December 31,	
	2022	2021
Net sales	\$ 2,118	\$ 2,553
Cost of goods sold	1,423	1,615
Gross profit	695	938
Selling, general, and administrative expenses	1,080	1,180
Amortization of intangible assets	65	65
Operating loss	(450)	(307)
Interest expense	(18)	(10)
Other expense, net	-	(1)
Loss before income tax provision	(468)	(318)
Income tax benefit	-	(4)
Net loss	\$ (468)	\$ (314)
Net income (loss) per share		
Basic	\$ (0.01)	\$ -
Diluted	\$ (0.01)	\$ -
Weighted average number of common shares (basic)	65,011,166	64,670,092
Weighted average number of common shares (diluted)	65,011,166	64,804,741

Mace Security International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year Ended December 31,	
	2022	2021
Net sales	\$ 8,758	\$ 13,072
Cost of goods sold	5,417	8,014
	3,341	5,058
Gross profit		
Selling, general, and administrative expenses	4,760	4,753
Amortization of intangible assets	260	294
	(1,679)	11
Operating income (loss)		
Interest expense	(71)	(25)
Gain on forgiveness of PPP Loan and accrued interest	-	625
Gain on extinguishment of debt	-	8
Other income, net	12	28
	(1,738)	647
Income (loss) before income tax provision		
Income tax provision	-	8
	\$ (1,738)	\$ 639
Net income (loss)		
Net income (loss) per share		
Basic	\$ (0.03)	\$ 0.01
Diluted	\$ (0.03)	\$ 0.01
Weighted average number of common shares (basic)	64,882,655	64,505,716
Weighted average number of common shares (diluted)	64,882,655	64,937,285

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

ASSETS	December 31, 2022	December 31, 2021
	2022	2021
Current assets:		
Cash and cash equivalents	\$ 62	\$ 239
Accounts receivable, less allowance for doubtful accounts of \$257 and \$586 at December 31, 2022 and December 31, 2021, respectively	1,105	1,570
Inventories	4,138	4,711
Other current assets	502	492
Total current assets	5,807	7,012
Property and equipment:		
Buildings and leasehold improvements	260	260
Machinery and equipment	2,387	2,234
Furniture and fixtures	111	111
Total property and equipment	2,758	2,605
Accumulated depreciation and amortization	(2,297)	(2,096)
Total property and equipment, net	461	509
Operating lease - right-of-use asset, net of amortization	1,335	334
Finance lease - right-of-use asset, net of amortization	50	66
Goodwill	1,031	1,031
Intangible assets, net	1,833	2,093
Other non-current assets	14	14
Total other assets	4,263	3,538
Total assets	\$ 10,531	\$ 11,059

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

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2022	December 31, 2021
	2022	2021
Current liabilities:		
Line of credit	\$ 515	\$ -
Current operating lease obligations	198	227
Current finance lease obligations	16	16
Accounts payable	520	855
Income taxes payable	55	59
Accrued expenses and other current liabilities	379	524
Total current liabilities	1,683	1,681
Non-current operating lease obligations	1,143	118
Non-current finance lease obligations	34	50
Total liabilities	2,860	1,849
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized 10,000,000 shares, no shares issued and outstanding at December 31, 2022 and December 31, 2021	-	-
Common stock, \$.01 par value; authorized 100,000,000 shares, issued shares of 65,039,030 and 64,703,965, at December 31, 2022 and December 31, 2021, respectively	650	647
Additional paid-in capital	104,018	103,822
Accumulated deficit	(96,975)	(95,237)
	7,693	9,232
Less treasury stock at cost, 90,548 shares at December 31, 2022 and December 31, 2021	(22)	(22)
Total shareholders' equity	7,671	9,210
Total liabilities and shareholders' equity	\$ 10,531	\$ 11,059

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

	Three Months Ended	
	December 31,	
	<u>2022</u>	<u>2021</u>
Net income (loss)	\$ (468)	\$ (314)
Adjustments:		
Interest expense	18	10
Income tax expense	-	(4)
Depreciation and amortization	121	107
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EBITDA	<u>(329)</u>	<u>(201)</u>
Strategic alternative review related legal costs and EPA costs	-	-
Transition payroll/temporary labor costs	84	-
Non-cash stock compensation expense	51	65
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Adjusted EBITDA	<u><u>\$ (194)</u></u>	<u><u>\$ (136)</u></u>

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

	Year Ended December 31,	
	2022	2021
Net income (loss)	\$ (1,738)	\$ 639
Adjustments:		
Interest expense	71	25
Income tax expense	-	8
Depreciation and amortization	461	450
	(1,206)	1,122
EBITDA		
Gain on forgiveness of PPP Loan and accrued interest	-	(625)
Gain on extinguishment of debt	-	(8)
Severance	233	30
Strategic alternative review related legal costs and EPA costs	166	-
Transition payroll/temporary labor costs	226	-
Non-cash stock compensation expense	199	220
	\$ (382)	\$ 739
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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