



Mace® Security International, a Global Leader in Personal Self-Defense Sprays, Announces 1Q23 Financial Results

CLEVELAND, Ohio, May 23, 2023 – Mace Security International (OTCQX: MACE) today announced its first quarter 2023 financial results for the periods ended March 31, 2023.

The Company's net sales for the first quarter of 2023 were \$1,662,000, down (23%) versus the like period in 2022. The decrease vs prior year is mostly the result of component shortages, a continuing slowdown in retail impulse purchases seen in 2022 due to inflation concerns across all sectors and paring back of inventory at several retailers. The decline vs prior year was partially alleviated in Q1, 2023 with a 64% growth in e-commerce sales compared with Q1, 2022. 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.

Mace reported a gross profit rate for the quarter of 25% vs 42% for the same quarter last year due to lower revenues, unfavorable lower margin channel mix and the effect of inflation on component costs. SG&A expense of \$1,068,000 when adjusted for non-cash costs and severance was \$1,016,000 in the first quarter 2023 or \$117,000, or (10%), lower than the comparable SG&A expense in the first quarter of 2022 of \$1,133,000. The decrease in SG&A expenses is attributable to lower research and development, advertising, legal and professional expenses. The adjusted EBITDA for the quarter was a loss of (\$550,000) vs a loss of (\$191,000) in the same period 2022.

Sanjay Singh, Chairman and CEO commented, "We are extremely disappointed yet again with the Q1, 2023 financial results of the Company. The pullback in order by our larger retailers continued this quarter. Orders from one of our top customers declined by 76% which caused our plant fixed cost leverage to be unfavorable causing overall gross margins to decline also. Our direct-to-consumer revenues increased by 64%. Our first order to Dollar General shipped in March. All these factors resulted in a net sales decline of 23%. We have a cost reduction plan that is in place now to achieve break even EBITDA results in the coming months. The order trends in Q2 have improved a bit but it is hard to tell if we have reached the bottom of the cycle of paring back of inventory levels by our retail customers. Gross margin rates through cost of goods sold are back to our normal levels. Our top priorities are to obtain another source of capital, continue to land new revenue opportunities and complete the execution of the cost reduction plan to get us to a minimum breakeven EBITDA in the coming months."

The Company is pleased to announce the appointment of John DiMare as its Corporate Controller. John brings with him a multinational finance background with medium to large sized businesses within Northeast Ohio. Sanjay Singh, Chairman and CEO commented, "We are excited and welcome John to Mace. John brings to us deep operations-focused experience. His immediate priority during the first 100 days will be to execute on the cost reductions plans while working very closely with all the other functions of the Company and bring our lending processes to a close."

First Quarter 2023 Financial Highlights

- Net sales were \$1,662,000, down (23%) 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 36% in sales on www.mace.com, 124% on e-commerce platform sales vs the first quarter of 2022. Net sales were negatively impacted by a 200-basis point sales allowance recognized for a new customer in Q1 2023.
- Gross profit for the first quarter of 2023 decreased by \$489,000, or 54%, from the first quarter of 2022. Gross profit rate of 25% in the first quarter of 2023 decreased 17% from the same period in 2022 on (i) decreased sales volume, (ii) unfavorable channel sales mix, (iii) higher freight and component costs due to inflation and (iv) 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. The modifications implemented to its operational cost structure during the second half of 2021 led to a 7% reduction in four-wall manufacturing costs on a quarter-over-quarter basis. This bodes well for margin improvement as revenue recovers.
- SG&A when adjusted for (a) non-cash stock compensation expense of \$52,000 was \$1,016,000 in the first quarter of 2023, compared to SG&A when adjusted for \$60,000 of non-cash stock compensation expense and \$220,000 of severance was \$1,133,000 in the same period in 2022. 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 (\$747,000) in the first quarter of 2023, compared with net loss of (\$584,000) in the same quarter in 2022.
- Cash and cash equivalents increased to \$431,000 as of March 31, 2023, an increase of \$369,000 over the \$62,000 on hand on December 31, 2022. \$1,500,000 was drawn against the Company's \$3,000,000 bank line of credit at March 31, 2023.
- Working capital decreased by \$594,000 compared to December 31, 2022, with an increase in debt of \$985,000 and a \$402,000 decrease in accounts receivable on lower sales. Inventory converted to finished goods ready for shipping as sales volume picks up increased \$1,000, while raw material inventory increased \$105,000, compared with December 31, 2022.
- Adjusted EBITDA for the first quarter 2023 was a loss of (\$550,000) and excludes non-cash stock compensation expense. Adjusted EBITDA for the first quarter 2022 was a loss of (\$191,000).

First Quarter 2023 Operational Highlights

- The modifications implemented to its operational cost structure during the second half of 2021, partially offset the decrease in Q1 2023 gross margin driven by higher freight and component cost, lower sales, and lower plant efficiencies compared with Q1 2022. 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.

Earnings Conference Call

Mace® will conduct its first quarter 2023 earnings conference call on Thursday, May 25, 2023 at 11:00 AM EDT, 8:00 AM PDT. A separate release will be issued regarding the first quarter 2023 investor call.

The full set of Q1 2023 financial statements is available on Mace's website www.corp.mace.com under the subheading "Financial Reports and Filings." The Q1 2023 Financial Overview slide presentation will be available after the market closes on May 25, 2023, on Mace's website www.corp.mace.com under the subheading "Presentations."

The Company's Q1 2023 financial statements were required to be filed with the OTCQX by May 15, 2023. Due to the delay in filing the Company's 2022 financial statements, the Company was unable to file its Q1 2023 financial statements by the required due date. A Notification of Late Filing was filed with the OTCQX on May 15, 2023 and as a result, the Company was provided an additional 5 days to file its Q1 2023 financial statements. Consequently, the Company filed its Q1 2023 financial statements on May 22, 2023 to comply with the OTCQX's filing requirements.

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.

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 March 31,	
	2022	2021
Net sales	\$ 1,662	\$ 2,156
Cost of goods sold	1,252	1,257
Gross profit	410	899
Selling, general, and administrative expenses	1,068	1,413
Amortization of intangible assets	65	65
Operating loss	(723)	(579)
Interest expense	(24)	(5)
Loss before income tax provision	(747)	(584)
Income tax provision	-	-
Net loss	\$ (747)	\$ (584)
Net loss per share		
Basic	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.01)	\$ (0.01)
Weighted average number of common shares (basic)	65,144,030	64,741,268
Weighted average number of common shares (diluted)	65,144,030	64,741,268

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

ASSETS	March 31, 2023 (unaudited)	December 31, 2022
Current assets:		
Cash and cash equivalents	\$ 431	\$ 62
Accounts receivable, less allowance for doubtful accounts of \$227 and \$257 at March 31, 2023 and December 31, 2022, respectively	1,119	1,105
Inventories	4,244	4,138
Other current assets	435	502
Total current assets	6,229	5,807
Property and equipment:		
Buildings and leasehold improvements	260	260
Machinery and equipment	2,406	2,387
Furniture and fixtures	111	111
Total property and equipment	2,777	2,758
Accumulated depreciation and amortization	(2,354)	(2,297)
Total property and equipment, net	423	461
Operating lease - right-of-use asset, net of amortization	1,283	1,335
Finance lease - right-of-use asset, net of amortization	45	50
Goodwill	1,031	1,031
Intangible assets, net	1,768	1,833
Other non-current assets	14	14
Total other assets	4,141	4,263
Total assets	\$ 10,793	\$ 10,531

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2023 (unaudited)	December 31, 2022
Current liabilities:		
Line of credit	\$ 1,500	\$ 515
Current operating lease obligations	206	198
Current finance lease obligations	15	16
Accounts payable	644	520
Income taxes payable	55	55
Accrued expenses and other current liabilities	279	379
Total current liabilities	2,699	1,683
Non-current operating lease obligations	1,088	1,143
Non-current finance lease obligations	30	34
Total liabilities	3,817	2,860
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized 10,000,000 shares, no shares issued and outstanding at March 31, 2023 and December 31, 2022	-	-
Common stock, \$.01 par value; authorized 100,000,000 shares, issued shares of 65,179,030 and 65,039,030, at March 31, 2023 and December 31, 2022, respectively	652	650
Additional paid-in capital	104,068	104,018
Accumulated deficit	(97,722)	(96,975)
	6,998	7,693
Less treasury stock at cost, 90,548 shares at March 31, 2023 and December 31, 2022	(22)	(22)
Total shareholders' equity	6,976	7,671
Total liabilities and shareholders' equity	\$ 10,793	\$ 10,531

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

	Three Months Ended	
	March 31,	
	2023	2022
Net loss	\$ (747)	\$ (584)
Adjustments:		
Interest expense	24	5
Income tax expense	-	-
Depreciation and amortization	121	108
	(602)	(471)
EBITDA		
Severance	-	220
Non-cash stock compensation expense	52	60
	52	280
Adjusted EBITDA	\$ (550)	\$ (191)

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.

Contact:
Investor Relations
InvestorRelations@mace.com