



## **2Q23 Highlights**

**August 21, 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 2H 2023**

# Section 1 Finance

- Economic Conditions and Revenue
- Key Financial Highlights 2Q23
- 2Q23 Overview
- Cash Flow 2Q23 vs 2Q22
- Select Financial Stats through 2Q23

# Economic Conditions

- ❑ Revenue decreased to \$1,753K or, 12% in Q2, 23 vs Q2, 22 ( \$228K) and increased 5% vs Q1, 23
- ❑ Most of the decreases were due to customers paring back their inventory
- ❑ Continuing slowdown in retail impulse purchases due to inflation concerns across all sectors and paring back of inventory at several retailers.
- ❑ Mace Brand's inventory levels decreased by \$731K since December 31, 2021, and decreased by \$158K vs Q4, '22
- ❑ Adjusted S, G and A Costs were \$854K in Q2, 23 vs. \$973K in Q2, 22 and \$1,016 in Q1, '23
- ❑ **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 34% EBITDA**

# Key Financial Highlights 2Q23



## ❑ Net Sales of \$1,753K down 12%, versus 2Q22

- Direct to consumer sales on the Company's e-commerce platforms were up 20 % vs 2Q22
- 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 in 2Q23 were comparable to 2Q22
- Private label channel sales were down 28% vs 2Q22
- International channel sales were up 88% vs 2Q22

## ❑ Gross Profit was \$518K, down 34% versus 2Q22 driven by decreased sales volume and lower plant efficiencies as inventories were consumed to increase cash flows

## ❑ Gross Profit rate decreased to 29.6%, versus 39.7% in 2Q22 driven by

- Decreased sales volume causing unfavorable fixed cost leverage
- Unfavorable channel sales mix – higher revenues of lower margin channel
- Higher component costs due to inflation
- Lower plant efficiencies

## ❑ Adjusted SG&A expenses decreased by \$119K, versus 2Q22 adjusted SG&A

## ❑ Working Capital decreased by \$1,068K, compared with 4Q22

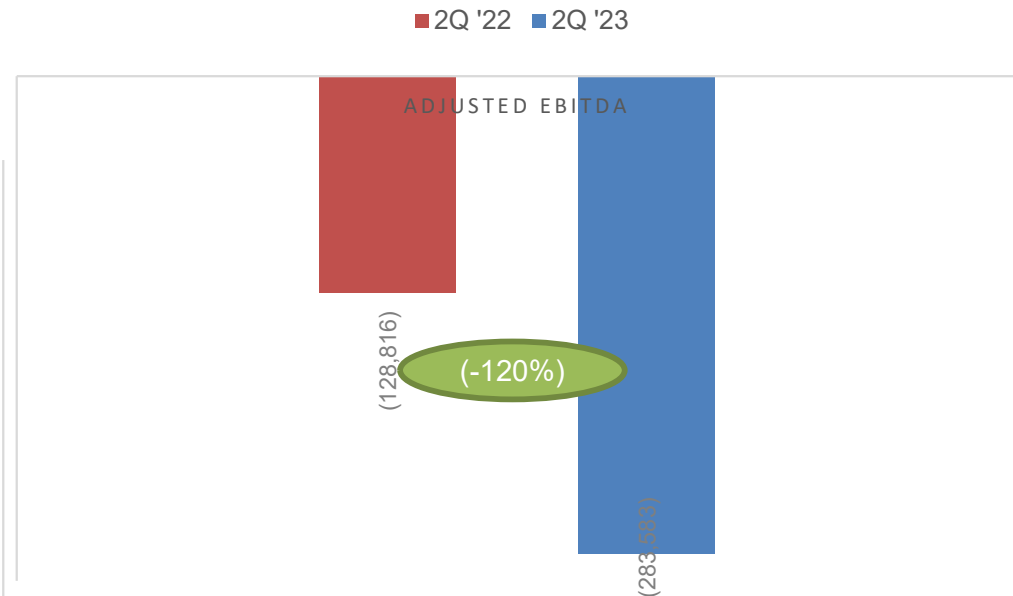
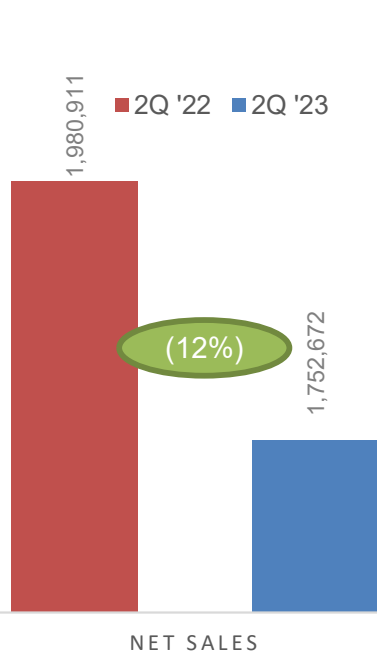
- Increase in cash of \$315K, compared with 4Q22
- Debt increased by \$985K, compared with 4Q22

## ❑ Adjusted EBITDA for 2Q23 loss of (\$283K), versus a loss of (\$116K) in 2Q22

- Non-cash stock compensation \$47K and \$50K in 2Q23 and 2Q22, respectively
- Non-recurring legal and professional expense \$97K and \$110K in 2Q23 and 2Q22, respectively
- Transition personnel/temporary labor \$52K and \$45K in 2Q23 and 2Q22, respectively



# 1Q23 OVERVIEW



- ❑ Net sales decreased by (\$228K) as retailers reduced inventories
- ❑ Direct to consumer sales increased by 20% at our online stores vs Q2,22
- ❑ Gross Margins degraded mostly due to operational inefficiencies driven by lower revenues
- ❑ Adjusted EBITDA a loss of (\$283K) vs. a loss of (\$116K) in Q2,22
- ❑ Adjusted S, G and A costs decreased by \$119K vs Q2,22



# Cash Flows 2Q '23 and 2Q '22



(\$ in 000's)	2023	2022	Variance in Cash
Net loss	\$ (1,376)	\$ (1,036)	\$ (340)
Non-Cash Adjustments,			
Depreciation and amortization,			
Including right-of-use asset amortization	355	337	18
Stock-based compensation	101	110	(9)
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 **five new retailers** in the last twelve months ( Mid-States, Cornwall, Surge Pays, Meyer Distributors and Dollar General)
- ❑ Impact of the above is anticipated to be stronger in 2H'23
- ❑ **Expanded SKUs** at **three** existing retailers will be shipped in 2H, 2023 and beyond
- ❑ **DTC revenues increased by 20% vs Q2, 22**
- ❑ Will launch a new line of business of **providing training to end consumers** in partnership with Legal Heat/US Lawshield on September 1, 2023
- ❑ Launched **F3 Mobile pepper spray** in Q4, 22; expected revenues in 2H, '23
- ❑ Targeting a **\$3.8MM pipeline of new opportunities** in 2H, '23

## 2H and 2024 Sales Targets and Pipeline



<u>Channel</u>	<u>2023 FY based on 1H</u>	<u>New business Target 2H '23</u>	<u>New business pipeline 2H '23</u>	<u>New business Target 2024</u>	<u>New Pipeline 2024</u>
New ventures, DTC, Private Label, International	\$2,638,026	\$600,000	\$1,800,000	\$950,000	\$2,850,000
Retail *	\$2,698,952	\$64,000	\$250,000	\$5,582,500	\$3,777,500
Base Business	\$1,520,836	\$180,000	\$1,000,000	\$600,000	\$400,000
Total	\$6,857,814	\$844,000	\$3,050,000	\$7,132,500	\$7,027,500
2023 FY Gross Sales of \$7MM - 8MM					



## Section 3 : New Products/Extensions And Services introduced in 2022 and launching in 2023



### **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



### **The Chameleon**

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

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

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



### **The Personal Pocket**

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



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

- Courses under development right now
- Courses for civilians and law enforcement/security personnel
- Launch September 2023
- \$25- \$65.00 per user
- Previously, Legal Heat



## Section 3 : New Product and Services Under Evaluation \*



<u>Project Name</u>	<u>Timing</u>	<u>Year 1 Annual Revenues\$\$</u>	<u>Price tier/unit</u>	<u>Segment</u>
Dog Leash with airhorn	Q3, 23	\$ 300,000	\$25	Outdoor
Training	Q3, '23	\$ 500,000	\$15-\$25	Civilian, Security experts, B2B
Project K	Q3 '23	\$ 500,000	\$75	DTC
Project SG	Q4 '23	\$ 1,000,000	\$350	DTC
Project S	Q1'24	\$ 450,000	\$500	B2B
Project 4	Q1, '24	\$ 800,000	\$70	D2C, Retail
Project H	Q2, '24	\$ 1,000,000	\$50	B2B
Project NB	Q3, '24	\$ 1,500,000	\$50	Outdoor
Total		<u>\$ 6,050,000</u>		

*\*The dog leash and Training programs are already in play*



## Mace's 2H Strategy and Playbook



- ✓ **EBITDA** : Stabilize EBITDA to a minimum breakpoint level at a “no good news” gross sales levels of \$650K
- ✓ **Working Capital** : Source ABL funding to pay off 5/3<sup>rd</sup> bank by or before 09/30/23
- ✓ **Revenues** : Identify and execute on new sales and product opportunities by segment during the slow period until organic revenues are back at somewhat normal levels
- ✓ **Gross Profits** : Reduce COGS through procurement actions, insourcing and improved labor efficiencies
- ✓ **S, G and A** : Reduce costs that are not generating positive cash flow ( except for compliance related costs)
- ✓ **Inventory** : Use excess inventory to reduce cash inventory purchases



# 2023 Targets\*



		2022		*Target (2023)	Notes
Core Metrics	Net Sales	\$8.8MM	➡	\$7-8MM	<ul style="list-style-type: none"> <li>Assumed a further decline of 12% in organic 2022 baseline revenues based on LTM order trends</li> </ul>
	Adj. EBITDA	(4.4%)	➡	0-5%	<ul style="list-style-type: none"> <li>Based on decline of 12% in organic sales plus 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 Net sales target</li> </ul>
	New Products/Segments	4	➡	4	<ul style="list-style-type: none"> <li>Includes broader array of protection devices/services</li> </ul>

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

