



August 14, 2023

Mace® Security International, a Global Leader in Personal Self-Defense Sprays, Announces 2Q23 Financial Results

CLEVELAND, Ohio, August 14, 2023 – Mace Security International (OTCQB: MACE) today announced its second quarter and year-to-date 2023 financial results for the periods ended June 30, 2023.

The Company's net sales for the second quarter were \$1,753,000, down 12% versus the like period in 2022, and up 5 % versus 1Q 2023. The quarterly year over year decrease is mostly the result of a slowdown in retail impulse purchases that began in 2022 due to inflation concerns across all sectors and paring back of inventory at several retailers. The decline was partially alleviated by an 88% growth in sales to Mace's international customers and a 20% increase in sales on the Company's e-commerce platforms. The increase vs Q1, 2023 is mostly due to increased sales to international customers and business-to-business customers.

Mace reported a gross profit rate for the quarter of 29.5% vs 39.7% for the same quarter last year, and, 24.7% in Q1, 2023. Lower sales, component and freight price increases, and lower fixed overhead leverage due to lower production volumes because of the Company's focus on reducing excess inventories in order to improve cash flow, have led to the decrease in gross margin. Adjusted SG&A expenses, net of transition, non-recurring legal and professional and non-cash costs decreased to \$854,000 in the second quarter 2023, compared with \$973,000 in the second quarter 2022, and \$1,016,000 in Q1, 2023. The decrease in SG&A expenses is attributable to lower salaries and related benefits expense and lower advertising expense. The adjusted EBITDA for the quarter was a loss of (\$283,000) vs a loss of (\$116,000) in the same period 2022 and a loss of (\$550,000) in Q1, 2023.

Sanjay Singh, Chairman and CEO commented, "The cost reductions initiated earlier in the year helped reduce the losses in Q2 2023 by \$267,000 or 48% when compared to Q1, 2023. Net sales were up 5% when compared to Q1, 2023 mostly due to an increase in orders from our international and business-to-business customers. Dollar General has been successful in rolling out our products to 60% of the stores. We expect to see higher order volumes from Dollar General in the back half of the year. Our new training line of business is expected to launch in the coming weeks also. Our overall focus to execute on new ventures is critical as the organic business is showing a slower than expected pace of recovery. The Company has not increased its borrowings against its line since February 7, 2023. The Company is working on replacing its existing credit facility in the coming weeks."

Second Quarter 2023 Financial Highlights

- Net sales were \$1,753,000, down (12%) from the second quarter of 2022 net sales of \$1,981,000. The decline from prior year was 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. Mace did achieve significant growth of 88% in its international shipments and 20% increase in sales on the Company's e-commerce platforms over the same period in 2022.
- Gross profit rate of 29.5% decreased from 39.7% in the same period in 2022. Lower sales, component and freight price increases, and lower labor efficiencies led to the decrease in gross margin.

- Gross profit for the second quarter decreased by \$269,000, or 34%, from the second quarter of 2022, primarily due to the decline in sales volume and increased component and freight costs.
- SG&A when adjusted for (a) \$97,000 in non-recurring legal and professional expenses, (b) \$52,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (c) non-cash stock compensation expense of \$47,000 was \$854,000 in the second quarter of 2023, compared to SG&A of \$973,000 in the second quarter of 2022 when adjusted for (a) \$110,000 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, (b) \$45,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (c) non-cash stock compensation expense of \$50,000.
- Net loss of (\$629,000) in the second quarter of 2023, compared with net loss of (\$452,000) in the same quarter in 2022.
- Cash and cash equivalents increased to \$377,000 as of June 30, 2023, an increase of \$315,000 over the \$62,000 on hand on December 31, 2022. \$1,500,000 was drawn against the Company's bank line of credit at June 30, 2023.
- Working capital decreased by (\$1,068,000) compared to December 31, 2022, with an increase in debt of \$985,000, a decrease of (\$164,000) in accounts receivable on lower sales, a decrease of (\$158,000) in inventory and a decrease of (\$205,000) in accrued expenses due to timing of payments.
- Adjusted EBITDA for the second quarter 2023 was a loss of (\$283,000) and excludes non-recurring legal and professional expenses, transition payroll/temporary labor costs associated with the Company optimizing its headcount and non-cash stock compensation expense. Adjusted EBITDA for the second quarter 2022 was a loss of (\$116,000) and excludes severance pay, 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.

Second Quarter 2023 Operational Highlights

- Four-wall manufacturing costs in the second quarter 2023 were comparable to those in the second quarter of 2022.
- On July 31, 2023, the Company's \$1,500,000 line of credit with a bank was amended to extend the maturity date from July 31, 2023 to September 30, 2023. This amendment provides for the increase in the interest rate to SOFR plus 6%, from SOFR plus 4% and the facility reduces to \$1,250,000 on and after September 1, 2023.
- On July 27, 2023, the Company closed its non-brokered private placement of unsecured convertible notes with board members and shareholders. The convertible notes have an aggregate principal amount of \$590,000 and have a two-year term, 10% per annum simple interest and are convertible into common shares of the Company at a conversion price of \$0.0852 per common share equivalent to a 20% premium of the share price in the last 60 trading days prior to the closing date.

Year-to-Date June 2023 Financial Highlights

- Net Sales in the first half of 2023 of \$3,414,000 decreased by \$723,000, or 17.5%, versus the first half of 2022 net sales of \$4,137,000 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 and paring back of inventory at several retailers.

- Gross profit rate decreased to 27.2% for the first half of 2023 compared to 40.8% for the same period in 2022 primarily due to lower sales, component and freight price increases, and lower manufacturing efficiencies.
- SG&A in the first half of 2023 when adjusted for (a) \$97,000 in non-recurring legal and professional expenses, (b) \$52,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (c) non-cash stock compensation expense of \$99,000 was \$1,870,000 in the first half of 2023, compared to SG&A when adjusted for (a) \$220,000 in personnel related expenses for the transition in Mace's CEO role, (b) \$110,000 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, (c) \$45,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (d) non-cash stock compensation expense of \$110,000 was \$2,106,000 in the first half of 2022.
- Net loss in the first half of 2023 was (\$1,376,000), a decrease of \$340,000 over net loss of (\$1,036,000) in the first half of 2022.
- Adjusted EBITDA for the first half of 2023 was a loss of (\$833,000) and excludes non-recurring legal and professional expenses, transition payroll/temporary labor costs associated with the Company optimizing its headcount and non-cash stock compensation expense. Adjusted EBITDA for the first half 2022 was a loss of (\$306,000) and excludes severance pay, 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.

Annual Meeting and Presentation

The Company will hold its Annual Meeting of Shareholders at the Company's facility at 4400 Carnegie Ave. Cleveland, OH 44103 on Tuesday, August 22, 2023 at 11:00 a.m. EDT. The Company is offering shareholders the ability to view the meeting via Zoom. To view the meeting via Zoom, please go to www.zoom.com at the time of the meeting and click on Join. Enter the following Zoom meeting ID: 861 5765 0370 and Passcode 703180. Please note, shareholders viewing the meeting via Zoom will not be able to vote or otherwise participate in the Annual Meeting.

At the conclusion of the Annual Meeting after a short intermission, there will be a presentation and a brief question and answer period. Shareholders viewing via Zoom will be able to ask questions at the conclusion of the presentation.

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 June 30,	
	2023	2022
Net sales	\$ 1,753	\$ 1,981
Cost of goods sold	1,235	1,194
Gross profit	518	787
Selling, general, and administrative expenses	1,050	1,178
Amortization of intangible assets	65	65
Operating loss	(597)	(456)
Interest expense	(32)	(8)
Other income, net	-	12
Loss before income tax provision	(629)	(452)
Income tax provision	-	-
Net loss	\$ (629)	\$ (452)
Net loss per share		
Basic	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.01)	\$ (0.01)
Weighted average number of common shares (basic)	65,163,484	64,847,052
Weighted average number of common shares (diluted)	65,163,484	64,847,052

Mace Security International, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Amounts in thousands, except share and per share data)

	Six Months Ended June 30,	
	2023	2022
Net sales	\$ 3,414	\$ 4,137
Cost of goods sold	2,486	2,451
Gross profit	928	1,686
Selling, general, and administrative expenses	2,119	2,591
Amortization of intangible assets	130	130
Operating loss	(1,321)	(1,035)
Interest expense	(55)	(13)
Other income, net	-	12
Loss before income tax provision	(1,376)	(1,036)
Income tax provision	-	-
Net loss	\$ (1,376)	\$ (1,036)
Net loss per share		
Basic	\$ (0.02)	\$ (0.02)
Diluted	\$ (0.02)	\$ (0.02)
Weighted average number of common shares (basic)	65,111,340	64,796,387
Weighted average number of common shares (diluted)	65,111,340	64,796,387

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

ASSETS	June 30, 2023 <u>(unaudited)</u>	December 31, 2022
Current assets:		
Cash and cash equivalents	\$ 377	\$ 62
Accounts receivable, less allowance for doubtful accounts of \$231 and \$257 at June 30, 2023 and December 31, 2022, respectively	941	1,105
Inventories	3,980	4,138
Other current assets	<u>304</u>	<u>502</u>
Total current assets	5,602	5,807
Property and equipment:		
Buildings and leasehold improvements	260	260
Machinery and equipment	2,416	2,387
Furniture and fixtures	<u>111</u>	<u>111</u>
Total property and equipment	2,787	2,758
Accumulated depreciation and amortization	<u>(2,406)</u>	<u>(2,297)</u>
Total property and equipment, net	381	461
Operating lease - right-of-use asset, net of amortization	1,230	1,335
Finance lease - right-of-use asset, net of amortization	39	50
Goodwill	1,031	1,031
Intangible assets, net	1,703	1,833
Other non-current assets	<u>14</u>	<u>14</u>
Total other assets	4,017	4,263
Total assets	<u><u>\$ 10,000</u></u>	<u><u>\$ 10,531</u></u>

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 2023 (unaudited)	December 31, 2022
Current liabilities:		
Line of credit	\$ 1,500	\$ 515
Current operating lease obligations	214	198
Current finance lease obligations	15	16
Accounts payable	589	520
Income taxes payable	54	55
Accrued expenses and other current liabilities	174	379
Total current liabilities	2,546	1,683
Non-current operating lease obligations	1,033	1,143
Non-current finance lease obligations	25	34
Total liabilities	3,604	2,860
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized 10,000,000 shares, no shares issued and outstanding at June 30, 2023 and December 31, 2022	-	-
Common stock, \$.01 par value; authorized 100,000,000 shares, issued shares of 65,329,033 and 65,039,030, at June 30, 2023 and December 31, 2022, respectively	653	650
Additional paid-in capital	104,116	104,018
Accumulated deficit	(98,351)	(96,975)
	6,418	7,693
Less treasury stock at cost, 90,548 shares at June 30, 2023 and December 31, 2022	(22)	(22)
Total shareholders' equity	6,396	7,671
Total liabilities and shareholders' equity	\$ 10,000	\$ 10,531

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

	Three Months Ended	
	June 30,	
	<u>2023</u>	<u>2022</u>
Net loss	\$ (629)	\$ (452)
Adjustments:		
Interest expense	32	8
Income tax expense	-	-
Depreciation and amortization	118	110
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EBITDA	<u>(479)</u>	<u>(334)</u>
Severance	-	13
Non-recurring legal and financing costs	97	110
Transition personnel cost/temporary labor costs	52	45
Non-cash stock compensation expense	47	50
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Adjusted EBITDA	<u>\$ (283)</u>	<u>\$ (116)</u>

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

	Six Months Ended	
	June 30,	
	2023	2022
Net loss	\$ (1,376)	\$ (1,036)
Adjustments:		
Interest expense	56	13
Income tax expense	-	-
Depreciation and amortization	239	219
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EBITDA	(1,081)	(804)
Severance	-	233
Non-recurring legal and financing costs	97	110
Transition personnel cost/temporary labor costs	52	45
Non-cash stock compensation expense	99	110
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Adjusted EBITDA	\$ (833)	\$ (306)

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.

Contacts:

Investor Relations

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