Conference Title: Mace, Inc. Q2 2023 Investor Call

Date: Monday, 21st August 2023

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Mace Security International second quarter 2023 earnings call. Currently, all participants are in a listen-only mode. After the speaker's presentation, there will be a question and answer session. If you would like to ask a question, please press star one on your telephone keypad. Please be advised that today's conference is being recorded. I would like to now hand the conference over to your first speaker, Mr. Rem Belzinskas. Please go ahead, sir.

Rem Belzinskas: Thank you, Shelly, and good afternoon. Joining me on the call today is Sanjay Singh, the Chairman and Chief Executive Officer of Mace. Please visit corp.mace.com under newsroom where you can find additional materials, including the Q2 2023 financial statements, the OTC quarterly report for the second quarter ended June 30th, 2023, as well as our Q2 2023 financial overview presentation.

Before proceeding, I would like to point out that certain statements and information during this conference call constitute forward-looking statements and are based on management's expectations and information currently in the possession of management. When used during our conference call, the words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, projected, as intended to, or similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks known and unknown, and uncertainties including but not limited to economic conditions, limit of capital, resources, and disruptions in domestic international supply chains. Such factors could materially adversely affect Mace's financial performance. It could cause Mace's actual results for the future period to differ materially from any opinions or statements expressed during this call. I will now turn the call over to Sanjay for some comments about the quarter.

Sanjay Singh: Thank you, Rem. Good afternoon. The second quarter was very challenging. Net sales declined by approximately 200,000 or 11.5% when compared with Q2 2022. The majority of the decrease came from one customer, this has been the case for the last 18 months. Orders from Dollar General and direct-to-consumer and international customers nullified some of the overall decrease netting to an 11.5% decrease. The inventory levels of this one customer stated before were about 1.2 million most of last year that dropped to 675K at the end of Q1 and is now at roughly 400,000. We saw a slight uptake in orders from this customer in Q2. We announced the completion of our restructuring that was initiated in Q1 2022. This involved cost reductions, revenue expansion in specific segments that are relatively less impacted by inflation, improvement in operating efficiencies to nullify cost increases, and a targeted working capital reduction. Those actions resulted in an adjusted EBITDA and helped reduce losses in Q2 2023 by 267,000 when compared with Q1 of 2023.

The adjusted EBITDA loss was a negative 283,000 for the quarter ended June 30th, 2023, compared with a loss of 550,000 in the quarter ended March 31st, 2023. We lower SG&A cost in Q2 2023 by 11% when compared to the same period in the prior year. From a preceding quarter perspective, Mace achieved growth of 5% in its e-commerce platform sales, 317% in sales to international channel customers, and 270% in sales to business-to-business customers versus the first quarter of 2023. We encountered technology issues on our e-commerce platform that had an impact on sales on mace.com and caused it to be lower than that in Q1 2023.

However, sales on Amazon Seller Central grew by 44% in Q2, 2023 compared with Q1 of 2023. We ship Dollar Generals back-to-school order in Q2 2023. We expect incremental revenues from the addition of Dollar General new product expansions at three other existing retailers. Separately, we expect additional revenues effective September 1st, 2023, from our fee-based training new line of business. From a cost perspective, monthly cost reduction opportunities of $150,000 were identified and actions were taken. From a financing perspective, we are in due diligence with two commercial finance companies to arrange $2 to $2.5 million line of credit facility, this is our top priority. We closed our extension of our fifth, third line of credit in July. Also in July, we closed a $590,000 non-brokered private placement of unsecured convertible notes with board members and shareholders.

Our critical areas of focus are operate to a positive EBITDA level, secure funding, identify and execute on new sales and product opportunity, increase gross profits through cost productivity, reduce SG&A costs that are not revenue-generating, and lastly use excess inventory to reduce cash inventory purchases. I will now turn the call over to Rem, to comment on the second quarter 2023 financial results.

Rem Belzinskas: Thank you, Sanjay. Our second quarter, 2023 net sales were 1.8 million, a 12% decrease from two million in our second quarter sales of 2022. Retail sales decreased 24%. International sales increased 88%, business-to-business sales increased 41%, and our e-commerce platform sales increased 20% compared with the same period in 2022. Gross profit for the first quarter 2023, decreased 269,000 or 34% from our second quarter 2022, results. Our margin rate in the second quarter 2023, was 30% down, 10 points from margin rate of 40% for the same quarter of 2022. Margins decreased in the second quarter, 2023 over the second quarter of 2022 due to decreased sales volume, unfavorable channel sales mix, higher freight, and component because due to inflation and lower plant efficiencies. The effects of which was partially offset by lower manufacturing overhead.

SG&A expense for the first quarter 2023, decreased by 128,000 to 1.1 million or 60% of net sales. The decrease in SG&A expenses, it's attributable primarily to a $51,000 reduction in salaries and related benefits, 60,000 decrease in advertising expense, and a decrease of 25,000 in legal and professional expenses. Our lower sales volume and higher manufacturing costs resulted in a net loss for a quarter of 629,000, which was down from a net loss of 452,000 in the second quarter of 2022. Second quarter adjusted EBITDA was a loss of 283,000 down 167,000 from an adjusted EBITDA loss of 116,000 in the second quarter of 2022. The decline in the bottom line is primarily attributable to lower revenues. Our borrowing state constant during the second quarter of 2023 at 1.5 million. Cash decreased to 377,000 at June 30th, 2023, compared with cash of 431,000 at March 31st, 2023.

As mentioned previously, with the supply chain delays experienced in 2021 and early 2022, we had inventory orders that were in progress and could not be halted without a financial cost or implications and future inventory order fulfilment. As such, we currently have a lot of our cash tied up in convertible and saleable inventory. Inventory decreased by 158,000 compared to December 31st, 2022, as the company focuses on reducing its inventory levels. We'll now turn the call back to Sanjay for some additional comments before we take questions.

Sanjay Singh: Thank you, Rem. We are targeting $3.8 million of new business in the second half of 2023 and three new product and service offerings in the back half of this year. Revenues from those opportunities will be key to our financial results for 2023. We're going to be laser-like focused on the goals I described earlier. A quick reminder, we will not address or respond to any questions pertaining to our ongoing strategic alternative project. The company has retained financial and legal advisors to assist with this process. At this time, I will stop and open the lines for questions. I would ask each caller to limit themselves to one question with one follow-up, to allow everyone a chance to participate. If we have additional time, we'll try to get you back into the queue. Shelly, please open the line for questions.

Operator: Perfect. And again, if anyone would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speaker phone, please make sure that your mute function is turned off to allow your signal to reach our equipment. A voice prompt on the phone line will indicate that your line is open, so just state your name before posing your question. And again, it is star one to ask a question. Our first question is coming from Andrew Shapiro. Your line is open.

Andrew Shapiro: Hi, I have several questions. I'll ask two areas real quick and then get back out and let others in the queue and I'll rejoin. But regarding your working capital line of credit with the fifth third that's expiring at the end of December, have you paid it down? I know it's fully drawn as of the end of the June quarter with additional sales and shipments out. Have you paid it down at all or what is the latest status of your prospective lender's due diligence and the timing of a commitment letter and closing with one or more of these new lenders to understand that you're going to get the refinancing done basically in another 10 days or so by September 1st or you're going to pay the fifth, third line down to one and a quarter million?

Sanjay Singh: We are targeting to pay the loan down by September 30th, 2023, or sooner. We are right in the middle of a field exam and an inventory appraisal, so we're just three, four weeks away from coming to a close in that process at a minimum so the target date is to pay down the loan by September 30th to [inaudible].

Andrew Shapiro: Right. But fifth third has, I believe you have a requirement or you're going to get hit with another $50,000 fee to bring that loan down by September 1st, which is in another 10 days or you do you not have to take that loan limit down to one and a quarter million by September 1st or is that September 30th?

Sanjay Singh: That's September 30th.

Andrew Shapiro: Okay. All right. Second area of questioning here. I want to understand here regarding Dollar General, which was given as the one of the excuses for sizable maintenance of the inventory. I know that you built up the inventory ahead of time but on the last quarterly call in May, you expected DG shipments in June and July for back-to-school promotions. We're now here near the end of August, schools started in some states. Were more of the shipments to DG booked in June or were they booked in July? And can you provide any sale through information or insight and if and when you expect restocking the orders from DG?

Sanjay Singh: The Dollar General back-to-school shipped in Q2, so before June 30th those inventories are out in stores. What we are seeing is we have data that shows that our products are selling well in the stores that are carrying our products. Our products have not made it to all the 10,000 stores, mostly because of store personnel turnover or store personnel shortage.

Andrew Shapiro: Okay. Now, can we expect to see further reduction of inventory levels then in the present Q3 if you've shipped most of this DG out in June rather than July?

Sanjay Singh: We're going to see reductions in Dollar General inventory recurring orders, and as the products are made available in stores. We have data that shows that our products have not made it to all the stores. So we can't predict the timing, but we are working very closely with the Dollar General team to get this back on track. So we do expect to see reductions in inventory once that's recurring, weekly EDI orders start coming through.

Andrew Shapiro: Okay. I have other questions. I'll back out but please let me back in later.

Operator: Our next question is coming from Ken Sail[?] with Sail Capital Management. Your line is open.

Ken Sail: Thanks. Hey Rem, hi Sanjay. Thanks for having this call, I really appreciate that. question about the gross profit margins. We lost 10 points of gross profit margins and we're almost two months now into Q3. Are you starting to see some of those 10 points returning?

Sanjay Singh: The reason for the 10-point drop were two reasons or efficiencies on the plant floor was impacted adversely because of consumption of inventory and the production levels being lower than normal that it was a fixed overhead leverage issue. The second was one of our channels had lower margins and when your sales shrink, those things rise up and the impact is seen even more. Now, the good news is we're in the middle of Q3. We're not seeing those trends to that level of extent of 10% drop.

Ken Sail: Great. That's good to hear. One other question and I will back out to give somebody else a chance. Are you having any sourcing and or delivery issues of pepper spray manufacturing components? It seems like in some of the past calls we're talking about things that were delayed or having trouble getting them delivered on time.

Sanjay Singh: So we are seeing the same issues. They're not as critical as they were say, about a year ago. The new thing that we are seeing is vendors provide dates and then they're off by three weeks sometimes and for the domestic ones it's usually related to personnel. And for the international ones it's just production delays, production runs, there's a variety of reasons that have been given to us.

Ken Sail: Okay, great. I'll back out. Thanks.

Sanjay Singh: Thank you.

Operator: Our next call is this question is coming from Howard Rosencrans with Value Advisory. Your line is open.

Howard Rosencrans: Hi guys, I was just going to ask you about the gross margin so that was addressed. The Dollar General, what is the price point at Dollar General, are these your other price points at other retailers?

Sanjay Singh: It's a smaller price, so it's 6.99[?].

Howard Rosencrans: Okay. Are you giving up a lot of margin on that? I guess you're giving up a lot of gross margin dollars.

Sanjay Singh: The annual volumes are projected to be about bit north of 1.2 million. So we are nowhere close to those volumes at the moment, because of the reason I stated earlier. Products are not in all of the 10,000 stores, let alone the 18,000 stores that they have. Our targeted margins are normal retail-level margins, our costs ran a little bit higher, so we are working on reducing those costs.

Howard Rosencrans: Okay. And you mentioned that I tuned in just a few minutes late. You mentioned there were two other things or three things that you guys are doing to get things better. I'm sorry, could you just repeat those three?

Sanjay Singh: Yeah. So we are targeting improving our cost of goods sold, so both our procurement costs as well as our labor efficiencies.

Howard Rosencrans: Yeah. Right.

Sanjay Singh: And also using of inventory rather than using cash to buy inventory. So we're looking at using some of our excess inventory.

Howard Rosencrans: Okay. And I think this is the first time you've provided guidance and I appreciate that so thank you for that I'll back you up. Thank you.

Sanjay Singh: You're welcome.

Operator: Our next question is coming from Andrew Shapiro with Lawndale Capital Management. Your line is open.

Andrew Shapiro: Hi, thank you. A few more questions here. You gave some insight here about a large customer who had a 1.2 million of inventory last year. They dropped their inventory down to 675 in Q1, they didn't do as much customer business with you further because they dropped that inventory from you down to 400 you said, but it was an uptick in orders here in Q2. Do you feel that this is just an inventory level adjustment or are they getting out of certain SKUs from you and are you losing share with this customer?

Sanjay Singh: So based on the data that we have seen this is happening for all the players in our industry in terms of a reduction of inventory. We don't have obviously have insights on what our competitor inventory levels were sitting in Amazon warehouses, but we can clearly see that the SKUs that Amazon is sitting on inventory off, those are the ones that we are not seeing replacement purchase orders for because they have too much of it and the ones that they don't have inventory for their placing those orders, so that answers that. In terms of are we losing market share? We reduced our ad spend on Amazon Vendor Central because all we were doing is spending money on ads for our items to be consumed out of inventory. And we tried different tactics for a few months it did not move the needle with or without those ads. Now, that could have resulted in some sales but it's very hard to prove that it did.

Andrew Shapiro: Okay. And regarding your supply chain issues, which it's still a little bit surprising since others are overcoming these supply issues. But you had talked about the desire to onshore more of the company's supplier and logistics. Can you describe any success that you are achieving in onshoring more of the company's supplier and logistics?

Sanjay Singh: Yeah. So we've identified the SKUs, we want to onshore it. We are sitting on a lot of inventory; we have to get through that existing inventory first without adding new, but we are working on it. We work on it every quarter and we are going SKU by SKU and identifying alternative options. But in terms of a ready full fire that will happen once our existing inventories are consumed.

Andrew Shapiro: Okay. And you did have and said that you had some sales shortfalls in the past few quarters regarding certain products that hadn't arrived from Asian vendors, one of those being stun guns. Did your first batch of shipments that you said were going to arrive in May. Did they indeed arrive and ship to address backlog and have the backlog issues fully resolved or there are still more sales backlog that you could satisfy if you'd get the product?

Sanjay Singh: So in terms of backlog, we reduced it by more than 50%. We did get those stun guns and then we got more orders of those stun guns. Unfortunately, it's a four-week lead time, a four-month lead time. So when demand starts increasing that's the issue we face there. We've tried various algorithms to address it. So the backlog is down, the guns arrived, we actually have more guns going out this month actually by the end of this month.

Andrew Shapiro: So if it's a four-month lead time and we've talked on past quarters and you've mentioned this as an excuse for sales shortfalls is that this is an impulse purchase that we're dealing with four-month lead times, and this is also a purchase that can be spurred by a spike up of social unrest issues, which obviously come unplanned and have a spike up type of motivational thing. If that were to occur, how does Mace, how do you address and satisfy something like this, or are these sales that just get lost to customers not customers competitors who have a stronger balance sheet and can maintain such inventory?

Sanjay Singh: We have a domestic vendor that we have partnered with to satisfy short lead time demands and then we also have increased our economic order quantity of the inventory that we carry on some of these types of products.

Andrew Shapiro: Well, isn't that what got us into some of these cash flow issues already is that we've ordered a lot of stuff in bulk beforehand and inventoried it and we need to work this inventory down to deal with and address your financing issues. I mean, it's kind of a catch-22, which way are you guys leaning in terms of addressing this?

Sanjay Singh: Well, the excess inventory we are carrying is across the board because of increase lead times that occurred during 2020 and 2021. Most of the inventory that we are discussing right now that is excesses was purchased in those two time periods. And what I was describing was the items that have a longer lead time that are candidates for the social unrest and things like that for very specific items, we have increased our optimal inventory and it is reviewed every single month. We have too much, we look at demands, we can go back six months, we go back 90 days.

Andrew Shapiro: All right. Can you explain your table on Slide 10 of this quarter's presentation, which sets forth your second half and second half 23 and full year 2024 sales targets and pipeline? What are these definitions mean and can you explain a little bit more about that slide and what you are, I guess, one is targeting, and one is projecting, albeit it is a forward-looking statement.

Sanjay Singh: The new business target column shows items that we have made significant progress on and in our evaluation, those look like strong possibilities of resulting in additional sales. The new business pipeline is exactly what it is, it's a pipeline. So for example, in the second half of 2023, the pipeline is about 3,000,050 out of which 844,000 has been accounted for that we have a strong possibility of securing that business, while the new business pipeline is being worked to increase the hit rate out of that pipeline. In the same way the new business target for 2024 between all the different channels are roughly $7 million, these have been worked on.

As you can see, the retail segment is the one that is the majority of that number. These ones have been worked on in 2023 and we have had meetings with these folks. We are much further along, so that column represents a greater than 75% probability of landing it. And the last column, 2024 represents opportunities that we have been working on, but they represent a smaller chance of landing in 2024 because we are not that further along. I don't know, there are probably about 50-odd retailers that we are talking about here.

Andrew Shapiro: Okay. I have more questions I'll back out again but please come back to me.

Operator: Our next question is coming from Ken Sail with Sail Capital Management. Your line's open.

Ken Sail: Just one more question, Sanjay. You talked about three new products later on in the year. Could you maybe give us a flavor of what those are going to look like?

Sanjay Singh: Yeah, so the very first one is it's a dog leash with an air horn. Okay. And this is the one that we've, I think talked about in prior quarters. It took forever for us to get the product in the states so that is the first one. The second one is on September 1st; we're going to launch our training program. That's our partnership with US Law Shield, they had some technology issues that they've been working through for the last few months. While we've tested it the curriculum works and we're going to go live September 1st, and this could be a significant opportunity for both companies. The third one it consists of existing products that are being rebranded and then the ones that you see, there's another one called Project SG. I can't really discuss it because we have not solidified our agreement, these are all co-branding deals. But this is aimed for the direct-to-consumer as well as the base business not retailers.

Ken Sail: Okay. Intriguing. Thank you. Sanjay, I'll back out.

Sanjay Singh: Thank you.

Operator: Next question coming from Andrew Shapiro with Lawndale Capital Management. Your line is open.

Andrew Shapiro: Great. So when you referred to Project SG and all that, that's on Slide 12, right?

Sanjay Singh: Right.

Andrew Shapiro: Okay. So slide 12 has got all those new things. And are these products part of your forecasting in slide ten or are they entirely or partially in addition to Slide 10's target and pipeline incremental revenues?

Sanjay Singh: They're included in slide ten, some of the expansion. In other words, just to summarise, some of the expansion in revenues will come from these new products and services.

Andrew Shapiro: All right. And when you have the US Law Shield it wasn't clear to me because you kind of referred to that there had been EDI or other issues in the past on this. Is US Law Shield separate and incremental to your co-branding Legal Heat. In other words, your co-branded training thing with Legal Heat this is just one customer or one product line you're rolling out, or is US Law Shield a new name for Legal Heat?

Sanjay Singh: US Law Shield owned Legal Heat, they sold Legal Heat a few months ago to another training company based out of Florida. But with the sale and those conditions and obligations and the partnership with Mace. So we are working with US Law Shield and Legal Heat to offer this training.

Andrew Shapiro: So in a sense, you have two partnerships, one with a new buyer; is that right?

Sanjay Singh: Well, the way the partnership was done was we just have one from a contractual perspective, it's with US Law Shield but we are working with their marketing team. The entire technology is owned by US Law Shield. The access to instructors would come from Legal Heat and their parent entity.

Andrew Shapiro: Okay.

Sanjay Singh: That has gotten way bigger.

Andrew Shapiro: Right. Legal Heat just got way bigger. Now, but they didn't enter into this agreement with you initially, they had to assume the agreement when they bought Legal Heat from US Law Shield.

Sanjay Singh: Right.

Andrew Shapiro: Is the arrangement exclusive? Is your relationship with the new owner or buyer of Legal Heat good or improving terms or are we subject to that eventually going by the wayside?

Sanjay Singh: It's exclusive. So our agreement was with Legal Heat, Legal Heat was owned by US Law Shield. Our agreement now is with US Law Shield directly.

Andrew Shapiro: Okay. And so when you referred last quarter that you expected initial revenues as early as late Q2, this new offering on September 1st, is that off delayed initial offering or was there any revenues in Q2?

Sanjay Singh: No, there weren't any revenues. That's all that testing was done in the last 90 days, the technology issues resolved.

Andrew Shapiro: Okay. So September 1st is the initial rollout of what you were going to be rolling out with Legal Heat. And when we see and ask you about this in the future, we should be asking about US Law Shield not really asking you about Legal Heat?

Sanjay Singh: That is correct.

Andrew Shapiro: Okay. Just trying to understand the product line and the offering. Regarding another co-branding you've announced and introduced on the last call you said you had Q1 orders for your vehicle or perimeter defense system co-branded with F3, with a component in backlog that would get resolved and shipped in the recent Q2. Did this happen and about what level of sales from this new product line was part of your Q2 revenues and what has been the feedback and indications of success on those systems that you have now delivered?

Sanjay Singh: So the products that were being sourced and assembled, we did have those supply chain issues. And then we also had a testing issue for one of the components, all those have been corrected. We are in production, we now have to mobilize the appropriate levels of sales in Q3, sales in Q2 were minimal.

Andrew Shapiro: Okay. But you are selling them now in Q3, we're almost done with Q3. You are selling some products and are they ramping up?

Sanjay Singh: It's ramping up. It's been slow, the directive is to ramp it up significantly.

Andrew Shapiro: And what's the initial feedback from those who have purchased some?

Sanjay Singh: Very positive feedback.

Andrew Shapiro: Okay. And you announced a distribution agreement with a public company SurgePays and its huge network of corner stores, bodegas, and gas stations. To focus on that sector of the market that you had not previously had penetration in. And you said on your last call in May that you expected to see initial orders here in Q2, or I should say in the Q2 that's been completed. Can you discuss your experience so far with implementing this new distribution channel and if indeed you received and fulfilled orders?

Sanjay Singh: We did not receive orders, so far we missed our commitment on this one, and the feedback that we are getting is that because their search pages is a partner of ours is they have our products loaded in their system, they have to do the full rollout but in terms of purchase orders we haven't seen any, it's been zero.

Andrew Shapiro: Now, are they obliged to do any marketing of your products for you? Are you planning and do you feel there's a return to be had from marketing spend to create demand-pull of this product in their market or not?

Sanjay Singh: Well, the marketing is done by them, they know their customers well, they're acting as or the distributor of our products essentially. And so the marketing is on their end, we haven't spent a cent on marketing from our side. Now the idea was to first get enough data, a point of sale data to understand who the buyers are and then figure out other ways to accelerate it but we're not there right now.

Andrew Shapiro: Okay. And you're not really on hooks of these stores yet then since you've made no sales in the other catalogue?

Sanjay Singh: Yes, we are not on their hook. That's correct.

Andrew Shapiro: Okay. On the Q4 earnings call in early May, you said your program with NAPA was on hold until they overcame certain concerns of retailing pepper spray to prevent underage purchasing and other issues given the fact that they have a decentralized almost franchise-or-like system. Here we are in August, do you have any new learnings, and if you consider NAPA still on hold or a gone opportunity?

Sanjay Singh: It's still on hold.

Andrew Shapiro: Okay. What additional focus and opportunity, if any, do you see for Mace in the private label field business that Mace previously had de-emphasized but had picked up last quarter, which might have just been in bear spray fill?

Sanjay Singh: We have a couple of sizable opportunities and that's one of the items that is listed in that column on Page 10. We're actually working on one that is sizable. There are many, many private label opportunities that we are seeing and they're soliciting Mace.

Andrew Shapiro: So are these old customers that you had separated from that are coming back?

Sanjay Singh: These are brand new.

Andrew Shapiro: Brand new. Okay. Your slide presentation had your e-commerce platform sales up 20% from prior year, but you also mentioned in your script that mace.com had technical problems. What technical problems did you encounter and have they all been overcome?

Sanjay Singh: Yeah. So there were two technical problems. Shopify is the platform we use that they had a site-wide update, and it basically was not allowing certain products to be purchased on the site, so we had to work through that. So that was one, another time there were people's credit cards that were not getting processed so they couldn't place orders. So all this came up in the middle of the quarter and yes, those have all been resolved now.

Andrew Shapiro: Okay. I have more questions. I'll back out into the queue. Please come back to me if we got time.

Operator: And again, if anyone would like to ask a question, it'll be star one on your telephone keypad. And question coming from Andrew Shapiro with Lawndale Capital Management, your line is open.

Andrew Shapiro: Okay. I may take this over the goal line here. You cited on the Q1 call that there were new product expansions at two other existing retailer accounts customers to provide incremental revenues. In this Q2 slide deck, you refer to expanded SKUs now at three existing retailers. Just want to confirm, I'm assuming but perhaps maybe better news is it's not. But are the three existing retailers to expand SKU's inclusive of the last quarter's two retailers?

Sanjay Singh: It is and as of today, it's now four.

Andrew Shapiro: Okay. Well, that's good.

Sanjay Singh: At the end of Q2. Yeah, it's good.

Andrew Shapiro: Okay. Did any of these new SKUs ship in Q2 or are they shipping now in the present quarter?

Sanjay Singh: Some shipped in Q2 and then some will ship in Q3 and onwards.

Andrew Shapiro: Okay. And do you have and can you provide some sell-through POS experience and if and when you expect restocking orders?

Sanjay Singh: These orders are placed typically on a weekly basis that's the frequency with most of the retailers.

Andrew Shapiro: Okay. And so then you should have some decent sell-through POS experience because you're getting restocking orders?

Sanjay Singh: Yes. All the extensions are selling through fairly well, it takes time for the sell-through to materialize, because it takes a little bit of time. So typically it 90 days is a good time period.

Andrew Shapiro: Now you mentioned on the last call and hopefully, it starts addressing some of the sales fall-off that occurred, especially since you were in two departments and got scaled back to one with turnover in buyers. Did the new product videos for walmart.com that you said were to roll out soon after last quarter's call get rolled out, and was there any impact or improvement in their POS sales results from that? And additionally, have you presented your different product offerings to their buyers and what was the feedback or status from the new presentations? Are you digging back into that client and expanding your relationship or no luck?

Sanjay Singh: I can't comment on the latter, Andrew, but I can tell you that the product videos were all made and rolled out to the buyer at Walmart. It's pending a decision from them when those will be uploaded to their website. It takes some time that's how what we are finding out.

Andrew Shapiro: Okay. Yeah, it certainly does. Q2 sales internationally were up in from the prior year. To what extent was this a one or more bulk multi-period shipment versus ongoing recurring quarterly levels?

Sanjay Singh: Yeah. Some of these are new customers, some of these are existing older customers. This is mostly a result of the unrest that you're seeing in specific countries, whether it is Europe or South America that's what's driving it.

Andrew Shapiro: Okay. And on the Q1 call, you and I discussed the possibility of rolling out a training and certification program for the educational market vertical. Has that initiative moved forward in the past three months since our call?

Sanjay Singh: No, it has not.

Andrew Shapiro: Okay. On the Q1 call regarding one of the additional co-branding opportunities we discussed. You said that to move forward development of the new out-of-home personal safety product being sourced from China, you had to get the delayed components in the building. Did they ever arrive and what's the status of the development of this new product or is that the dog leash with air horn?

Sanjay Singh: That's the dog leash.

Andrew Shapiro: Okay. So it's here. Good. And what amount of success do you feel Mace's had in addressing other new vertical markets such as hospitality, real estate agents, security guard markets, healthcare, institutional, et cetera?

Sanjay Singh: We've had a fair amount of success in the hospitals and hotel section.

Andrew Shapiro: Okay. That's all I have today. Thanks. And is this the same presentation, these slides that you'll be doing on the annual meeting tomorrow?

Sanjay Singh: Yes.

Andrew Shapiro: Okay. Good to know. Thank you.

Sanjay Singh: Thank you.

Operator: There are no additional questions at this time, so I'll turn the conference back to you for any additional or closing remarks. Oh, sorry, one more just dropped in. Okay. Questions coming from Ray Reyes at Abbey Investments, your line is open.

Rainerio J. Reyes: Hi Sanjay, it's Ray. Sorry I was on the call really late, but did you get any updates with respect to the credit line where we are with that?

Sanjay Singh: I did. So we had a field exam last week and we're reading on some additional diligence questions and the inventory appraisal is about to–that process is about to start as well.

Rainerio J. Reyes: Yeah. Okay. So do you have any sense as to when we might close the deal?

Sanjay Singh: Yes. So we're targeting September 30th.

Rainerio J. Reyes: Okay.

Sanjay Singh: To pay off the fifth and third line.

Rainerio J. Reyes: Yes. Okay. All right. Thank you. Bye.

Sanjay Singh: You're welcome.

Operator: And there are no additional questions at this time, so I'll turn the conference over to you for additional or closing remarks.

Sanjay Singh: Okay. Well, thank you very much for jumping on this earnings call. I look forward to connecting tomorrow as well. Bye-bye.

Operator: This concludes today's call. Thank you for your participation, you may now disconnect.