



## **3Q23 Highlights**

**November 16, 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 3Q23
- 3Q23 Overview
- Cash Flow 3Q23 vs 3Q22
- Select Financial Stats through 3Q23

# Economic Conditions

- ❑ **Revenue decreased** to \$1,497K or, 40% in Q3, 23 vs Q3, 22 ( \$1,007K) and decreased 9.9% vs Q1, 23
- ❑ Revenues decreased **across the retail, base business and international segments**
- ❑ **Most of the decreases** were due to customers paring back their inventory and consumers reducing discretionary purchases
- ❑ **Two customers**, accounted for revenue decrease of \$414K and \$306K, respectively in Q3, 23 vs Q3 22.
- ❑ **One current custom** accounted for most of the revenue decrease of \$170K in Q3, 23 vs Q2 23.
- ❑ **Inventory levels** decreased by \$703K since December 31, 2021, and decreased by \$130K vs Q4, '22
- ❑ Adjusted S, G and A Costs **were \$813K in Q3, 23 vs. \$893K in Q3, 22** and \$1,016 in Q1, '23
- ❑ **Our break-even point at the EBITDA level is** as of now is \$6,000K in annual revenues
- ❑ Every incremental sales dollar generates an approximate **incremental 34% EBITDA**

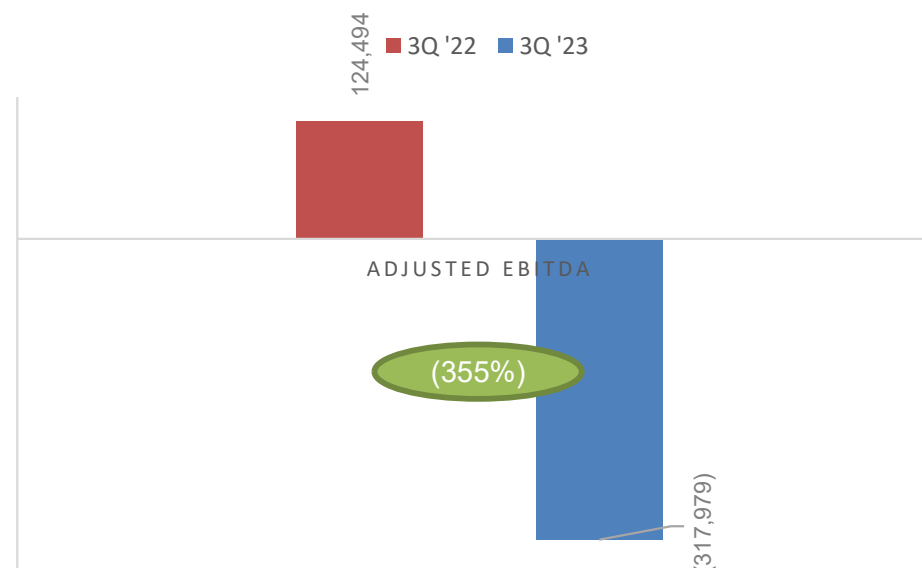
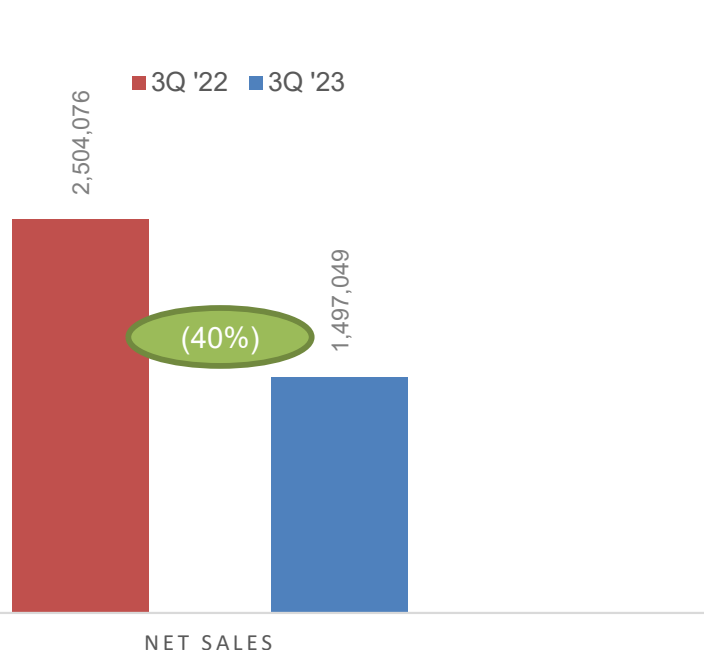
# Key Financial Highlights 3Q23



- ❑ Net Sales of \$1,497K down 40%, versus 3Q22
  - Direct to consumer sales on the Company's e-commerce platforms were up 43% vs 3Q22
  - 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 3Q23 were comparable to 3Q22
  - Private label channel sales were down 28% vs 3Q22
  - International channel sales were down 40% vs 3Q22
- ❑ Gross Profit was \$450K, down 53% versus 3Q22 driven by decreased sales volume and lower plant efficiencies
- ❑ Gross Profit rate decreased to 30.1%, versus 38.4% in 3Q22 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 \$80K, versus 3Q22 adjusted SG&A
- ❑ Working Capital decreased by \$1,249K, compared with 4Q22
  - Increase in cash of \$692K, compared with 4Q22
  - Debt increased by \$1,430K, compared with 4Q22
- ❑ Adjusted EBITDA for 3Q23 loss of (\$318K), versus income of \$124K in 3Q22
  - Majority of the loss is due to lower sales of \$1,007 and lower resulting gross profit of \$511K
  - Non-cash stock compensation \$45K and \$43K in 3Q23 and 3Q22, respectively
  - Non-recurring legal, professional and financing expense \$104K and \$56K in 3Q23 and 3Q22, respectively
  - Transition personnel/temporary labor \$68K and \$97K in 3Q23 and 3Q22, respectively
  - Non-cash loss on derivative liability \$58K and \$0 in 3Q23 and 3Q22, respectively



# 3Q23 OVERVIEW



- ❑ Net sales in Q3 23 decreased by (\$1,007K) as consumers reduced discretionary spending and the loss of one major customer (\$306K)
- ❑ E-commerce platform sales increased by 43% in Q3 23 vs Q3 22
- ❑ Gross Margins degraded mostly due to operational inefficiencies driven by lower revenues and higher component costs
- ❑ Adjusted EBITDA a loss of (\$318K) vs. income of \$124K in Q3 22
- ❑ Gross Margins degraded mostly due to operational inefficiencies driven by lower revenues and higher component costs



# Cash Flows 3Q '23 and 3Q '22



(\$ in 000's)	2023	2022	Incr.(Decr) in Cash
Net loss	\$ (2,146)	\$ (1,270)	\$ (876)
Non-Cash Adjustments,			
Depreciation and amortization,			
Including right-of-use asset amortization	523	519	4
Amortization of debt discount	11	-	11
Stock-based compensation	146	150	(4)
Loss on derivative liability	58	-	58
Provision for losses of Receivables	27	97	(70)
Change in operating assets and liabilities	550	(248)	798
Operating Cash Flow	(831)	(752)	(79)
Capital Expenditures	(37)	(139)	102
Free Cash Flow	\$ (868)	\$ (891)	\$ 23



# Section 2 Sales & Marketing



- ❑ Added **five new retailers** in the last twelve months ( Mid-States, Cornwall, Surge Pays, Meyer Distributors and Dollar General)
- ❑ Added a **sixth one** in Q4, 23
- ❑ Impact of the addition of new retailers has been lower than forecasted so far
- ❑ **Expanded SKUs** at **three** existing retailers in early '23
- ❑ **E-commerce platform revenues increased by 43% vs Q3, 23**
- ❑ Launched 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 Q4, 23 and 2024
- ❑ Targeting a **\$13.1MM pipeline of new opportunities** in the next 12 months

## 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 Targeted Annual Revenues</u>	<u>Price Tier/Unit</u>	<u>Segment</u>
Dog Leash with airhorn	Q3, '23	\$ 300,000	\$25	Outdoor
Training	Q3, '23	\$ 600,000	\$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	Q4'23	\$ 250,000	\$65	Educational
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>5,950,000</u>		



## Section 3 : New Retail Business In Play

<u>Customer</u>	<u>Targeted Timing of Revenues</u>	<u>Year 1 Targeted Annual Revenues (000s)</u>	<u>Comment</u>
Retailer A	Q1, '24	\$ 3,750	Test run first; store placement if succesful
Retailer B	Q1, '24	\$ 3,000	Test run first; store placement if succesful
Retailer C	Q1, '24	\$ 2,500	Samples are being reviewed
Retailer D	Q1, '24	\$ 100	Expecting a purchase order in Q4 '23
Retailer E ( past customer)	Q1' 24	\$ 500	Expecting a purchase order in Q4 '23
Retailer F ( Existing)	Q3 '24	\$ 1,000	New department
Retailer G ( Past customer)	Q3 '24	\$ 1,000	New Product
Retailer H	Q3' 24	\$ 1,000	New Product
Retailer I ( Existing)	Q2 '24	\$ 250	International division
Total		<u>\$ 13,100</u>	

## Q4 Strategy and Playbook



- ✓ **EBITDA** : Achieve breakeven EBITDA at a “no good news” gross sales levels of \$500K
- ✓ **Cash flow**: Implement actions to draw down inventory
- ✓ **Revenues** : Identify and execute on new sales and product opportunities
- ✓ **Gross Profits** : Reduce COGS through procurement actions and improved labor efficiencies
- ✓ **S, G and A** : Reduce costs that are not generating positive cash flow ( except for compliance related costs)

