



November 14, 2023

Mace® Security International, a Global Leader in Personal Self-Defense Sprays, Announces 3Q23 Financial Results

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

The Company's net sales for the third quarter were \$1,497,000, down 40% versus the like period in 2022. The quarterly year-over-year decrease is mostly the result of a slowdown in discretionary purchases and paring back of inventory at several retailers. The decline was partially alleviated by a 43% increase in sales in the third quarter on the Company's e-commerce platforms driven by recent social unrest.

Mace reported a gross profit rate for the quarter of 30.0% vs 38.4% for the same quarter last year, and 24.7% in Q1, 2023. Lower sales, component price increases, and lower fixed overhead leverage due to lower production efficiencies have led to a decrease in gross margin. During the third quarter, the Company focused on converting inventory to readily marketable finished goods resulting in a modest increase in inventory. While sales are lower now, the Company expects its customers to purchase at normal levels in the coming quarters. Adjusted SG&A expenses, net of transition, non-recurring legal and professional and non-cash costs decreased to \$813,000 in the third quarter 2023, compared with \$893,000 in the third quarter 2022, and \$1,016,000 in Q1, 2023. The adjusted EBITDA for the quarter was a loss of (\$318,000) vs income of \$124,000 in the same period 2022 and a loss of (\$550,000) in Q1, 2023.

Sanjay Singh, Chairman and CEO commented, "The sales momentum slowed quite a bit in the third quarter across the retail and base business segments. The channel feedback suggests that the moderation in sales has been driven by consumer pressures and paring back of inventory. Social unrest drove an increase in revenues of 43% on our e-commerce platform which is the most significant driver of revenue growth right now."

"The Company changed its focus to bringing in new business from new products and new customers. There are several initiatives in play that will augment organic sales and elevate Mace Brand's financial performance. The company landed two new regional retailers in Q4, 2023 and will be introducing three new personal safety products, two of which are targeted in new channels and one of which is targeted for a consumer who shops at Best Buy. Our new training line of business launched on September 1st with leads for online and in-person training coming in daily. We are also planning on executing a new digital marketing strategy to drive higher engagement and revenues on our mace.com site. Two new major retailers are considering test runs of our products in early spring. Our overall focus-to-execute on new ventures is critical as the organic business is much lower than expected. The Company secured a new line of credit in October which along with the capital raised earlier in the quarter will aid new venture initiatives ."

Third Quarter 2023 Financial Highlights

Net sales were \$1,497,000, down (40%) from the third quarter of 2022 net sales of \$2,504,000. 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. Net sales for the third quarter also reflect the impact of the loss of one significant customer which

accounted for \$306,000 of the sales decrease in the third quarter. The decline was partially alleviated by a 43% increase in sales in the third quarter on the Company's e-commerce platforms.

- Gross profit rate of 30.1% decreased from 38.4% in the same period in 2022. Lower sales, component price increases, and lower labor efficiencies led to the decrease in gross margin.
- Gross profit for the third quarter decreased by \$511,000, or 53%, from the third quarter of 2022, primarily due to the decline in sales volume and increased component costs.
- SG&A when adjusted for (a) \$104,000 in non-recurring legal, professional and financing expenses, (b) \$68,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (c) non-cash stock compensation expense of \$45,000 was \$813,000 in the third quarter of 2023, compared to SG&A of \$893,000 in the third quarter of 2022 when adjusted for (a) \$56,000 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) \$97,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (c) non-cash stock compensation expense of \$43,000.
- Net loss of (\$771,000) in the third quarter of 2023, compared with net loss of (\$233,000) in the same quarter in 2022.
- Cash and cash equivalents increased to \$754,000 as of September 30, 2023, an increase of \$692,000 over the \$62,000 on hand on December 31, 2022. \$1,500,000 was drawn against the Company's bank line of credit at September 30, 2023. The Company closed a \$590,000 non-brokered private placement of unsecured convertible notes with board members and shareholders on July 27, 2023.
- Working capital decreased by (\$1,249,000) compared to December 31, 2022, with an increase in debt of \$1,430,000, a decrease of (\$382,000) in accounts receivable on lower sales, a decrease of (\$130,000) in inventory and an increase of \$292,000 in accounts payable and accrued expenses due to timing of payments.
- Adjusted EBITDA for the third quarter 2023 was a loss of (\$318,000) and excludes non-recurring legal, professional, and financing expenses, transition payroll/temporary labor costs associated with the Company optimizing its headcount; non-cash stock compensation expense of \$45,000 and non-cash loss on derivative liability of \$58,000. Adjusted EBITDA for the third quarter 2022 was income of \$124,000 and excludes 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.

Third Quarter 2023 Operational Highlights

- Four-wall manufacturing costs in the third quarter 2023 were 3.4% higher than those in the third quarter of 2022.
- 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.
- On October 20, 2023, the Company repaid its bank credit agreement with the proceeds of a \$2,000,000 revolving credit loan from a commercial asset-based lender. The new credit facility matures in 3 years and bears interest at Wall Street Prime plus 6 percent, with a floor of 14.25%. The new credit facility

is secured by substantially all assets of the Company. The amount drawn under the new credit facility at closing was \$1,463,000.

Year-to-Date September 2023 Financial Highlights

- Net sales in the first nine months of 2023 of \$4,912,000 decreased by \$1,726,000, or 26.0%, versus the first nine months of 2022 net sales of \$6,640,000 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. Net sales for the first nine months of 2023 also reflect the impact of the loss of one significant customer which accounted for \$629,000 of the sales decrease in the first nine months of 2023.
- Gross profit rate decreased to 28.1% for the first nine months of 2023 compared to 39.8% 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 nine months of 2023 when adjusted for (a) \$201,000 in non-recurring legal, professional and financing expenses, (b) \$120,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (c) non-cash stock compensation expense of \$144,000 was \$2,683,000 in the first nine months 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) \$166,000 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) \$142,000 related to transition payroll/temporary labor costs associated with the Company optimizing its headcount and (d) non-cash stock compensation expense of \$153,000 was \$2,999,000 in the first nine months of 2022.
- Net loss in the first nine months of 2023 was (\$2,146,000), a decrease of \$876,000 over net loss of (\$1,270,000) in the first nine months of 2022.
- Adjusted EBITDA for the first nine months of 2023 was a loss of (\$1,151,000) and excludes non-recurring legal, professional, and financing expenses, transition payroll/temporary labor costs associated with the Company optimizing its headcount, non-cash stock compensation expense and non-cash loss on derivative liability. Adjusted EBITDA for the first nine months of 2022 was a loss of (\$187,000) 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.

Earnings Conference Call

Mace® will conduct its third quarter 2023 earnings conference call on Thursday, November 16, 2023 at 1:00 PM EST, 10:00 AM PST. The earnings conference call can be joined by using the following link to have the conference call you. Simply click the link below and enter your information to be connected: https://event.webcasts.com/starthere.jsp?ei=1643236&tp_key=5506da2d64 . The link becomes active 15 minutes prior to the scheduled start time. Or you may dial in to the conference call directly via phone. To dial in, please call 800-289-0462 or +1 323-794-2442 and enter passcode 444199# when prompted.

The full set of Q3 2023 financial statements is available on Mace's website www.corp.mace.com under the subheading "Financial Reports and Filings." The Q3 2023 Financial Overview slide presentation will be available after the market closes on November 14, 2023, on Mace's website www.corp.mace.com under the subheading "Presentations."

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	
	September 30,	
	2023	2022
Net sales	\$ 1,497	\$ 2,504
Cost of goods sold	1,047	1,543
Gross profit	450	961
Selling, general, and administrative expenses	1,030	1,089
Amortization of intangible assets	65	65
Operating loss	(645)	(193)
Interest expense	(68)	(40)
Loss on derivative liability	(58)	-
Other income, net	-	-
Loss before income tax provision	(771)	(233)
Income tax provision	-	-
Net loss	<u>\$ (771)</u>	<u>\$ (233)</u>
Net loss per share		
Basic	\$ (0.01)	\$ -
Diluted	\$ (0.01)	\$ -
Weighted average number of common shares (basic)	65,451,088	64,913,150
Weighted average number of common shares (diluted)	65,451,088	64,913,150

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

	Nine Months Ended September 30,	
	2023	2022
Net sales	\$ 4,912	\$ 6,640
Cost of goods sold	3,533	3,994
Gross profit	1,379	2,646
Selling, general, and administrative expenses	3,149	3,680
Amortization of intangible assets	195	195
Operating loss	(1,965)	(1,229)
Interest expense	(123)	(53)
Loss on derivative liability	(58)	-
Other income, net	-	12
Loss before income tax provision	(2,146)	(1,270)
Income tax provision	-	-
Net loss	\$ (2,146)	\$ (1,270)
Net loss per share		
Basic	\$ (0.03)	\$ (0.02)
Diluted	\$ (0.03)	\$ (0.02)
Weighted average number of common shares (basic)	65,234,525	65,835,743
Weighted average number of common shares (diluted)	65,234,525	65,835,743

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

ASSETS	September 30, 2023 (unaudited)	December 31, 2022
Current assets:		
Cash and cash equivalents	\$ 754	\$ 62
Accounts receivable, less allowance for doubtful accounts of \$164 and \$257 at September 30, 2023 and December 31, 2022, respectively	723	1,105
Inventories	4,008	4,138
Other current assets	583	502
Total current assets	6,068	5,807
Property and equipment:		
Buildings and leasehold improvements	260	260
Machinery and equipment	2,424	2,387
Furniture and fixtures	111	111
Total property and equipment	2,795	2,758
Accumulated depreciation and amortization	(2,451)	(2,297)
Total property and equipment, net	344	461
Operating lease - right-of-use asset, net of amortization	1,176	1,335
Finance lease - right-of-use asset, net of amortization	35	50
Goodwill	1,031	1,031
Intangible assets, net	1,638	1,833
Other non-current assets	14	14
Total other assets	3,894	4,263
Total assets	\$ 10,306	\$ 10,531

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

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 2023 (unaudited)	December 31, 2022
Current liabilities:		
Line of credit	\$ 1,500	\$ 515
Derivative liability	214	-
Current operating lease obligations	219	198
Current finance lease obligations	15	16
Accounts payable	702	520
Income taxes payable	54	55
Accrued expenses and other current liabilities	489	379
Total current liabilities	3,193	1,683
Convertible debt	445	-
Non-current operating lease obligations	977	1,143
Non-current finance lease obligations	20	34
Total liabilities	4,635	2,860
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized 10,000,000 shares, no shares issued and outstanding at September 30, 2023 and December 31, 2022	-	-
Common stock, \$.01 par value; authorized 100,000,000 shares, issued shares of 65,612,503 and 65,039,030, at September 30, 2023 and December 31, 2022, respectively	656	650
Additional paid-in capital	104,158	104,018
Accumulated deficit	(99,121)	(96,975)
	5,693	7,693
Less treasury stock at cost, 90,548 shares at September 30, 2023 and December 31, 2022	(22)	(22)
Total shareholders' equity	5,671	7,671
Total liabilities and shareholders' equity	\$ 10,306	\$ 10,531

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

	Three Months Ended	
	September 30,	
	2023	2022
Net loss	\$ (771)	\$ (233)
Adjustments:		
Interest expense	68	40
Income tax expense	-	-
Depreciation and amortization	110	121
	(593)	(72)
EBITDA		
Non-recurring legal and financing costs	104	56
Transition personnel cost/temporary labor costs	68	97
Non-cash stock compensation expense	45	43
Loss on derivative liability	58	-
	318	124
Adjusted EBITDA	\$ (318)	\$ 124

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

	Nine Months Ended	
	September 30,	
	<u>2023</u>	<u>2022</u>
Net loss	\$ (2,146)	\$ (1,270)
Adjustments:		
Interest expense	123	53
Depreciation and amortization	349	340
	<hr/>	<hr/>
EBITDA	<u>(1,674)</u>	<u>(877)</u>
Severance	-	233
Non-recurring legal and financing costs	201	166
Transition personnel cost/temporary labor costs	120	142
Non-cash stock compensation expense	144	149
Loss on derivative liability	58	-
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Adjusted EBITDA	<u>\$ (1,151)</u>	<u>\$ (187)</u>

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.

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