

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **2004-08-12** | Period of Report: **2004-08-12**
SEC Accession No. **0001157523-04-007662**

([HTML Version](#) on [secdatabase.com](#))

FILER

MACE SECURITY INTERNATIONAL INC

CIK: **912607** | IRS No.: **030311630** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-22810** | Film No.: **04969461**
SIC: **2860** Industrial organic chemicals

Mailing Address
160 BENMONT AVE
BENNINGTON VT 05201

Business Address
1000 CROWFORD PLACE
SUITE 400
MOUNT LAUREL NJ 08054
8567782300

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

PURSUANT TO SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT: August 12, 2004
(Date of earliest event reported)

COMMISSION FILE NO. 0-22810

MACE SECURITY INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

03-0311630
(I.R.S. Employer
Identification No.)

1000 Crawford Place, Suite 400, Mt. Laurel, NJ 08054
(Address of Principal Executive Offices)

Registrant's Telephone No., including area code: (856) 778-2300

Item 7 Financial Statements and Exhibits.

(c) The following Exhibits are hereby filed as part of this Current Report on Form 8-K.

99.1 Press Release issued by Mace Security International, Inc. dated August 12, 2004.

Item 12 Results of Operations and Financial Condition

On August 12, 2004, Mace Security International, Inc. issued a press release announcing its financial results for the first six months and second quarter ended June 30, 2004. A copy of the press release is attached as Exhibit 99.1 and is incorporated herein by reference in its entirety.

The press release contains a non-GAAP financial measure, EBITDA. EBITDA is calculated as income before cumulative effect of a change in accounting principle adding back interest expense, income taxes, depreciation and amortization expense. We believe that EBITDA, as presented, represents a useful measure of assessing the performance of our operating activities and resources available for strategic opportunities, as it reflects our earnings trends, without the impact of certain non-cash charges. EBITDA is also used by our creditors in assessing debt covenant compliance. We understand that, although security analysts frequently use EBITDA in the evaluation of companies, it is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. EBITDA is not intended as an alternative to cash flow provided by operating activities as a measure of liquidity, as an alternative to net income as an indicator of our operating performance, nor as an alternative to any other measure of performance in conformity with generally accepted accounting principles.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MACE SECURITY INTERNATIONAL, INC.

By: /s/ Gregory M. Krzemien

Gregory M. Krzemien
Chief Financial Officer and Treasurer

Date: August 12, 2004

EXHIBIT INDEX

Exhibit No.

Description

99.1

Press Release issued by Mace Security International, Inc.
dated August 12, 2004.

Mace Security International Reports Financial Results for the First Half and Second Quarter of 2004 Including 178% Growth in Electronic Surveillance Products Revenue

MOUNT LAUREL, N.J.--(BUSINESS WIRE)--Aug. 12, 2004--Mace Security International, Inc. ("Mace" or "the Company") (Nasdaq:MACE), a manufacturer of electronic surveillance and personal defense products, and an owner and operator of car and truck wash facilities, today announced financial results and increases in revenues from its Electronic Surveillance Products Division. For the second quarter, revenues from this division rose 153%, from \$529,000 in 2003 to \$1.34 million in 2004. For the six months ended June 30, revenues from this division increased 178%, from \$900,000 in 2003 to \$2.5 million in 2004.

Financial Results - First Half of 2004 compared to First Half of 2003

Total revenues for the six months ended June 30, 2004 were \$25.3 million as compared to \$24.9 million for the first half of 2003. The increase in revenues over last year was due to the previously discussed increase in revenues from the Electronic Surveillance Products Division. Revenues from the Security Products Segment rose from \$2.3 million in the first half of 2003 to \$3.9 million in the first half of 2004, an increase of \$1.6 million, or 70%. The 2003 revenue was comprised of \$900,000 from Electronic Surveillance Products and \$1.4 million from Consumer Products and the 2004 revenue was comprised of \$2.5 million from Electronic Surveillance Products and \$1.4 million from Consumer Products. The Consumer Products Division manufactures and sells Mace brand aerosol defense sprays and personal safety devices.

Revenues from the Car and Truck Wash Segment decreased by \$1.2 million in the first half of 2004 as compared to the same period of 2003, primarily as a result of the closing or divesting of three unprofitable car wash facilities and a lube facility during 2003, an increase in inclement weather in our Northeast, Florida, and Texas regions, and the impact of a slower economy. The volume-related decrease in car wash revenue was partially offset by a 3.3% increase in average wash and detail revenue per car, from \$14.37 in the first half of 2003 to \$14.84 in 2004.

Gross profit as a percentage of revenues was 28.2% for the first half of 2004 compared to 28.3% for the first half of 2003. The gross profit percentage for 2004 was comprised of 36% for the Security Products Segment and 27% for the Car and Truck Wash Segment, while the 2003 gross profit percentage was comprised of 43% for the Security Products Segment and 27% for the Car and Truck Wash Segment. The decrease in the profit margin in the Security Products Segment was due

to increased sales of products, such as monitors, which are sold at lower profit margins, and an increase in sales to larger distributors at lower profit margins in order to gain market share.

Selling, general and administrative ("SG&A") expenses for the first half of 2004 increased by \$531,000 over the same period in 2003 primarily due to the expansion of the Electronic Surveillance Products Division, which added additional marketing costs and selling and administrative personnel costs as staff was added to handle planned growth. In the second quarter of 2003 we fully wrote down, by \$351,000, assets at one of our Arizona car care locations that we determined to be impaired.

Operating income for the first half of 2004 was \$1.14 million as compared to \$1.26 million in the first half of 2003. The decrease in operating income was principally the result of the above-mentioned volume-related decrease in revenues in the Car and Truck Wash Segment, and the increased SG&A costs in the Electronic Surveillance Products Division, partially offset by increased gross profit generated by the Security Products Segment and the impact of the 2003 impairment charge noted above.

EBITDA for the first half of 2004 was \$2.24 million, or 8.9% of revenues, as compared to 2003 EBITDA of \$2.41 million, or 9.7% of revenues. Net income for the first half of 2004 was \$203,000, or \$.02 per share, as compared to 2003 net income of \$254,000, or \$.02 per share.

Financial Results - Second Quarter of 2004 compared to Second Quarter of 2003

Total revenues for the three months ended June 30, 2004 were \$12.6 million as compared to \$12.3 million for the same period of 2003. The increase in revenues over last year was primarily due to an increase in revenues from the Electronic Surveillance Products Division. Revenues from the Security Products Segment rose from \$1.16 million in the second quarter of 2003 (comprised of \$529,000 from Electronic Surveillance Products and \$628,000 from Consumer Products) to \$2.0 million in the second quarter of 2004 (comprised of \$1.34 million from Electronic Surveillance Products and \$700,000 from Consumer Products), an increase of \$846,000 or 73%.

Revenues from the Car and Truck Wash Segment decreased by \$558,000 in the second quarter of 2004 as compared to the same period of 2003, primarily as a result of the closing or divesting of three unprofitable car wash facilities and a lube facility during 2003, an increase in inclement weather in our Northeast, Florida and Texas regions, and the impact of a slower economy. The volume-related decrease in car wash revenue was partially offset by a 2.2% increase in average wash and detail revenue per car, from \$14.98 in the second quarter of 2003 to \$15.31 in the second quarter of 2004.

Gross profit as a percentage of revenues was 27.4% for the second quarter of 2004 compared to 27.5% for the same period of 2003. The gross profit percentage for 2004 was comprised of 34% for the Security Products Segment and 26% for the Car and Truck Wash Segment, while the

2003 gross profit percentage was comprised of 44% for the Security Products Segment and 26% for the Car and Truck Wash Segment. The decrease in the profit margin in the Security Products Segment was due to increased sales of products, such as monitors, which are sold at lower profit margins, and an increase in sales to larger distributors at lower profit margins in order to gain market share.

SG&A expenses for the second quarter of 2004 increased by \$279,000 compared to the same period in 2003, primarily due to the expansion of the Electronic Surveillance Products Division. In the second quarter of 2003 we fully wrote down, by \$351,000, assets at one of our Arizona car care locations that we determined to be impaired.

Operating income for the second quarter of 2004 was \$429,000 as compared to \$289,000 in the same quarter of 2003. The increase in operating income was the result of increased gross profit generated by the Security Products Segment and the impact of the 2003 impairment charge noted above, partially offset by the volume-related decrease in revenues in the Car and Truck Wash Segment and the increased SG&A costs in the Electronic Surveillance Products Division.

EBITDA for the second quarter of 2004 was \$921,000, or 7.3% of revenues, as compared to 2003 EBITDA of \$863,000, or 7.0% of revenues. The second quarter of 2004 resulted in a net loss of \$14,000, or \$0.00 per share, as compared to the 2003 net loss of \$88,000, or \$(0.01) per share.

The Company's net book value was \$68.7 million or \$4.83 per share at June 30, 2004. In addition, Mace had \$105 million in total assets, including \$18.8 million of cash and cash equivalents at June 30, 2004.

Mace Security International, Inc. is a manufacturer of electronic surveillance and personal defense products, and an owner and operator of car and truck wash facilities. Additional information about Mace is available at www.mace.com.

The Company included within this press release EBITDA, which is a non-GAAP financial measure. EBITDA is calculated as net income adding back interest expense, income taxes, depreciation, and amortization expense. We believe that EBITDA, as presented, represents a useful measure of assessing the performance of our operating activities and resources available for strategic opportunities, as it reflects our earnings trends without the impact of certain non-cash charges. EBITDA is also used by our creditors in assessing debt covenant compliance. We understand that, although securities analysts frequently use EBITDA in the evaluation of companies, it is not necessarily comparable to other similarly titled captions used by other companies due to potential inconsistencies in the method of calculation. EBITDA is not intended as an alternative to cash flow provided by operating activities as a measure of liquidity, as an alternative to net income as an indicator of our operating performance, nor as an alternative to any other measure of performance in conformity with generally accepted accounting principles.

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 in this press release, 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 Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks, known and unknown, and uncertainties, including but not limited to economic conditions, dependence on management, dilution to shareholders, limited capital resources, the effects of weather on the demand for car care services, the effects of rapid growth on the Company and the ability of management to effectively respond to that growth, our ability to achieve operating synergies, our ability to compete against established competitors, regulatory matters, the effects of competition, and our ability to obtain additional financing. Such factors could materially adversely affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed within this press release. Additional discussion of factors that could cause actual results to differ materially from management's projections, forecasts, estimates and expectations are contained in the Company's SEC filings, including its S-3 registration statements, Form 10-K for 2002, Form 10-K for 2003, Form 10-Q for the quarter ended March 31, 2003, Form 10-Q for the quarter ended June 30, 2003, Form 10-Q for the quarter ended September 30, 2003, Form 10-Q for the quarter ended March 31, 2004, and Form 10-Q for the quarter ended June 30, 2004. This press release should be read in conjunction with the financial statements and notes contained in the Company's annual report on Form 10-K and the Company's quarterly reports on Form 10-Q.

TABLES FOLLOW

Mace Security International, Inc.
Consolidated Statements of Operations
(In thousands, except share information)
(Unaudited)

	Six Months Ended June 30,	
	2004	2003 (2)
Revenues		
Car wash and detailing services	\$ 17,476	\$ 18,804
Lube and other automotive services	1,825	2,045
Fuel and merchandise sales	2,101	1,797
Security products sales	3,879	2,282

	25,281	24,928
Cost of revenues		
Car wash and detailing services	12,413	13,411
Lube and other automotive services	1,407	1,587
Fuel and merchandise sales	1,826	1,563
Security products sales	2,498	1,300
	-----	-----
	18,144	17,861
Selling, general and administrative expenses	5,008	4,477
Depreciation and amortization	994	975
Asset impairment charge	-	351
	-----	-----
Operating income	1,135	1,264
Interest expense, net	(929)	(1,033)
Other income	111	167
	-----	-----
Income before income taxes	317	398
Income tax expense	114	144
	-----	-----
Net income	\$ 203	\$ 254
	=====	=====
Per share of common stock (basic and diluted):		
Net income	\$ 0.02	\$ 0.02
	=====	=====
Weighted average shares outstanding		
Basic	12,978,459	12,408,513
Diluted	13,389,706	12,411,656
EBITDA (1)	\$ 2,240	\$ 2,406
EBITDA %	8.9%	9.7%

(1) EBITDA is calculated as net income adding back interest expense, income taxes, depreciation and amortization expense. We believe that EBITDA, as presented, represents a useful measure of assessing the performance of our operating activities and resources available for strategic opportunities, as it reflects our earnings trends, without the impact of certain non-cash charges. EBITDA is also used by our creditors in assessing debt covenant compliance. We understand that, although securities analysts frequently use EBITDA in the evaluation of companies, it is not necessarily comparable to other similarly titled captions used by other companies due to potential inconsistencies in the method of calculation. EBITDA is not intended as an alternative

to cash flow provided by operating activities as a measure of liquidity, as an alternative to net income as an indicator of our operating performance, nor as an alternative to any other measure of performance in conformity with generally accepted accounting principles. The following is a reconciliation of EBITDA to net income:

	Six months ended June 30, (In thousands)	
	2004	2003
EBITDA	\$ 2,240	\$ 2,406
Depreciation and amortization	(994)	(975)
Interest expense, net	(929)	(1,033)
Income tax expense	(114)	(144)
Net income	\$ 203	\$ 254

(2) Certain amounts have been reclassified in 2003 to conform to the 2004 presentation

Mace Security International, Inc.
Consolidated Statements of Operations
(In thousands, except share information)
(Unaudited)

	Three Months Ended June 30,	
	2004	2003 (2)
Revenues		
Car wash and detailing services	\$ 8,565	\$ 9,259
Lube and other automotive services	895	1,024
Fuel and merchandise sales	1,142	877
Security products sales	2,003	1,157
	12,605	12,317
Cost of revenues		
Car wash and detailing services	6,126	6,706
Lube and other automotive services	703	810
Fuel and merchandise sales	1,000	768
Security products sales	1,317	646
	9,146	8,930
Selling, general and administrative expenses	2,537	2,258
Depreciation and amortization	493	489
Asset impairment charge	-	351

Operating income	429	289
Interest expense, net	(450)	(511)
Other (expense) income	(1)	85
Loss before income taxes	(22)	(137)
Income tax benefit	(8)	(49)
Net loss	\$ (14)	\$ (88)
Per share of common stock (basic and diluted):		
Net loss	\$ (0.00)	\$ (0.01)
Weighted average shares outstanding		
Basic	13,495,889	12,406,805
Diluted	13,495,889	12,406,805
EBITDA (1)	\$ 921	\$ 863
EBITDA %	7.3%	7.0%

(1) EBITDA is calculated as net loss adding back interest expense, income taxes, depreciation and amortization expense. We believe that EBITDA, as presented, represents a useful measure of assessing the performance of our operating activities and resources available for strategic opportunities, as it reflects our earnings trends, without the impact of certain non-cash charges. EBITDA is also used by our creditors in assessing debt covenant compliance. We understand that, although securities analysts frequently use EBITDA in the evaluation of companies, it is not necessarily comparable to other similarly titled captions used by other companies due to potential inconsistencies in the method of calculation. EBITDA is not intended as an alternative to cash flow provided by operating activities as a measure of liquidity, as an alternative to net income as an indicator of our operating performance, nor as an alternative to any other measure of performance in conformity with generally accepted accounting principles. The following is a reconciliation of EBITDA to net loss:

	Three months ended June 30,	
	(In thousands)	
	2004	2003
EBITDA	\$ 921	\$ 863

Depreciation and amortization	(493)	(489)
Interest expense, net	(450)	(511)
Income tax benefit	8	49
	-----	-----
Net loss	\$ (14)	\$ (88)
	=====	=====

(2) Certain amounts have been reclassified in 2003 to conform to the 2004 presentation

CONTACT: Mace Security International, Inc., Mount Laurel
Eduardo Nieves, Jr., 856-778-2300
www.mace.com