



Wrap Technologies Reports Second Quarter 2021 Results

July 29, 2021

Revenue Growth of 132% Year-Over Year, and Sequential Revenue Growth of 27% as Company Continues to Expand Worldwide as a Leader in Modern Police Technology

TEMPE, Ariz., July 29, 2021 (GLOBE NEWSWIRE) -- Wrap Technologies, Inc. (Nasdaq: WRAP) (the "Company"), a global leader in innovative public safety technologies and services, today announced results for its second quarter ended June 30, 2021.

Second Quarter 2021 Summary

- Net sales of \$1.9 million, growth of 132% year-over-year
- Gross margin impacted by one-time non-cash \$0.7 million planned product line improvement expense
- Trained agencies increased to over 800, growth of 85% from December 31, 2020
- Certified officer instructors increased to over 2,800, up 106% from December 31, 2020
- Generated \$12.0 million of cash through exercise of 1.8 million warrants
- Glenn Hickman appointed Chief Operating Officer

Management Commentary – Tom Smith, CEO and President

"We delivered another strong and steady quarter of performance while continuing to expand our worldwide presence as a leader in modern police technology. We had our first quarter with over \$1 million in revenue for the domestic market, a great milestone accomplishment. We continue to highlight bodycam videos showing the field uses of the BolaWrap, which is incredibly powerful to show agencies the numerous different ways the BolaWrap is being used to prevent higher levels of force thru early engagement by officers. Despite international COVID travel restrictions, we continue to see growth in international revenue on a consistent basis. Our revenue growth reflects the gains that we've made in penetrating the market and we reported a nice sequential bump in revenue as demand for our platform from trained agencies and certified officer instructors continues to grow. We believe these financial and operational metrics are leading indicators for future sales."

"During the second quarter, we also appointed Glenn Hickman, former Axon VP of R&D, as our new COO to help further advance our BolaWRAP family of products. Finally, we reiterate our commitment to make policing safe and effective through our de-escalation and non-lethal solutions and believe that we are positioned extremely well to be an important player in the world of safer policing, which continues to remain in the global spotlight."

Unaudited (Amounts in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Total revenues	\$ 1,934	\$ 833	\$ 3,476	\$ 1,522
Net sales growth ⁽¹⁾	132 %	1,300 %	128 %	759 %
Gross margin rate	(3) ⁽²⁾ %	32 %	16 ⁽²⁾ %	36 %
Net loss	\$ (7,799)	\$ (2,816)	\$ (13,228)	\$ (5,162)
Net loss per basic and diluted share	\$ (0.20)	\$ (0.09)	\$ (0.35)	\$ (0.17)

⁽¹⁾ As compared to the prior-year period.

⁽²⁾ Excluding one-time expenses of \$0.7 million the gross margin rate was 36% for QTD 2021 and 37% for the YTD 2021.

SECOND QUARTER 2021 FINANCIAL AND OPERATIONS HIGHLIGHTS

Net Sales

- Generated revenue of \$1.9 million for 2Q21, 132% growth as compared to 2Q20.
- 27% sequential revenue increase as compared to \$1.5 million in 1Q21.

- The pandemic is expected to continue to impact sales efforts both in the U.S. and internationally. Our sales pipeline remains robust and active, as evidenced by our backlog which was \$0.7 million at the end of 2Q21.

Gross Profit

- Incurred one-time costs of \$0.7 million related to the planned transition of production lines.
- Generated \$0.1 million of gross loss for 2Q21.
- Excluding the \$0.7 million product line exit expense, gross profit would have been \$0.7 million, or 36%. This was down from 1Q21 gross margin of 39% and up from the 32% for 2Q20.
- We anticipate our gross margins to fluctuate as we ramp our revenue base and continue to enhance our product offering.
- Based on current initiatives, we expect gross margins to generally improve in future periods.

Selling, General and Administrative (SG&A) Expense

- SG&A expense increased \$4.0 million in 2Q21 compared to 2Q20.
- Increase was driven primarily by a \$1.5 million increase in non-cash share-based compensation related mostly to board of director compensation, \$1.0 million in compensation and consultancy costs as we ramp our sales force and training teams, and \$0.4 million of public reporting expenditures.
- Travel expense was up modestly during 2Q21, but remain under historical norms. There was virtually no travel in the prior-year quarter due to COVID-19.

Research and Development (R&D) Expense

- R&D expense increased \$0.6 million in 2Q21 to \$1.2 million compared to 2Q20.
- We expect to continue to invest in R&D as we expand important research initiatives in response to identified market opportunities, including further development of our virtual training platform.

Capital Structure and Liquidity

- Cash, cash equivalents and short-term investments were \$43.0 million at end of 2Q21 compared to \$37.0 million at 1Q21, representing 84% of total assets.
- Generated \$12.0 million of cash during the quarter through the exercise of 1.8 million warrants.

Outlook

As international travel remains limited we continue to expect near-term headwinds to our growth. We anticipate this to continue through the remainder of 2021. Accordingly, near-term growth rates are difficult to project.

Webcast and Earnings Conference Call

The Company will host a live Zoom video webcast for investors and other interested parties beginning at 4:30 p.m. Eastern Time on Thursday, July 29, 2021. The call will be hosted by Tom Smith, CEO and President, Jim Barnes, CFO Secretary and Treasurer, and Paul Manley, VP of Investor Relations. Glenn Hickman, COO, will also be introduced on Zoom video call.

WEBCAST LINK: [Webcast Registration Link](#)

Participants may access the live webcast by visiting the Company's Investor Relations page at www.wrap.com. A webcast replay of the call will be available on the Company's Investor Relations page within 24 hours of the live call ending.

Contact

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About Wrap Technologies

WRAP Technologies (Nasdaq: WRAP) is a global leader in innovative public safety technologies and services. WRAP develops

creative solutions to complex issues and empowers public safety officials to protect and serve their communities through its portfolio of advanced technology and training solutions.

WRAP's BolaWrap[®] Remote Restraint device is a patented, hand-held pre-escalation and apprehension tool that discharges a Kevlar[®] tether to temporarily restrain uncooperative suspects and persons in crisis from a distance. Through its many field uses and growing adoption by agencies across the globe, BolaWrap is [proving](#) to be an effective tool to help law enforcement safely detain persons without injury or the need to use higher levels of force.

WRAP Reality, the Company's virtual reality training system, is a fully immersive training simulator and comprehensive public safety training platform providing first responders with the discipline and practice in methods of de-escalation, conflict resolution, and use-of-force to better perform in the field.

WRAP's headquarters are in Tempe, Arizona. For more information, please visit wrap.com.

Use of Non-GAAP Information

Included in this press release are non-GAAP operational metrics regarding agencies and training, amounts of non-cash stock-based compensation expense and adjusted gross margin, which the Company believes provide helpful information to investors with respect to evaluating the Company's performance.

Trademark Information

BolaWrap, Wrap and Wrap Reality are trademarks of Wrap Technologies, Inc. All other trade names used herein are either trademarks or registered trademarks of the respective holders.

Cautionary Note on Forward-Looking Statements - Safe Harbor Statement

This press release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to: statements regarding the Company's overall business; total addressable market; and, expectations regarding future sales and expenses. Words such as "expect", "anticipate", "should", "believe", "target", "project", "goals", "estimate", "potential", "predict", "may", "will", "could", "intend", and variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Moreover, forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond the Company's control. The Company's actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to: the Company's ability to successfully implement training programs for the use of its products; the Company's ability to manufacture and produce product for its customers; the Company's ability to develop sales for its new product solution; the acceptance of existing and future products; the availability of funding to continue to finance operations; the complexity, expense and time associated with sales to law enforcement and government entities; the lengthy evaluation and sales cycle for the Company's product solution; product defects; litigation risks from alleged product-related injuries; risks of government regulations; the business impact of health crises or outbreaks of disease, such as epidemics or pandemics; the ability to obtain export licenses for countries outside of the US; the ability to obtain patents and defend IP against competitors; the impact of competitive products and solutions; and the Company's ability to maintain and enhance its brand, as well as other risk factors mentioned in the Company's most recent annual report on Form 10-K, quarterly report on Form 10-Q, and other SEC filings. These forward-looking statements are made as of the date of this press release and were based on current expectations, estimates, forecasts and projections as well as the beliefs and assumptions of management. Except as required by law, the Company undertakes no duty or obligation to update any forward-looking statements contained in this release as a result of new information, future events or changes in its expectations.

Wrap Technologies, Inc. Condensed Consolidated Balance Sheets (unaudited - dollars in thousands)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,050	\$ 16,647
Short-term investments	30,002	24,994
Accounts receivable, net	2,623	1,871
Inventories, net	2,837	2,655
Prepaid expenses and other current assets	824	760
Total current assets	49,336	46,927
Property and equipment, net	508	357
Operating lease right-of-use asset, net	93	139
Intangible assets, net	1,395	1,397

Other assets, net	9	13
Total assets	\$ 51,341	\$ 48,833
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,190	\$ 1,953
Customer deposits	10	2
Deferred revenue	186	16
Operating lease liability - short term	94	94
Business acquisition liability - short term	97	275
Total current liabilities	2,577	2,340
Long-term liabilities	8	79
Total liabilities	2,585	2,419
Stockholders' equity	48,756	46,414
Total liabilities and stockholders' equity	\$ 51,341	\$ 48,833

Wrap Technologies, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(unaudited - dollars in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Product sales	\$ 1,852	\$ 823	\$ 3,278	\$ 1,498
Other revenue	82	10	198	24
Total revenues	1,934	833	3,476	1,522
Cost of revenues:				
Products and services	1,247	565	2,184	971
Product line exit expense	747	-	747	-
Total cost of revenues	1,994	565	2,931	971
Gross profit (loss)	(60)	268	545	551
Operating expenses:				
Selling, general and administrative	6,579	2,538	11,557	4,678
Research and development	1,162	577	2,227	1,111
Total operating expenses	7,741	3,115	13,784	5,789
Loss from operations	(7,801)	(2,847)	(13,239)	(5,238)
Other income (expense):				
Investment income	8	31	10	76
Other	(6)	-	1	-
	2	31	11	76
Net loss	\$ (7,799)	\$ (2,816)	\$ (13,228)	\$ (5,162)
Net loss per basic and diluted common share	\$ (0.20)	\$ (0.09)	\$ (0.35)	\$ (0.17)
Weighted average common shares used to compute net loss per basic and diluted common share	38,162,526	31,241,470	37,938,873	30,749,532
Comprehensive loss:				
Net loss	\$ (7,799)	\$ (2,816)	\$ (13,228)	\$ (5,162)
Net unrealized gain on short-term investments	(4)	-	(2)	-
Comprehensive loss	\$ (7,803)	\$ (2,816)	\$ (13,230)	\$ (5,162)

(i) includes stock-based compensation expense as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Selling, general and administrative	\$ 2,027	\$ 496	\$ 2,629	\$ 925
Research and development	121	53	378	91
Total stock-based compensation expense	<u>\$ 2,148</u>	<u>\$ 549</u>	<u>\$ 3,007</u>	<u>\$ 1,016</u>

Wrap Technologies, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited - dollars in thousands)

	Six Months Ended June 30,	
	2021	2020
Cash Flows From Operating Activities:		
Net loss	\$ (13,228)	\$ (5,162)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	219	52
Product line exit expense	747	-
Gain on sale of assets	(11)	-
Warranty provision	10	19
Inventory obsolescence	-	(48)
Non-cash lease expense	46	60
Share-based compensation	3,007	1,016
Common shares issued for services	239	-
Provision for doubtful accounts	46	10
Changes in assets and liabilities:	-	-
Accounts receivable	(798)	(307)
Inventories	(713)	206
Prepaid expenses and other current assets	(65)	(29)
Accounts payable	48	376
Operating lease liability	(48)	(62)
Customer deposits	8	(193)
Accrued liabilities and other	53	165
Warranty settlement	16	-
Deferred revenue	170	-
Net cash used in operating activities	<u>(\$ 10,254)</u>	<u>\$ (3,897)</u>
Cash Flows From Investing Activities:		
Purchase of short-term investments	(25,009)	-
Proceeds from maturities of short-term investments	20,000	-
Capital expenditures for property and equipment	(367)	(69)
Investment in patents and trademarks	(96)	(82)
Proceeds from long-term deposits	3	-
Net cash used in investing activities	<u>(5,469)</u>	<u>(151)</u>
Cash Flows From Financing Activities:		
Sale of common stock and warrants	-	12,400
Offering costs paid on sale of common stock and warrants	-	(733)
Proceeds from exercise of warrants	12,048	10,251
Offering costs paid on exercise of warrants	-	(398)
Proceeds from exercise of stock options	278	515
Proceeds from bank note	-	414

Repayment of debt	(200)	-
Net cash provided by financing activities	12,126	22,449
Net increase (decrease) in cash and cash equivalents	(3,597)	18,401
Cash and cash equivalents, beginning of period	16,647	16,984
Cash and cash equivalents, end of period	\$ 13,050	\$ 35,385
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Change in unrealized gain on short-term investments	\$ (2)	\$ -



Source: Wrap Technologies, Inc.

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