



Wrap Technologies Reports Third Quarter 2020 Results

October 29, 2020

TEMPE, Ariz., Oct. 29, 2020 (GLOBE NEWSWIRE) -- Wrap Technologies, Inc. (Nasdaq: WRTC) (the "Company"), an innovator of modern policing solutions, today announced results for its third quarter ended September 30, 2020. In addition, in a separate announcement today, the Company announced a leadership change as Tom Smith was named interim CEO by the board of directors.

Third Quarter 2020 Summary

Net Sales of \$1.0 million, Growth of 275%

Gross Margin of 32%

Cash, Cash Equivalents and Short-Term Investments of \$45.1 million

Backlog at \$1.1 million

Management Commentary – Tom Smith, Interim CEO

"During the third quarter, we continued to take advantage of the considerable visibility that safer police solutions have received from the government, media and communities over the past two quarters. This was evident in our financial performance as we again generated sequential revenue growth while gross margins remained stable. Our team was pleased to exceed \$1 million in sales for the quarter for the first time. Over 100 new agencies were trained in Q3 and we now have over 1,100 officers at over 300 agencies certified to train their departments. We are executing our long-term strategy as planned. We remain uniquely positioned to increase sales of our BolaWrap product, which is effective and affordable. We remain intensely focused on driving sales by continuing to execute our strategy and refining our approach to engage police agencies across the globe."

(unaudited, amounts in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Total revenues	\$ 1,007	\$ 269	\$ 2,529	\$ 446
Net sales growth ⁽¹⁾	275 %	NM %	467 %	NM %
Gross margin rate	32 %	41 %	34 %	43 %
Net loss	\$ (3,862)	\$ (2,387)	\$ (9,024)	\$ (5,782)
Net loss per diluted share	\$ (0.11)	\$ (0.08)	\$ (0.28)	\$ (0.20)

⁽¹⁾ As compared to the prior year period.

THIRD QUARTER 2020

Net Sales

- Generated revenue of \$1.0 million during 3Q20.
- 21% sequential increase as compared to 2Q20 (\$0.8 million).
- Generated \$2.5 million of revenue on a year-to-date basis during 3Q20. This reflects the continual ramp of our business at this early stage.
- We continue to see recovery in our ability to conduct product demonstrations and training during the COVID pandemic. Both of these are important to police agency adoption, which has been impacted by COVID since March. In addition, many police agencies have had to divert resources to community protests and demonstrations, which has also negatively impacted our sales activity in recent quarters. We expect both of these issues to improve in the future, but we cannot predict when.

Gross Profit

- Generated \$0.3 million of gross profit for 3Q20.
- Gross margin was 32% for 3Q20 and comparable to 2Q20.
- Generated \$0.9 million of gross profit on a year-to-date basis for 3Q20. Our gross margin year-to-date 3Q20 is 34%.
- We expect our gross margins to continue to be fluid as we ramp our revenue base.
- Based on initiatives we are implementing, we believe that our long-term target of over 40% gross margins is achievable.

Selling, General and Administrative (SG&A) Expense

- SG&A expense increased \$1.4 million in 3Q20 as compared to 3Q19.
- This was driven primarily by \$0.6 million of employee costs as we ramp our sales force and training teams, \$0.4 million of increased marketing and promotion, and \$0.1 million related to increased public company reporting expense.
- SG&A expense increased \$3.4 million on a year-to-date basis, which is reflective of our investment in our business during our initial ramp of sales and production.

Inventory

- Inventory decreased slightly during the quarter, from \$2.1 million at 2Q20 to \$2.0 million at 3Q20.
- This was related to finished goods growth of \$0.1 million offset by \$0.2 reduction in raw materials from 2Q20 to 3Q20.

Cash, Marketable Securities and Debt

- Cash, Cash Equivalents and Short-term Investments grew to \$45.1 million at 3Q20 as compared to \$35.4 million at 2Q20, reflecting cash generated from the exercise of warrants during the quarter.
- This represents 91% of total assets.
- In May 2020, we took advantage of a Paycheck Protection (PPP) Loan in the amount of \$0.4 million. We filed an application for forgiveness in October 2020 since we believe all proceeds were used consistent with the published rules related to the PPP program.

Outlook

We continue to expect near-term headwinds to our growth as international travel remains limited and police agencies continue to face significant demonstration, protests and civic unrest. We expect these factors to continue through the rest of 2020 then soften as we proceed through 2021.

Webcast and Earnings Conference Call

As announced on October 15, 2020, 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, October 29, 2020. The call will be hosted by Tom Smith, Interim CEO and President, Jim Barnes, CFO Secretary and Treasurer, and Paul Manley, VP of Investor Relations.

WEBCAST LINK: https://us02web.zoom.us/webinar/register/WN_4KF5MDTcQDu8TTXUSLjwoA

Participants may access the live webcast by visiting the Company's Investor Relations page at www.wraptechnologies.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 is an innovator of modern policing solutions. The Company's BolaWrap 100 product is a patented, hand-held remote restraint device that discharges an eight-foot bola style Kevlar® tether to restrain an individual at a distance from 10 to 25 feet. Developed by award winning inventor Elwood Norris, the Company's Chief Technology Officer, the small but powerful BolaWrap 100 assists law enforcement in safely and effectively deescalating encounters, especially those involving an individual in crisis. BolaWrap 100 has already been used to safely apprehend suspects without injury in a number of cities including Los Angeles, Sacramento, Fresno, Bell, Albuquerque, Minneapolis, West Palm Beach, Fort Worth, and Oak Ridge. For information on

the Company, please visit www.wraptechnologies.com.

Use of Non-GAAP Information

Included in this press release are non-GAAP operational metrics regarding agencies, training, backlog and amounts of non-cash stock-based compensation expense, which the Company believes provide helpful information to investors with respect to evaluating the Company's performance. The Company considers backlog as an indicator of future revenues and uses it to support production planning. Backlog is a measure of purchase orders received that have not been shipped, but which the Company expects to ship within the next 12 months. Distributor and customer orders for future deliveries are generally subject to modification, rescheduling or in some instances, cancellation in the normal course of business.

Trademark Information

BolaWrap and Wrap 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 Balance Sheets (In thousands)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,118	\$ 16,984
Short-term investments	24,986	-
Accounts receivable, net	1,170	195
Inventories, net	1,951	2,245
Prepaid expenses and other current assets	301	251
Total current assets	48,526	19,675
Property and equipment, net	363	243
Operating lease right-of-use asset, net	170	261
Intangible assets, net	323	230
Other assets, net	13	13
Total assets	\$ 49,395	\$ 20,422
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,229	\$ 601

Customer deposits	128	344
Deferred revenue	2	3
Operating lease liability - short term	104	128
Note payable to bank - short term	230	-
Total current liabilities	1,693	1,076
Long-term liabilities	265	150
Total liabilities	1,958	1,226
Stockholders' equity	47,437	19,196
Total liabilities and stockholders' equity	\$ 49,395	\$ 20,422

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
Product sales	\$ 988	\$ 256	\$ 2,486	\$ 419
Other revenue	19	13	43	27
Total revenues	1,007	269	2,529	446
Cost of revenues	688	158	1,659	255
Gross profit	319	111	870	191
Operating expenses (i):				
Selling, general and administrative	3,255	1,878	7,933	4,547
Research and development	927	730	2,038	1,621
Total operating expenses	4,182	2,608	9,971	6,168
Loss from operations	(3,863)	(2,497)	(9,101)	(5,977)
Other income (expense):				
Interest income	5	109	81	196
Other	(4)	1	(4)	(1)
	1	110	77	195
Net loss	\$ (3,862)	\$ (2,387)	\$ (9,024)	\$ (5,782)
Net loss per basic common share	\$ (0.11)	\$ (0.08)	\$ (0.28)	\$ (0.20)
Weighted average common shares used to compute net loss per basic common share	36,419,771	29,662,403	32,653,408	28,301,725
Comprehensive loss:				
Net loss	\$ (3,862)	\$ (2,387)	\$ (9,024)	\$ (5,782)
Net unrealized gain on short-term investments	7	-	7	-
Comprehensive loss	\$ (3,855)	\$ (2,387)	\$ (9,017)	\$ (5,782)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Selling, general and administrative	\$ 468	\$ 439	\$ 1,394	\$ 988
Research and development	78	35	169	87
Total stock-based compensation expense	\$ 546	\$ 474	\$ 1,563	\$ 1,075



Source: Wrap Technologies, Inc.

Released October 29, 2020