



## Wrap Technologies Reports Second Quarter 2020 Results

July 30, 2020

***Balance Sheet Bolstered with \$35.4 Million in Cash - Record Revenue of \$833,000 and \$1.5 Million Backlog***

**TEMPE, AZ / ACCESSWIRE / July 30, 2020 / Wrap Technologies, Inc. (the "Company" or "Wrap") (NASDAQ:WRTC)**, an innovator of modern policing solutions, reported results for the second quarter ended June 30, 2020.

### **Second Quarter and Recent Operational Highlights:**

- Appointed Marc Thomas as Chief Executive Officer, effective July 30, 2020
- Increased cash position to \$35.4 million at June 30, 2020 after closing \$12.4 million financing with existing investors and receiving \$9.2 million from the exercise of warrants during the quarter
- Subsequent to the quarter's end, received an additional \$11 million of net proceeds from the exercise of warrants during July 2020
- Expanded international presence with an order for 21,600 BolaWrap cartridges from the Indonesian National Police force as well as orders for 200 BolaWrap devices and more than 2,600 cartridges and accessories from three countries in Asia; Q2 international shipments raise the total countries that have received BolaWrap products to 27
- In spite of the global pandemic, increased the number of agencies trained on BolaWrap to over 200 with over 750 training officers at those agencies certified as BolaWrap instructors qualified to train their departments
- Partnered with PoliceGrantsHelp.com to offer free grant funding assistance to law enforcement agencies looking to purchase BolaWrap products and accessories; to date, received applications from 50 agencies
- Conducted 80 demos, mostly via webinars, to over 100 agencies during the second quarter of 2020
- As of June 30, 2020, backlog totaled approximately \$1.5 million, which the Company expects to recognize over the next twelve months

### **Management Commentary**

"During the second quarter of 2020, our team adapted to an unconventional operating environment, successfully increasing awareness of the BolaWrap, driving sales, and positioning Wrap for accelerated growth," said David Norris, director of Wrap Technologies and former chief executive officer. "Financially, the quarter was highlighted by a substantial increase in our cash position to \$35.4 million as we successfully closed a \$12.4 million financing arrangement with a group of our existing investors and received an additional \$9.2 million during Q2 from the exercise of warrants. Thanks to our team's flexibility, we also achieved record revenues of \$833,000, and we exited the quarter with a \$1.5 million backlog, which indicates that our sales channel remained robust despite the complications caused by the coronavirus pandemic. Subsequent to the quarter's end, we also strengthened our leadership team with the appointment of Marc Thomas as our CEO, whose expertise will be integral to the next phase of Wrap's evolution."

"Over the past few months, there has been an intent and extraordinary focus on our industry - on how police officers interact with the public, how they decide when to use force, and how they determine how much of it to apply. As the makers of the only technology that does not rely on pain to allow law enforcement officers to establish compliance with a non-compliant subject, we believe we are uniquely positioned to be part of the solution to help ensure all parties go home safely. With sales momentum building, our pipeline of opportunities expanding, an improved balance sheet, and an enhanced leadership team, we believe Wrap is in its strongest position to date, and we look forward to accelerating the Company's growth."

### **COVID-19 Update**

During the quarter, Wrap tackled several challenges and adapted to an environment that was continually re-shaped by the COVID-19 pandemic. During the second quarter, Wrap's customers experienced staffing issues, limiting the Company's ability to demonstrate and train, which negatively impacted Q2 sales. In response, Wrap adapted by introducing tele-selling and webinar training. Given the initial success of these measures, the Company currently intends to continue leveraging these new measures. Additionally, Wrap curtailed most sales and training travel and reduced production personnel until late in the second quarter when some customers' locations domestically and internationally eased restrictions. At that time, the Company recommenced closing business prospects.

While Wrap's significant adjustments to operations resulted in sales growth during the second quarter, the pandemic's impact on future operations and results cannot be fully determined at this time.

### **Second Quarter 2020 Financial Results**

Total revenue for the second quarter of 2020 increased to \$833,000 from \$59,000 in the second quarter of 2019. The increase in total revenue was due to adding established domestic and international distributors and expanded marketing, selling and training efforts.

Gross profit margin for the second quarter of 2020 was 32.1% compared to 40.0% in the second quarter of 2019. The change in gross profit margin was primarily due to minimal revenue in the prior year quarter and impacts on production due to COVID-19 restrictions in Arizona during the second quarter of 2020. Given the variability in margins from changes in sales channels, product mix and the volume of manufacturing, the Company does not believe historical gross profit margins should be relied upon as an indicator of future gross profit margins.

Total operating expense for the second quarter of 2020 increased to \$3.1 million from \$2.0 million in the second quarter of 2019. Each quarter included non-cash stock-based compensation of \$549,000 and \$374,000, respectively. The increase in total operating expense was due primarily to increased staffing and sales activities as the Company continues to scale operations for planned growth.

Net loss for the second quarter of 2020 totaled \$2.8 million or \$(0.09) per diluted share, compared to net loss of \$1.9 million or \$(0.07) per diluted share in the second quarter of 2019.

### **Balance Sheet and Financing Activities**

Cash and cash equivalents totaled \$35.4 million at June 30, 2020, compared to \$17.0 million at December 31, 2019.

During the six months ended June 30, 2020 the Company received \$11.7 million of net proceeds resulting from the consummation of a registered offering of common stock in June 2020, and obtained \$10.4 million of net proceeds from the exercise of previously issued warrants and stock options. In July 2020, the Company received an additional \$11 million of net proceeds from the exercise of warrants.

### **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.

### **Conference Webcast**

Wrap Technologies' management will host the live video webcast on Thursday, July 30, 2020 at 4:30 p.m. ET (1:30 p.m. PT), followed by a question and answer period, which will be linked from Wrap's investor relations [website](#). To RSVP for the event in advance, please click [here](#).

**Date:** Thursday, July 30, 2020

**Time:** 4:30 p.m. Eastern time (1:30 p.m. Pacific time)

**RSVP:** [Wrap Q2 2020 Webcast Link](#)

Please join the webinar 5-10 minutes prior to the start time. An archived replay will be available after the presentation ends via the investor relations section of the Company's [website](#).

### **About Wrap Technologies (WRTC)**

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 entangle an individual at a range of 10-25 feet. Developed by award winning inventor Elwood Norris, the Company's Chief Technology Officer, the small but powerful BolaWrap 100 assists law enforcement to safely and effectively control encounters, especially those involving an individual experiencing a mental crisis. For information on the Company please visit [www.wraptechnologies.com](http://www.wraptechnologies.com). Examples of recent media coverage are available as links under the "Media" tab of the website.

### **Trademark Information**

BolaWrap is a trademark 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," variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. 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 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 included 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.**

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**Wrap Technologies, Inc.**

**Condensed Balance Sheets**

(In thousands)

|                                                   | <b>June 30,<br/>2020</b> | <b>December<br/>31,<br/>2019</b> |
|---------------------------------------------------|--------------------------|----------------------------------|
| <b>ASSETS</b>                                     |                          |                                  |
| <b>Current assets:</b>                            |                          |                                  |
| Cash and cash equivalents                         | \$ 35,385                | \$ 16,984                        |
| Accounts receivable                               | 492                      | 195                              |
| Inventories, net                                  | 2,087                    | 2,245                            |
| Prepaid expenses and other current assets         | 280                      | 251                              |
| <b>Total current assets</b>                       | <b>38,244</b>            | <b>19,675</b>                    |
| <b>Property and equipment, net</b>                | <b>264</b>               | <b>243</b>                       |
| <b>Operating lease right-of-use asset, net</b>    | <b>201</b>               | <b>261</b>                       |
| <b>Intangible assets, net</b>                     | <b>307</b>               | <b>230</b>                       |
| <b>Other assets, net</b>                          | <b>13</b>                | <b>13</b>                        |
| <b>Total assets</b>                               | <b>\$ 39,029</b>         | <b>\$ 20,422</b>                 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |                          |                                  |
| <b>Current liabilities:</b>                       |                          |                                  |
| Accounts payable and accrued liabilities          | \$ 1,128                 | \$ 601                           |
| Customer deposits                                 | 184                      | 344                              |
| Deferred revenue                                  | 2                        | 3                                |
| Operating lease liability - short term            | 114                      | 128                              |
| Note payable to bank - short term                 | 160                      | -                                |
| <b>Total current liabilities</b>                  | <b>1,588</b>             | <b>1,076</b>                     |
| <b>Long-term liabilities</b>                      | <b>357</b>               | <b>150</b>                       |
| <b>Total liabilities</b>                          | <b>1,945</b>             | <b>1,226</b>                     |
| <b>Stockholders' equity</b>                       | <b>37,084</b>            | <b>19,196</b>                    |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 39,029</b>         | <b>\$ 20,422</b>                 |

**Wrap Technologies, Inc.**

**Condensed Statements of Operations**

(In thousands, except share and per share data)

(unaudited)

**Three Months  
Ended June 30,**

**Six Months  
Ended June 30,**

|                                                                                | 2020                  | 2019              | 2020              | 2019              |
|--------------------------------------------------------------------------------|-----------------------|-------------------|-------------------|-------------------|
| <b>Revenues:</b>                                                               |                       |                   |                   |                   |
| Product sales                                                                  | \$ 823                | \$ 49             | \$ 1,498          | \$ 163            |
| Other revenue                                                                  | 10                    | 11                | 24                | 14                |
| Total revenues                                                                 | 833                   | 60                | 1,522             | 177               |
| Cost of revenues                                                               | 565                   | 36                | 971               | 97                |
| <b>Gross profit</b>                                                            | 268                   | 24                | 551               | 80                |
| <b>Operating expenses (i):</b>                                                 |                       |                   |                   |                   |
| Selling, general and administrative                                            | 2,538                 | 1,481             | 4,678             | 2,669             |
| Research and development                                                       | 577                   | 517               | 1,111             | 891               |
| Total operating expenses                                                       | 3,115                 | 1,998             | 5,789             | 3,560             |
| Loss from operations                                                           | (2,847)               | (1,974)           | (5,238)           | (3,480)           |
| <b>Other income (expense):</b>                                                 |                       |                   |                   |                   |
| Interest income                                                                | 31                    | 62                | 75                | 87                |
| Other                                                                          | -                     | (2)               | -                 | (2)               |
|                                                                                | 31                    | 60                | 75                | 85                |
| <b>Net loss</b>                                                                | <u>\$ (2,816)</u>     | <u>\$ (1,914)</u> | <u>\$ (5,163)</u> | <u>\$ (3,395)</u> |
| Net loss per basic common share                                                | <u>\$ (0.09)</u>      | <u>\$ (0.07)</u>  | <u>\$ (0.17)</u>  | <u>\$ (0.12)</u>  |
| Weighted average common shares used to compute net loss per basic common share | <u>31,241,470</u>     | <u>27,848,421</u> | <u>30,749,532</u> | <u>27,606,514</u> |
| (i) includes stock-based compensation expense as follows:                      |                       |                   |                   |                   |
|                                                                                | <b>Three Months</b>   |                   | <b>Six Months</b> |                   |
|                                                                                | <b>Ended June 30,</b> |                   | <b>Ended June</b> |                   |
|                                                                                | <b>2020</b>           | <b>2019</b>       | <b>2020</b>       | <b>2019</b>       |
| Selling, general and administrative                                            | \$ 496                | \$ 345            | \$ 925            | \$ 548            |
| Research and development                                                       | 53                    | 29                | 91                | 53                |
| Total stock-based compensation expense                                         | <u>\$ 549</u>         | <u>\$ 374</u>     | <u>\$ 1,016</u>   | <u>\$ 601</u>     |

**SOURCE:** Wrap Technologies, Inc.

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