



Wrap Technologies Reports Fourth Quarter and Full Year 2019 Results

March 10, 2020

2019 Operational Progress Drives Meaningful Revenue Increase and \$1.7 Million Backlog

TEMPE, AZ / ACCESSWIRE / March 10, 2020 / Wrap Technologies, Inc. (the "Company" or "Wrap") (NASDAQ:WRTC), an innovator of modern policing solutions, reported results for the fourth quarter and full year ended December 31, 2019.

Fourth Quarter and Recent Operational Highlights:

- Began training and field testing BolaWrap with hundreds of officers in the Los Angeles Police Department (LAPD), the third largest police department in the U.S. with more than 9,000 sworn officers
- Received international purchase orders for 200 BolaWraps and 2,000 cartridges and accessories
- Received a \$162,000 deposit for a signed purchase order set to be delivered in 2020, expanding the Company's international presence
- Appointed former police commissioners, Richard Ross Jr. and Edmund Hartnett, to lead public safety relations efforts
- As of December 31, 2019, backlog totaled approximately \$1.7 million, which the Company expects to recognize as revenue in 2020

2019 Strategic and Operational Highlights:

- Demonstrated BolaWrap to more than 490 agencies to date across the country, resulting in over 1,900 inquiries from domestic and international prospects
- Delivered product to more than 180 law enforcement agencies and 20 distributors for demonstrations, testing, and evaluation
- In March 2019, appointed Tom Smith, former co-founder and president of TASER International (now Axon Enterprise, Inc.), as president to scale domestic and international distribution and sales
- In July 2019, received first large international distributor order, valued at more than \$1.0 million
- Launched channel distribution strategy in June 2019 to expand sales and, as of December 31, 2019, signed agreements with 11 domestic and 16 international law enforcement equipment distributors covering 45 states and 26 countries
- In June 2019, opened 11,000 sq. ft. manufacturing facility in Tempe, AZ to increase production capacity
- Added over 50 BolaWrap Master Instructors; total number of officers certified as BolaWrap instructors qualified to train their departments increased to over 520
- Granted two additional U.S. patents with two foreign patents allowed, increasing the Company's competitive moat

Management Commentary

"2019 was a banner year for Wrap, as it marked our business's transition from its developmental stage to its growth phase," said David Norris, CEO of Wrap Technologies. "With a great product in place, we focused our attention in 2019 on improving our sales initiatives and strategically positioning the Company to capitalize on the large market opportunity in front of us as the only provider of a non-pain compliance tool to law enforcement.

"During the year, we strengthened our executive leadership team with the addition of Tom Smith as our president; we launched a channel distribution strategy, which has exponentially increased our ability to sell to both domestic and international law enforcement agencies; we opened our manufacturing facility in Tempe to scale production along with market demand; and we strengthened our competitive moat with new patents. We've also increased our brand awareness by demonstrating the BolaWrap to over 490 law enforcement agencies to date across the country, which resulted in hundreds of media reports and over 1,900 inquiries from domestic and international prospects in 2019. BolaWrap features also aired across national and international television networks more than 1,000 times over the course of 2019. The product was featured on networks such as CNN, BBC World News, FOX News, CBS, USA Today, FOX Business, Yahoo Finance, Business Insider and other major networks.

"As a result of these operational milestones, we've been building substantial momentum as evidenced by our first major order from an international distributor in July 2019, the commencement of field testing with the LAPD, and several new orders in January 2020. As the number and size of orders increase, and as we increase production, we believe we will benefit from economies of scale. Given our momentum and our \$1.7 million backlog, we are confident that we will be able to continue executing on our major strategic initiatives and deliver positive growth in 2020."

Fourth Quarter 2019 Financial Results

Total revenue for the fourth quarter of 2019 increased to \$251,000 from \$21,000 in the fourth quarter of 2018. The increase in

total revenue was due to the commencement of limited product sales in 2018 and the new model launch in May 2019.

Gross profit margin for the fourth quarter of 2019 was 34.1% compared to 20.0% in the fourth quarter of 2018. The increase in gross profit margin was primarily due to increased volume. Given the variability in margins from changes in product 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 fourth quarter of 2019 increased to \$2.7 million from \$1.3 million in the fourth quarter of 2018. The increase in total operating expense was due to increased staffing and sales activities along with scaling operations for planned growth.

Net loss for the fourth quarter of 2019 totaled \$2.5 million or \$(0.09) per diluted share, compared to net loss of \$1.3 million or \$(0.05) per diluted share in the fourth quarter of 2018.

Full Year 2019 Financial Results

Total revenue for 2019 increased to \$697,000 from \$23,000 in 2018. The increase in total revenue was driven by the commencement of limited and selected agency product sales in late 2018, as well as increased deliveries of new product in 2019.

Gross profit margin for 2019 was 39.7% compared to 19.6% in 2018. The increase in gross profit was primarily due to changes in the volume of manufacturing and sales channels.

Total operating expense for 2019 increased to \$8.9 million from \$3.3 million in 2018. The increase in total operating expense was due to increases in selling, general and administrative expenses, as well as research and development expense as the Company continues to expand its operations and invest in product development.

Net loss for 2019 totaled \$8.3 million, or \$(0.29) per diluted share, compared to net loss of \$3.3 million, or \$(0.14) per diluted share, in the comparable period a year ago. The increase in net loss was primarily due to increased operating costs due to increased personnel, as well as marketing, selling and supporting activities.

At December 31, 2019, cash and cash equivalents totaled \$17.0 million, an improvement from \$12.4 million at December 31, 2018.

Included in this press release are Non-GAAP operational metrics regarding agencies, distributors, 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 Call

Wrap Technologies' management will hold a conference call today (March 10, 2020) at 4:30 p.m. Eastern time (1:30 p.m. Pacific time) to discuss these results, followed by a question and answer period. Questions to management may be submitted before or during the call to ir@wraptechnologies.com.

Webcast: [Wrap 2019 Webcast Link](#)

U.S. dial-in number: 866-360-5760

International number: 602-563-8606

Please join the webcast or call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 949-574-3860.

A replay of the conference call will be available after 7:30 p.m. Eastern time on the same day through March 18, 2020 [here](#), via the investor relations section of the Company's [website](#), and at the numbers below.

Toll-free replay number: 855-859-2056

International replay number: 404-537-3406

Replay ID: 1057826

About Wrap Technologies (Nasdaq: 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. Examples of recent media coverage are available as links under the "Media" tab of the website.

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," 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 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 included in the Company's most recent annual report on Form 10-K 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' CONTACT:

Investor Relations
800-583-2652, Ext #515
IR@wraptechnologies.com

Wrap Technologies, Inc.
Condensed Balance Sheets
(In thousands)

	December 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,984	\$ 12,359
Accounts receivable	195	4
Inventories, net	2,245	158
Prepaid expenses and other current assets	251	115
Total current assets	19,675	12,636
Property and equipment, net	243	30
Operating lease right-of-use asset, net	261	-
Intangible assets, net	230	119
Other assets, net	13	2
Total assets	\$ 20,422	\$ 12,787
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 601	\$ 301
Customer deposits	344	-
Deferred revenue	3	-
Operating lease liability- short term	128	-
Deferred and accrued officer compensation	-	96
Total current liabilities	1,076	397
Operating Lease Liability - Long Term	150	-
Total liabilities	1,226	397
Stockholders' equity	19,196	12,390
Total liabilities and stockholders' equity	\$ 20,422	\$ 12,787

Wrap Technologies, Inc.

Condensed Statements of Operations
(In thousands, except share and per share data)
(unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenues:				
Product sales	\$ 237	\$ 17	\$ 656	\$ 19
Other revenue	14	4	41	4
Total revenues	251	21	697	23
Cost of revenues	165	17	420	19
Gross profit	<u>86</u>	<u>4</u>	<u>277</u>	<u>4</u>
Operating expenses (i):				
Selling, general and administrative	2,106	1,021	6,653	2,607
Research and development	616	277	2,237	735
Total operating expenses	2,722	1,298	8,890	3,342
Loss from operations	(2,636)	(1,294)	(8,613)	(3,338)
Other income (expense):				
Interest income	95	2	291	3
Other	(2)	-	(3)	(1)
	93	2	288	2
Net loss	<u>\$ (2,543)</u>	<u>\$ (1,292)</u>	<u>\$ (8,325)</u>	<u>\$ (3,336)</u>
Net loss per basic common share	<u>\$ (0.09)</u>	<u>\$ (0.05)</u>	<u>\$ (0.29)</u>	<u>\$ (0.14)</u>
Weighted average common shares used to compute net loss per basic common share	<u>29,704,067</u>	<u>25,877,300</u>	<u>28,652,625</u>	<u>23,578,291</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Selling, general and administrative	\$ 423	\$ 166	\$ 1,410	\$ 417
Research and development	39	25	126	96
Total stock-based compensation expense	<u>462</u>	<u>191</u>	<u>1,536</u>	<u>513</u>

SOURCE: Wrap Technologies, Inc.

View source version on accesswire.com:

<https://www.accesswire.com/579933/Wrap-Technologies-Reports-Fourth-Quarter-and-Full-Year-2019-Results>

Released March 10, 2020