August 5, 2019

Wrap Technologies Reports Second Quarter Results

LAS VEGAS, Aug. 5, 2019 /PRNewswire/ -- Wrap Technologies, Inc. (the "Company" or "Wrap") (Nasdaq: WRTC), an innovator of modern policing solutions, today announced financial results for its second quarter ended June 30, 2019.

2019 YTD Highlights

- In March 2019 we welcomed less-lethal industry pioneer and 25-year veteran Thomas Smith as our President. He immediately focused on scaling domestic and international sales. Mr. Smith's efforts resulted in the July 2019 announcement of our first large international distributor order valued at over $1 million.
- By the end of Q2 our sales team inked distribution agreements with nine domestic distributors representing 38 states and seven international distributors representing 12 countries. We recently commenced first shipments to new international customers.
- In late May 2019 we released an updated version of our BolaWrap 100 remote restraint device featuring an integrated green line laser. We have demonstrated our BolaWrap 100 product to over 150 agencies across the country, often with media in attendance.
- During Q2 we rapidly expanded our training and support activities and have engaged eight contract regional Master Instructors. As of June 30, 2019, over 65 agencies had received BolaWrap 100 training with approximately 390 training officers at those agencies certified as BolaWrap 100 instructors qualified to train their departments.
- We were recently granted our fifth U.S. patent and have eight other U.S. patents pending on our remote restraint device and technology. We have foreign patents pending, targeting the European Union (17 countries) and 17 other countries. We are also being awarded U.S. and foreign tradenames to support our international branding strategy.
- In June 2019 we leased and occupied a 11,000 square foot facility in Tempe, Arizona that we expect to provide additional assembly, warehouse and training space for expected growth during the balance of 2019 and in 2020.

Management Commentary

"We are excited to be showing the upgraded BolaWrap 100 product with its integrated green line laser to domestic and international customers," said David Norris, CEO of Wrap Technologies. "The ability to more reliably target a subject has been met with very favorable response from agency heads and trainers.

"In the first six months we elected to accelerate international distribution and engage domestic distributors to target a larger number of smaller agencies throughout the U.S. With over 15,000 federal, state and local law enforcement agencies, distributors offer the ability to sell to these customers more rapidly and efficiently. Our recent funding allows us to build the organization to support multiple distribution channels, provide professional training and build production capacity.

"Our branding and media efforts are positioning our BolaWrap solution as a new category of remote restraint for early engagement that is low on the use of force continuum. The need for less lethal early restraint is clear for many encounters including many with the mentally ill. Awareness is rapidly growing that BolaWrap can be a useful tool to help restrain the mentally ill involved in an estimated 1 in 10 police encounters and 1 in 4 fatal encounters. Since we began product demonstrations last year, BolaWrap has appeared on television more than 500 times and has been viewed on social media more than 35,000,000 times.

"July was a busy month for our team as we added new international and domestic distributors and accelerated our training activities. We have nine domestic distributors covering 38 states and ten international distributors covering 17 countries. We now have ten Master BolaWrap Instructors nationwide to support our distributors and expedite the sales cycle.

"We continue to innovate and add to our IP portfolio. We plan to continue to enhance our remote restraint offerings to meet the needs of law enforcement agencies."

Q2 Financial Summary

As a result of the June 2019 follow-on public offering, the Company improved its financial position and ended the second quarter with $21.4 million in cash and cash equivalents and working capital of $22.1 million. Other than $0.2 million of long-term right-of-use operating lease liability, the Company has no other debt not included in working capital. Stockholders' equity was $22.5 million at June 30, 2019.

Second quarter revenues were slowed as we waited to ship the improved BolaWrap 100 model with its integrated green line laser. This enhanced product began shipping in late May 2019 and we are building production for larger product shipments that we expect to deliver to customers in the second half of 2019. Revenues were $48,948 for the second quarter and $162,901 for the six months ended June 30, 2019. There were no comparable prior period revenues.

Gross profit margin was 40% for the second quarter and 49% for the six months ended June 30, 2019. We have just commenced product sales and we are establishing distribution and related production. We intend to rely on both direct and distributor sales both domestically and internationally and changes in sales channels can impact margins. A variety of other factors impact margins including product updates, raw material and component changes and warranty costs. Due to the startup nature of our sales activities we do not believe historical margins should be relied on as an indicator of future margins.

Selling, general and administrative costs for the second quarter were $1,481,187, compared to $581,575 during the year-ago quarter. We have expanded our sales, training and support activities as we commenced sales. Selling, general and administrative costs for the six months ended June 30, 2019 were $2,669,063, compared to $920,742 for the prior comparable period. In the near term we expect to expend additional resources on the marketing and selling of our products, training distributors and customers and administratively supporting our operations.

Research and development costs for the second quarter were $516,213, compared to $193,629 during the year-ago quarter. Research and development costs for the six months ended June 30, 2019 were $891,032, compared to $289,614 for the prior comparable period. Increased costs related to increased research and production development personnel and increased consulting costs related to developing systems for monitoring research and production. We expect our research and development costs will vary depending on specific research projects and levels of internal and external staffing and prototype costs.

The net loss for the second quarter ended June 30, 2019 was $1,914,074, or $(0.07) per share, compared to $775,542, or $(0.03) per share, during the prior year's second quarter. The net loss for the six months ended June 30, 2019 was $3,394,855, or $(0.12) per share, compared to $1,210,920, or $(0.05) per share. The net loss for each six-month period included $600,898 and $172,973, respectively, of non-cash stock-based compensation expenses.

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 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 successful 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 counties 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 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)

	June 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,378	$ 12,359
Accounts receivable	31	4
Inventories, net	1,256	158
Prepaid expenses and other current assets	186	115
Total current assets	22,851	12,636
Property and equipment, net	127	30
Operating lease right-of-use asset, net	319	-
Intangible assets, net	187	119
Other assets, net	12	2
Total assets	$ 23,496	$ 12,787
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 548	$ 301
Deferred revenue	3	-
Operating lease liability- short term	104	-
Deferred and accrued officer compensation	96	96
Total current liabilities	751	397
Operating Lease Liability - Long Term	216	-
Total liabilities	967	397
Stockholders' equity	22,529	12,390
Total liabilities and stockholders' equity	$ 23,496	$ 12,787

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

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues:				
Product sales	$ 49	$ -	$ 163	$ -
Other revenue	10	-	14	-
Total revenues	59	-	177	-
Cost of revenues	36	-	97	-
Gross profit	23	-	80	-
Operating expenses (i):				
Selling, general and administrative	1,481	582	2,669	921
Research and development	516	194	891	290
Total operating expenses	1,997	776	3,560	1,211
Loss from operations	(1,974)	(776)	(3,480)	(1,211)
Other income (expense):				
Interest income	62	1	87	1
Other	(2)	(1)	(2)	(1)
	60	-	85	-
Net loss	$ (1,914)	$ (776)	$ (3,395)	$ (1,211)
Net loss per basic common share	$ (0.07)	$ (0.03)	$ (0.12)	$ (0.05)
Weighted average common shares used to compute net loss per basic common share	27,848,421	22,803,533	27,606,514	22,803,533

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

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Selling, general and administrative	$345	$126	$548	$126
Research and development	29	47	53	47
Total stock-based compensation expense	374	173	601	173

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