

August 14, 2020



ToughBuilt™ Reports Second Quarter 2020 Financial Results

LAKE FOREST, California, Aug. 14, 2020 (GLOBE NEWSWIRE) -- ToughBuilt Industries, Inc. (“ToughBuilt®” or the “Company”) (NASDAQ: TBLT; TBLTW) is an advanced product design, manufacturer and distributor with emphasis on innovative products, announced today its financial results for the quarter ended June 30, 2020.

Highlights of Second Quarter 2020 and 6-Month Financial Results

Operating Results for the Three Months Ended June 30, 2020

- Net sales for three months ended June 30, 2020 were \$6.8 million, an increase of 43% from \$4.7 million in the same period of 2019.
- Gross profit increased by 117% to \$2.5 million in the three months ended June 30, 2020, compared to \$1.1 million in the same period in 2019.
- Net loss for the three months ended June 30, 2020 was \$2.5 million, as compared to a profit of \$7 thousand in the same period of 2019.

Operating Results for the Six Months Ended June 30, 2020

- Net sales for the six-month period ended June 30, 2020 were \$10.7 million, an increase of 10% from \$9.7 million in the same period 2019.
- Gross profit increased by 73% to \$4 million in the six months ended June 30, 2020, compared to \$2.3 million in 2019.
- Net loss for the six-month period ended June 30, 2020 was \$6.2 million, as compared to a profit of \$507 thousand in the same period of 2019.

Michael Panosian, Chief Executive Officer of ToughBuilt, stated, “I am pleased with our accomplishments and believe our company to be in a good position to take advantage of global market opportunities as we are moving forward. We signed several new partnerships, including global distribution agreements and new sales channels that will be invaluable for the short and long term. Also, exceedingly proud of our team and global partners performance and would like to applaud everyone for always putting safety first. Our entire team has shown real dedication during this pandemic by quickly and effectively implementing new protocols to promote the safety and welfare of our employees and the communities in which we serve,” stated Mr. Panosian.

ABOUT TOUGHBUILT INDUSTRIES, INC.

ToughBuilt is an advanced product design, manufacturer and distributor with emphasis on innovative products. Currently focused on tools and other accessories for the professional and do-it-yourself construction industries. We market and distribute various home improvement and construction product lines for both the do-it-yourself and professional markets under the TOUGHBUILT brand name, within the global multibillion dollar per year

tool market industry. All of our products are designed by our in-house design team. Since launching product sales in 2013, we have experienced significant annual sales growth. Our current product line includes three major categories, with several additional categories in various stages of development, consisting of Soft Goods & Kneepads and Sawhorses & Work Products. Our mission is to provide products to the building and home improvement communities that are innovative, of superior quality derived in part from enlightened creativity for our end users while enhancing performance, improving well-being and building high brand loyalty. Additional information about the Company is available at: <https://www.toughbuilt.com/>.

FORWARD-LOOKING STATEMENTS

This press release contains “forward-looking statements.” Such statements may be preceded by the words “intends,” “may,” “will,” “plans,” “expects,” “anticipates,” “projects,” “predicts,” “estimates,” “aims,” “believes,” “hopes,” “potential” or similar words. Forward-looking statements are not guarantees of future performance, are based on certain assumptions and are subject to various known and unknown risks and uncertainties, many of which are beyond the Company’s control, and cannot be predicted or quantified and consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, risks and uncertainties associated with (i) market acceptance of our existing and new products, (ii) delays in bringing products to key markets, (iii) an inability to secure regulatory approvals for the ability to sell our products in certain markets, (iv) intense competition in the industry from much larger, multinational companies, (v) product liability claims, (vi) product malfunctions, (vii) our limited manufacturing capabilities and reliance on subcontractors for assistance, (viii) our efforts to successfully obtain and maintain intellectual property protection covering our products, which may not be successful, (ix) our reliance on single suppliers for certain product components, (x) the fact that we will need to raise additional capital to meet our business requirements in the future and that such capital raising may be costly, dilutive or difficult to obtain and (xi) the fact that we conduct business in multiple foreign jurisdictions, exposing us to foreign currency exchange rate fluctuations, logistical and communications challenges, burdens and costs of compliance with foreign laws and political and economic instability in each jurisdiction. More detailed information about the Company and the risk factors that may affect the realization of forward looking statements is set forth in the Company’s filings with the Securities and Exchange Commission (SEC), including the Company’s Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q. Investors and security holders are urged to read these documents free of charge on the SEC’s web site at <http://www.sec.gov>. The Company assumes no obligation to publicly update or revise its forward-looking statements as a result of new information, future events or otherwise.

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TOUGHBUILT INDUSTRIES, INC.
CONDENSED BALANCE SHEETS

(UNAUDITED)

	<u>June 30,</u> <u>2020</u>	<u>December</u> <u>31,</u> <u>2019</u>
Assets		
Current Assets		
Cash	\$ 19,628,685	\$ 25,063
Accounts receivable	3,086,402	2,075,380
Factor receivables, net	388,364	174,042
Inventory	1,855,595	2,215,497
Prepaid assets	1,792,666	254,070
Note receivable	1,480,000	4,480,000
Total Current Assets	<u>28,231,712</u>	<u>9,224,052</u>
Property and equipment, net	1,598,583	1,029,885
Other assets	470,688	215,688
Total Assets	<u>\$ 30,300,983</u>	<u>\$ 10,469,625</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 2,105,052	\$ 2,536,871
Accrued expenses	404,197	364,309
Factor loan payable	294,868	125,645
Convertible notes payable, net of discount	1,759,081	4,216,307
Total Current Liabilities	<u>4,563,198</u>	<u>7,243,132</u>
Total Liabilities	<u>4,563,198</u>	<u>7,243,132</u>
Shareholders' Equity		
Series D Preferred Stock, \$1,000 par value, 5,775 shares authorized, 0 and 5,775 issued, and outstanding at June 30, 2020 and December 31, 2019, respectively. Liquidation preference of \$5,775,000 at December 31, 2019.	-	4,816,485
Common stock, \$0.0001 par value, 200,000,000 shares authorized, 38,414,631 and 3,300,015 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	3,842	330
Additional paid-in capital	75,421,130	41,823,048
Accumulated deficit	(49,687,187)	(43,413,370)
Total Shareholders' Equity	<u>25,737,785</u>	<u>3,226,493</u>
Total Liabilities and Shareholders' Equity	<u>\$ 30,300,983</u>	<u>\$ 10,469,625</u>

The accompanying notes are an integral part of these condensed unaudited financial statements.

TOUGHBUILT INDUSTRIES, INC.
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	<u>Three Months Ended June</u> <u>30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues, net of allowances				
Metal goods	\$ 3,374,066	\$ 2,274,978	\$ 5,456,846	\$ 3,916,250

Soft goods	3,465,580	2,479,362	5,292,312	5,860,561
Total revenues, net of allowances	<u>6,839,646</u>	<u>4,754,340</u>	<u>10,749,158</u>	<u>9,776,811</u>
Cost of Goods Sold				
Metal goods	2,291,948	1,680,762	3,652,461	2,974,433
Soft goods	1,990,681	1,896,656	3,017,911	4,447,742
Total cost of goods sold	<u>4,282,629</u>	<u>3,577,418</u>	<u>6,670,372</u>	<u>7,422,175</u>
Gross profit	<u>2,557,017</u>	<u>1,176,922</u>	<u>4,078,786</u>	<u>2,354,636</u>
Operating expenses:				
Selling, general and administrative expenses	4,313,015	2,528,461	8,816,839	5,258,003
Research and development	422,072	666,448	946,239	1,130,043
Total operating expenses	<u>4,735,087</u>	<u>3,194,909</u>	<u>9,763,078</u>	<u>6,388,046</u>
Loss from operations	<u>(2,178,070)</u>	<u>(2,017,987)</u>	<u>(5,684,292)</u>	<u>(4,033,410)</u>
Other income (expense)				
Interest expense	(341,088)	(86,275)	(589,525)	(168,538)
Change in fair value of warrant derivative	-	2,111,684	-	4,709,583
Total other income (expense)	<u>(341,088)</u>	<u>2,025,409</u>	<u>(589,525)</u>	<u>4,541,045</u>
Net income (loss)	<u>\$ (2,519,158)</u>	<u>\$ 7,422</u>	<u>\$ (6,273,817)</u>	<u>\$ 507,635</u>
Common stock deemed dividend	-	-	-	(2,137,190)
Redemption of Series D Preferred Stock deemed dividend	-	-	(1,295,294)	-
Net income (loss) attributable to common stockholders	<u>\$ (2,519,158)</u>	<u>\$ 7,422</u>	<u>\$ (7,569,111)</u>	<u>\$ (1,629,555)</u>
Basic and diluted net loss per share attributed to common stockholders				
Basic net loss per common share	<u>\$ (0.11)</u>	<u>\$ 0.00</u>	<u>\$ (0.49)</u>	<u>\$ (1.06)</u>
Basic weighted average common shares outstanding	<u>22,209,152</u>	<u>1,904,270</u>	<u>15,440,558</u>	<u>1,538,834</u>
Diluted net loss per common share	<u>\$ (0.11)</u>	<u>\$ 0.00</u>	<u>\$ (0.49)</u>	<u>\$ (1.05)</u>
Diluted weighted average common shares outstanding	<u>22,209,152</u>	<u>1,904,270</u>	<u>15,440,558</u>	<u>1,551,618</u>

The accompanying notes are an integral part of these condensed unaudited financial statements.

TOUGHBUILT INDUSTRIES, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ (6,273,817)	\$ 507,635
Adjustments to reconcile from net income (loss) to net cash used in operating activities:		
Depreciation	217,631	101,911
Amortization of debt discount and debt issuance cost	448,908	-
Change in fair value of warrant derivative	-	(4,709,583)
Stock-based compensation expense	323,989	209,763
Changes in operating assets and liabilities		
Accounts receivable	(1,011,022)	(809,543)
Factor receivables, net	(214,322)	150,995
Inventory	359,902	(786,682)
Prepaid assets	(966,196)	(75,848)
Other assets	(5,000)	(3,537)
Accounts payable	(431,819)	(157,002)
Accrued expenses	39,888	(524,377)
Deferred revenue	-	(33,665)
Net cash used in operating activities	(7,511,858)	(6,129,933)
Cash flows from investing activities:		
Proceeds from note receivable	3,000,000	-
Advance for property and equipment	(250,000)	-
Purchases of property and equipment	(786,329)	(276,554)
Net cash provided by (used in) investing activities	1,963,671	(276,554)
Cash flows from financing activities:		
Proceeds from sales of common stock and warrants, net of costs	28,122,740	-
Proceeds from exercise of Series A warrants	-	2,172,680
Proceeds from exercise of Placement Agent warrants	-	16,818
Proceeds from factor loan payable	169,223	1,809,884
Repayments of factor loan payable	-	(2,028,866)
Repayments of Series D Preferred Stock	(3,140,154)	-
Net cash provided by financing activities	25,151,809	1,970,516
Net increase (decrease) increase in cash	19,603,622	(4,435,971)
Cash, beginning of period	25,063	5,459,884
Cash, end of period	\$ 19,628,685	\$ 1,023,913
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities:		
Cashless exercise of warrants	\$ 244	\$ -
Conversion of Series C Preferred Stock to common stock	\$ 13	\$ -
Conversion of Series D Preferred Stock to common stock	\$ 2,971,311	\$ -

Conversion of convertible notes payable to common stock	<u>\$ 2,906,134</u>	<u>\$ -</u>
Issuance of common stock for prepaid services	<u>\$ 572,400</u>	<u>\$ -</u>
Conversion of Series B warrants into common stock	<u>\$ -</u>	<u>\$ 13,369,232</u>
Issuance of convertible preferred stock in exchange for warrants	<u>\$ -</u>	<u>\$ 3,671,024</u>

The accompanying notes are an integral part of these condensed unaudited financial statements.



Source: Toughbuilt Industries, Inc