

October 31, 2019



Wrap Technologies Reports Third Quarter Results

TEMPE, Arizona, Oct. 31, 2019 /PRNewswire/ -- Wrap Technologies, Inc. (the "Company" or "Wrap") (Nasdaq: WRTC), an innovator of modern policing solutions, today announced financial results for its third quarter ended September 30, 2019.

2019 YTD Highlights

- Revenue in Q3 of \$268,763, an increase of 352% over Q2 2019 revenue. Sales for Q3 of the prior year were \$1,890. In May 2019 we released an updated version of our BolaWrap 100 remote restraint device featuring an integrated green line laser and began to work with distributors, both domestic and international.
- In July 2019 we announced our first large international distributor order valued at over \$1 million. During Q3 we made the first shipment under the order and began in-country demonstrations to end users with the distributor.
- At September 30, 2019 we had \$238,000 of customer deposits on future delivery orders and had a backlog of approximately \$1.3 million expected to be delivered over the next nine 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.
- By the end of Q3 our sales team signed distribution agreements with 11 domestic distributors representing 45 states. As a result, we have over 90 distributor sales personnel promoting BolaWrap and arranging demonstrations and training. We have 15 international distributors representing 25 countries. We continue to ship product to distributors and agencies and to date have shipped to over 13 countries.
- We have demonstrated our BolaWrap 100 product to over 170 domestic agencies across the country, often with media in attendance. Over 110 law enforcement agencies and 20 distributors took delivery of BolaWrap 100 devices during 2018 and the first nine months of 2019.
- During Q3 we greatly expanded our training and support reach and now have 23 contract regional Master Instructors. As of September 30, 2019 over 95 agencies had received BolaWrap 100 training with approximately 450 training officers at those agencies certified as BolaWrap 100 instructors qualified to train their departments. More departments are deploying BolaWrap as an essential tool for early engagement with subjects.
- During Q3 we commenced manufacturing BolaWrap products at our new 11,000+ square foot facility in Tempe, Arizona. In addition to manufacturing and warehouse space to support rapid growth, the facility also contains a state-of-the-art training and demonstration chamber to accommodate training and demonstration of BolaWrap products to support growing sales to agencies and distributors. This chamber also serves as a testing range to support product development activities.
- In late September we appointed industry veteran Scott Klug as our Vice President of New Product Development. Mr. Klug joins Wrap with more than 20 years of experience

leading engineering teams at companies including TASER, West Pharmaceutical, Ryobi, and Teledyne. Alongside our CTO and award-winning inventor, Elwood Norris, Scott will be responsible for leading the engineering team's initiatives of designing and developing Wrap's next generation of innovative products.

Management Commentary

"We are excited from the response we received from law enforcement visitors to our booth earlier this week at the 126th International Association of Chiefs of Police (IACP) Conference held in Chicago. Visitors were able to see BolaWrap in action in typical scenarios using a new highly interactive Wrap Virtual Reality training simulator. We had the opportunity in one venue to meet both current and prospective agencies and distributors," said David Norris, CEO of Wrap Technologies.

Norris added, "We are pleased with the progress being made by agencies. Their trainers are becoming certified. They are instituting policies and procedures for use of BolaWrap. They are training line officers on the use of BolaWrap. And we are now starting to see successful use in everyday policing and we expect use to increase as more devices are placed in the hands of line officers at more agencies."

Q3 Financial Summary

The Company improved its financial position as a result of the June 2019 follow-on public offering and ended the third quarter with \$19.2 million in cash and cash equivalents, and working capital of \$20.1 million. Other than \$0.18 million of long-term right-of-use operating lease liability, the Company has no other debt not included in working capital. Stockholders' equity was \$20.7 million at September 30, 2019.

Third quarter revenue improved as a result of increased agency, distributor and international order fulfillments. With the move to the larger Tempe, Arizona facility we are building production for larger product shipments that we expect in future periods. Revenue was \$268,763 for the third quarter and \$446,018 for the nine months ended September 30, 2019. There were minimal comparable prior period revenue as we commenced product sales in late 2018.

Gross profit margin was 41.3% for the third quarter and 42.9% for the nine months ended September 30, 2019. We rely on both direct and distributor sales both domestically and internationally and changes in sales channels can significantly impact product 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 expense for the third quarter was \$1,878,152, compared to \$665,910 during the year-ago quarter. We are rapidly expanding our sales, training and support activities to support our planned growth. Selling, general and administrative expense for the nine months ended September 30, 2019 was \$4,547,215, compared to \$1,586,652 for the prior comparable period. In the near term we expect to expend comparable levels of resources on the marketing and selling of our products, training distributors and customers and administratively supporting our operations.

Research and development expense for the third quarter was \$729,788, compared to \$168,432 during the year-ago quarter. Research and development expense for the nine months ended September 30, 2019 was \$1,620,820, compared to \$458,046 for the prior comparable period. Increased expense related to increased research and production development personnel and increased consulting expense related to developing systems for monitoring research and production. We expect our research and development expense will vary depending on specific research projects and levels of internal and external staffing and prototype costs.

The net loss for the third quarter ended September 30, 2019 was \$2,387,204, or \$(0.08) per share, compared to \$833,884, or \$(0.04) per share, during the prior year's third quarter. The net loss for the nine months ended September 30, 2019 was \$5,782,059, or \$(0.20) per share, compared to \$2,044,804, or \$(0.09) per share. The net loss for each nine-month period included \$1,074,555 and \$322,811, respectively, of non-cash stock-based compensation expense.

Webcast and Conference Call

The Company will hold its third quarter financial results conference call today, October 31, 2019 at 4:30 pm Eastern time (1:30 pm Pacific time). To join the live webcast use the following link:

Join Webcast: [Wrap3rdQtrWebcastLink](#)

Conference call participant information:

Date: October 31, 2019

Time: 4:30 pm Eastern time (1:30 pm Pacific time)

US/CANADA dial-in: (866) 360-5760

International dial-in: (602) 563-8606

Conference ID: 6148409

The webcast link and replay will also be available at the company's website at wraptechnologies.com.

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 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 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.

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

	September 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,262	\$ 12,359
Accounts receivable	96	4
Inventories, net	1,974	158
Prepaid expenses and other current assets	85	115
Total current assets	<u>21,417</u>	<u>12,636</u>
Property and equipment, net	208	30
Operating lease right-of-use asset, net	290	-
Intangible assets, net	214	119
Other assets, net	12	2
Total assets	<u>\$ 22,141</u>	<u>\$ 12,787</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 897	\$ 301
Customer deposits	239	
Deferred revenue	2	-
Operating lease liability- short term	124	-
Deferred and accrued officer compensation	-	96
Total current liabilities	<u>1,262</u>	<u>397</u>
Operating Lease Liability - Long Term	183	-
Total liabilities	<u>1,445</u>	<u>397</u>
Stockholders' equity	<u>20,696</u>	<u>12,390</u>
Total liabilities and stockholders' equity	<u>\$ 22,141</u>	<u>\$ 12,787</u>

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

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Product sales	\$ 256	\$ 2	\$ 419	\$ 2
Other revenue	13	-	27	-
Total revenues	269	2	446	2
Cost of revenues	158	2	255	2
Gross profit	111	-	191	-
Operating expenses (i):				
Selling, general and administrative	1,878	666	4,547	1,586
Research and development	730	168	1,621	458
Total operating expenses	2,608	834	6,168	2,044
Loss from operations	(2,497)	(834)	(5,977)	(2,044)
Other income (expense):				
Interest income	109	1	196	1
Other	1	-	(1)	(2)
	110	1	195	(1)
Net loss	\$ (2,387)	\$ (833)	\$ (5,782)	\$ (2,045)
Net loss per basic common share	\$ (0.08)	\$ (0.04)	\$ (0.20)	\$ (0.09)
Weighted average common shares used to compute net loss per basic common share	29,662,403	22,803,533	28,301,725	22,803,533

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

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2019	2018	2019	2018
Selling, general and administrative	\$ 439	\$ 125	\$ 987	\$ 251
Research and development	35	24	88	71
Total stock-based compensation expense	474	149	1,075	322

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