

April 29, 2020



Wrap Technologies Reports First Quarter 2020 Results

Sales Momentum Drives Record Revenue of \$689,000 and \$1.4 Million Backlog

TEMPE, AZ / ACCESSWIRE / April 29, 2020 / Wrap Technologies, Inc. (the "Company" or "Wrap") (NASDAQ:WRTC), an innovator of modern policing solutions, reported results for the first quarter ended March 31, 2020.

First Quarter and Recent Operational Highlights:

- In February, began 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 new orders for BolaWraps from police agencies in California, Missouri, Illinois, Virginia, Louisiana, Maryland, Minnesota, and Washington during March 2020
- Shipped international purchase orders for 200 BolaWraps and 2,000 cartridges and accessories
- Q1 international shipments raise the total countries receiving BolaWrap products to 19
- Continued training momentum with 195 departments now trained and 720 instructors certified to teach their agencies
- Appointed former police commissioners, Richard Ross Jr. and Edmund Hartnett, as well as law enforcement veteran, Chief Scott Knight, to lead public safety relations efforts
- Strengthened competitive moat by receiving one U.S. and two foreign patent allowances, increasing the total number of patents to ten (eight U.S. patents, two foreign patents with multiple pending)
- As of March 31, 2020, backlog totaled approximately \$1.4 million, which the Company expects to recognize over the next twelve months

Management Commentary

"In the first quarter of 2020, we continued to accelerate the sales momentum we initiated in the second half of last year," said David Norris, CEO of Wrap Technologies. "Financially, the quarter was highlighted by a substantial year-over-year and sequential increase in revenues to \$689,000, nearly equaling full year 2019 revenues. Additionally, we exited the quarter with a \$1.4 million backlog, which indicates that we were able to successfully convert our pipeline into orders and continued adding new customers during a challenging period.

"Despite the global slowdown that began to materially impact the United States in March, we've seen portions of our sales channel become more active over the past few weeks. We have a fortified balance sheet with \$15.5 million in cash and minimal debt, a nimble and flexible organization, and a product that we believe fills a void that exists independent of broader market trends. So, while we cannot predict how the world economy will evolve in the

coming months, we remain optimistic about our prospects and our ability to execute against our long-term strategic initiatives."

First Quarter 2020 Financial Results

Total revenue for the first quarter of 2020 increased to \$689,000 from \$118,000 in the first quarter of 2019. The increase in total revenue was due to improvements in marketing and selling efforts as the Company has focused on working with established domestic and international distributors.

Gross profit margin for the first quarter of 2020 was 41.1% compared to 48.0% in the first quarter of 2019. The decrease in gross profit margin was primarily due to minimal revenue in the prior year quarter and changes to our product as we established volume manufacturing in our Tempe facility. 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 first quarter of 2020 increased to \$2.7 million from \$1.6 million in the first quarter of 2019. The increase in total operating expense was due to an increase in non-cash stock-based compensation expense as well as increased staffing and sales activities resulting from our scaling of operations for growth.

Net loss for the first quarter of 2020 totaled \$2.3 million or \$(0.08) per diluted share, compared to net loss of \$1.5 million or \$(0.05) per diluted share in the first quarter of 2019.

Cash and cash equivalents totaled \$15.5 million at March 31, 2020, compared to \$17.0 million at December 31, 2019.

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 Call

Wrap Technologies' management will hold a conference call today (April 29, 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 Q1 2020 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 May 7, 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: 1058933

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. 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, including the consequences of the COVID-19 outbreak and other pandemics and other 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 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 business impact of health crises or outbreaks of disease, such as epidemics or pandemics; 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 reports on Form 10-Q, 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, Inc.

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

	March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,493	\$ 16,984
Accounts receivable	384	195
Inventories, net	2,288	2,245
Prepaid expenses and other current assets	345	251
Total current assets	18,510	19,675
Property and equipment, net	240	243
Operating lease right-of-use asset, net	231	261
Intangible assets, net	262	230
Other assets, net	13	13
Total assets	\$ 19,256	\$ 20,422
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 666	\$ 601
Customer deposits	222	344
Deferred revenue	2	3
Operating lease liability- short term	124	128
Total current liabilities	1,014	1,076
Operating Lease Liability - Long Term	124	150
Total liabilities	1,138	1,226
Stockholders' equity	18,118	19,196
Total liabilities and stockholders' equity	\$ 19,256	\$ 20,422

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

	For the Three Months Ended March 31,	
	2020	2019
Revenues:		
Product sales	\$ 675	\$ 114
Other revenue	15	4
Total revenues	690	118
Cost of revenues	406	61
Gross profit	284	57
Operating expenses (i):		
Selling, general and administrative	2,140	1,188
Research and development	534	375
Total operating expenses	2,674	1,563
Loss from operations	(2,390)	(1,506)
Other income (expense):		
Interest income	44	25
Other	-	-
	44	25
Net loss	<u>\$ (2,346)</u>	<u>\$ (1,481)</u>
Net loss per basic common share	<u>\$ (0.08)</u>	<u>\$ (0.05)</u>
Weighted average common shares used to compute net loss per basic common share	<u>29,976,825</u>	<u>27,364,607</u>

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

	For the Three Months Ended March 31,	
	2020	2019
Selling, general and administrative	\$ 429	\$ 203
Research and development	38	24
Total stock-based compensation expense	<u>\$ 467</u>	<u>\$ 227</u>

SOURCE: Wrap Technologies, Inc.

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