

April 29, 2021



# WRAP Reports First Quarter 2021 Results

## Growing U.S. and International Demand Drives Solid 123% Year-Over-Year Revenue Growth to \$1.5 Million

TEMPE, Ariz., April 29, 2021 (GLOBE NEWSWIRE) -- Wrap Technologies, Inc. (Nasdaq: WRAP) (the "Company"), a global leader in innovative public safety technologies and services, today announced results for its first quarter ended March 31, 2021 ("1Q21").

### First Quarter 2021 Highlights

- Net revenues grew 123% to \$1.5 million
- Gross margin of 39%, similar to 1Q20, up from 33% in 4Q20
- Trained agencies increased 222% over prior-year quarter, to 628
- Certified officer instructors increased 172% over prior-year quarter, to 1,961
- President Tom Smith appointed CEO
- WRAP Reality immersive training platform gaining momentum – signed new five-year training subscription agreement

### Management Commentary – Tom Smith, CEO and President

"We had another solid quarter of progress toward integrating our training tools and remote restraint devices into a cohesive law enforcement technology platform. Our goal is to offer a seamless platform that provides efficient training for any situation an officer may experience and the effective use of devices to help do the job without causing pain or escalating a situation unnecessarily. Both our virtual reality training and BolaWrap fill a growing demand for safer solutions, as police agencies from around the world deal with reform under an intense spotlight."

"We believe our first-mover advantage in providing an immersive training solution to a market that is actively seeking fresh ideas towards police education and training will continue to serve us well as we expand our brand awareness worldwide. We have now delivered product to 41 countries. We expect 2021 to be a year of continued growth as we pursue our goal of becoming the global leader in de-escalation solutions and best practices."

	Three Months Ended	
	March 31,	
	2021	2020
(amounts in thousands, except per share data)		
Total revenues	\$ 1,542	\$ 690
Net sales growth <sup>(1)</sup>	123%	485%
Gross margin rate	39%	41%
Net loss	\$ (5,429)	\$ (2,346)
Net loss per diluted share	\$ (0.14)	\$ (0.08)

(1) As compared to the prior-year period.

## **FIRST QUARTER 2021 FINANCIAL AND OPERATIONS HIGHLIGHTS**

### ***Net Revenues***

- Generated revenue of \$1.5 million for the 1Q21, representing 123% growth as compared to 1Q20.
- Sequential increase of 9% from \$1.4 million in the 4Q20.
- The pandemic is expected to continue to impact sales efforts both in the U.S. and internationally; however, our sales pipeline remains robust.

### ***Gross Profit***

- Generated \$0.6 million of gross profit for the 1Q21.
- Gross margin was 39% for the 1Q21, a sequential improvement compared to 33% for 4Q20.
- We continue to expect our gross margins to be fluid as we ramp our revenue base during this early stage of growth.

### ***Selling, General and Administrative (SG&A) Expense***

- SG&A expense increased \$2.8 million in 1Q21 to \$5.0 million compared to 1Q20.
- Increase was driven primarily by a \$0.8 million increase in compensation costs as we ramp our sales force and training teams due to agency demand, and \$1.0 million of public reporting expense.
- Travel expenses remain under historical growth rates.

### ***Research and Development (R&D) Expense***

- R&D expense increased \$0.5 million in 1Q21 to \$1.0 million compared to 1Q20.
- We expect our R&D expense to increase in 2021 as we add staff and expand important research initiatives in response to identified market opportunities, including further development of our training platform.

### ***Inventory***

- Inventory increased to \$3.6 million at end of 1Q21, compared to \$2.7 million at 4Q20 in response to growing market opportunities.

### ***Capital Structure and Liquidity***

- Cash, cash equivalents and short-term investments were \$37.0 million at end of 1Q21, representing 81% of total assets, compared to \$41.6 million at 4Q20.

### **Outlook**

“We continue to expect near-term headwinds to our growth as international travel remains limited.,” said Mr. Smith. “We expect this to continue through at least the first half of 2021, then soften as we proceed through the second half of 2021. Accordingly, near-term growth rates may differ from historical norms.”

## **Webcast and Earnings Conference Call**

The Company will host a live Zoom video webcast for investors and other interested parties beginning at 4:30 p.m. Eastern Time on Thursday, April 29, 2021. The call will be hosted by Tom Smith, CEO and President, Jim Barnes, CFO Secretary and Treasurer, and Paul Manley, VP of Investor Relations.

WEBCAST LINK: [Webcast Registration Link](#)

Participants may access the live webcast by visiting the Company's Investor Relations page at [www.wrap.com](http://www.wrap.com). A webcast replay of the call will be available on the Company's Investor Relations page within 24 hours of the live call ending.

### **Contact**

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### **About Wrap Technologies**

WRAP Technologies (Nasdaq: WRAP) is a global leader in innovating public safety technologies and services that deliver advanced solutions focused on avoiding escalation. The BolaWrap® Remote Restraint device, WRAP's first product, is a patented, hand-held device that discharges a Kevlar® tether to temporarily restrain from a safe distance. Through many field uses and growing adoption by agencies across the globe, BolaWrap is proving to be an effective tool to safely detain persons without injury. WRAP Reality, the Company's virtual reality training system, is an immersive training simulator and comprehensive public safety training platform designed to empower first responders with the necessary knowledge to perform in the field. WRAP's headquarters are located in Tempe, Arizona. For more information, please visit [wrap.com](http://wrap.com).

### **Use of Non-GAAP Information**

Included in this press release are non-GAAP operational metrics regarding agencies and training 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.

### **Trademark Information**

BolaWrap, Wrap and Wrap Reality 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”, and variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Moreover, 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 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 mentioned in the Company’s most recent annual report on Form 10-K, 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 Consolidated Balance Sheets**  
(unaudited - dollars in thousands)

	<b>March 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$2,000	\$16,647
Short-term investments	35,000	24,994
Accounts receivable, net	2,212	1,871
Inventories, net	3,580	2,655
Prepaid expenses and other current assets	769	760
	43,561	46,927
<b>Total current assets</b>		
<b>Property and equipment, net</b>	463	357
<b>Operating lease right-of-use asset, net</b>	114	139
<b>Intangible assets, net</b>	1,404	1,397
<b>Other assets, net</b>	8	13
	\$45,550	\$48,833
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$2,993	\$1,953
Customer deposits	5	2
Deferred revenue	172	16
Operating lease liability - short term	91	94
Business acquisition liability - short term	175	275
	3,436	2,340
<b>Total current liabilities</b>		
<b>Long-term liabilities</b>	55	79
	3,491	2,419
<b>Total liabilities</b>		
<b>Stockholders' equity</b>	42,059	46,414
	\$45,550	\$48,833
<b>Total liabilities and stockholders' equity</b>		

**Wrap Technologies, Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss**  
(unaudited - dollars in thousands, except share and per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>		
Product sales	\$1,427	\$675
Other revenue	115	15
Total revenues	1,542	690
Cost of revenues	937	406
<b>Gross profit</b>	<b>605</b>	<b>284</b>
<b>Operating expenses (i):</b>		
Selling, general and administrative	4,978	2,140
Research and development	1,065	534
Total operating expenses	6,043	2,674
Loss from operations	(5,438)	(2,390)
Other income	9	44
<b>Net loss</b>	<b>(\$5,429)</b>	<b>(\$2,346)</b>
Net loss per basic common share	(\$0.14)	(\$0.08)
Weighted average common shares used to compute net loss per basic common share	37,618,629	29,976,825
<b>Comprehensive loss:</b>		
Net loss	(\$5,429)	(\$2,346)
Net unrealized gain on short-term investments	2	-
Comprehensive loss	(\$5,427)	(\$2,346)

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

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Selling, general and administrative	\$602	\$429
Research and development	257	38
Total stock-based compensation expense	\$859	\$467

**Wrap Technologies, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(unaudited - dollars in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities:</b>		
Net loss	(\$5,429)	(\$2,346)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	104	25
Gain on sale of assets	(1)	-
Warranty provision	(2)	14
Non-cash lease expense	25	30
Share-based compensation	859	467
Common shares issued for services	100	-
Provision for doubtful accounts	-	10
Changes in assets and liabilities:		
Accounts receivable	(341)	(198)
Inventories	(924)	(44)
Prepaid expenses and other current assets	(9)	(94)
Accounts payable	1,168	43
Operating lease liability	(26)	(31)
Customer deposits	3	(149)
Accrued liabilities and other	(136)	35
Warranty settlement	9	-
Deferred revenue	156	-
Net cash used in operating activities	<u>(4,444)</u>	<u>(\$2,238)</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of short-term investments	(25,003)	-
Proceeds from maturities of short-term investments	15,000	-
Capital expenditures for property and equipment	(160)	(20)
Investment in patents and trademarks	(56)	(34)
Long-term deposits	3	-
Net cash used in investing activities	<u>(10,216)</u>	<u>(54)</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from exercise of warrants	-	632
Proceeds from exercise of stock options	113	169
Repayment of debt	(100)	-
Net cash provided by financing activities	<u>13</u>	<u>801</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(14,647)</b>	<b>(1,491)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>16,647</b>	<b>16,984</b>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$2,000</u></b>	<b><u>\$15,493</u></b>



Source: Wrap Technologies, Inc.