

May 3, 2022



Wrap Technologies Reports First Quarter 2022 Results

TEMPE, Ariz., May 03, 2022 (GLOBE NEWSWIRE) -- Wrap Technologies, Inc. (Nasdaq: WRAP) ("Wrap" or the "Company"), a global leader in innovative public safety technologies and services, today announced results for the first quarter ended March 31, 2022.

First Quarter Summary

- **Appointed TJ Kennedy as Chief Executive Officer and Kevin Mullins as President**
- **Net Revenues of \$1.6 million, compared with \$1.5 million for prior year Q1**
- **Gross Margin of 42% compared with 39% for prior year Q1**
- **Trained agencies increased to 1,040, growth of 68% from March 31, 2021**
- **Certified officer instructors remain over 3,200, up 63% from March 31, 2021**

Commentary

TJ Kennedy, Chief Executive Officer of Wrap, commented:

"Wrap is building momentum at the start of 2022, with our revenues continuing to grow despite significant supply chain headwinds. We leveraged almost \$0.4 million in incentives during Q1 to encourage upgrades to the new BolaWrap 150, and brand awareness is continuing to grow across domestic and international markets. We now have over 750 agencies with BolaWrap devices and have delivered product to 53 countries. The appointments of myself as Chief Executive Officer and Kevin Mullins as President last month represent a critical milestone for Wrap as we move into the next phase of the Company's life cycle and growth. The two of us have a shared passion for public safety and technology that saves lives and are focused on accelerating sales of the BolaWrap 150 in the near-term and diversifying Wrap's suite of solutions and services for global law enforcement over the long-term."

"Over the next 90 days, we will be building a strategic roadmap for Wrap and are assessing all facets of the business to determine what is working well and where we can improve. We will be looking closely at our go-to market strategy for the BolaWrap 150 and Wrap Reality, in addition to potential synergistic technologies and channel partnerships. Our plan is to develop and release a strategic roadmap that will support enhanced sales, increased innovation and diversification, and long-term value creation."

Unaudited

(Amounts in thousands, except per share data)

| | Three Months Ended March 31, | | | |
|--------------------------------------|---------------------------------|-----------|------|-----------|
| | 2022 | | 2021 | |
| Total net revenues | \$ | \$1,599 | \$ | 1,542 |
| Net sales growth ⁽¹⁾ | | 3.7 % | | 123 % |
| Gross margin rate | | 42 % | | 39 % |
| Net loss | \$ | (\$5,432) | \$ | (\$5,429) |
| Net loss per basic and diluted share | \$ | (\$0.13) | \$ | (\$0.14) |

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

FIRST QUARTER 2022 FINANCIAL AND OPERATIONS HIGHLIGHTS

Net Sales

- Generated net revenues of \$1.6 million for 1Q22, 4% growth compared to 1Q21.
- Incurred discounts of approximately \$0.4 million during 1Q22 as a result of promotional programs intended to encourage customers to upgrade to the BolaWrap 150. Gross revenues prior to promotion discounts and incentives were \$1.99 million.
- International sales were 26% of total sales for 1Q22. This compares to 61% for 1Q21.
- Backlog at the end of the 1Q22 was \$0.5 million.
- We expect the pandemic to continue to impact sales efforts on a diminishing basis both in the U.S. and internationally.

Gross Profit

- Generated approximately \$0.7 million of gross profit in 1Q22, 10% growth compared to 1Q21.
- We anticipate our gross margin to fluctuate as we ramp our revenue base and transition to the higher margin BolaWrap 150.
- We expect our recently released upgraded model of our flagship product will contribute to gross margin expansion over time.

Selling, General and Administrative (SG&A) Expense

- SG&A expense decreased approximately \$0.4 million in 1Q22 compared to 1Q21.
- Share-based compensation increased \$0.3 million as a result of termination and severance accelerations in 1Q22.
- We expect expenditures for SG&A expenses for the balance of 2022 to remain below the prior year due to active cost containment efforts.

Research and Development (R&D) Expense

- R&D expense increased approximately \$0.4 million in 1Q22 to \$1.5 million, as compared to 1Q21, due primarily to the development of the new BolaWrap 150, development of Wrap Reality, and other R&D initiatives.
- We continue to invest in R&D as we expand important research initiatives in response to identified market opportunities, including further development of Wrap Reality.

Capital Structure and Liquidity

- As of March 31, 2022, we had cash, cash equivalents and short-term investments of \$30 million compared to \$35 million at year-end 2021.
- Working capital at the end of 1Q22 was \$34 million.
- We expect our primary source of future liquidity will be from the sale of products, exercise of stock options and warrants and if required from future equity or debt financings.

Outlook

We expect our ability to make product demonstrations and conduct training, especially in international markets, to ramp up throughout 2022 as pandemic-related restrictions continue to ease. We expect to see increased sales momentum throughout 2022 as we raise awareness of all of the BolaWrap 150 enhancements. We expect discount and promotional costs to decline after Q2 as we phase out promotional upgrade offers and increase brand awareness. Near-term growth is difficult to project; however, we continue to anticipate that our growth will continue this year.

Webcast and Earnings Conference Call

The Company will host an investor conference call at 4:30 pm ET today to review its results. This call and all supplemental information can be accessed on Wrap's investor relations website: <https://wrap.com/investors/>

The dial in information for the investor conference call:

- **PARTICIPANT DIAL IN (TOLL FREE):** 1-877-276-7742
- **PARTICIPANT INTERNATIONAL DIAL IN:** 1-412-317-6582
- **WEBCAST LINK:** [Link to Wrap webcast](#)

A recording of the conference call will be available on the Company's investor relations website.

Contact

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About Wrap Technologies

Wrap Technologies (Nasdaq: WRAP) is a global leader in innovative public safety technologies and services. Wrap develops creative solutions to complex issues and empowers public safety officials to protect and serve their communities through its portfolio of advanced technology and training solutions.

Wrap's BolaWrap Remote Restraint device is a patented, hand-held pre-escalation and apprehension tool that discharges a Kevlar® tether to temporarily restrain uncooperative suspects and persons in crisis from a distance. Through its many field uses and growing adoption by agencies across the globe, BolaWrap is proving to be an effective tool to help law enforcement safely detain persons without injury or the need to use higher levels of force.

Wrap Reality, the Company's virtual reality training system, is a fully immersive training simulator and comprehensive public safety training platform providing first responders with the discipline and practice in methods of de-escalation, conflict resolution, and use-of-force to better perform in the field.

WRAP's headquarters are in Tempe, Arizona. For more information, please visit wrap.com.

Use of Non-GAAP Information

Included in this press release are non-GAAP operational metrics regarding agencies and training, amounts of non-cash stock-based compensation expense and gross revenues before promotion discounts and incentives, 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, including the acceptance of the BolaWrap 150; the risk that distributor and customer orders for future deliveries are modified, rescheduled or cancelled in the normal course of business; 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 impact resulting from geopolitical conflicts and any resulting sanctions; 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.

| | March 31, 2022 | December 31, 2021 |
|---|-------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$5,014 | \$4,937 |
| Short-term investments | 24,956 | 29,983 |
| Accounts receivable, net | 4,239 | 3,859 |
| Inventories, net | 1,870 | 1,566 |
| Prepaid expenses and other current assets | 735 | 868 |
| Total current assets | 36,814 | 41,213 |
| Property and equipment, net | 944 | 976 |
| Operating lease right-of-use asset, net | 362 | 51 |
| Intangible assets, net | 1,981 | 1,982 |
| Other assets, net | 11 | 9 |
| Total assets | \$40,112 | \$44,231 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$2,546 | \$2,603 |
| Customer deposits | - | 43 |
| Deferred revenue | 121 | 155 |
| Operating lease liability - short term | 96 | 56 |
| Total current liabilities | 2,763 | 2,857 |
| Long-term liabilities | 436 | 110 |
| Total liabilities | 3,199 | 2,967 |
| Stockholders' equity | 36,913 | 41,264 |
| Total liabilities and stockholders' equity | \$40,112 | \$44,231 |

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

| | Three Months Ended March 31, 2022 | 2021 |
|---|--------------------------------------|-------------------|
| Revenues: | | |
| Product sales | \$1,462 | \$1,427 |
| Other revenue | 137 | 115 |
| Total revenues | 1,599 | 1,542 |
| Cost of revenues | 932 | 937 |
| Gross profit | 667 | 605 |
| Operating expenses (i): | | |
| Selling, general and administrative | 4,606 | 4,978 |
| Research and development | 1,495 | 1,065 |
| Total operating expenses | 6,101 | 6,043 |
| Loss from operations | (5,434) | (5,438) |
| Other income | 2 | 9 |
| Net loss | (\$5,432) | (\$5,429) |
| Net loss per basic common share | (\$0.13) | (\$0.14) |
| Weighted average common shares used to compute net loss per basic common share | 40,907,266 | 37,618,629 |
| Comprehensive loss: | | |
| Net loss | (\$5,432) | (\$5,429) |
| Net unrealized gain on short-term investments | (23) | 2 |
| Comprehensive loss | (\$5,455) | (\$5,427) |

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

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2022 | 2021 |
| Selling, general and administrative | \$894 | \$602 |
| Research and development | 135 | 257 |
| Total share-based compensation expense | \$1,029 | \$859 |

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

| | Three Months Ended March 31, | |
|---|-------------------------------------|-----------------|
| | 2022 | 2021 |
| Cash Flows From Operating Activities: | | |
| Net loss | (\$5,432) | (\$5,429) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 183 | 104 |
| Gain on sale of assets | - | (1) |
| Warranty provision | 12 | (2) |
| Non-cash lease expense | 24 | 25 |
| Share-based compensation | 1,029 | 859 |
| Common shares issued for services | - | 100 |
| Provision for doubtful accounts | 18 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (398) | (341) |
| Inventories | (304) | (924) |
| Prepaid expenses and other current assets | 133 | (9) |
| Accounts payable | (51) | 1,168 |
| Operating lease liability | (21) | (26) |
| Customer deposits | (43) | 3 |
| Accrued liabilities and other | 37 | (136) |
| Warranty settlement | (54) | 9 |
| Deferred revenue | 17 | 156 |
| Net cash used in operating activities | (4,850) | (\$4,444) |
| Cash Flows From Investing Activities: | | |
| Purchase of short-term investments | (4,996) | (25,003) |
| Proceeds from maturities of short-term investments | 10,000 | 15,000 |
| Capital expenditures for property and equipment | (81) | (160) |
| Investment in patents and trademarks | (69) | (56) |
| Investment in long-term deposits | (2) | |
| Proceeds from long-term deposits | - | 3 |
| Net cash used in investing activities | 4,852 | (10,216) |
| Cash Flows From Financing Activities: | | |
| Proceeds from exercise of stock options | 75 | 113 |
| Repayment of debt | - | (100) |
| Net cash provided by financing activities | 75 | 13 |
| Net decrease in cash and cash equivalents | 77 | (14,647) |
| Cash and cash equivalents, beginning of period | 4,937 | 16,647 |
| Cash and cash equivalents, end of period | \$5,014 | \$2,000 |



Source: Wrap Technologies, Inc.