

March 10, 2022



# Wrap Technologies Reports Fourth Quarter and Full-Year 2021 Results

*Delivered 96% Full-Year Revenue Growth and Generated Increased Brand Awareness Across Markets*

*Launched New BolaWrap 150 During the Fourth Quarter to a Positive Customer Reception*

TEMPE, Ariz., March 10, 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 fourth quarter and full-year ended December 31, 2021.

## Fourth Quarter 2021 Summary

- **Net Revenues of \$2.4 million, growth of 73% over prior year Q4**
- **Gross Margin of 30.1% compared with 33.4% for prior year Q4**
- **Launched upgraded version of flagship remote restraint product in October 2021 – the BolaWrap 150**
- **Trained law enforcement agencies increased to 940, growth of 109% from December 31, 2020**
- **Certified officer instructors increased to 3,250, up 139% from December 31, 2020**

## Full-Year 2021 Summary

- **Net Revenues of \$7.7 million in 2021, growth of 96% over the prior fiscal year**
- **Gross Margin, excluding one-time non-cash line improvement expense of \$0.8 million, of 35.5% for 2021 compared with 34.1% for 2020**
- **Announced a collaboration with Amazon Web Services ("AWS") to deliver WRAP Reality's VR training platform to law enforcement**
- **Continued strategy of releasing body-cam videos of successful BolaWrap uses by law enforcement agencies – increases awareness and educates public on de-escalation effectiveness**
- **Published initial Environmental, Social, and Governance ("ESG") letter to stakeholders and became a participant of the United Nations Global Compact**
- **Earned the ISO 9001:2015 Certification for our Quality Management System**

## Commentary and Executive Search Update

Scot Cohen, co-founder, director and a large shareholder of Wrap, commented:

"Wrap delivered strong financial results and continued establishing valuable brand awareness across global markets in fiscal year 2021. This culminated in our best quarter of total revenues in our history and full-year total revenue growth of 96%. Leadership is incredibly proud of how our team adapted and retained focus during what was a year of

change and transformation. In our view, the past year was an important step on our path to enhanced diversification, increased innovation and long-term value creation.”

“Since announcing our leadership transition plan in late January, the Board has been assessing Wrap’s go-forward strategy and working with a national search firm to identify the ideal chief executive officer to lead the Company during its next phase. The Board continues to believe Wrap has significant opportunities to grow and scale as the addressable market for public safety technologies and services expands. To seize these opportunities, we are looking for a leader with the ability to diversify our mix of products, offerings and data-oriented services beyond just BolaWrap and Wrap Reality. We are having advanced discussions and look forward to announcing the appointment of Wrap’s next chief executive officer once the Board’s search process concludes.”

Unaudited (Amounts in thousands, except per share data)	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Total revenues	\$ 2,449	\$ 1,415	\$ 7,729	\$ 3,944
Net sales growth <sup>(1)</sup>	73 %	464 %	96 %	466 %
Gross margin rate <sup>(2)</sup>	30.1 %	33.4 %	25.8 <sup>(2)</sup> %	34.1 %
Net loss	\$ (5,229)	\$ (3,556)	\$ (24,449)	\$ (12,580)
Net loss per basic and diluted share	\$ (0.13)	\$ (0.10)	\$ (0.62)	\$ (0.37)

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

(2) Excluding one-time expenses of \$0.7 million incurred in the 2Q21, the gross margin rate was 35.5% for the full-year 2021.

## FOURTH QUARTER AND 2021 FINANCIAL AND OPERATIONS HIGHLIGHTS

### Net Sales

- Generated revenues of \$2.4 million for 4Q21, 73% growth compared to 4Q20. Revenues increased 96% year over year.
- International sales were 60% of total sales for the Full-Year 2021. This compares to 64% of total sales for the Full-Year 2020.
- We shipped products to 15 additional countries in 2021. This brings us to having deployments in 51 countries.
- Backlog at the end of the 4Q21 was \$0.3 million.
- We expect the pandemic to continue to impact sales efforts in 2022, but on a diminishing basis both in the U.S. and internationally.

### Gross Profit

- Generated \$0.7 million of gross profit in 4Q21 and \$2.0 million for the Full-Year 2021.
- We anticipate our gross margins to improve as we ramp our revenue base and transition to the BolaWrap 150.

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

- SG&A expense increased \$0.4 million in 4Q21 compared to 4Q20. SG&A expense increased to \$20.3 million in Full-Year 2021 compared to \$11.7 million for Full-Year 2020.

- The 2021 increase was driven primarily by a \$2.6 million increase in non-cash share-based compensation, \$2.8 million in compensation and consultancy costs as we invest in our sales force and training teams, and \$1.6 million of public reporting related expense.
- Travel expense increased modestly during 2021 as pandemic restrictions abated.

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

- R&D expense increased \$1.2 million in 4Q21 to \$1.9 million, as compared to 4Q20, due primarily to the development of the new BolaWrap 150, development of Wrap Reality, and other R&D initiatives.
- R&D expense for the Full-Year 2021 was \$6.2 million representing a \$3.4 million increase over Full-Year 2020 driven primarily by BolaWrap 150 development.
- We continue to invest in R&D as we expand important research initiatives in response to identified market opportunities, including further development in WRAP Reality.

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

- Cash, cash equivalents and short-term investments were \$34.9 million at year-end 2021 compared to \$41.6 million at year-end 2020.
- During 2021, received \$12.0 million in proceeds from the exercise of warrants and \$1.7 million in proceeds from the exercise of stock options.

### **Outlook**

The Company is not providing formal guidance for Fiscal Year 2022 at this time due to its ongoing executive leadership transition and other market factors. Overall, the Company expects to achieve year-over-year growth in Fiscal Year 2022 thanks to increased customer demand and heightened visibility for the BolaWrap 150. With that said, the Company experienced supply chain issues in deploying the new BolaWrap 150 that impacted the Company through February 2022. It is anticipating that supply chain constraints and geopolitical uncertainty could lead to softer sales during the first half. The Company will update its outlook upon reporting first quarter results.

### **Webcast and Earnings Conference Call**

The Company will host an investor conference today at 5:00 pm ET 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 investors is:

- PARTICIPANT DIAL IN (TOLL FREE): 1-877-270-2148
- PARTICIPANT INTERNATIONAL DIAL IN: 1-412-902-6510

(ask the operator to join the WRAP Technologies conference call)

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

### **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](http://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 adjusted gross margin, 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 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.

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**Wrap Technologies, Inc.**  
**Condensed Consolidated Balance Sheets**  
(unaudited - dollars in thousands)

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,937	\$ 16,647
Short-term investments	29,983	24,994
Accounts receivable, net	3,859	1,871
Inventories, net	1,566	2,655
Prepaid expenses and other current assets	868	760
<b>Total current assets</b>	<b>41,213</b>	<b>46,927</b>
<b>Property and equipment, net</b>	976	357
<b>Operating lease right-of-use asset, net</b>	51	139
<b>Intangible assets, net</b>	1,982	1,397
<b>Other assets, net</b>	9	13
<b>Total assets</b>	<b>\$ 44,231</b>	<b>48,833</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 2,603	\$ 1,953
Customer deposits	43	2
Deferred revenue	155	16
Operating lease liability - short term	56	94
Note payable to bank - short term	-	275
<b>Total current liabilities</b>	<b>2,857</b>	<b>2,340</b>
<b>Long-term liabilities</b>	110	79
<b>Total liabilities</b>	<b>2,967</b>	<b>2,419</b>
<b>Stockholders' equity</b>	<b>41,264</b>	<b>46,414</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 44,231</b>	<b>48,833</b>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
<b>Revenues:</b>				
Product sales	\$ 2,384	\$ 1,382	\$ 7,381	\$ 3,868
Other revenue	65	33	348	76
Total revenues	<u>2,449</u>	<u>1,415</u>	<u>7,729</u>	<u>3,944</u>
<b>Cost of revenues</b>				
Products and services	1,711	942	4,987	2,601
Product line exit expense	-	-	747	-
Total cost of revenues	<u>1,711</u>	<u>942</u>	<u>5,734</u>	<u>2,601</u>
<b>Gross profit</b>	<u>738</u>	<u>473</u>	<u>1,995</u>	<u>1,343</u>
<b>Operating expenses (i):</b>				
Selling, general and administrative	4,065	3,698	20,276	11,631
Research and development	1,911	751	6,214	2,789
Total operating expenses	<u>5,976</u>	<u>4,449</u>	<u>26,490</u>	<u>14,420</u>
Loss from operations	<u>(5,238)</u>	<u>(3,976)</u>	<u>(24,495)</u>	<u>(13,077)</u>
<b>Other income (expense):</b>				
Investment income	9	2	31	83
Other	-	418	15	414
	<u>9</u>	<u>420</u>	<u>46</u>	<u>497</u>
<b>Net loss</b>	<u>\$ (5,229)</u>	<u>\$ (3,556)</u>	<u>\$ (24,449)</u>	<u>\$ (12,580)</u>
Net loss per basic common share	\$ (0.13)	\$ (0.10)	\$ (0.62)	\$ (0.37)
Weighted average common shares used to compute net loss per basic common share	40,791,772	37,399,195	39,281,620	33,846,338
<b>Comprehensive loss:</b>				
Net loss	\$ (5,229)	\$ (3,556)	\$ (24,449)	\$ (12,580)
Net unrealized gain on short-term investments	(17)	8	(21)	15
Comprehensive loss	<u>\$ (5,246)</u>	<u>\$ (3,548)</u>	<u>\$ (24,470)</u>	<u>\$ (12,565)</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Selling, general and administrative	\$ 836	\$ 564	\$ 4,558	\$ 1,957
Research and development	210	111	798	280
Total stock-based compensation expense	<u>\$ 1,046</u>	<u>\$ 675</u>	<u>\$ 5,356</u>	<u>\$ 2,237</u>

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

	Year Ended December 31,	
	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ (24,449)	\$ (12,580)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	478	163

Share-based compensation	5,356	2,237
Common shares issued for services	239	-
Product line exit expense	747	-
Debt forgiveness income	-	(417)
Gain on sale of assets	(27)	-
Warranty provision	10	30
Inventory obsolescence	-	(68)
Software impairment charge	170	-
Changes in contingent liability	(23)	-
Non-cash lease expense	88	122
Non-cash interest expense	-	2
Provision for doubtful accounts	123	10
Changes in assets and liabilities:		
Accounts receivable	(2,111)	(1,686)
Inventories	559	(343)
Prepaid expenses and other current assets	(109)	(508)
Accounts payable	546	825
Operating lease liability	(94)	(128)
Customer deposits	41	(342)
Accrued liabilities and other	(54)	493
Warranty settlement	38	4
Deferred revenue	(249)	(1)
Net cash used in operating activities	(18,223)	(12,187)
<b>Cash Flows From Investing Activities:</b>		
Purchase of short-term investments	(55,014)	(34,980)
Proceeds from maturities of short-term investments	50,005	10,000
Capital expenditures for property and equipment	(995)	(249)
Investment in patents and trademarks	(187)	(129)
Purchase of intangible assets	(750)	(543)
Business acquisition	-	(210)
Proceeds from long-term deposits	4	-
Net cash used in investing activities	(6,937)	(26,111)
<b>Cash Flows From Financing Activities:</b>		
Sale of common stock and warrants	-	12,400
Offering costs paid on sale of common stock and warrants	-	(733)
Proceeds from exercise of warrants	12,047	26,191
Offering costs paid on exercise of warrants	-	(1,016)
Proceeds from exercise of stock options	1,678	705
Proceeds from bank note	-	414
Repayment of debt	(275)	-
Net cash provided by financing activities	13,450	37,961
<b>Net decrease in cash and cash equivalents</b>	(11,710)	(337)
<b>Cash and cash equivalents, beginning of period</b>	16,647	16,984
<b>Cash and cash equivalents, end of period</b>	\$ 4,937	\$ 16,647
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>		
Business acquisition liability	\$ -	\$ 298
Business acquisition cost in deferred revenue	\$ -	\$ 15
Change in unrealized gain on short-term investments	\$ (21)	\$ 15



Source: Wrap Technologies, Inc.