

May 10, 2023



Wrap Technologies, Inc. Reports First Quarter 2023 Results

Company Introduces Streamlined Operating Model with Bolstered Distribution and Sales Capabilities to Accelerate Path to Profitable Growth

Continued Focused on Cost Reduction Led to 30% Decrease in Operating Expense in Q1 with Further Cost Reduction Impacts Expected Over the Course of 2023

TEMPE, Ariz., May 10, 2023 (GLOBE NEWSWIRE) -- [Wrap Technologies, Inc.](#) (**Nasdaq: WRAP**) ("Wrap" or the "Company"), a global leader in innovative public safety technologies and services, today announced financial and operating results for the first quarter ended March 31, 2023.

First Quarter and Recent Operational Highlights:

- Appointed Kevin Mullins as Chief Executive Officer and Director. As former Company President, Mr. Mullins led many of the Company's cost containment initiatives as well as recruiting and operations efforts, and large customer acquisitions over the past year.
- Appointed Bruce Bernstein to our Board of Directors, an experienced investment professional and leader in the securities industry, and Marc Savas, a skilled executive with a strong track record of accelerating revenue for companies.
- Launched "Use of Force Reduction Guarantee," a program supporting Wrap's commitment to safer outcomes by guaranteeing that BolaWrap will result in a 10% or greater reduction in an agency's use of force or the Company will buy back the agency's devices after 12 months.
- Presented at various industry conferences, including the National Sheriff's Association, Major County Sheriffs of America Association, and the Major City Chiefs Association, where Wrap's safer policing solutions were on display and generated strong interest.

Management Commentary

"I am grateful for the opportunity to lead as CEO, and I have confidence in our ability to unlock the full potential of our innovative technology," stated Mr. Mullins, CEO of Wrap. "As shown in fiscal year 2022, Wrap has already begun to realize the benefit of long-term investments in sales, marketing, training, and research and development. In my time at Wrap, I've seen firsthand that we have a tremendous opportunity in front of us to accelerate the rate at which we are closing new sales due to our strong and growing pipeline and expanding relationships with existing customers. We have several new initiatives to expedite our process for sourcing and closing deals. Additionally, we believe taking a more targeted and deliberate approach to our channel partnerships and continuing to bolster our brand

through our industry trade shows will allow us to generate additional new business and further grow our pipeline.”

“I plan to set a clear and focused strategy around these priorities in the near-term. This strategy will include a multi-pronged approach focused on improving collaboration between our inside and outside sales teams, optimizing our sales territories to target potential customers more effectively, and streamlining our operating model for greater efficiency and scalability. We have already taken steps to streamline our operating model to enable us to scale quickly, especially as we anticipate larger orders later in the year. By implementing measures focusing on efficiency, improving our operations and refining our marketing strategies, including utilizing precision marketing strategies and targeted tactics that compel engagement and drive action, we are confident that we can kickstart growth and achieve our targets in the coming year.”

Key Performance Indicators (“KPIs”):

- Trained law enforcement agencies during the first quarter of 2023 grew to more than 1,390, a 31% increase year over year.
- Certified officer instructors during the first quarter of 2023 grew to more than 4,660 a 26% increase year over year.
- Backlog was approximately \$21 thousand as of March 31, 2023.

First Quarter 2023 Financial Results

- **Net revenue** decreased by 56% to \$0.71 million from \$1.60 million in the prior year period. The decrease in net revenue was primarily due to a delay in the timing for new orders, which are still expected to be recorded in the current calendar year. As previously noted, first quarter revenue typically declines sequentially as a result of customer annual budget approvals, which occur in the back half of the year. Revenue in the Americas decreased 40% to \$0.71 million from \$1.20 million in the prior year period, while international revenue decreased to \$1 thousand from \$0.41 million in the prior year period.
- **Gross profit** decreased to \$0.35 million (50% gross margin), a 47% decrease from \$0.67 million (42% gross margin) in the prior year period. The decrease in gross profit was primarily due to the decrease in sales mentioned above. The increase in gross margin was primarily the result of increased efficiencies in the costs associated with the production of BolaWrap 150 as compared to BolaWrap 100 and improved pricing on BolaWrap 150.
- **Sales, general and administrative (SG&A) expense** decreased by \$1.07 million, or 23%, to \$3.54 million from \$4.61 million in the prior year period. The decrease in SG&A expense was the result of continued strategic cost containment efforts.
- **Research and development (R&D) expense** decreased by \$0.43 million, or 28%, to \$1.07 million from \$1.50 million in the prior year period. The decrease in R&D expense was primarily the result of continuing cost management efforts as well as improving development costs associated with BolaWrap 150.

- **Operating expense** decreased by \$1.49 million, or 24%, to \$4.61 million from \$6.10 million in the prior year period. The decrease in operating expense was the result of the decreased SG&A and R&D expense.
- **Net loss** improved by 26% to \$(4.03) million, or \$(0.10) per share, from \$(5.43) million, or \$(0.13) per share, in the prior year period. The improvement in net loss was primarily the result of stronger margins and cost containment efforts implemented since the second quarter of 2022.
- **Cash, cash equivalents and short-term investments** were \$16.0 million as of March 31, 2023, compared to \$19.3 million as of December 31, 2022.

Financial Commentary

Wrap's Chief Financial Officer, Chris DeAlmeida, stated, "Following recent organizational changes, we are now better positioned to enhance our operating efficiency while still achieving our revenue targets for 2023. Although we expect customer purchasing decisions to favor the latter half of the year, we experienced some temporary delays in expected orders during Q1 2023. We do, however, anticipate closing those opportunities by the end of this year, with sufficient inventory to support large-scale orders as necessary."

"Our inventory is robust, and we have optimized our resources to streamline operations while maintaining production capacity. We have made significant progress in reducing costs, and we remain focused on removing non-critical operating expense, which will significantly reduce the cash burn rate and support future profitability. These changes are projected to generate a minimum quarterly reduction in operating expense of \$1.5 million or \$6.0 million annually. However, we expect to incur additional one-time operating expense in Q2 2023 due to severance charges resulting from changes in management.

Despite this, we remain confident in the long-term outlook for our business and will provide updated guidance for 2023 once the restructured management team has completed our reassessment."

Conference Call

Wrap will hold a conference call today, May 10, 2023, at 5:00 p.m. Eastern time (2:00 p.m. Pacific time) to discuss these results.

Wrap management will host a presentation, followed by a question-and-answer period.

Toll-Free Number: 877-484-6065

International Number: 1-201-689-8846

Webcast Link: Click [here](#) to register

Please join the call 5-10 minutes prior to the start time. A webcast recording of the call will be made available on the Company's investor relations [website](#).

If you have any difficulty connecting with the conference call, please contact Gateway Group at 949-574-3860.

About Wrap

Wrap Technologies, Inc. (Nasdaq: WRAP) is a global public safety solutions company that delivers safe and effective technology, tools and services to law enforcement and security personnel worldwide. Wrap is at the forefront of the safer policing movement, equipping officers with advanced, no-pain tools and cutting-edge immersive training, both designed for the demands of modern policing. The Company's solutions, products, and services include the BolaWrap® remote restraint device and Wrap Reality™ virtual reality training technology.

Wrap's BolaWrap® device is a patented, hand-held pre-escalation remote restraint tool that discharges a Kevlar® tether to safely detain individuals without pain, 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. Through its growing availability of real-life scenarios, Wrap Reality™ covers all facets of law enforcement training from verbal commands to tactical use of force, for positive public safety outcomes.

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

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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, expenses and break-even and profitability expectations. 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.

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

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$9,503	\$5,330
Short-term investments	6,500	13,949
Accounts receivable and contract assets	1,151	2,830
Inventories, net	5,626	3,975
Prepaid expenses and other current assets	858	775
Total current assets	23,638	26,859
Property and equipment, net	655	758
Operating lease right-of-use asset, net	259	285
Intangible assets, net	2,618	2,569
Other assets	70	100

Total assets	\$27,240	\$30,571
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$1,376	\$1,419
Accounts liabilities	1,736	1,463
Customer deposits	1	-
Deferred revenue	169	166
Operating lease liability - short term	111	108
Total current liabilities	3,393	3,156
Long-term liabilities	286	360
Total liabilities	3,679	3,516
Stockholders' equity	23,561	27,055
Total liabilities and stockholders' equity	\$27,240	\$30,571

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,	
	2023	2022
Revenues:		
Product sales	\$616	\$1,462
Other revenue	95	137
Total revenues	711	1,599
Cost of revenues	359	932
Gross profit (loss)	352	667
Operating expenses (i):		
Selling, general and administrative	3,540	4,606
Research and development	1,072	1,495
Total operating expenses	4,612	6,101
Loss from operations	(4,260)	(5,434)
Other income (expense)	232	2
Net loss	(\$4,028)	(\$5,432)
Net loss per basic and diluted common share	(\$0.10)	(\$0.13)
Weighted average common shares used to compute net loss per basic and diluted common share	41,415,808	40,907,266
Comprehensive loss:		
Net loss	(\$4,028)	(\$5,432)
Net unrealized gain (loss) on short-term investments	-	(23)
Comprehensive loss	(\$4,028)	(\$5,455)

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

	Three Months Ended March 31,	
	2023	2022
Selling, general and administrative	\$562	\$894
Research and development	66	135
Total share-based compensation expense	\$628	\$1,029

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

	Three Months Ended March 31,	
	2023	2022
Cash Flows From Operating Activities:		
Net loss	(\$4,028)	(\$5,432)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	200	183
Share-based compensation	628	1,029
Warranty provision	(33)	12
Non-cash lease expense	26	24
Provision for doubtful accounts	(8)	18
Changes in assets and liabilities:		
Accounts receivable	1,687	(398)
Inventories	(1,652)	(304)
Prepaid expenses and other current assets	(83)	133
Accounts payable	(42)	(51)
Operating lease liability	(26)	(21)
Customer deposits	1	(43)
Accrued liabilities and other	306	37
Warranty settlement	(1)	(54)
Deferred revenue	(42)	17
Net cash used in operating activities	<u>(3,067)</u>	<u>(4,850)</u>
Cash Flows From Investing Activities:		
Purchase of short-term investments	(2,645)	(4,996)
Proceeds from maturities of short-term investments	10,000	10,000
Capital expenditures for property and equipment	(15)	(81)
Investment in patents and trademarks	(131)	(69)
Investment in long-term deposits	-	(2)
Proceeds from long-term deposits	31	-
Net cash provided by (used in) investing activities	<u>7,240</u>	<u>4,852</u>
Cash Flows From Financing Activities:		
Proceeds from exercise of stock options	-	75
Net cash provided by financing activities	<u>-</u>	<u>75</u>
Net decrease in cash and cash equivalents	4,173	77
Cash and cash equivalents, beginning of period	5,330	4,937
Cash and cash equivalents, end of period	<u>\$ 9,503</u>	<u>\$ 5,014</u>



Source: Wrap Technologies, Inc.