

VirtualArmour Reports Q1 2018 Results; Managed and Professional Services Revenue up 149%

May 29, 2018

Virtual Armour May 29, 2018 [Investors Leave a Comment](#)

CENTENNIAL, Colorado, – (May 29, 2018) – VirtualArmour International Inc. (CSE:VAI) (3V3:F) (OTCQB:VTLR), a premier cybersecurity managed services provider, reported results for the first quarter ended March 31, 2018. Financial results are in U.S. dollars, with comparisons made to the same year-ago quarter unless otherwise noted.

Q1 2018 Financial Highlights

- Revenue increased to a record \$3.3 million, driven by growth in the number of customers served as well as the size of orders from new and existing customers.
- Managed and professional services revenue increased 149% to a record \$1.1 million, due primarily to the addition of 15 new clients signed under multi-year contracts over the last 12 months.
- Gross profit as a percentage of revenue increased to 28.1% from 17.1% due to a favorable shift in revenue mix to higher margin managed and professional services revenue.
- Adjusted EBITDA was a positive \$15,000.
- Received gross proceeds of \$1.5 million from a Regulation A+ offering.
- Annual recurring revenue (ARR) totaled \$3.7 million at March 31, 2018, up from \$1.7 million at March 31, 2017. The company defines ARR as the value of its service contracts normalized to a one-year period.
- Total contract value (TCV) was \$6.1 million at March 31, 2018, up from \$2.5 million at March 31, 2017. The company defines TCV as the total value of its service contracts including one time and recurring charges.

Q1 2018 Operational Highlights

- Renewed a three-year \$1.5 million managed services contract with an existing customer for the security monitoring, investigation, response and triage of its more than 80 locations across nine countries.
- Engaged by AAA five diamond resort under a new three-year, \$300,000 managed service contract, which also represented VirtualArmour's first entry into the hospitality industry.
- Secured a two-year, \$840,000 engagement for both managed and professional services with a global non-profit specializing in research and education.
- Maintained a customer retention rate of 100% in Q1, following the 100% retention rate in the full year of 2017.
- Partnered with Alacrinet, a leading IT solutions consultancy, to expand its range of service offerings and commercial opportunities across the western U.S.

Q1 2018 Financial Summary

Revenue totaled a record \$3.3 million in the first quarter of 2018, as compared to \$3.2 million in the same year ago quarter. The increase was due to managed and professional services revenue that increased by \$0.7 million, partially offset by product sales (hardware and software) that decreased by \$0.6 million.

Cost of sales were \$2.3 million in the first quarter of 2018 as compared to \$2.6 million in the same year ago quarter. The decrease in cost of sales was due primarily to product cost of sales that was lower by \$0.5 million, partially offset by managed and professional services cost of sales that increased by \$0.2 million.

Total expenses were virtually unchanged at \$1.0 million in the first quarter of 2018 versus the same year-ago quarter.

Net and comprehensive loss improved to \$127,000 or \$(0.00) per share in the first quarter of 2018, as compared to a loss of \$490,000 or \$(0.01) per share in the same year-ago quarter.

Adjusted EBITDA was a positive \$15,000 in the first quarter of 2018, improving from a negative \$398,000 in same period in 2017 (see definition of adjusted EBITDA, a non-IFRS term, and reconciliation to IFRS, below).

Cash totaled \$361,000 at March 31, 2018, compared to \$47,000 as of December 31, 2017. The increase was primarily due to the proceeds from the capital raise, partially offset by the timing of changes in working capital including the payment of payables net of collection of receivables. As of May 25, 2018, cash totaled approximately \$539,000, with the increase due primarily to the collection of receivables.

Management Commentary

"In Q1 2018, our record top-line growth was driven by an expanding revenue stream from global managed services and professional services," said Russ Armbrust, CEO of VirtualArmour. "This was achieved by signing four new recurring revenue contracts for managed and professional services.

"These wins included a global non-profit specializing in research and education, a major international airport, a AAA five diamond resort, and a major medical research facility. We also expanded our level of services with multiple existing customers. This was all supported by our exceptional level of high-touch engagement with our customers.

"During the quarter, we continued to strengthen our market presence through new partnerships with industry-leading companies that broaden our channel strategy for higher-margin managed services. Internally, we added new team members that further strengthened our sales, marketing and

operational capabilities. We also established two new technology partnerships that expanded our product offerings. Altogether, this progress has enhanced our ability to secure new clients and gain additional business from current clients, as well as helped us maintain an industry-leading customer retention rate of 100%.

Andrew Douthwaite, CTO of VirtualArmour, commented: “Subsequent to first quarter, we established the VirtualArmour Academy for students to further develop their knowledge and skills, with the goal of becoming the best managed service engineers in cybersecurity. We expect future graduates to bring new ideas, energy and enthusiasm to VirtualArmour as we continue to expand our engineering teams.”

Armbrust added: “Looking ahead in 2018, we see continued growth in demand for managed security services to strengthen the overall cybersecurity posture. In fact, according to [Cybersecurity Ventures](#), global cybersecurity spending is expected to exceed \$1 trillion cumulatively by 2021. We are well positioned to capitalize on this growth opportunity and increase our penetration into the healthcare, financial, retail and service provider verticals.

“We anticipate continued margin improvement from the ramp up in managed services sales and expansion into new markets as led by our growing sales, marketing and service organization. Along with our continued success in customer acquisition and retention, VirtualArmour is well on track for another year of record results.”

About VirtualArmour

VirtualArmour International is a global cybersecurity and managed services provider that delivers customized solutions to help businesses build, monitor, maintain and secure their networks.

The company maintains 24/7 client monitoring and service management with specialist teams located in its U.S. and UK-based security operation centers. Through partnerships with best-in-class technology providers, VirtualArmour delivers leading hardware and software solutions for customers that are both sophisticated and scalable, and backed by industry-leading customer service and experience. VirtualArmour’s proprietary CloudCastr client portal and prevention platform provides clients with unparalleled access to real-time reporting on threat levels, breach prevention and overall network security.

VirtualArmour services a wide range of clients, which include Fortune 500 companies and several industry sectors in over 30 countries across five continents. For further information, visit www.virtualarmour.com.

Supplemental Non-IFRS Financial Measures

In addition to IFRS financial measures, management uses non-IFRS financial measures to assess the company’s operational performance. It is likely that the non-IFRS financial measures used by the company will not be comparable to similar measures reported by other issuers or those used by financial analysts as their measures may have different definitions.

Generally, a non-IFRS financial measure is a numerical measure of an entity’s historical or future financial performance, financial position or cash flows that is neither calculated nor recognized under IFRS. Management believes that such non-IFRS financial measures can be important as they provide users of the financial statements with a better understanding of the results of the company’s recurring operations and their related trends, while increasing transparency and clarity into its operating results. Management also believes these measures can be useful in assessing the company’s capacity to discharge its financial obligations.

In Q1 2018, management began assessing its operational performance using supplemental non-IFRS statement of income, adjusted EBITDA, which is defined as loss for the period as reported excluding depreciation and amortization, change in fair value of warrant derivative liabilities, share-based compensation and interest expense.

Adjusted EBITDA is not a term recognized under IFRS and non-IFRS measures do not have standardized meaning. Accordingly, non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The table below provides a reconciliation of net (loss) for the period as reported to non-IFRS adjusted EBITDA for the three months ended March 31, 2018 and 2017:

	Q1 2018	Q1 2017
Loss for the period as reported	\$(127,212)	\$(489,830)
Add (deduct):		
Depreciation and amortization	32,740	33,410
Change in fair value of warrant derivative liabilities	(2,589)	(28,671)
Share-based compensation	72,971	74,727
Interest Expense	39,001	11,866
Adjusted EBITDA	\$14,911	\$(398,498)

Important Cautions Regarding Forward Looking Statements

This press release may include forward-looking information within the meaning of Canadian securities legislation and U.S. securities laws. This press

release includes certain forward-looking statements concerning the future performance of our business, its operations and its financial performance and condition, as well as management's objectives, strategies, beliefs and intentions. The forward-looking information is based on certain key expectations and assumptions made by the management of VirtualArmour. Although, VirtualArmour believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information as VirtualArmour cannot provide any assurance that it will prove to be correct.

Forward-looking statements are frequently identified by such words as "may", "will", "plan", "expect", "anticipate", "estimate", "intend" and similar words referring to future events and results. Forward-looking statements are based on the current opinions and expectations of management. All forward-looking information is inherently uncertain and subject to a variety of assumptions, risks and uncertainties, including the success of the Academies, the future employee potential from the Academies, future interest in such programs, competitive risks and the availability of financing. These forward-looking statements are made as of the date of this press release and VirtualArmour disclaims any intent or obligation to update publicly any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

VirtualArmour International Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three months ended March 31, 2018 and 2017

(Unaudited – Expressed in U.S. Dollars)

	2018	2017
	\$	\$
Revenue	3,267,653	3,157,982
Cost of sales	(2,348,985)	(2,619,153)
Gross Profit	918,668	538,829
Expenses		
General and administrative	425,783	428,801
Research and development	35,679	32,020
Sales and marketing	548,006	584,643
Total Expenses	1,009,468	1,045,464
Loss from Operations	(90,800)	(506,635)
Other Income (Expenses)		
Interest expense	(39,001)	(11,866)
Change in fair value of warrant derivative liabilities	2,589	28,671
Net and Comprehensive Loss	(127,212)	(489,830)
Loss per share – basic and diluted	(0.00)	(0.01)
Weighted average number of shares outstanding – basic	57,936,114	55,769,447