

VirtualArmour Reports 2017 Results; Revenue up 18% to Record \$10.5 Million

May 1, 2018

VANCOUVER, British Columbia, May 01, 2018 (GLOBE NEWSWIRE) -- **VirtualArmour International Inc.** (CSE:VAI) (3V3:F) (OTCQB:VTLR), a premier cybersecurity managed services provider, reported results for the fourth quarter and full year ended December 31, 2017.

2017 Financial Highlights

- Revenue increased 18% to a record \$10.5 million, driven by growth in customers.
- Managed and professional services revenue increased 35% to \$2.8 million, due to an additional 12 new managed services customers.
- Hardware and software sales revenue increased 13% to \$7.7 million, driven by additional customers as well as increased order size from new and existing customers.

2017 Operational Highlights

- Added 34 new clients, with 12 of these clients contracted with multi-year contracts within multiple industries, including financial, oil and gas, retail, and healthcare, and the non-profit sector.
- Contracted long-term engagements for professional services with four existing customers.
- Maintained a customer retention rate of 100%.
- Listed on the Cybersecurity Ventures' Cybersecurity 500 as one of the world's "hottest and most innovative" cybersecurity companies to watch.
- Awarded "Partner of the Year" by Juniper Networks in the Innovation category for solutions that expertly integrate Juniper technologies.
- Strengthened executive leadership with the appointment of Kyle Duffy vice president of customer experience.
- Expanded focus on new continental U.S. territories with the addition of two new sales directors.
- Hired four additional engineers to support growth of managed services and professional services.

Q4 2017 Financial Summary

Revenue was \$1.9 million in the fourth quarter of 2017, as compared to \$2.0 million in the same year ago quarter. The decrease was due to lower product sales (hardware and software) by \$0.5 million partially offset by higher managed services and professional services revenue of \$0.4 million.

Total expenses were \$954,000 in the fourth quarter of 2017 versus \$983,000 in the same year-ago quarter. The decrease was due to decreased general and administrative expenses and research and development expenses, partially offset by increased sales and marketing expenses.

Net and comprehensive loss totaled \$548,000 or \$(0.03) per share in the fourth quarter of 2017, as compared to a loss of \$537,000 or \$(0.10) per share in the same year-ago quarter.

2017 Financial Summary

Revenue increased 18% in 2017 to a record \$10.5 million, as compared to \$8.9 million in 2016. Managed and professional services increased 35% increase while product sales (hardware and software) increased 13%. The improvements reflected an increase in the number of customers during the year, as well as the size of product orders from new and existing customers.

Total expenses were \$3.9 million in 2017 as compared to \$3.4 million in 2016. The increase was primarily due expansion of sales and marketing teams, and to a lesser extent increased general and administrative expenses, partially offset by decreased research and development expenses.

Net and comprehensive loss totaled \$1.8 million or \$(0.03) per share in 2017, an improvement from a net loss of \$2.3 million or \$(0.04) per share in 2016.

Management Commentary

"In 2017, our record top-line growth was driven by an expanding revenue stream from managed services and professional services, as the global managed services industry continued to grow," commented Todd Kannegieter, CEO and CFO of VirtualArmour. "We added 34 new customers in 2017 while achieving an industry-leading customer retention rate of 100%.

"Several of these new clients became part of our managed services practice, while others came under professional services. The majority procured hardware and software cybersecurity solutions from us, which we deployed and continue to manage and maintain.

"This momentum has continued into 2018, as we strengthened our balance sheet with a \$1.6 million capital raise to further accelerate our growth and

our stock began trading on the OTC Markets. We also signed three new multi-year managed service contracts and expanded the managed services for an existing customer, increasing contract revenue by more than \$800,000. This elevated our managed service customer base and revenue stream to record levels.

“For the remainder of 2018, we see continued widespread growth in demand for cybersecurity managed services, with this accelerating the adoption of our superior service offerings. We also expect to enter new geographical markets, led by our growing sales, marketing and service organization that is 100% focused on customer experience and security. We believe this will keep us on track for another year of record growth and expansion.”

About VirtualArmour

VirtualArmour is a premier Managed Services Provider (MSP) delivering customizable management of advanced network and security services to global businesses across numerous industry sectors. The company is a trusted partner of several Fortune 500 organizations and uses only best-in-breed technology to protect and secure its clients.

VirtualArmour's services operate around the clock through its Security Operations Centers (SOC) located in Middlesbrough, U.K. and Salt Lake City, Utah. For more information, go to www.virtualarmour.com.

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.

Consolidated Statements of Comprehensive Loss For the years ended December 31, 2017 and 2016

(Expressed in U.S. Dollars)

	Year ended December 31	
	2017	2016
	\$	\$
Revenue	10,506,363	8,897,092
Cost of sales	(8,311,691)	(6,624,066)
Gross Profit	2,194,672	2,273,026
Expenses		
General and administrative	1,557,094	1,507,404
Research and development	114,700	121,242
Sales and marketing	2,184,213	1,727,426
Total Expenses	3,856,007	3,356,072
Loss from Operations	(1,661,335)	(1,083,046)
Other Income (Expense)		
Change in fair value of warrant derivative liabilities	27,173	(1,310,520)
Gain on debt settlement, net	-	150,803
Interest expense	(156,759)	(56,065)
Total Other Income (Expense)	(129,586)	(1,215,782)
Net and Comprehensive Loss for the period	(1,790,921)	(2,298,828)
Loss per share – basic and diluted	(0.03)	(0.04)
Weighted average number of shares outstanding – basic and diluted	55,769,447	52,970,099

VirtualArmour International Inc.
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016
(Expressed in U.S. Dollars)

	December 31, 2017	December 31, 2016	
	\$	\$	
ASSETS			
Current			
Cash	46,795	144,530	
Accounts receivable	727,618	1,646,663	
Other receivables	44,300	271,771	
Prepaid expenses	196,938	150,253	
Total Current Assets	1,015,651	2,213,217	
Office facilities and equipment, net	520,062	277,403	
Intangible assets, net	77,175	36,857	
Total Assets	1,612,888	2,527,477	
LIABILITIES			
Current			
Accounts payable and accrued liabilities	2,821,038	2,157,864	
Deferred revenue	80,105	84,000	
Warrant derivative liabilities	2,589	29,762	
Line-of-credit arrangements	-	445,000	
Current portion of lease obligations	154,580	72,777	
Due to related parties	455,162	152,206	
Total Current Liabilities	3,513,474	2,941,609	
Lease obligations	224,645	80,817	
Total Liabilities	3,738,119	3,022,426	
SHAREHOLDERS' DEFICIT			
Share capital	6,284,418	6,284,418	
Contributed surplus	1,825,129	1,664,490	
Deficit	(10,234,778)	(8,443,857))
Total Shareholders' Deficit	(2,125,231)	(494,949))
Total Liabilities and Shareholders' Deficit	1,612,888	2,527,477	

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