

VirtualArmour Reports 2018 Results; Total Revenue up 49% to Record \$15.6 Million; Managed and Professional Services Revenue up 79%

May 1, 2019

CENTENNIAL, Colo., May 01, 2019 (GLOBE NEWSWIRE) -- **VirtualArmour International Inc. (CSE:VAI) (OTCQB:VTLR)**, a premier cybersecurity managed services provider, reported results for the fourth quarter and full year ended December 31, 2018. Financial results are in U.S. dollars, with comparisons made to the same year-ago quarter unless otherwise noted.

2018 Financial Highlights

- Revenue increased 48.9% to a record \$15.6 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 79.4% to \$5.0 million, due primarily to the addition of 14 new clients signed under contracts over the last year.
- Hardware and software sales revenue increased 37.8% to \$10.6 million, driven by additional customers as well as increased order size from existing customers.
- Gross profit as a percentage of revenue increased to 25.8% from 20.9% due to a favorable shift in revenue mix to higher margin managed and professional services revenue.
- Adjusted EBITDA totaled \$80,000
- Annual recurring revenue (ARR) totaled \$4.1 million at December 31, 2018, up 41% from \$2.9 million at December 31, 2017. The company defines the term “annual recurring revenue” or ARR as the value of its service contracts normalized to a one-year period.
- Total contract value (TCV) was \$9.6 million at December 31, 2018, up 73% from \$5.5 million at December 31, 2017. TCV is defined as the total value of its service contracts including one time and recurring charges.

2018 Operational Highlights

- Added 14 new clients, with 6 of these clients contracted with multi-year contracts within multiple industries, including hospitality, healthcare, energy and K12 education.
- Contracted long-term engagements for professional services with four existing customers.
- Strengthened executive leadership with the appointment of Russ Armbrust as CEO, Andrew Douthwaite as CTO and Michael Panec as CFO.
- Established VirtualArmour Academy for cybersecurity education and training.
- Signed partnership agreements with three new technology manufacturing companies.
- Launched a Channel Partner program to focus on reselling VirtualArmour Managed Security Services.
- Expanded focus on new continental U.S. territories with the addition of two new sales directors.
- Expanded our Customer Experience practice with the hiring of two full time Customer Experience Managers
- Hired eight additional engineers to support growth of managed services and professional services.
- Created an Inside Sales practice with the hiring of new inside sales representatives to support outside sales

Q4 2018 Financial Summary

Revenue was \$4.4 million in the fourth quarter of 2018, as compared to \$1.9 million in the same year ago quarter. The increase was due to higher managed services and professional services revenue of \$0.5 million along with higher product sales (hardware and software) by \$2.0 million.

Cost of sales totaled \$3.5 million in the fourth quarter of 2018 as compared to \$1.4 million in the year ago quarter. The increase in cost of sales was due primarily to corresponding increase in revenue.

Gross profit was \$1.0 million or 22.2% of revenue in the fourth quarter of 2018, as compared to \$459,000 or 24.4% of revenue in the year ago quarter. The decrease in gross profit and gross profit as a percentage of revenue was due to a seasonal shift in revenue to lower margin product sales revenue.

Total expenses were \$1,098,000 in the fourth quarter of 2018 versus \$954,000 in the same year-ago quarter. The increase was due to increased sales and marketing expenses (\$114,000) and research and development expenses (\$58,000), partially offset by decreased general and administrative expenses (\$28,000).

Net and comprehensive loss totaled \$155,000 or \$0.00 per share in the fourth quarter of 2018, as compared to a loss of \$548,000 or (\$0.01) per share in the same year-ago quarter.

2018 Financial Summary

Revenue increased 48.9% in 2018 to a record \$15.6 million, as compared to \$10.5 million in 2017. Managed and professional services increased 79.5% increase while product sales (hardware and software) increased 37.8%. 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.

Cost of sales totaled \$11.6 million in 2018 as compared to \$8.3 million in 2017. The increase in cost of sales was due primarily to corresponding increase in revenue.

Gross profit was \$4.0 million or 25.8% of revenue in 2018, as compared to \$2.2 million or 20.9% of revenue in 2017. The increase in gross profit and gross profit as a percentage of revenue was due to a favorable shift in revenue to higher margin managed and professional services revenue.

Total expenses were \$4.4 million in 2018 as compared to \$3.9 million in 2017. The increase was primarily due to expansion of sales and marketing teams (\$154,000), increased general and administrative expenses (\$270,000) and increased research and development expenses (\$99,000).

Net and comprehensive loss totaled \$567,000 or (\$0.01 per share) per share in 2018, an improvement from a net loss of \$1.8 million or \$(0.03) per share in 2017.

Adjusted EBITDA was a positive \$80,000 in 2018, improving from a negative \$1.3 million in same period in 2017 (see definition of adjusted EBITDA, below).

Cash totaled \$114,000 at December 31, 2018, compared to \$47,000 at December 31, 2017, with the increase primarily due to the collection of receivables.

Management Commentary

"In 2018, our record top-line growth was driven by an expanding revenue stream from managed and professional services, as the global managed services industry continued to grow," commented Russ Armbrust, CEO of VirtualArmour.

"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 2019, as we strengthened build out of our Channel Partner Program as well as our Customer Experience Practice.

"VirtualArmour had a great year of growth within our existing customer base. We were able to increase our Managed Security Services contracts with our current customers by over 40%. By constantly evaluating new technologies we are able to offer our clients best of breed solutions to ensure their businesses are secure from a constantly changing landscape.

"The launch of our Customer Experience practice operates as the tip of the spear when it comes to driving tight client engagements that maximize value delivery. We are now able to deliver strategy-driven engagements that drive action, value, and accountability. By providing consistent, positive customer experiences, communications, and service transparency to each client, VirtualArmour has become unique in the Managed Services industry. We know this will be our differentiator going into this upcoming year.

"Due to the growing threat of targeted breaches across all industries and business sizes, the outlook for 2019 is very positive as increasing budgets are allocated to cyber protection preparing for 2019 and beyond.

Cybersecurity Outlook

Opportunities for specialist service providers in the cybersecurity sector have grown in line with the increased volume of cyber-attacks being encountered by businesses, non-profits, and government institutions and covered by global media. This shift has not only led to increasing enterprise budgets being allocated to cyber protection but also increased interest in investment opportunities in what is a high growth sector.

According to Gartner, a leading research firm, global informational security spending is forecasted to exceed \$124 billion in 2019. VirtualArmour is well positioned to capitalize on this growth opportunity and continues to deepen its penetration into the healthcare, financial, retail and service provider industries.

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. The company'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 Financial Measures

In addition to U.S. GAAP financial measures, management uses supplemental financial measures to assess the company's operational performance. It is likely that these 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 supplemental 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 U.S. GAAP. Management believes that such supplemental 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 adjusted EBITDA, which is defined as loss for the period as reported excluding depreciation and amortization, change in fair value of warrant derivative liabilities, stock-based compensation and interest expense.

Adjusted EBITDA is not a term recognized under U.S. GAAP and supplemental measures do not have standardized meaning. Accordingly,

supplemental measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP.

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

	31-December	
	2018	2017
Net Income	(566,657) (1,790,921
Depreciation and Amortization	301,390	163,841
Interest Expense	217,368	156,759
Change in Value of Warrant Derivatives	(2,589) (27,173
Stock-based Compensation	130,093	160,639
Adjusted EBITDA	79,605	(1,336,855

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, 2018 and 2017 (Expressed in U.S. Dollars)

	2018	2017
	\$	\$
Revenue	15,641,881	10,506,363
Cost of sales	(11,613,750) (8,311,691
Gross Profit	4,028,131	2,194,672
Expenses		
General and administrative	1,827,416	1,557,094
Research and development	214,161	114,700
Sales and marketing	2,338,432	2,184,213
Total Expenses	4,380,009	3,856,007
Loss from Operations	(351,878) (1,661,335
Other Income (Expense)		
Change in fair value of warrant derivative liabilities	2,589	27,173
Interest expense	(217,368) (156,759
Net Loss and Comprehensive Loss	(566,657) (1,790,921
Loss per share – basic and diluted	(0.01) (0.03
Weighted average number of shares outstanding – basic and diluted	62,116,953	55,769,447

VirtualArmour International Inc.
Consolidated Statements of Financial Position
As at December 31, 2018 and 2019
(Expressed in U.S. Dollars)

	2018	2017
	\$	\$
ASSETS		
Current Assets		
Cash	114,281	46,795
Accounts receivable	2,491,233	727,618
Other receivables	43,750	44,300
Prepaid expenses	390,968	196,938
Contract assets	722,683	–
Total Current Assets	3,762,915	1,015,651
Property and equipment	513,984	520,062
Intangible assets	61,347	77,175
Contract assets	1,264,695	–
Total Assets	5,602,941	1,612,888
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	3,728,051	2,821,038
Deferred revenue	888,593	80,105
Warrant derivative liabilities	–	2,589
Current portion of lease obligations	679,647	154,580
Due to related parties	–	455,162
Total Current Liabilities	5,296,291	3,513,474
Deferred revenue	1,331,256	–
Lease obligations	150,632	224,645
Total Liabilities	6,778,179	3,738,119
STOCKHOLDERS' DEFICIT		
Common stock, no par value, 300,000,000 shares authorized Issued and outstanding: 63,599,447 (2017 – 55,769,447) shares	7,670,975	6,284,418
Additional paid-in capital	1,955,222	1,825,129
Deficit	(10,801,435)	(10,234,778)
Total Stockholders' Deficit	(1,175,238)	(2,125,231)
Total Liabilities and Stockholders' Deficit	5,602,941	1,612,888

Company Contact

Russ Armbrust
CEO

VirtualArmour International Inc.

Tel (720) 644-0913

[Email Contact](#)



Source: VirtualArmour International Inc.