

# VirtualArmour Reports Q1 2019 Results; Managed and Professional Services Revenue up 17%

May 31, 2019

CENTENNIAL, Colo., May 31, 2019 (GLOBE NEWSWIRE) -- **VirtualArmour International Inc. (CSE:VAI) (3V3:F) (OTCQB:VTLR)**, a premier cybersecurity managed services provider, reported results for the first quarter ended March 31, 2019. Financial results are in U.S. dollars, with comparisons made to the same year-ago quarter unless otherwise noted.

## Q1 2019 Financial Highlights

- Revenue increased to \$3.5 million, supported 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 17% to a record \$1.3 million, due primarily to the addition of 14 new clients signed under multi-year contracts over the last 12 months.
- Gross profit as a percentage of revenue increased to 30.5% from 28.1% due to a favorable shift in revenue mix to higher margin managed and professional services revenue.
- Adjusted EBITDA was a negative \$233,000. Net of a one-time extraordinary event Adjusted EBITDA was a positive \$24,000 (see Extraordinary Event below).
- Annual recurring revenue (ARR) totaled \$4.3 million at March 31, 2019, up from \$3.7 million at March 31, 2018. The company defines ARR as the value of its service contracts normalized to a one-year period.
- Total contract value (TCV) was \$9 million at March 31, 2019, up from \$6.1 million at March 31, 2018. The company defines TCV as the total value of its service contracts including one time and recurring charges.

## Q1 2019 Operational Highlights

- Engaged subsidiary of major pharmaceutical company in a new two-year, \$300,000 managed service contract, which also represented VirtualArmour's first entry into the pharmaceutical industry.
- Expanded engagement over next 12 months with a \$400,000 managed and professional services contract with an existing global non-profit specializing in research and education customer.
- Hired Partner Account Manager to focus and expand on the partner program.
- Received ISO-27001:2014 Certification for Information Security Management System.
- Registered trademark for CloudCastr approved by United States Patent and Trademark Office.

## Q1 2019 Financial Summary

Revenue totaled \$3.5 million in the first quarter of 2019, as compared to \$3.3 million in the same year ago quarter. Managed and professional services revenue increased by \$0.2 million and product sales (hardware and software) increased by \$0.1 million.

Cost of sales were \$2.5 million in the first quarter of 2019 as compared to \$2.3 million in the same year ago quarter. The increase in cost of sales was due primarily to an increase in managed and professional services cost of sales (\$113,000) with the balance attributable to product cost of sales.

Net and comprehensive loss was \$403,000 or \$(0.01) per share in the first quarter of 2019, as compared to a loss of \$127,000 or \$(0.00) per share in the same year-ago quarter.

Adjusted EBITDA was a negative \$233,000 in the first quarter of 2019, changed from a positive \$15,000 in same period in 2018 (see definition of adjusted EBITDA, a non-GAAP term, below). Net of a one-time extraordinary event, the recent quarter's Adjusted EBITDA would be a positive \$24,000.

Cash totaled \$60,000 at March 31, 2019, compared to \$114,000 as of December 31, 2018. The decrease was primarily due to the expense of the Investor Awareness Campaign partially offset by financing activities.

## Management Commentary

"Our first quarter top line and Gross Profit results are in line with expectations while the bottom line and adjusted EBITDA, net of a notable extraordinary expense, compare favorably with recent results," remarked Michael Panec, VirtualArmour's CFO. "As always, we are managing a careful balance between cash flow and taking advantage of the tremendous growth opportunities available in the current market."

Panec added: "Looking ahead in 2019, with the ongoing growth in customer acquisition and the addition of customers on a monthly recurring revenue model, coupled with its high customer retention, VirtualArmour expects to maintain appreciable growth into 2019."

"In Q1 2019, our 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."

During this quarter, VirtualArmour started to deliver strategy-driven engagements that drive action, value, and accountability by providing consistent, positive customer experiences, communications, and service transparency to each client. 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."

## 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](http://www.virtualarmour.com).

### Supplemental Non-GAAP Financial Measures

In addition to GAAP financial measures, management uses non-GAAP financial measures to assess the company's operational performance. It is likely that the non-GAAP 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-GAAP 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-GAAP 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-GAAP statement of income, adjusted GAAP, 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 GAAP and non-GAAP measures do not have standardized meaning. Accordingly, non-GAAP measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

As disclosed in its press release of January 24, 2019, VirtualArmour engaged in an Investor Awareness Campaign in the first quarter 2019. The purpose of the campaign was to raise awareness of the company, its services and the growth potential of its industry. The cost of this campaign totaled \$257,000. There is no expectation that this type of activity will be undertaken again in the foreseeable future.

The table below provides a reconciliation of net (loss) for the period as reported to non-GAAP adjusted EBITDA for the three months ended March 31, 2019 and 2018:

	Q1 2019	Q1 2018
Loss for the period as reported	\$(402,926)	\$(127,212)
Add (deduct):		
Depreciation and amortization	100,555	32,740
Change in fair value of warrant derivative liabilities	-	(2,589)
Share-based compensation	17,655	72,971
Interest Expense	51,730	39,001
Adjusted EBITDA	\$(232,986)	\$14,911
One-time Extraordinary Expense	257,000	-
Adjusted EBITDA net of Extraordinary Expense	\$24,014	\$14,911

### 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, 2019 and 2018

(Unaudited - Expressed in U.S. Dollars)

March 31,

March 31,

	2019	2018
	\$	\$
<b>Revenue</b>	<b>3,548,186</b>	3,267,653
<b>Cost of sales</b>	<b>(2,466,080)</b>	(2,348,985)
<b>Gross Profit</b>	<b>1,082,106</b>	918,668
<b>Expenses</b>		
General and administrative	778,203	425,783
Research and development	49,433	35,679
Sales and marketing	605,666	548,006
<b>Total Expenses</b>	<b>1,433,302</b>	1,009,468
<b>Loss from Operations</b>	<b>(351,196)</b>	(90,800)
<b>Other Income (Expense)</b>		
Change in fair value of warrant derivative liabilities	–	2,589
Interest expense	(51,730)	(39,001)
<b>Net Loss and Comprehensive Loss</b>	<b>(402,926)</b>	(127,212)
<b>Loss per share – basic and diluted</b>	<b>(0.01)</b>	(0.00)
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>63,599,447</b>	57,936,114

**VirtualArmour International Inc.**  
**Interim Consolidated Balance Sheets**  
**As at March 31, 2019 and December 31, 2018**  
*(Unaudited - Expressed in U.S. Dollars)*

	March 31, 2019	December 31, 2018
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	60,130	114,281
Accounts receivable	2,202,634	2,491,233
Other receivables	–	43,750
Prepaid expenses	207,427	390,968
Contract assets	722,683	722,683
<b>Total Current Assets</b>	<b>3,192,874</b>	3,762,915
Property and equipment	613,228	513,984
Intangible assets	57,390	61,347
Contract assets	1,084,024	1,264,695
<b>Total Assets</b>	<b>4,947,516</b>	5,602,941
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		

Accounts payable and accrued liabilities	<b>3,152,188</b>	3,728,051
Deferred revenue	<b>947,290</b>	888,593
Debt	<b>336,500</b>	–
Current portion of lease obligations	<b>546,416</b>	679,647
Due to related parties	<b>170,570</b>	–
<b>Total Current Liabilities</b>	<b>5,152,964</b>	5,296,291
Deferred revenue	<b>1,141,077</b>	1,331,256
Lease obligations	<b>213,984</b>	150,632
<b>Total Liabilities</b>	<b>6,508,025</b>	6,778,179
<b>STOCKHOLDERS' DEFICIT</b>		
Common stock, no par value, 300,000,000 shares authorized Issued and outstanding: 63,599,447 (2018 – 63,599,447) shares	<b>7,670,975</b>	7,670,975
Additional paid-in capital	<b>1,972,877</b>	1,955,222
Deficit	<b>(11,204,361)</b>	(10,801,435)
<b>Total Stockholders' Deficit</b>	<b>(1,560,509)</b>	(1,175,238)
<b>Total Liabilities and Stockholders' Deficit</b>	<b>4,947,516</b>	5,602,941

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Source: VirtualArmour International Inc.