

VirtualArmour Reports Q2 2019 Results; Managed and Professional Services Revenue up 13%

August 30, 2019

CENTENNIAL, Colo., Aug. 30, 2019 (GLOBE NEWSWIRE) -- **VirtualArmour International Inc. (CSE:VAI) (OTCQB:VTLR)**, a premier cybersecurity managed services provider, reported results for the second quarter ended June 30, 2019. Financial results are in U.S. dollars, with comparisons made to the same year-ago quarter unless otherwise noted.

Q2 2019 Financial Highlights

- Revenue for the second quarter of 2019 was \$2.7 million.
- Managed and professional services revenue increased 13% to a record \$1.3 million, due primarily to the expansion and addition of new clients signed under contracts over the last 12 months.
- Annual recurring revenue (ARR) totaled \$4.5 million at June 30, 2019, up from \$4.0 million at June 30, 2018. The company defines ARR as the value of its service contracts normalized to a one-year period.

Q2 2019 Operational Highlights

- Engaged with Capstone Headwaters, a leading investment banking firm, in response to receipt of unsolicited inquiries.
- Expanded into the pharmaceutical market with a \$300,000 cybersecurity contract.
- Integrated ServiceNow into Managed Security Services to quickly integrate into our customer workflows and rapidly respond to incidents leveraging automation and orchestration.
- Added new channel partnership with Advanced Systems Group expanding the range of service offerings both organizations are able to jointly pursue opportunities across the western United States.
- Promoted Tianyi Lu to Vice President of Product Development to focus on broadening the products and solutions we offer to our customers and automating functions within the current suite to increase efficiencies and drive down operation costs.

Q2 2019 Financial Summary

Revenue totaled \$2.7 million in the second quarter of 2019. Managed and professional services revenue grew by 13% to \$1.3 million, while overall sales declined from \$4.0 million vs. the same period a year ago due to lower product sales (hardware and software).

Cost of sales were \$2.0 million in the second quarter of 2019 as compared to \$2.9 million in the same year ago quarter. The decrease in cost of sales is related to product sales revenue.

Gross profit was \$0.7 million or 24.7% of revenue in the second quarter of 2019, as compared to \$1.1 million or 27.1% of revenue in the same year ago quarter. The decrease in gross profit was due primarily to lower product sales.

Total expenses were \$1.2 million in the second quarter of 2019, as compared to \$1.1 million in the same year ago quarter. The increase was primarily due to an increase in sales and marketing expense of \$80k from the year-ago quarter.

Net and comprehensive loss was \$646,000 or \$(0.01) per share in the second quarter of 2019, as compared to a loss of \$119,000 or \$(0.00) per share in the year-ago quarter. The loss was primarily due to a lower gross profit reflecting the lower product sales.

Cash totaled \$25,000 at June 30, 2019, compared to \$114,000 as of March 31, 2019.

Management Commentary

"We remain focused on building our recurring revenue streams and are pleased with the continued growth in managed and professional services. Seasonality impacted our product sales although our sales pipeline is strong," said Russ Armbrust, CEO of VirtualArmour. "We signed several multi-year recurring revenue engagements and increased the level of our services utilized by our existing customers."

"Our expansion into the pharmaceutical and gemological industry allowed for over \$700,000 in new contracts for managed and professional services, combined with hardware and software. We were also engaged with a prominent marketing automation company for managed security services in partnership with Alacrinet."

"Throughout the first half of 2019, our channel partner program has enabled us to quickly access new business development opportunities and notably, give us the ability to target, and deliver our comprehensive set of services to a new base of larger enterprise customers."

"Looking ahead, we are very optimistic for the second half of 2019. We continue to see the growing threat of targeted breaches across all industries and business sizes driving increased cybersecurity budgets as companies prepare for 2020 and beyond."

"We see our growing sales, marketing, and service organization driving a favorable shift in our revenue mix toward managed services sales. Margin growth should accompany this recurring revenue growth in the second half of 2019. By expanding revenues to existing customers and increasing the velocity of customer acquisition, we are firmly on track for another record year of operational and financial performance."

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.

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 a service contract VirtualArmour has entered into with a current client, VirtualArmour's continued relationship with various suppliers, 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 Company in performing the IT implementation and migration, performance under the contract by all parties, the ability of VirtualArmour to meet timelines, the continued availability of necessary hardware, the absence of any trade war or tariffs affecting VirtualArmour's ability to perform, 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.

Interim Consolidated Statements of Operations and Comprehensive Loss

For the three and six months ended June 30, 2019 and 2018

(Unaudited - Expressed in U.S. Dollars)

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue	2,702,303	4,003,090	6,250,489	7,270,743
Cost of sales	(2,035,882)	(2,918,624)	(4,501,962)	(5,267,609)
Gross Profit	666,421	1,084,466	1,748,527	2,003,134
Expenses				
General and administrative	511,763	522,415	1,289,966	948,198
Research and development	52,519	52,701	101,952	88,380
Sales and marketing	650,378	571,153	1,256,044	1,119,159
Total Expenses	1,214,660	1,146,269	2,647,962	2,155,737
Loss from Operations	(548,239)	(61,803)	(899,435)	(152,603)
Other Income (Expenses)				
Change in fair value of warrant derivative liabilities	-	-	-	2,589
Interest expense	(97,536)	(57,396)	(149,266)	(96,397)
Net and Comprehensive Loss for the period	(645,775)	(119,199)	(1,048,701)	(246,411)
Loss per share – basic and diluted	(0.01)	(0.00)	(0.02)	(0.00)
Weighted average number of shares outstanding – basic and diluted	63,599,447	63,501,535	63,599,447	60,734,198

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Interim Consolidated Balance Sheets

As at June 30, 2019 and December 31, 2018
(Unaudited - Expressed in U.S. Dollars)

	June 30, 2019	December 31, 2018
	\$	\$
ASSETS		
Current Assets		
Cash	24,803	114,281
Accounts receivable	799,091	2,491,233
Other receivables	–	43,750
Prepaid expenses	147,263	390,968
Contract assets	722,683	722,683
Total Current Assets	1,693,840	3,762,915
Property and equipment	532,239	513,984
Intangible assets	53,433	61,347
Contract assets	903,353	1,264,695
Total Assets	3,182,865	5,602,941
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	1,581,558	3,728,051
Deferred revenue	1,124,343	888,593
Debt	638,375	–
Current portion of lease obligations	467,961	679,647
Due to related parties	405,194	–
Total Current Liabilities	4,217,431	5,296,291
Deferred revenue	961,537	1,331,256
Lease obligations	191,050	150,632
Total Liabilities	5,370,018	6,778,179
STOCKHOLDERS' DEFICIT		
Common stock, no par value, 300,000,000 shares authorized Issued and outstanding: 63,599,447 (2018 – 63,599,447) shares	7,670,975	7,670,975
Additional paid-in capital	1,992,008	1,955,222
Deficit	(11,850,136)	(10,801,435)
Total Stockholders' Deficit	(2,187,153)	(1,175,238)
Total Liabilities and Stockholders' Deficit	3,182,865	5,602,941

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Source: VirtualArmour International Inc.