

## VIRTUALARMOUR REPORTS 2019 RESULTS

### Annual Revenue Growth in Managed Services at 25% - Expanded Offerings in Professional Services

CENTENNIAL, Colorado, – (May 22, 2020) – 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, 2019. Financial results are in U.S. dollars, with comparisons made to the same year-ago quarter unless otherwise noted. For complete details, please refer to our financial statements and discussion found here: <https://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00037617>

#### 2019 Financial Highlights

- Revenue for the year totalled \$13.6 million.
- Managed and professional services revenue for the year increased to \$5.3 million, with managed services revenue increasing by 25% year-over-year and more than offsetting a decrease in professional services revenue.
- Gross profit margins for managed services exceeded 41% with overall gross profit margin, including lower margin resale revenue, of 24%.
- Annual recurring revenue (ARR) totalled \$4.6 million at December 31, 2019, representing an increase of more than 11% from \$4.1 million at December 31, 2018. ARR is defined as the value of VirtualArmour's service contracts normalized to a one-year period.

#### 2019 Operational Highlights

- Continued evolution in the Company's revenue mix towards recurring, higher margin business with managed services increasing from 23% of revenues in 2018 to 33% of revenues in 2019.
- Maintained a very high level of customer satisfaction with managed services customer retention in excess of 95%.
- Expanded services with several key clients, tripling monthly recurring revenue in some cases, whilst also adding a 9 new customer logos.
- Chosen as Security MSSP of choice by Juniper EMEA.
- Expanded service offerings with roll out of new Tier 1 / NOC services, an all-encompassing operations center replacement, which enables VirtualArmour to operate as a 24/7 Helpdesk/NOC team internal to the customer and provides significant cost savings over in-house teams.
- Transitioned to new ITSM system providing streamlined workflows and ITSM functions.
- Developed CloudCastr 2.0 Customer portal for easy access to security posture and ticketing.
- Developed new SoW to enable operational planning and improved customer resource allocation
- Redeveloped, standardized, and automated weekly, monthly, and quarterly reporting capabilities for all MSS clients.
- Culturally reinforced the importance of consistently exceeding customer expectations through internal promotions of Customer Experience champions who drive business optimization in the name of CXP Excellence.

- Won \$330K contract with a Global Service Provider which adds to the almost \$2M of additional hardware, software and services deals that have been closed with this customer since January of 2019.
- Expanded opportunity with Global Satellite Company with a \$245K gateway expansion project which adds to the \$1.7M of additional hardware deals that were closed in the first half of 2019 with this customer.
- Signed two new channel partners as managed security service resellers that expand the range of service offerings to both companies, allowing VirtualArmour to pursue opportunities across the US.
- Co-launched a new service offering with a global satellite service provider to provide managed security services (managed threat intelligence and managed firewall) to their enterprise customer base in the aerospace, heavy industrial, and maritime sectors.
- Completed a multi-year global network refresh project for a Fortune 1000 medical device company totaling close to \$1MM of PS revenue.
  - Won an additional hardware contract worth over \$2.7MM as a result of the architecture and engineering work that VirtualArmour engineers completed, as described above. The hardware/software resale component was additional equipment used to support our design.

## 2019 Financial Summary

Revenue totaled \$4.97 million for the fourth quarter and \$13.6 million for the year. Over 44% of the year's product sales came in the fourth quarter underscoring the seasonality of this sales category. Managed and professional services revenue totaled \$1.3 million in the fourth quarter and \$5.3 million for the year reflecting a 25% increase in managed services revenue year-over-year.

Cost of sales totaled \$10.4 million for the year as compared to \$11.6 million in the prior year. The decrease in cost of sales was due primarily to a decrease in product cost of sales.

Gross profit was \$0.8 million for the fourth quarter and \$3.23 million for the year or 23.7% of revenue for the year, as compared to \$4 million or 25.8% of revenue in the prior year. The change in gross profit and gross margin was due to lower margins year-over-year on product sales and lower utilization of professional services resources through 2019.

Total expenses were \$1 million in the fourth quarter and \$4.76 million for the year, as compared to \$4.4 million in the prior year. The most significant contributor to the 2019 increase was the one-time expense in respect of an Investor Awareness Campaign reflected in the increase to Shareholder Communications.

Net and comprehensive loss was \$690k or \$(0.01) per share in the fourth quarter and \$2.2 million for the year or \$(0.04) per share, as compared to a loss of \$566k or \$(0.01) per share in the prior year. The increased loss was due to a combination of lower gross profits reflecting the lower product sales and one-time expenditures plus higher interest expense from increased reliance on debt financing.

Cash totaled \$145,000 at December 31, 2019, compared to \$114,000 at December 31, 2018, with the increase primarily due to increase of cash from financing activities.

## Management Commentary

Russ Armbrust, VirtualArmour CEO, mentions forward-looking statements, "In 2020, our business has continued to sign long-term contracts with clients on managed services and we have seen an uptick in one-time professional service engagements due to the pandemic. VirtualArmour has expanded these professional service offerings to meet the changing needs of our customers."

Andrew Douthwaite, VirtualArmour CTO, comments on the expanded service offerings, "Earlier this year we had a successful launch of our new NOC/Tier 1 service offering, which includes completely remote hiring and staff training. In addition to this expansion, we were focused on the buildout of a vSOC (Virtual SOC):

complete transition to remote workforce without impacting service delivery. This has the potential to eliminate physical SOC's (office space) due to the ability to deliver our service via vSOC (virtually)."

"Due to the continued growing threat of targeted breaches across mission-critical industries such as Healthcare, Legal, and Financial markets, the cybersecurity outlook for 2020 is very strong. Large budgets are being allocated to cybersecurity as companies are preparing for the future structuring of their business. We anticipate many companies will shift their business entirely to remote, to save on cost and boost profits. An action that VirtualArmour would benefit greatly, as IT departments are paired down and the need for outsourced IT is inevitable. VirtualArmour will benefit from this shift to managed and professional service outsourcing, given the highly profitable, high margin, recurring revenues associated with these offerings." as stated by Russ Armbrust, VirtualArmour CEO.

### **VirtualArmour Outlook 2020**

COVID-19 pandemic has forced a rapid shift in business to a remote workforce, something most companies were not prepared to do. With employees working from home for the first time, many IT departments are overwhelmed in regard to their cybersecurity and the expansion of their Remote Access VPNs. While having employees work from home reduces the risk of spreading and contracting the virus, this also puts business data at risk of malicious security threats. An unprotected remote workforce increases a company's chance of security threats and can lead to detrimental consequences for a business – some even being forced into bankruptcy. In order to protect the remote workforce and prevent data loss, businesses will need to keep a close eye on security or hire an outside Managed Security Services Provider (MSSP) to ensure their information is secure. Due to its focus and go-to market on Managed Services, VirtualArmour is better prepared operationally and strategically to address these rapidly evolving needs compared to others that may have a narrower focus on just hardware/software resale.

Due to this rapidly evolving environment, VirtualArmour's customers have approached the Company for needed expertise on filling their ever-changing needs. Companies are laying off IT staff to cut costs which results in an increased reliance on MSPs. Customers are relying on VirtualArmour as their strategic partner to help them with not only the planning and design, but also on-going managed services post COVID. 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. VirtualArmour has seen an uptick in professional services around SSL VPN migrations and implementations due to a shifting workforce to all remote employees. The Company's ability to provide Network Managed Services has been emphasized due to client base having to work fully remote with a reliance on digital communications' uptime/availability critical to their success.

In order to increase managed services gross margin and further internal operational efficiency, VirtualArmour has developed a roadmap for automation. Based on existing KPI's, it is expected that the productivity of our SOC analysts will drastically increase due to automating more of their typical workload, allowing us to accomplish more with less. SOC automation will allow VirtualArmour to resolve current and future threats quickly with automated proprietary roadmaps, as attackers are becoming more sophisticated in their tactics and techniques. This differentiator keeps VirtualArmour at the forefront of stopping cybersecurity threats and increasing our clients' security postures.

### **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](http://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.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**For the Years ended December 31, 2019 and 2018**  
*(Expressed in U.S. Dollars)*

	2019	2018
	\$	\$
<b>Revenue</b>	<b>13,644,902</b>	15,641,881
<b>Cost of sales</b>	<b>(10,411,459)</b>	(11,613,750)
<b>Gross Profit</b>	<b>3,233,443</b>	4,028,131
<b>Expenses</b>		
General and administrative	2,229,753	1,827,416
Research and development	222,668	214,161
Sales and marketing	2,310,727	2,338,432
<b>Total Expenses</b>	<b>4,763,148</b>	4,380,009
<b>Loss from Operations</b>	<b>(1,529,705)</b>	(351,878)
<b>Other Income (Expense)</b>		
Change in fair value of warrant derivative liabilities	-	2,589
Interest expense	(701,303)	(217,368)
<b>Net Loss and Comprehensive Loss</b>	<b>(2,231,008)</b>	(566,657)
<b>Loss per share – basic and diluted</b>	<b>(0.04)</b>	(0.01)
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>63,599,447</b>	62,116,953

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

	2019	2018
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	145,268	114,281
Accounts receivable	3,776,520	2,841,187
Other receivables	47,513	43,750
Prepaid expenses	279,003	390,968
Contract assets	722,683	722,683
<b>Total Current Assets</b>	<b>4,970,987</b>	<b>4,112,869</b>
Operating lease right-of-use assets	88,242	–
Property and equipment	555,860	513,984
Intangible assets	45,519	61,347
Contract assets	542,012	1,264,695
<b>Total Assets</b>	<b>6,202,620</b>	<b>5,952,895</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	5,305,786	3,728,051
Factoring payable	377,740	349,954
Deferred revenue	1,099,387	888,593
Loans payable	1,206,468	–
Current portion of operating lease liabilities	100,772	–
Current portion of finance lease liabilities	138,441	679,647
Due to related parties	401,699	–
<b>Total Current Liabilities</b>	<b>8,630,293</b>	<b>5,646,245</b>
Deferred revenue	626,178	1,331,256
Loans payable	281,984	–
Finance lease liabilities	12,188	150,632
<b>Total Liabilities</b>	<b>9,550,643</b>	<b>7,128,133</b>
<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	7,670,975	7,670,975
Additional paid-in capital	2,013,445	1,955,222
Deficit	(13,032,443)	(10,801,435)
<b>Total Stockholders' Deficit</b>	<b>(3,348,023)</b>	<b>(1,175,238)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>6,202,620</b>	<b>5,952,895</b>

**Company Contact**

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