

## VIRTUALARMOUR REPORTS Q1 2020 RESULTS Managed and Professional Services up over 5%

CENTENNIAL, Colorado, – (July 17, 2020) – VirtualArmour International Inc. (CSE:VAI) (OTCQB:VTLR), a premier cybersecurity managed services provider, reported results for the first quarter ended March 31, 2020. 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>

### 2020 Financial Highlights

- Revenue for the quarter totaled \$2.5 million.
- Managed and professional services revenue for the quarter increased to \$1.4 million, with managed services revenue increasing by 16.7% year-over-year and more than offsetting a decrease in professional services revenue.
- Gross profit margins for managed services exceeded 43% with overall gross profit margin, including lower margin resale revenue, of 29.5%.
- Annual recurring revenue (ARR) totaled \$5.1 million at March 31, 2020, representing an increase of more than 19% from \$4.3 million at March 31, 2019. ARR is defined as the value of VirtualArmour's service contracts normalized to a one-year period.

### 2020 Operational Highlights

- Continued evolution in the Company's revenue mix towards recurring, higher margin business with managed services increasing from 30% of revenues in 2019 to 50% of revenues in 2020.
- Won \$4.1M in managed services contracts with Data Center client to include Operation Center Support, Network Architecture & Engineering and Data Center Optimization.
- Won \$1.7M 3-year contract with Healthcare client expanding professional and managed services and major hardware/software refresh. Includes Managed SIEM and Vulnerability Scanning offerings.
- Development of new Customer Portal CloudCastr 2.0 in beta Q1 2020.
- On-boarding of new Vendors including SilverPeak and Rapid7 – allowing depth in the service modules offered SD-WAN (Silver Peak) and Fully Managed Vulnerability (Rapid 7) close some of the gaps in the portfolio.
- Adjustment of Client Quarterly Business Review strategies to maximize the value to our customers and augment the strategic approach during the global pandemic
- Rollout of a new Core Service offering for fully managed network infrastructure – this will allow VirtualArmour to expand downmarket to the SMB space, which is a growing sector during the COVID-19 pandemic as small businesses are increasingly being targeted by malicious actors.
- Roll out of new Tier 1 Service offering – this will allow VirtualArmour to reach further into the NOC space.

### 2020 Financial Summary

Revenue totaled \$2.48 million for the three months ending March 31, 2020. Managed and professional services revenue totaled \$1.4 million in the first quarter reflecting a 5.3% increase in managed services revenue year-over-year.

Cost of sales totaled \$1.75 million for the first quarter 2020 as compared to \$2.47 million in 2019. The decrease in cost of sales was due primarily to a decrease in product cost of sales.

Gross profit was \$0.7 million for the first quarter 2020 as compared to \$1.1 million in 2019. The change in gross profit was due to lower year-over-year product sales and lower utilization of professional services resources in the first quarter 2020.

Total expenses were \$1.04 million in the first quarter 2020 as compared to \$1.43 million in the prior year. The most significant contributor to the decrease was the omission of the 2019 one-time expense in respect of an Investor Awareness Campaign.

Net and comprehensive loss was \$890k or \$(0.01) per share in the first quarter as compared to a loss of \$403k 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 \$12,450 at March 31, 2020, compared to \$145,268 at March 31, 2019.

### **Management Commentary**

VirtualArmour CEO, Russ Armbrust states, “As with many industries, the healthcare industry is highly driven by compliance from HIPAA to receive funding. VirtualArmour has become the trusted advisor when it comes to security compliance.”

Chad Schamberger, VirtualArmour VP of Operations, mentions, “Through our Managed SIEM offering, clients will be provided healthcare specific use cases that address security compliance standards from HIPAA. Our Vulnerability Scanning offering will provide clients with greater visibility into surface attacks, enhanced patch management and threat detection.”

Andrew Douthwaite, VirtualArmour CTO, highlights, “We are really pleased with the new contracts that extend our service offerings with some of our longest standing clients. As we manage and operate clients’ infrastructure, provisioning new customers and keeping office locations operational through growth, we are hopeful our clients see the value of multiple VirtualArmour service offerings, building a lasting relationship where both companies can grow together successfully.”

### **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.**  
**Interim Consolidated Statements of Operations and Comprehensive Loss**  
**For the three months ended March 31, 2020 and 2019**  
*(Unaudited - Expressed in U.S. Dollars)*

|  | <b>March 31,<br/>2020<br/>\$</b> | March 31,<br>2019<br>\$ |
|--|----------------------------------|-------------------------|
| <b>Revenue</b>   | <b>2,476,393</b>                 | 3,548,186               |
| <b>Cost of sales</b>   | <b>(1,746,429)</b>               | (2,466,080)             |
| <b>Gross Profit</b>  | <b>729,964</b>                   | 1,082,106               |
| <b>Expenses</b>  |                                  |                         |
| General and administrative   | 510,801                          | 778,203                 |
| Research and development   | 90,219                           | 49,433                  |
| Sales and marketing  | 440,962                          | 605,666                 |
| <b>Total Expenses</b>  | <b>1,041,982</b>                 | 1,433,302               |
| <b>Loss from Operations</b>  | <b>(312,018)</b>                 | (351,196)               |
| <b>Other Income (Expense)</b>  |                                  |                         |
| Change in fair value of warrant derivative liabilities                   | -                                | -                       |
| Interest expense   | (577,915)                        | (51,730)                |
| <b>Net Loss and Comprehensive Loss</b>                                   | <b>(889,933)</b>                 | (402,926)               |
| <b>Loss per share – basic and diluted</b>                                | <b>(0.01)</b>                    | (0.01)                  |
| <b>Weighted average number of shares outstanding – basic and diluted</b> | <b>73,973,142</b>                | 63,599,447              |

**VirtualArmour International Inc.**  
**Interim Consolidated Balance Sheets**  
**As at March 31, 2020 and 2019**  
*(Unaudited - Expressed in U.S. Dollars)*

|   | March 31,<br>2020<br>\$ | December 31,<br>2019<br>\$ |
|---|-------------------------|----------------------------|
| <b>ASSETS</b>   |                         |                            |
| <b>Current Assets</b>                                     |                         |                            |
| Cash  | 12,450                  | 145,268                    |
| Accounts receivable                                       | 1,069,871               | 3,776,520                  |
| Other receivables   | 8,150                   | 47,513                     |
| Prepaid expenses  | 248,663                 | 279,003                    |
| Contract assets   | 722,683                 | 722,683                    |
| <b>Total Current Assets</b>                               | <b>2,061,817</b>        | <b>4,970,987</b>           |
| Operating lease right-of-use assets                       | 63,191                  | 88,242                     |
| Property and equipment                                    | 484,028                 | 555,860                    |
| Intangible assets   | 41,562                  | 45,519                     |
| Contract assets   | 361,341                 | 542,012                    |
| <b>Total Assets</b>                                       | <b>3,011,939</b>        | <b>6,202,620</b>           |
| <b>LIABILITIES</b>  |                         |                            |
| <b>Current Liabilities</b>                                |                         |                            |
| Accounts payable and accrued liabilities                  | 2,447,825               | 5,305,786                  |
| Factoring payable   | 523,456                 | 377,740                    |
| Deferred revenue  | 1,105,057               | 1,099,387                  |
| Loans payable   | 695,132                 | 1,206,468                  |
| Current portion of operating lease liabilities            | 73,922                  | 100,772                    |
| Current portion of finance lease liabilities              | 104,223                 | 138,441                    |
| Due to related parties                                    | 19,740                  | 401,699                    |
| <b>Total Current Liabilities</b>                          | <b>4,969,355</b>        | <b>8,630,293</b>           |
| Deferred revenue  | 420,999                 | 626,178                    |
| Loans payable   | 320,930                 | 281,984                    |
| Warrant liabilities                                       | 592,321                 | -                          |
| Finance lease liabilities                                 | -                       | 12,188                     |
| <b>Total Liabilities</b>                                  | <b>6,303,605</b>        | <b>9,550,643</b>           |
| <b>STOCKHOLDERS' DEFICIT</b>                              |                         |                            |
| Common stock, no par value, 300,000,000 shares authorized |                         |                            |
| Issued and outstanding: 106,508,822 (2019 – 63,599,447)   |                         |                            |
| shares  | 8,578,654               | 7,670,975                  |
| Additional paid-in capital                                | 2,052,056               | 2,013,445                  |
| Deficit   | (13,922,376)            | (13,032,443)               |
| <b>Total Stockholders' Deficit</b>                        | <b>(3,291,666)</b>      | <b>(3,348,023)</b>         |
| <b>Total Liabilities and Stockholders' Deficit</b>        | <b>3,011,939</b>        | <b>6,202,620</b>           |

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