

## VIRTUALARMOUR REPORTS 1<sup>st</sup> QUARTER 2021 RESULTS 13% Growth in Managed & Professional Services

**CENTENNIAL, Colorado, – (May 31, 2021) – VirtualArmour International Inc. (CSE:VAI) (OTCQB:VTLR)**, a premier cybersecurity managed services provider, reported results for the first quarter ended March 31, 2021. 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>

### Q1 2021 Financial Highlights

- Managed and professional services revenue for the period increased to \$1.58 million, increasing by 13% year-over-year.
- Overall revenue for the period increased to \$2.6 million, increasing by 4.9% year-over-year due to an offset to the revenue increase by a 5.4% reduction in product sales.
- Gross profit margins for managed and professional services came in at 51% with overall gross profit margin, including lower margin resale revenue, of 38%.
- The company lost \$21,300 from operations in the period ending March 31, 2021 compared to an operating loss of \$312,000 for the period in 2020.
- Adjusted EBITDA was \$27,000 for the period ending March 31, 2021. See Supplemental Non-GAAP Financial Measures below.
- Annual recurring revenue (ARR) totaled \$5.3 million at March 31, 2021, representing an increase of 4% from \$5.1 million at March 31, 2020. ARR is defined as the value of VirtualArmour's service contracts normalized to a one-year period.

### Q1 2021 Operational Highlights

- First sales of expanded offering in Essential Core Services to include Managed SIEM, Managed Infrastructure and Firewall, and SOCaaS show validation of the market and GTM strategy success.
- Implemented and operationalized Phase 2 of the VirtualArmour Automation project, which has resulted in savings of approximately 100 hours per month in engineering man-hours and an increase in quality of investigations to the customer.
- Created integrations with advanced threat intelligence sources, improving reliability, threat detection and quality of the investigations.
- Investment in engaging lead generation company, Google Ads and webinar events have led to 2-3 regular in-bound leads per week.
- Revamped standard customer reporting and interaction with Technical Business Reviews that will continuously improve awareness and guide customers to strengthen their security practice.

### Q1 2021 Financial Summary

- Revenue totaled \$2.6 million for the three months ending March 31, 2021. Managed and professional services revenue totaled \$1.6 million in the first quarter reflecting a 13% increase in managed and professional services revenue year-over-year. Product revenue for the first quarter decreased from \$1.07 million in 2020 to \$1.02 in 2021.
- Cost of sales totaled \$1.6 million in the 2021 period, down from \$1.7 million in 2020.
- Gross profit was \$987,000 for the first quarter of 2021 as compared to \$730,000 million in 2020. The change in gross profit was due to higher margin revenues from managed services.

- Total operating expenses were \$1.01 million for the period in 2020 as compared to \$1.04 million in the prior year.
- Operating loss was \$21,300 for the period in 2021 compared to an operating loss of \$312,000 in 2020. Net loss was \$370,000 or \$(0.00) per share for the first quarter 2021 as compared to a net loss of \$890,000 or \$(0.01) per share in the prior year.
- Cash totaled \$27,311 at March 31, 2021, compared to \$179,335 at December 31, 2020.

## Management Commentary

“Having the right staff in the right place was crucial to VirtualArmour SOC operations at the beginning of the new year. It was a top priority that we not only have the right service offerings in place, but the right people. We conducted an in-depth review of operations to ensure we have necessary efficiencies in place to drive the company forward, our people and processes are major factors to our USP” said VirtualArmour CTO, Andrew Douthwaite.

“In the first quarter of 2021, VirtualArmour continued their focus on providing services that were easily adoptable for new online businesses. We simplified our portfolio to offer what truly matters to the vast majority of business in this new online environment.” added Tianyi Lu, VirtualArmour VP Product Strategy.

Chad Schamberger, VirtualArmour VP Operations comments, “I have become more involved in each department, as the business continues to grow, we are working hard to ensure that there is cross-department communication happening. When we work together, this enables innovation.”

## VirtualArmour Outlook 2021

As the COVID-19 pandemic continued to grip the globe throughout 2020 and many businesses went completely online, the uptick for cybersecurity services continued to increase. Our focus from hardware/software resale to offering primarily managed cybersecurity services in 2020 led to the safeguarding of our margins from the widespread freezes on capital spending in all industries. Tapping into a new section of the market that was previously overlooked by competitors, the VirtualArmour addition of new Essential Core Services offering has opened up entry and mid-level markets for the company. As we continue to experience growth in all areas of our business, the company formed an internal dedicated product team leading to increased efficiencies, quality and more value add to the customer.

As the world slowly emerges from the pandemic in 2021, VirtualArmour predicts we will continue to see interest and expansion in our new service offerings. With the growth of our company, we have experienced a need for process that has led to increased internal efficiencies and automation. Shifting our focus in 2020 has benefited the company greatly, and enabled us to finish the year with strong 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](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 GAAP. 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.

Management assesses adjusted EBITDA as the net gain (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.

The table below provides a reconciliation of net gain (loss) for the period as reported to non-GAAP adjusted EBITDA for the three months ended March 31, 2021 and 2020:

|  | Three Months Ended March 31, |                     |
|--|------------------------------|---------------------|
|  | 2021                         | 2020                |
| Net Income                             | \$ (370,422)                 | \$ (889,933)        |
| Depreciation and Amortization          | \$ 59,406                    | \$ 84,821           |
| Interest Expense                       | \$ 55,050                    | \$ 577,915          |
| Change in Value of Warrant Derivatives | \$ 294,075                   | \$ -                |
| Share-based Payments                   | \$ (11,187)                  | \$ 38,611           |
| <b>Adjusted EBITDA</b>                 | <b>\$ 26,922</b>             | <b>\$ (188,586)</b> |

## 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, 2021 and 2020**  
*(Unaudited - Expressed in U.S. Dollars)*

|  | <b>March 31,<br/>2021</b> | <b>March 31,<br/>2020</b> |
|--|---------------------------|---------------------------|
|  | \$                        | \$                        |
| <b>Revenue</b>   | <b>2,596,450</b>          | 2,476,393                 |
| <b>Cost of sales</b>   | <b>(1,609,731)</b>        | (1,746,429)               |
| <b>Gross Profit</b>  | <b>986,719</b>            | 729,964                   |
| <b>Expenses</b>  |                           |                           |
| General and administrative   | <b>429,253</b>            | 510,801                   |
| Research and development   | <b>99,915</b>             | 90,219                    |
| Sales and marketing  | <b>478,848</b>            | 440,962                   |
| <b>Total Expenses</b>  | <b>1,008,016</b>          | 1,041,982                 |
| <b>Loss Before Other Income (Expense)</b>                                | <b>(21,297)</b>           | (312,018)                 |
| <b>Other Income (Expense)</b>  |                           |                           |
| Change in fair value of warrant derivative liabilities                   | <b>(294,075)</b>          | –                         |
| Interest expense   | <b>(55,050)</b>           | (577,915)                 |
| <b>Total Other Income (Expense)</b>                                      | <b>(349,125)</b>          | (577,915)                 |
| <b>Net Loss and Comprehensive Loss</b>                                   | <b>(370,422)</b>          | (889,933)                 |
| <b>Loss per share – basic and diluted</b>                                | <b>(0.00)</b>             | (0.01)                    |
| <b>Weighted average number of shares outstanding – basic and diluted</b> | <b>106,509,378</b>        | 73,973,142                |

**VirtualArmour International Inc.**  
**Interim Consolidated Balance Sheets**  
**As at March 31, 2021 and December 31, 2020**  
*(Unaudited - Expressed in U.S. Dollars)*

|   | March 31,<br>2021<br>\$ | December 31,<br>2020<br>\$ |
|---|-------------------------|----------------------------|
| <b>ASSETS</b>   |                         |                            |
| <b>Current Assets</b>   |                         |                            |
| Cash  | 27,311                  | 179,335                    |
| Accounts receivable   | 1,163,357               | 945,558                    |
| Other receivables   | –                       | 20,000                     |
| Prepaid expenses  | 1,054,081               | 1,345,684                  |
| <b>Total Current Assets</b>   | <b>2,244,749</b>        | <b>2,490,577</b>           |
| Operating lease right-of-use assets   | 47,160                  | 62,880                     |
| Property and equipment  | 203,679                 | 256,310                    |
| Intangible assets   | 64,165                  | 29,708                     |
| <b>Total Assets</b>   | <b>2,559,753</b>        | <b>2,839,475</b>           |
| <b>LIABILITIES</b>  |                         |                            |
| <b>Current Liabilities</b>  |                         |                            |
| Accounts payable and accrued liabilities  | 787,671                 | 819,905                    |
| Factoring payable   | 182,703                 | 258,624                    |
| Deferred revenue  | 1,583,941               | 1,963,203                  |
| Loans payable   | 479,788                 | 424,843                    |
| Current portion of operating lease liabilities  | 46,933                  | 61,671                     |
| Current portion of finance lease liabilities  | 29,328                  | 61,840                     |
| Due to related parties  | –                       | –                          |
| <b>Total Current Liabilities</b>  | <b>3,110,364</b>        | <b>3,590,086</b>           |
| Deferred revenue  | 769,312                 | 913,558                    |
| Loans payable   | 1,024,411               | 593,431                    |
| Finance lease liabilities   | –                       | –                          |
| Warrant derivative liabilities  | 1,757,560               | 1,463,485                  |
| <b>Total Liabilities</b>  | <b>6,661,647</b>        | <b>6,560,560</b>           |
| <b>STOCKHOLDERS' DEFICIT</b>  |                         |                            |
| Common stock, no par value, 300,000,000 shares authorized<br>Issued and outstanding: 106,533,822 (2020 – 106,508,822)<br>shares | 8,562,558               | 8,561,758                  |
| Additional paid-in capital  | 2,119,050               | 2,130,237                  |
| Deficit   | (14,783,502)            | (14,413,080)               |
| <b>Total Stockholders' Deficit</b>  | <b>(4,101,894)</b>      | <b>(3,721,085)</b>         |
| <b>Total Liabilities and Stockholders' Deficit</b>  | <b>2,559,753</b>        | <b>2,839,475</b>           |

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