



VirTra Reports Financial Results for Third Quarter of 2017

Q3 Revenues Up 54%; EPS of \$0.04 vs. (\$0.00)

Tempe, Ariz. (November 14, 2017) . VirTra, Inc. (OTCQX: [VTSI](#)), (the "Company"), a global provider of simulators for the law enforcement, military, educational and commercial markets, today announced its financial results for the third quarter ended September 30, 2017. The financial statements are available on VirTra's website and [here](#).

Third Quarter and Year-To-Date 2017 Financial Highlights:

	Q3 2017	Q3 2016	% Δ	YTD 2017	YTD 2016	% Δ
Revenue	\$4.7M	\$3.0M	54.1%	\$14.1M	\$12.6M	11.8%
Gross Profit	\$3.1M	\$1.7M	83.5%	\$9.3M	\$7.8M	19.3%
Gross Margin	66.4%	55.8%	19.0%	65.7%	61.6%	6.7%
Income (Loss) from Operations	\$752K	\$(4K)	N/A	\$2.8M	\$2.4M	17.2%
Net Income (Loss)	\$742K	\$(10K)	N/A	\$2.8M	\$2.4M	18.3%
Diluted EPS	\$0.04	\$(0.00)	N/A	\$0.17	\$0.14	21.4%
Adjusted EBITDA	\$874K	\$93K	841%	\$3.3M	\$2.7M	21.2%

Third Quarter and Subsequent Business Highlights:

- Applied for uplisting of common stock to Nasdaq
- VirTra V-300 simulator installed by Missouri's St. Louis County Police Department
- Awarded \$2.6 million in contracts from U.S. Dept. of Homeland Security for Customs and Border Protection
- Signed contracts worth more than \$750,000 in total, with three law enforcement agencies in Australia: the Australian Border Force, New South Wales Police Department and South Australia Police Department.
- Appointed Judy Henry as Chief Financial Officer
- Achieved ISO 9001:2015 Quality Compliance for VirTra's new machine shop
- Shareholders ratified expansion of the Board of Directors from four to five members, three of whom are designated as independent under corporate governance requirements of Nasdaq Listing Rules and the applicable Securities and Exchange Commission rules.

The third quarter was another strong quarter for VirTra, demonstrating the robust and growing demand for our solutions and our success in improving our go-to-market capabilities, said Bob Ferris, Chairman and Chief Executive Officer of VirTra. Our hard-earned reputation for creating high-quality training simulators and standing behind them with exceptional customer service is paying off. In fact, our net income at nine months through the year has already surpassed that of all last year, even as we invested to enlarge our sales, service and marketing teams to accelerate our growth. To date in 2017, we have expanded our staff from 62 professionals at January 1 to 84 today. Simultaneously, we have significantly

expanded our market presence as demonstrated by Forbes featuring VirTra's products recently. I am increasingly optimistic about our opportunities in 2018 and beyond.

This financial progress has enabled us to take steps to streamline our capital structure and position the company for an uplisting to the Nasdaq Capital Market. During the quarter we repurchased 34,978 shares, and completed a block share and warrant redemption transaction with Modern Round at attractive prices to simplify our capital structure. We also added a third and highly respected Virtual Reality (VR) business leader as an independent director to our board, improving our corporate governance and complying with Nasdaq listing standards. As previously reported, our application to Nasdaq has been submitted and we are continuing this process according to plan. We expect to enter 2018 as a fully reporting, Nasdaq-listed company with unique opportunities for our company.

Financial Results for the Three Months Ended September 30, 2017

Total revenue was \$4.7 million for the third quarter of 2017 compared to \$3.0 million for the third quarter of 2016, an increase of 54%. The year-over-year increase was due to additional sales of simulators, accessories, warranties and other services.

Gross profit was \$3.1 million, or 66.4% gross profit margin, for the third quarter of 2017 compared to gross profit of \$1.7 million, or 55.8% gross margin, for the third quarter of 2016, a gross profit increase of 84%. The year-over-year increase in gross profit margin was primarily due to the reduction in material costs and a sales mix of higher margin products that includes training, service and warranty sales.

Net operating expense was \$2.4 million for the third quarter of 2017 compared to \$1.7 million in the third quarter of 2016. The higher expense was primarily due to expanding staffing levels, annual increases in payroll and benefits for current staff, sales and marketing expansion, increases in non-recurring public company related one-time costs, new research and development work and IT infrastructure upgrades.

Income from operations for the third quarter of 2017 was \$752,000 compared to a loss from operations of \$4,000 in the third quarter of 2016. The increase in operating income was primarily due to increases in revenue and gross profit partially offset by an increase in operating expense.

Net income for the third quarter of 2017 was \$742,000, or \$0.05 per basic and \$0.04 per diluted share, compared to a net loss of \$10,000, or (\$0.00) per basic and diluted share, for the prior year's third quarter.

Adjusted EBITDA was \$874,000 for the third quarter of 2017 compared to \$93,000 for the third quarter of 2016, an increase of 841%.

Financial Results for the Nine Months Ended September 30, 2017

Total revenue was \$14.1 million for the first nine months of 2017 compared to \$12.6 million for the first nine months of 2016, an increase of 11.8%. Gross profit was \$9.3 million, or 65.7% gross profit margin, for the first nine months of 2017 compared to gross profit of \$7.8 million, or 61.6% gross profit margin, for the first nine months of 2016, a gross profit increase of 19.3%. Net operating expense was \$6.4 million for the first nine months of 2017 compared to \$5.4 million in the first nine months of 2016.

Income from operations for the first nine months of 2017 was \$2.8 million compared to \$2.4 million in the first nine months of 2016. Net income was \$2.8 million for the first nine months of 2017, or \$0.18 per basic and \$0.17 per diluted share, compared to \$2.4 million, or \$0.15 per basic and \$0.14 per diluted share, for the comparable period a year ago.

Adjusted EBITDA was \$3.3 million for the first nine months of 2017 compared to \$2.7 million for the first nine months of 2016, an increase of 21.2%.

Balance Sheet Summary

Stockholders' equity increased to \$9.9 million at September 30, 2017 compared to \$6.4 million at December 31, 2016. Cash and cash equivalents were \$5.1 million at September 30, 2017 compared to \$3.7 million at December 31, 2016. The Company had essentially no outstanding bank debt at September 30, 2017.

Share Repurchase

Since June, 2017 the Company has been repurchasing shares of its common stock under the current share repurchase authorization approved by its Board of Directors in October of 2016. To date, these shares have been purchased in the open market pursuant to a trading plan that has been adopted in accordance with Rule 10b-18 of the Securities and Exchange Commission. During the nine months ended September 30, 2017, the Company purchased 41,878 shares at a cost of \$96,633, an average price of \$2.31 per share.

Conference Call and Webcast

The Company will host a third quarter 2017 results and business update investor conference call and webcast on Tuesday, November 14, 2017 to discuss its results. As part of the webcast, management will be answering questions received in advance by emailing questions to vtsi@haydenir.com. Individuals interested in listening to the webcast live via the Internet may do so by visiting the Company's website at www.VirTra.com. A webcast replay will be available for 60 days.

Date: Tuesday, November 14, 2017
Time: 12 p.m. ET / 10 a.m. local
Dial-in Number: (888) 567-1602
International Dial-in Number: (404) 267-0373
Webcast: <http://www.investorcalendar.com/event/22279>

Participants are recommended to dial-in approximately 10 minutes prior to the start of the event. A replay of the call will be available approximately two hours after completion through November 28, 2017. To listen to the replay, dial (877) 481-4010 (domestic) or (919) 882-2331 (international) and use replay ID 22279. The webcast replay will be available through December 14, 2017.

About VirTra

VirTra is a global provider of simulators for the law enforcement, military, educational and commercial markets. The Company's patented technologies, software and scenarios provide intense training for de-escalation, judgmental use-of-force, marksmanship and related training that mimics real world situations. VirTra's mission is to save and improve lives worldwide through realistic and highly-effective virtual reality and simulator technology. Learn more about VirTra at www.VirTra.com.

Forward-looking Statements

This news release includes certain information that may constitute forward-looking statements. Forward-looking statements are typically identified by terminology such as "could," "may," "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "proposed," "planned," "potential" and similar expressions, or are those, which, by their nature, refer to future events. All statements, other than statements of historical fact, included herein, including statements about VirTra's beliefs and expectations, are forward-looking statements. Forward-looking information is necessarily based upon a number of assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information. Although VirTra believes that such statements are reasonable, it can give no assurance that such forward-looking information will prove to be accurate. VirTra cautions investors that any forward-looking statements by the Company are not guarantees of future results or performance, and that actual results may differ materially from those in forward-looking statements as a result of various factors. Accordingly, due to the risks, uncertainties and

assumptions inherent in forward-looking information, readers and prospective investors in the Company's securities should not place undue reliance on forward-looking information. All forward-looking information contained in this press release is given as of the date hereof, and is based upon the opinions and estimates of management and information available to management as at the date hereof and is subject to change. The Company assumes no obligation to revise or update forward-looking information to reflect new circumstances, whether as a result of new information, future events or otherwise, except as required by law.

No money or consideration is being solicited by the information in this press release or any other communication and, if sent, money will not be accepted and will be promptly returned. No offer by a potential investor to buy our securities can be accepted and, if made, any such offer can be withdrawn before qualification of an offering by the SEC. A potential investor's indication of interest does not create a commitment to purchase the securities we are considering offering. Any such indication of interest may be withdrawn or revoked, without obligation or commitment of any kind, at any time before notice of its acceptance is given and all other requirements to accept an investment from a potential investor are met after the offering qualification date. Any offering will be made only by means of an Offering Circular. Any information in this press release or any other communication shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to qualification for sale as provided in Regulation A+ in any such state or jurisdiction.

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VIRTRA, INC.
CONDENSED BALANCE SHEETS
(Unaudited)

	September 30,	December 31,
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,106,205	\$ 3,703,579
Accounts receivable, net	3,011,610	3,244,852
Inventory, net	1,689,149	1,319,944
Unbilled revenue	1,724,642	107,297
Prepaid expenses and other current assets	660,288	250,066
Total current assets	12,191,894	8,625,738
Property and equipment, net	693,206	814,323
Investment in MREC	1,988,174	471,928
TOTAL ASSETS	\$ 14,873,274	\$ 9,911,989
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 730,302	\$ 467,679
Accrued compensation and related costs	1,109,734	617,582
Accrued expenses and other current liabilities	227,688	194,668
Notes payable, current	11,250	11,250
Deferred revenue	2,753,337	2,065,905
Total current liabilities	4,832,311	3,357,084
Long-term liabilities:		
Deferred rent liability	87,861	122,126
Notes payable, long-term	11,250	22,500
Total long-term liabilities	99,111	144,626
Total liabilities	4,931,422	3,501,710
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock \$0.0001 par value; 5,000,000 authorized; no shares issued or outstanding	-	-
Common stock \$0.0001 par value; 100,000,000 shares authorized; 15,855,178 issued and 15,813,300 outstanding as of September 30, 2017 and 15,855,005 issued and outstanding as of December 31, 2016.	1,586	1,586
Class A common stock \$0.0001 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Class B common stock \$0.0001 par value; 15,000,000 shares authorized; no shares issued or outstanding	-	-
Treasury stock at cost; 41,878 shares and no shares outstanding as of September 30, 2017 and December 31, 2016, respectively	(96,633)	-
Additional paid-in capital	14,964,146	14,128,044
Accumulated deficit	(4,927,247)	(7,719,351)
Total stockholders' equity	9,941,852	6,410,279
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 14,873,274	\$ 9,911,989

VIRTRA, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
REVENUES				
Net sales	\$ 4,645,593	\$ 2,993,872	\$ 13,902,215	\$ 12,602,134
Royalties/licensing fees	40,852	47,829	245,082	47,829
Total revenue	4,686,445	3,041,701	14,147,297	12,649,963
Cost of sales	1,573,384	1,345,180	4,853,796	4,856,906
Gross profit	3,113,061	1,696,521	9,293,501	7,793,057
OPERATING EXPENSES				
General and administrative	2,050,395	1,401,547	5,515,455	4,632,048
Research and development	310,848	299,288	931,954	731,630
Net operating expense	2,361,243	1,700,835	6,447,409	5,363,678
Income/(loss) from operations	751,818	(4,314)	2,846,092	2,429,379
OTHER INCOME (EXPENSE)				
Other income	14,813	5,626	52,410	8,406
Other expense	(221)	(2,981)	(4,113)	(2,981)
Net other income/(loss)	14,592	2,645	48,297	5,425
Income/(loss) before income taxes	766,410	(1,669)	2,894,389	2,434,804
Provision for income taxes	24,285	8,414	102,285	73,618
NET INCOME	\$ 742,125	\$ (10,083)	\$ 2,792,104	\$ 2,361,186
Earnings per common share				
Basic	\$ 0.05	\$ (0.00)	\$ 0.18	\$ 0.15
Diluted	\$ 0.04	\$ (0.00)	\$ 0.17	\$ 0.14
Weighted average shares outstanding				
Basic	15,835,858	15,833,090	15,848,580	15,827,815
Diluted	16,674,384	15,833,090	16,836,179	17,104,180

Explanation and Use of Non-GAAP Financial Measures

Earnings before interest, income taxes, depreciation and amortization and other non-operating costs and income (EBITDA) and adjusted EBITDA are non-U.S. GAAP measures. Adjusted EBITDA means net income (i) plus depreciation, (ii) plus non-cash stock option granted expense, and (iii) plus provision for income taxes. Other companies may calculate adjusted EBITDA differently. We calculate adjusted EBITDA to eliminate the impact of certain items we do not consider to be indicative of the performance of our ongoing operations. Adjusted EBITDA is presented herein because management believes the presentation of adjusted EBITDA provides useful information to the Company's investors regarding the Company's financial condition and results of operations and because adjusted EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, several of which present EBITDA and a form of adjusted EBITDA when reporting their results. Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Adjusted EBITDA should not be considered as an alternative for net (loss) income, cash flows from operating activities and other consolidated income or cash flow statement data prepared in accordance with accounting principles generally accepted in the United States or as a measure of profitability or liquidity. A reconciliation of net income to adjusted EBITDA is provided in the following table:

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA

	Three Months Ended				Nine Months Ended			
	September 30, 2017	September 30, 2016	Increase (Decrease)	% Change	September 30, 2017	September 30, 2016	Increase (Decrease)	% Change
Net Income	\$ 742,125	\$ (10,083)	\$ 752,208	-7460.2%	\$ 2,792,104	\$ 2,361,186	\$ 430,918	18.3%
Adjustments:								
Depreciation and amortization	65,570	64,591	979	1.5%	204,527	160,768	43,759	27.2%
Non-cash stock option expense	42,376	30,000	12,376	41.3%	160,351	93,990	66,361	70.6%
Provision for income taxes	24,285	8,414	15,871	188.6%	102,285	73,618	28,667	38.9%
Adjusted EBITDA	<u>\$ 874,356</u>	<u>\$ 92,922</u>	<u>\$ 781,434</u>	841.0%	<u>\$ 3,259,267</u>	<u>\$ 2,689,562</u>	<u>\$ 569,705</u>	21.2%