

# Plurilock Security Inc. Reports Record Second Quarter Fiscal 2023 Financial Results

- Total revenue of \$28.0 million for the six-month period as of June 30, 2023, an increase of 74% year-over-year.
- Company expects to realize roughly \$2.0 million in cost savings on an annualized basis as a result of synergies created with previous acquisitions.
- Company to host Second Quarter Fiscal 2023 earnings call on Tuesday, August 29, 2023, at 11:30 AM (EDT) / 8:30 AM (PDT).

Vancouver, British Columbia--(Newsfile Corp. - August 29, 2023) - Plurilock Security Inc. (TSXV: PLUR) (OTCQB: PLCKF) and related subsidiaries ("Plurilock" or the "Company"), an AI-driven cybersecurity solution provider for workforces, today announces its financial results for the three and six months ended June 30, 2023. All dollar figures are stated in Canadian dollars, unless otherwise indicated.

"During the second quarter of 2023, Plurilock saw significant growth in the business with respect to its revenue and gross margin, highlighted by our record total revenue of \$28.0 million for the six-month period, increasing by 74% year-over-year," said Ian L. Paterson, CEO of Plurilock. "Throughout this quarter, our software sales continued to trend upwards, as we look to continue improving our overall gross margins while generating substantial revenues. Our priority remains to execute on our strategy to achieve cost savings and reach profitability through unlocking operational efficiencies and securing more high-margin contracts."

## Second Quarter Fiscal 2023 Earnings Call Details

Time: 11:30 AM EDT / 8:30 AM PDT

Date: Tuesday, August 29, 2023

Topic: Plurilock Second Quarter Fiscal 2023 Financial Results and Growth Outlook for 2023

Register: [https://us02web.zoom.us/webinar/register/WN\\_JTuyIRw0QCuAoY6zS1bKXA](https://us02web.zoom.us/webinar/register/WN_JTuyIRw0QCuAoY6zS1bKXA)

## Key Business Milestones

- Revenue increased to \$28.0 million for the six months ending June 30, 2023, as compared to \$16.1 million over the same period in the prior year, directly attributable to the strategic acquisitions of Integra and Atrion in 2022.
- Gross margins increased to 12.5% for the six months ending June 30, 2023, as compared to 8.6% over the same period in the prior year, driven primarily by the Company's 2022 acquisitions, pricing strategy and its focus on securing high-margin software sales.
- High-margin software sales for the six months ending June 30, 2023, increased by approximately 445% year-over-year.
- A total of 26 sale orders and contract renewals were announced as of June 30, 2023, since January 1, 2023, including a cross-sale purchase order with a Fortune 500 customer for the Company's Plurilock AI platform.

## Second Quarter Fiscal 2023 Financial Highlights

- Total revenue for the three and six months ended June 30, 2023, was \$12,251,143 and \$28,018,471 respectively as compared to \$9,106,547 and \$16,059,599 for the same periods in the prior fiscal year ended June 30, 2022. Revenue for the three months ended June 30, 2023, is higher than the prior year period ended June 30, 2022, as a result of the acquisitions of the ("INC"), as well as the asset acquisitions of Atrion ("ATR") and CloudCodes ("CC") along with the

increase in organic sales volume and cross selling amongst the Solutions and Technology Division.

- Hardware and systems sales revenue for the three and six months ended June 30, 2023 totalled \$10,368,483 and \$22,812,612 respectively compared to \$8,359,715 and \$14,855,611 in the prior year for the same periods. Software, license and maintenance sales revenue for the three and six months ended June 30, 2023 was \$1,150,767 and \$3,864,345 respectively compared to \$610,523 and \$1,039,979 respectively in the prior year for the same periods. Professional services revenue was \$731,893 and \$1,341,514 respectively for the three and six months ended June 30, 2023 compared to \$136,309 and \$164,009 respectively in the prior year for the same periods.
- Hardware and systems sales revenues for the three and six months ended June 30, 2023 accounted for 84.6% and 81.4% respectively of total revenues compared to 91.8% and 92.5% for the three and six months ended June 30, 2022. Software, license and maintenance sales revenues for the three and six months ended June 30, 2023 accounted for 9.4% and 13.8% respectively compared to 6.7% and 6.5% for the three and six months ended June 30, 2022. Professional services revenue for the three and six months ended June 30, 2023 accounted for 6.0% and 4.8% respectively of total revenues, compared to 1.5% and 1.0% for the three and six months ended June 30, 2022.
- Gross margin for the three and six months ended June 30, 2023 was 11.2% and 12.5% respectively compared to 10.0% and 8.6% in the prior year for the same periods.
- Adjusted EBITDA for the three and six months ended June 30, 2023 was \$(1,879,034) and \$(2,854,339) respectively compared to \$(1,791,408) and \$(3,677,423) in the prior year for the same periods.
- Cash and cash equivalents and restricted cash on June 30, 2023, was \$3,174,797 compared to \$2,853,107 on December 31, 2022.
- During the three and six months ended June 30, 2023, the Company used \$870,734 and generated \$829,226 respectively of cash from operating activities compared to \$1,628,613 and \$6,130,212 of cash used respectively in the prior year for the same periods.
- During the three and six months ended June 30, 2023, the Company used \$2,260 and \$2,984 of cash respectively on investing activities, compared to \$11,225 and \$857,846 use of cash respectively in the prior year for the same periods.

## **Second Quarter Fiscal 2023 Operational Highlights**

- On April 4, 2023, the Company announced the appointment of Jord Tanner as the Chief Information Officer.
- On June 5, 2023, the Company announced the appointment of Scott Meyers as the Chief Financial Officer.
- On June 21, 2023, the Company closed the first tranche of non-brokered private placement of 4,857,588 units at a price of \$0.145 per unit for aggregate gross proceeds of \$704,350.
- On June 28, 2023, the Company closed the second and final tranche of its non-brokered private placement of 6,499,688 units at a price of \$0.145 per Unit, for aggregate gross proceeds of \$942,455.
- On June 28, 2023, the Company announced the repricing of 12,536,538 non-brokered private placement warrants and 765,000 convertible debenture warrants ranging from original exercise price of \$0.25-\$0.40 to \$0.20 per warrant subject to TSX.V approval.

## Growth Outlook for 2023

With a sizable active customer pipeline and client network of over 400 and the launch of the Plurilock AI platform, Plurilock intends to increase high-margin software sales by securing contracts with new and existing customers for its technology offerings. The Company also intends to streamline operations by unlocking operational synergies between Plurilock and its previous acquisitions as well as reducing headcount to achieve substantial cost savings. At the end of August 2023, Plurilock enacted a plan in accordance with this strategy and expects to realize approximately \$2.0 million in savings on an annualized basis.

Furthermore, Plurilock looks to expand its AI-focused product suite and release additional products that are tailored to protect the workforce of organizations across various industry verticals against the threats of using generative AI tools. As a result, the Company aims to file new patent applications to strengthen its technology portfolio.

### Subsequent to Second Quarter Fiscal 2023:

On July 12, 2023, the Company announced and accepted one additional subscription for 100,000 units at a subscription price of \$0.145 per unit, for aggregate gross proceeds to the Company of \$14,500. Share issuance costs of \$1,015 related to this non-broker private placement were incurred. An additional amount of broker warrants of \$810 was issued as compensation for completing the financing.

On July 11, 2023, the TSX.V approved the repricing of 12,536,538 non-brokered private placement warrants and 765,000 convertible debenture warrants ranging from original exercise price of \$0.25-\$0.40 to \$0.20.

On July 17, 2023, the Company announced its strategic focus to address growing AI cybersecurity threats. The Company aims to leverage its stable of industry-leading cybersecurity products and services to provide organizations with tools to make employee AI use safe and effective as they roll out Plurilock's cyber defense and emerging threat protection solutions.

On July 18, 2023, the Company announced that it filed a provisional patent application with the United States Patent and Trademark Office (USPTO) for an omnibus system of AI-driven cloud access security broker (CASB) technology features that protect against the inadvertent or intentional release of sensitive data while generative AI is being used.

On July 20, 2023, the Company announced the launch of beta access to a new AI safety SaaS product for business and government, 'PromptGuard' which will be offered to customers as part of the Plurilock AI platform. The product was developed as part of the Company's focus on generative AI safety and was built using Plurilock's new CASB technology for AI, which is the subject of a U.S. provisional patent filing previously announced on [July 18, 2023](#). PromptGuard is available under Plurilock's early access program (EAP) as a closed, by-invitation beta experience. Interested businesses and government organizations can request an invitation to the beta experience at: <https://plurilock.com/ai-beta>.

On July 27, 2023, the Company announced that it has expanded its Early Access Program to include North American channel partners, enabling the company to address the demand for its Plurilock AI PromptGuard product, which enables AI safety for businesses.

On August 8, 2023, the Company announced today that it has certified its first cohort of 10 Early Access Program (EAP) partners to provide access to PromptGuard, and launched a global EAP to certify international partners due to significant channel interest in distributing the Company's latest Plurilock AI product.

On August 28, 2023, the Company enacted a plan to reduce headcount and other costs as part of its ongoing strategy to realize acquisition synergies. The Company expects to realize approximately \$2.0 million in savings on an annualized basis as a result of these actions. As part of the plan, the Company

intends to reduce 18% of headcount costs. In addition, the Company has cut overhead in General and Administrative expenses.

## Summary of Key Financial Metrics

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Revenue</b>	<b>12,251,143</b>	<b>9,106,547</b>	<b>28,018,471</b>	<b>16,059,599</b>
Hardware and systems sales	10,368,483	8,359,715	22,812,612	14,855,611
Software, license, and maintenance sales	1,150,767	610,523	3,864,345	1,039,979
Professional services	731,893	136,309	1,341,514	164,009
<b>Gross margin (%)</b>	<b>11.2%</b>	<b>10.0%</b>	<b>12.5%</b>	<b>8.6%</b>
<b>Net loss for the period</b>	<b>(2,584,242)</b>	<b>(2,304,518)</b>	<b>(3,942,229)</b>	<b>(4,683,654)</b>
<b>Basic and diluted loss per share - for the period</b>	<b>(0.03)</b>	<b>(0.03)</b>	<b>(0.04)</b>	<b>(0.07)</b>
<b>EBITDA<sup>(1)</sup></b>	<b>(2,304,404)</b>	<b>(2,149,674)</b>	<b>(3,569,537)</b>	<b>(4,369,390)</b>
<b>Reconciliation of EBITDA:</b>				
Net loss for the period	(2,584,242)	(2,304,518)	(3,942,229)	(4,683,654)
Foreign exchange translation gain (loss)	(155,731)	54,042	(306,415)	157,311
Amortization	194,874	68,043	292,428	109,420
Interest expenses	239,622	27,706	383,167	42,480
Income tax expense	1,073	5,053	3,512	5,053
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>(1,879,034)</b>	<b>(1,791,408)</b>	<b>(2,854,339)</b>	<b>(3,677,423)</b>
<b>Reconciliation of adjusted EBITDA:</b>				
<b>EBITDA<sup>(1)</sup></b>	<b>(2,304,404)</b>	<b>(2,149,674)</b>	<b>(3,569,537)</b>	<b>(4,369,390)</b>
Stock-based compensation	54,782	224,252	220,092	475,601
Financing expenses	22,150	-	131,944	-
Acquisition-related expenses	348,438	134,014	363,162	216,366
	<b>June 30,</b>	<b>December 31,</b>		
	<b>2023</b>	<b>2022</b>		
	<b>\$</b>	<b>\$</b>		
<b>Cash and cash equivalents</b>	<b>3,034,374</b>	<b>2,712,684</b>		
<b>Restricted cash</b>	<b>140,423</b>	<b>140,423</b>		
<b>Total current assets</b>	<b>12,727,322</b>	<b>16,060,873</b>		
<b>Total assets</b>	<b>19,259,799</b>	<b>23,608,066</b>		
<b>Total current liabilities</b>	<b>16,982,955</b>	<b>19,182,363</b>		
<b>Total liabilities</b>	<b>18,525,993</b>	<b>20,806,855</b>		
<b>Weighted average common shares outstanding (millions)</b>	<b>88.2</b>	<b>72.3</b>		

Note:

(1) Non-GAAP measure. Earnings before interest, taxes, depreciation, and amortization ("EBITDA") and Adjusted EBITDA should not be construed as alternatives to net income/loss determined in accordance with IFRS. EBITDA and Adjusted EBITDA do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company defines EBITDA as earnings before interest, taxes, and amortization. Adjusted EBITDA is defined as EBITDA before stock-based compensation, financing, and acquisition related expenses. The Company believes that EBITDA and Adjusted EBITDA is a meaningful financial metric for investors as it adjusts income to reflect amounts which the Company can use to fund working capital requirements, service future interest and principal debt repayments and fund future growth initiatives.

## Non-IFRS measures

This news release presents information about EBITDA and Adjusted EBITDA, both of which are non-IFRS financial measures, to provide supplementary information about operating performance. Plurilock defines EBITDA as net income or loss before interest, income taxes, depreciation, and amortization. Adjusted EBITDA removes non-cash share-based compensation, financing, and acquisition-related expenses from EBITDA. The Company believes that EBITDA and Adjusted EBITDA is a meaningful financial metric for investors as it adjusts income to reflect amounts which the Company can use to fund working capital requirements, service future interest and principal debt repayments and fund future growth initiatives. EBITDA and Adjusted EBITDA are not intended as a substitute for IFRS measures. A

limitation of utilizing these non-IFRS measures is that the IFRS accounting effects of the adjustments do in fact reflect the underlying financial results of Plurilock's business and these effects should not be ignored in evaluating and analyzing Plurilock's financial results. Therefore, management believes that Plurilock's IFRS measures of net loss and the same respective non-IFRS measure should be considered together. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Readers should refer to the Company's most recently filed MD&A for a more detailed discussion of these measures and their calculations.

## Quarterly Filings

Management's Discussion and Analysis and Interim Condensed Consolidated Financial Statements and the notes thereto for the fiscal period ended June 30, 2023 can be obtained from Plurilock's corporate website at [www.plurilock.com](http://www.plurilock.com) and under Plurilock's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## About Plurilock

Plurilock provides identity-centric cybersecurity for today's workforces. Plurilock offers world-class cybersecurity solutions paired with AI-driven, cloud-friendly security technologies that deliver persistent identity assurance with unmatched ease of use. The Plurilock family of companies enables organizations to operate safely and securely-while reducing cybersecurity friction.

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## Forward-Looking Statements

This press release may contain certain forward-looking statements and forward-looking information (collectively, "forward-looking statements") which relate to future events or Plurilock's future business, operations, and financial performance and condition. Forward-looking statements normally contain words like "will", "intend", "anticipate", "could", "should", "may", "might", "expect", "estimate", "forecast", "plan", "potential", "project", "assume", "contemplate", "believe", "shall", "scheduled", and similar terms. Forward-looking statements are not guarantees of future performance, actions, or developments and are based on expectations, assumptions and other factors that management currently believes are relevant, reasonable, and appropriate in the circumstances. Although management believes that the forward-looking statements herein are reasonable, actual results could be substantially different due to the risks and uncertainties associated with and inherent to Plurilock's business. Additional material risks and uncertainties applicable to the forward-looking statements herein include, without limitation, unforeseen events, developments, or factors causing any of the aforesaid expectations, assumptions, and other factors ultimately being inaccurate or irrelevant. Many of these factors are beyond the control of Plurilock. All forward-looking statements included in this press release are expressly qualified in their entirety by these cautionary statements. The forward-looking statements contained in this press release are made as at the date hereof and Plurilock undertakes no obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by applicable securities laws.

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