

Plurilock Security Inc. Reports Third Quarter Fiscal 2023 Financial Results

- Total revenue of \$48.0 million for the nine-month period as of September 30, 2023, an increase of 3% year-over-year.
- Gross margins increased to 10.3% for the nine months ending September 30, 2023; company produced three consecutive quarters of gross margins that improved substantially year-over-year since the beginning of 2023.

Vancouver, British Columbia--(Newsfile Corp. - November 21, 2023) - Plurilock Security Inc. (TSXV: PLUR) (OTCQB: PLCKF) and related subsidiaries ("Plurilock" or the "Company"), an identity-centric cybersecurity solution provider for workforces, today announces its financial results for the three and nine months ended September 30, 2023. All dollar figures are stated in Canadian dollars, unless otherwise indicated.

"During the first nine months of fiscal 2023, we continued to produce significant revenues while optimizing for capital controls and efficiencies in all areas of our business," said Ian L. Paterson, CEO of Plurilock. "While the economic outlook remains unclear, cybersecurity threats are on the rise and show no signs of slowing down. This growing global issue is one of the main drivers of our growing sales pipeline and resulted in three consecutive quarters of increased gross margins on a year-over-year basis."

Ian added, "Given the difficult macroeconomic market, our focus remains on reaching cash flow breakeven by securing additional high margin software sales and expanding the delivery of our cybersecurity services to existing and new customers."

Key Business Milestones

- Revenue increased to \$48.0 million for the nine months ending September 30, 2023, as compared to \$46.8 million over the same period in 2022, directly attributable to the strategic acquisitions of Integra and Atrion in 2022 along with increased software and professional services sales as the company strategically shifts to higher margin offers and away from low margin resell business.
- Gross margins increased to 10.3% for the nine months ending September 30, 2023, as compared to 6.7% over the same period in 2022; Plurilock produced three consecutive quarters of gross margins that improved substantially year-over-year since the beginning of 2023, driven primarily by the Company's 2022 acquisitions, pricing strategy and its focus on securing high-margin software sales.
- High margin software sales and Professional Services for the nine months ending September 30, 2023 increased by 421% and 719%, respectively, year-over-year, totaling \$2.8 million in revenue.
- Plurilock achieved \$133,000 in cost savings for the nine-month period as of September 30, 2023 as a result of streamlining operations and unlocking new business synergies across all acquisitions as part of a plan that was enacted in August 2023.

Third Quarter Fiscal 2023 Financial Highlights

- Total revenue for the three and nine months ended September 30, 2023, was \$20,000,867 and \$48,019,338 respectively as compared to \$30,750,548 and \$46,810,147 for the same periods in the prior fiscal year ended September 30, 2022. Revenue for nine months ended September 30, 2023, is higher than the prior year period ended September 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 nine months ended September 30, 2023 totalled \$17,514,024 and \$40,326,636 respectively compared to \$25,340,526 and \$40,196,137 in the prior year for the same periods. Software, license and maintenance sales revenue for the three and nine months ended September 30, 2023 was \$1,862,921 and \$5,727,266 respectively compared to \$5,333,938 and \$6,373,917 respectively in the prior year for the same periods. Professional services revenue was \$623,922 and \$1,965,436 respectively for the three and nine months ended September 30, 2023 compared to \$76,084 and \$240,093 respectively in the prior year for the same periods.
- Hardware and systems sales revenues for the three and nine months ended September 30, 2023 accounted for 87.6% and 84.0% respectively of total revenues compared to 82.4% and 85.9% for the three and nine months ended September 30, 2022. Software, license and maintenance sales revenues for the three and nine months ended September 30, 2023 accounted for 9.3% and 11.9% respectively compared to 17.3% and 13.6% for the three and nine months ended September 30, 2022. Professional services revenue for the three and nine months ended September 30, 2023 accounted for 3.1% and 4.1% respectively of total revenues, compared to 0.2% and 0.5% for the three and nine months ended September 30, 2022.
- Gross margin for the three and nine months ended September 30, 2023 was 7.2% and 9.4% respectively compared to 5.8% and 6.7% in the prior year for the same periods.
- Adjusted EBITDA for the three and nine months ended September 30, 2023 was \$(1,590,551) and \$(4,444,890) respectively compared to \$(904,344) and \$(4,581,767) in the prior year for the same periods.
- Cash and cash equivalents and restricted cash on September 30, 2023, was \$3,713,374 compared to \$2,853,107 on December 31, 2022.
- During the three and nine months ended September 30, 2023, the Company used \$2,457,065 and \$1,627,839 respectively of cash in operating activities compared to \$87,247 and \$6,217,459 of cash used respectively in the prior year for the same periods.

Third Quarter Fiscal 2023 Operational Highlights

- 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 August 31, 2023, the Company announced that it has established an Information Security Advisory Council, which is comprised of leading cybersecurity industry experts and academics, to provide expert guidance to the Company on advancing its business development strategy and scaling its AI-focused technology offering portfolio.
- On September 6, 2023, the Company announced the first sale of Plurilock AI PromptGuard to an exclusive financial services firm based in the Northeastern United States seeking to establish additional guardrails around AI use.
- On September 7, 2023, the Company announced the successful novation of a contract with the State of South Carolina, which was won after an open bidding process by Atrion Communications,

whose assets Plurilock successfully acquired in September 2022.

Growth Outlook for 2023

The Company remains committed to reaching cash flow breakeven by increasing its high-margin software sales and delivering more professional services as well as identifying more opportunities to achieve financial and operational efficiencies across all business units. 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. All actions taken are expected to have a broader impact on savings starting in Q4 2023 with \$133,000 realized in Q3 2023.

Furthermore, Plurilock intends to continue advancing its technology portfolio by innovating new ground-breaking AI-driven solutions with an emphasis on zero-trust policy and securing the workforce.

Subsequent to Second Quarter Fiscal 2023:

- On October 3, 2023, the Company announced that it had received a US\$4.2 million two-year sale order from the U.S. Department of Health and Human Services.
- On October 5, 2023, the Company announced that it had received a US\$5.1 million five-year sale order from the U.S. Department of the Treasury.
- On October 12, 2023, the Company announced that it had received a notice of allowance from the U.S. Patent and Trademark Office (USPTO) for a U.S. patent application titled, "Side-Channel Communication Reconciliation of Biometric Timing Data for User Authentication During Remote Desktop Sessions".
- On October 17, 2023, the Company announced the increase to its Pathward line of credit ("LOC") from up to US\$4 million to US\$7 million to its wholly owned subsidiary, Aurora Systems Consulting, Inc. ("Aurora"). The interest rate of the loan is prime plus 4.25% on any outstanding amount. The loan can be for up to 85% of accounts receivable.
- On November 13, 2023, the Company announced that it would provide its advanced cybersecurity and disaster recovery services to a leading global semiconductor provider.
- On November 14, 2023, the Company announced its addition to the Works With YubiKey Catalog offered by YubiKey maker Yubico.

Summary of Key Financial Metrics

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue	20,000,867	30,750,548	48,019,338	46,810,147
Hardware and systems sales	17,514,024	25,340,526	40,326,636	40,196,137
Software, license, and maintenance sales	1,862,921	5,333,938	5,727,266	6,373,917
Professional services	623,922	76,084	1,965,436	240,093
Gross margin (%)	7.2%	5.8%	10.3%	6.7%
Net loss for the period	(1,891,428)	(1,631,445)	(5,833,657)	(6,315,099)
Basic and diluted loss per share - for the period	(0.02)	(0.02)	(0.06)	(0.09)
EBITDA⁽¹⁾	(1,730,300)	(1,479,038)	(5,299,837)	(5,848,428)
Reconciliation of EBITDA:				
Net loss for the period	(1,891,428)	(1,631,445)	(5,833,657)	(6,315,099)
Foreign exchange translation gain (loss)	(19,866)	25,237	(326,281)	182,548
Amortization	112,838	82,819	405,266	192,239
Interest expenses	116,456	44,351	499,623	86,831
Income tax expense (recovery)	(48,300)	-	(44,788)	5,053
Adjusted EBITDA⁽¹⁾	(1,590,551)	(904,344)	(4,444,890)	(4,581,767)
Reconciliation of adjusted EBITDA:				

EBITDA⁽¹⁾	(1,730,300)	(1,479,038)	(5,299,837)	(5,848,428)
Stock-based compensation	76,480	100,974	296,572	576,575
Financing expenses	43,265	-	175,209	-
Acquisition-related expenses	20,004	473,720	383,166	690,086

	September 30, 2023 \$	December 31, 2022 \$
Cash and cash equivalents	3,572,951	2,712,684
Restricted cash	140,423	140,423
Total current assets	23,797,278	16,060,873
Total assets	30,313,187	23,608,066
Total current liabilities	29,867,482	19,182,363
Total liabilities	31,390,036	20,806,855
Weighted average common shares outstanding (millions)	101.7	72.3

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 and under Plurilock's SEDAR profile at 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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