March 25, 2010

Fusion Reports Fourth Quarter and Full Year 2009 Results

NEW YORK, March 25 /PRNewswire-FirstCall/ -- Fusion (OTC Bulletin Board: FSNN) today announced financial results for the quarter and full year ended December 31, 2009. All figures cited exclude the impact of the former consumer business segment, which has been reclassified to discontinued operations.

Fusion reported Consolidated Revenues of $40.9 million and $11.4 million for the year and quarter ended December 31, 2009, respectively. This represented a decrease in Consolidated Revenues of 17.4% and 10.9% when compared to revenues of $49.5 million and $12.8 million for the year and quarter ended December 31, 2008. The decrease over the prior year was primarily attributable to a decrease in Carrier Services business segment revenues due to lower traffic volumes resulting from the challenging economic environment, constraints on resources resulting from the Company's focus during the year on its restructuring and exiting the consumer business, limitations on the Company's ability to offer extended payment terms to large customers due to its cash position, and normally expected variations in traffic.

Although overall revenues were lower than anticipated, due to the reasons indicated above, Consolidated Gross Margin increased significantly to 8.3% for the full year and 10.2% for the fourth quarter of 2009 compared to 6.2% for the full year and 5.9% for the fourth quarter of 2008. The increase in Consolidated Gross Margin is a result of stronger gross margins in the Carrier Services business segment, as well as an increased contribution from the higher margin Corporate Services business segment, which achieved a gross margin for the fourth quarter and full year 2009 of 36.2% and 36.1% respectively.

In addition, despite lower revenues for the Carrier Services business segment, fourth quarter revenues for the Corporate Services business segment increased by 212% when comparing 2009 to 2008 and by 180% when comparing to the fourth quarter of 2009 to the fourth quarter of 2008. The fourth quarter was our eighth successive quarter of growth in both revenue and margin for the Corporate Services business segment.

Selling, General and Administrative costs also improved significantly with a 12.4% decrease in SG&A costs when comparing 2009 to 2008. In addition, there was a 4.3% improvement in SG&A costs when comparing the fourth quarter of 2009 to the fourth quarter of 2008.

For the year ended December 31, 2009, Adjusted EBITDA loss (earnings before interest, taxes, depreciation, amortization, and specific non-recurring and non-cash adjustments) decreased $1.2 million, or 18.2%, to ($5.4) million, compared to ($6.6) million for the year ended December 31, 2008. The fourth quarter of 2009 was the Company's best quarter in Adjusted EBITDA performance since the Company's Initial Public Offering in the first quarter of 2005.

Fusion also reported a decrease in Net Loss for the year ended December 31, 2009 compared to the year ended December 31, 2008. For 2009, Fusion reported a Net Loss of ($9.6) million, and a Net Loss applicable to Common Stockholders of ($10.2 million) or ($0.16) per share compared to a Net Loss of ($15.6) million, and a Net Loss applicable to Common Stockholders of ($16.2) million or ($0.44) per share during the year ended December 31, 2008.

As of December 31, 2009, the Company had Current Assets of $2.9 million compared to $4.2 million as of December 31, 2008. Total Liabilities as of December 31, 2009, were $12.7 compared to $14.2 at December 31, 2008. Stockholders' Equity (deficit) at December 31, 2009 was a ($7.3) million deficit, compared to a ($4.8) million deficit at December 31, 2008.

Commenting on the results, Matthew Rosen, Chief Executive Officer of Fusion, said, "During the first quarter of 2009, Fusion initiated a plan to restructure its corporate organization and implement major cost reductions as part of its efforts to achieve profitability. These efforts, which culminated in the Company's sale of its consumer business in the second quarter of 2009, allowed Fusion to increase its focus on the Corporate Services and Carrier Services business segments. I am pleased to report that several key improvements have resulted from the restructuring which demonstrate the significant progress we have made in achieving the milestones we set for ourselves. Consolidated Gross Margin percentage improved 73% from the first quarter of 2009 to the fourth quarter of 2009, which, when combined with continuing improvement in expense reduction over the period, helped improve our Net Loss by 42% when comparing the fourth quarter of 2009 to the first quarter of 2009. We are especially pleased to report that Adjusted EBITDA improved 46% from the first quarter of 2009 to the fourth quarter of 2009. Although we still have much to do, including raising necessary financing, we believe we are well positioned for a strong 2010."

Expanding on Mr. Rosen's comments, Don Hutchins, President and Chief Operating Officer of Fusion, said, "We have been delighted with the dramatic growth in our Corporate Services business segment, as evidenced by the strong performance in 2009, as well as the significant improvement in margin contribution from both the Corporate and Carrier business segments. We experienced 280% growth in the number of corporate customers in 2009, and more than 400% growth in total contract value. A growing pipeline of potential accounts and an expansion of our experienced sales force should help accelerate revenue growth and position us well for the future."

Use of Non-GAAP Financial Measures:

The Company believes that EBITDA (earnings before interest, taxes, depreciation and amortization) is useful to investors because it is commonly used in the communications industry to analyze companies on the basis of operating performance and leverage. The Company also believes that EBITDA provides investors with a measure of the Company's operational and financial progress that corresponds with the measurements used by management as a basis for allocating resources and making other operating decisions. Adjusted EBITDA provides an adjusted view of EBITDA that takes into account certain significant nonrecurring transactions, such as impairment losses associated with divested businesses and forgiveness of debt, which vary significantly between periods and are not recurring in nature. Although the Company uses Adjusted EBITDA as one of several financial measures to assess its operating performance, its use is limited as it excludes certain significant operating expenses. EBITDA and Adjusted EBITDA are not intended to represent cash flows for the period presented, nor have they been presented as an alternative to operating income or as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Generally Accepted Accounting Principles (GAAP). Consistent with the SEC Regulation G, the non-GAAP measures in this press release have been reconciled to the nearest GAAP measure, which can be viewed under the heading "Reconciliation of Net Income (Loss) to Adjusted EBITDA", immediately following the Consolidated Statements of Operations included in this press release.

Statements in this Press Release that are not purely historical facts, including statements regarding Fusion's beliefs, expectations, intentions or strategies for the future, may be "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from the plans, intentions and expectations reflected in or suggested by the forward-looking statements. Such risks and uncertainties include, among others, introduction of products in a timely fashion, market acceptance of new products, cost increases, fluctuations in and obsolescence of inventory, price and product competition, availability of labor and materials, development of new third-party products and techniques that render Fusion's products obsolete, delays in obtaining regulatory approvals, potential product recalls, securing necessary funding and litigation. Risk factors, cautionary statements and other conditions which could cause Fusion's actual results to differ from management's current expectations are contained in Fusion's filings with the Securities and Exchange Commission and available through http://www.sec.gov.

(Logo: http://www.newscom.com/cgi-bin/prnh/20050705/NYTU073LOGO)

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FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended December 31,		Fiscal Year Ended December 31,	
	2009	2008	2009	2008
Revenues	$11,433,533	$12,833,957	$40,938,615	$49,498,727
Operating expenses:				
Cost of revenues	10,261,872	12,079,432	37,553,727	46,437,810
Depreciation and amortization	341,263	472,438	1,361,798	1,819,112
Loss on Impairment	-	129,232	243,000	129,232

Selling, general and administrative expenses	2,224,141	2,349,459	9,216,292	10,515,377
Advertising and Marketing	28,186	20,294	42,704	50,576
Total operating expenses	12,855,462	15,050,855	48,417,522	58,952,107
Operating loss	(1,421,929)	(2,216,898)	(7,478,907)	(9,453,379)
Other income (expense)				
Gain (loss) on sale/disposal of Fixed Assets	(71,178)	0	(71,178)	(59,158)
Gain (loss) on sale of Other Assets	-	-	-	(537)
Interest income (expense), net	(58,610)	(121,663)	(383,227)	(316,299)
Gain (loss) on debt forgiveness	12,758	-	12,758	659,991
Other	3,650	(854)	9,135	2,769
Total other income (expense)	(113,380)	(122,517)	(432,512)	286,766
Loss from continuing operations	(1,535,309)	(2,339,415)	(7,911,419)	(9,166,613)
Income (loss) from discontinued operations	(206,950)	(5,431,964)	(1,674,793)	(6,433,448)
Net loss	$(1,742,259)	$(7,771,379)	$(9,586,212)	$(15,600,061)
Losses applicable to common stockholders				
Loss from continuing operations	$(1,535,309)	$(2,339,415)	$(7,911,419)	$(9,166,613)
Preferred stock dividends in arrears	(161,214)	(161,214)	(639,600)	(641,352)
Net loss applicable to common stockholders from continuing operations	(1,696,523)	(2,500,629)	(8,551,019)	(9,807,965)
Income from discontinued operations	(206,950)	(5,431,964)	(1,674,793)	(6,433,448)
Net loss applicable to common stockholders	$(1,903,473)	$(7,932,593)	$(10,225,812)	$(16,241,413)
Basic and diluted net loss per common share:				
Loss from continuing operations	$(0.04)	$(0.09)	$(0.13)	$(0.26)
Income (loss) from discontinued operations	(0.00)	(0.19)	(0.03)	(0.17)
Net loss applicable to common stockholders	$(0.04)	$(0.28)	$(0.16)	$(0.44)
Weighted average shares outstanding				
Basic and diluted	42,924,966	28,360,155	65,475,687	37,274,411

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	December 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$99,019	$427,433
Accounts receivable, net of allowance	2,500,319	3,240,670
Restricted cash, current portion	168,176	-
Prepaid expenses and other current assets	130,647	261,863
Assets held for sale	6,513	-
Assets of Discontinued Operations	32,283	302,533
Total current assets	2,936,957	4,232,499
Property and equipment, net	1,664,583	3,829,669
Other assets		
Security deposits	23,008	50,241
Restricted cash, net of current portion	248,390	416,566
Intangible assets, net	489,294	810,908
Other assets	62,119	127,908
Total other assets	822,811	1,405,623
TOTAL ASSETS	$5,424,351	$9,467,791
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Long-term debt, current portion	$2,407,187	$2,362,992
Capital and equipment financing lease obligations, current portion	14,831	122,960
Accounts payable, accrued expenses and escrow payable	9,585,290	10,039,015
Liabilities of discontinued operations	360,294	261,972
Total current liabilities	12,367,602	12,786,939
Long-term liabilities		
Other long-term liabilities	339,402	1,445,431
Total long-term liabilities	339,402	1,445,431
Stockholders' equity		
Preferred stock, Class A-1, A-2, A-3 & A-4	80	80
Common stock	925,440	457,500
Capital in excess of par value	130,984,766	124,384,568
Accumulated deficit	(139,192,939)	(129,606,727)
Total stockholders' equity	(7,282,653)	(4,764,579)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$5,424,351	$9,467,791

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

	Three Months Ended December 31,		Fiscal Year Ended December 31,	
	2009	2008	2009	2008
Net loss	$(1,742,259)	$(7,771,379)	$(9,586,212)	$(15,600,061)
Income from discontinued operations	206,950	5,431,964	1,674,793	6,433,448
Loss from continuing operations	(1,535,309)	(2,339,415)	(7,911,419)	(9,166,613)
Adjustments:				
Interest (income) expense, net	58,610	121,663	383,227	316,299
Loss on impairment	-	129,232	243,000	129,232
Depreciation and amortization	341,263	472,438	1,361,798	1,819,112
EBITDA	(1,135,436)	(1,616,082)	(5,923,394)	(6,901,971)
Adjustments:				
(Gain) loss on settlements of debt	(12,758)	-	(12,758)	(659,991)
(Gain)/loss on disposal of fixed assets	71,178	-	71,178	59,158
(Gain) loss on sale of other assets	-	-	-	537
Other taxes	38,379	37,401	131,126	289,923
Non cash compensation	29,690	174,873	294,601	617,499
Adjusted EBITDA	$(1,008,947)	$(1,403,808)	$(5,439,247)	$(6,594,845)

SOURCE Fusion Telecommunications International