

November 9, 2016



# InterCloud Systems Reports Third Quarter Results

- 3rd Quarter Net Income of \$2.1 Million Compared to a Net Loss of \$2.9 Million
- 3rd Quarter Revenue Grew 11% to \$19.6 Million
- 3rd Quarter Gross Profit Increased 15% to \$5.6 Million

SHREWSBURY, N.J., Nov. 09, 2016 (GLOBE NEWSWIRE) -- InterCloud Systems, Inc. (the "Company" or "InterCloud") (Nasdaq:ICLD), a leading provider of cloud networking orchestration and automation solutions and services, today reported financial results for the third quarter 2016.

## 3rd Quarter and 9 Months Financial Highlights:

- 9 month Revenue increased 8% year-over-year to \$59.8 million
- 9 month Gross Profit increased 6% year-over-year to \$15.2 million
- Gross Profit Margin at 29% for the 3rd quarter of 2016 compared to 28% in 2015

Mark Munro, Chairman and CEO of InterCloud, stated, "Notwithstanding the challenges we have faced this year in the equity markets, we have experienced revenue growth over the comparable period in 2015. We have seen the results of our measures taken to reduce operating expenditures. These reductions in SG&A expenses while building on our industry leading automated Software Defined Networking (SDN) solutions and professional services division leads us on the path to profitability. We will continue on this path as we cut costs, restructure our debt, divest ourselves of non-core assets and continue to develop higher margin revenue around SDN and Network Function Virtualization."

## Third Quarter of 2016 Financial Results:

Revenue for the third quarter ended September 30, 2016 increased by 11% to \$19.6 million, compared to \$17.6 million for the third quarter of 2015. This was primarily the result of increased revenue from our professional services operating segment offset by a decrease in our application and infrastructure segment.

The gross profit percentage was 29% during the third quarter of 2016, compared to 28% for the comparable period in 2015. Gross profit increased to \$5.6 million in the third quarter of 2016 compared to \$4.9 million in 2015. Increases in gross profit in our professional services segment were offset by decreases in our other segments. The gross profit percentage in the professional services segment was 30% in the third quarter of 2016.

The Company had net income attributable to common stockholders of \$2.1 million for the third quarter of 2016 compared to a net loss of \$(2.9) million for the comparable period of 2015. The increase in net income during the third quarter of 2016 compared to the comparable period of 2015 primarily resulted from an increase in the gain from the change in the fair value of derivative instruments of \$10.3 million. Additionally, gross profit increased by \$0.7 million. This increase was offset by an increase in salaries and wages of \$1.1 million and an increase in the loss on extinguishment of debt of \$2.3 million. Salaries and wages includes non-cash stock compensation expense of \$1.0 million for the third quarter of 2016 compared to \$0.6 million for the comparable period of 2015.

### **Nine Months Ended September 30, 2016 Financial Results:**

Revenue for the nine months ended September 30, 2016 increased by 8% to \$59.8 million, compared to \$55.4 million for 2015. This was the result of increased revenue from our professional services business segment offset by a decline in our managed services segment.

Gross profit was 26% for the nine months ended September 30, 2016 and 2015. Gross profit increased to \$15.2 million for the nine months ended September 30, 2016 compared to \$14.3 million in 2015. Increases in gross profit in our professional services segment were offset by decreases in our other segments. The gross profit percentage in the professional services segment was 26% for the nine months ended September 30, 2016.

The Company had a net loss attributable to common stockholders of \$(15.7) million for the nine months ended September 30, 2016 compared to a net loss of \$(27.7) million for the comparable period of 2015. The decrease in net loss during the nine months ended September 30, 2016 compared to the comparable period of 2015 resulted from an increase in the gain from the change in derivative instruments of \$15.3 million, a reduction in salaries and wages expense of \$4.0 million and an increase in gross profit of \$0.9 million. This reduction in net loss was offset by an increase in interest expense of \$4.0 million and an increase in SG&A expense of \$3.3 million. Additionally, offsetting the decrease, the losses from conversion, extinguishment and modification of debt had a net increase of \$2.6 million. Salaries and wages includes non-cash stock compensation expense of \$2.3 million for the nine months ended September 30, 2016 compared to \$7.3 million for the comparable period of 2015.

### **About InterCloud Systems, Inc.**

InterCloud Systems, Inc. is a cloud computing company which provides end-to-end information technology (IT) and next-generation network solutions including Software Defined Networking (SDN) and Network Function Virtualization (NFV) orchestration to the telecommunications service provider (carrier) and corporate enterprise markets through cloud solutions and professional services. Additional information regarding InterCloud may be found on InterCloud's website at [www.intercloudsys.com](http://www.intercloudsys.com).

### **Forward Looking Statements**

Statements in this press release regarding InterCloud that are not historical facts are forward- looking statements and are subject to risks and uncertainties that could cause

actual future events or results to differ materially from such statements. Any such forward-looking statements, including, but not limited to, financial guidance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that do not directly or exclusively relate to historical facts. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “forecasts,” “predicts,” “potential,” or the negative of those terms, and similar expressions and comparable terminology. These include, but are not limited to, statements relating to future events or our future financial and operating results, plans, objectives, expectations and intentions. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these expectations may not be achieved. Forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to known and unknown risks, uncertainties and other factors outside of our control that could cause our actual results, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. In addition to the risks described above, these risks and uncertainties include: our ability to successfully execute our business strategies, including integration of the recent acquisitions of AW Solutions, Inc., Integration Partners-NY Corporation, RentVM, Inc. and VaultLogix, LLC and the future acquisition of other businesses to grow our company; customers’ cancellation on short notice of master service agreements from which we derive a significant portion of our revenue or our failure to renew such master service agreements on favorable terms or at all; our ability to attract and retain key personnel and skilled labor to meet the requirements of our labor-intensive business or labor difficulties which could have an effect on our ability to bid for and successfully complete contracts; our failure to compete effectively in our highly competitive industry could reduce the number of new contracts awarded to us or adversely affect our market share and harm our financial performance; our ability to adopt and master new technologies and adjust certain fixed costs and expenses to adapt to our industry’s and customers’ evolving demands; our history of losses, deficiency in working capital and a stockholders’ deficit and our ability to achieve sustained profitability; material weaknesses in our internal control over financial reporting and our ability to maintain effective controls over financial reporting in the future; our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations; the impact of new or changed laws, regulations or other industry standards that could adversely affect our ability to conduct our business; and changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural or man-made disasters.

These forward-looking statements represent our estimates and assumptions only as of the date of this release and, except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this release. Given these uncertainties, you should not place undue reliance on these forward-looking statements and should consider various factors, including the risks described, among other places, in our most recent Annual Report on Form 10-K and in our Quarterly Reports on Form 10-Q, as well as any amendments thereto, filed with the SEC.

Consolidated Statement of Operations  
(Dollar amounts in thousands, except per share data)

	For the 3 months ended September 30,		For the 9 months ended September 30,	
	2016	2015	2016	2015
Revenues	\$ 19,553	\$ 17,619	\$ 59,776	\$ 55,416
Gross Profit	5,613	4,864	15,246	14,327
Operating Expenses	9,410	6,512	26,902	26,694
Loss from operations	(3,797 )	(1,648 )	(11,656 )	(12,367 )
Other (expense) income, net	5,868	(527 )	(4,279 )	(15,350 )
Net loss before provision for (benefit from) income taxes	2,071	(2,175 )	(15,935 )	(27,717 )
Provision for (Benefit from) income taxes	48	220	164	(1,004 )
Net income (loss)	2,023	(2,395 )	(16,099 )	(26,713 )
Net (loss) income on discontinued operations	-	(496 )	465	(858 )
Net (income) loss attributable to non- controlling interest	44	17	(22 )	(134 )
Net loss attributable to InterCloud Systems, Inc.'s common stockholders	\$ 2,067	\$ (2,874 )	\$ (15,656 )	\$ (27,705 )
Basic net income (loss) per share	\$ 0.06	\$ (0.12 )	\$ (0.48 )	\$ (1.35 )
Diluted net income (loss) per share	\$ 0.00	\$ (0.12 )	\$ (0.48 )	\$ (1.35 )
Basic weighted average common shares outstanding	37,012,538	23,431,871	32,778,597	20,529,686
Diluted weighted average common shares outstanding	101,702,563	23,431,871	32,778,597	20,529,686

Selected Balance Sheet Data  
(Dollar amounts in thousands, except per share data)

	September 30, 2016	December 31, 2015
Cash	\$ 2,622	\$ 7,944
Accounts receivable, net	16,884	16,616
Total current assets	27,659	28,553
Goodwill and intangible assets	41,114	40,371
Total assets	70,417	92,231
Total current liabilities	47,555	39,951
Other liabilities, including long-term debt	31,275	56,480
Stockholders' deficit	(8,413 )	(4,200 )

CONTACT:  
Investor Relations  
InterCloud Systems, Inc.  
561.988.1988



Source: InterCloud Systems, Inc.