May 11, 2016

Fusion Reports First Quarter 2016 Results

Consolidated Revenue and Adjusted EBITDA Grow 31% and 11% YoY; Business Services Reports Sequential Organic Growth

NEW YORK, NY -- (Marketwired) -- 05/11/16 -- Fusion (NASDAQ: FSNN), a leading cloud services provider, today announced financial results for the quarter ended March 31, 2016.

First Quarter Highlights

- Consolidated revenue was $33.2 million, up 31% year over year and 24% sequentially
- Adjusted EBITDA (a non-GAAP measure) was $2.8 million, up 11% year over year and 73% sequentially
- Business Services segment revenue was $21.0 million, up 25% year over year and 23% sequentially, including 3% sequential organic revenue growth
- Signed a total of $10.8 million in new contract value bookings during the first quarter, up 52% from $7.1 million during the fourth quarter of 2015
- Ended the quarter with $394 thousand in Business Services monthly recurring revenue (MRR) in backlog, up 32% from $299 thousand at the end of the fourth quarter of 2015, and representing $13.6 million in total contract value, up 30% versus $10.5 million in the fourth quarter of 2015
- Completed the acquisition of leading-edge Contact Center solutions provider TFB on March 31, 2016
- Ended the quarter with approximately 12,600 customers, an average monthly revenue per customer (ARPU) of $539, and a churn rate of 1.0%

Matthew Rosen, Fusion's Chief Executive Officer, commented, "Fusion delivered solid growth in both revenue and Adjusted EBITDA during the first quarter thanks to our focus on direct and channel sales efforts, the successful integration of our recent acquisitions, and our continued execution on cost management. Notably, the investments we have made in sales, marketing and service delivery yielded 3% sequential organic revenue growth in Business Services during the quarter. Our success in the market is a direct result of our expertise in the key verticals we serve, as well as the compelling advantages of Fusion's comprehensive suite of Cloud services solutions for businesses of all sizes.

"Additionally, we are excited about the significant opportunities we see to broaden our reach further and better serve our customers, especially in the large and fast-growing Contact Center market, where our acquisition of TFB provides substantial cross-selling and up-selling opportunities," Mr. Rosen continued.

Don Hutchins, Fusion's President and Chief Operating Officer, said, "Looking ahead, we remain committed to driving growth both organically and through disciplined acquisitions in a cost- and capital-efficient manner. We recently hired two experienced senior executives, Mike Bauer as Chief Financial Officer and John Hendler as Senior Vice President of Sales, to build on the significant depth of experience within Fusion as we position the Company for its next phase of growth. At the same time, we have reduced the Company's operating cost base through further consolidation of network and other elements related to Fusion's historical acquisitions, and have already made significant progress in realizing our expected cost synergies related to Fidelity."

First Quarter Results

Fusion reported consolidated revenue of $33.2 million for the quarter ended March 31, 2016, representing an increase of $7.9 million or 31% over the $25.3 million reported for the first quarter of 2015. Revenue from the Company's Business Services segment totaled $21.0 million during the first quarter of 2016, as compared to $16.8 million in the first quarter of 2015, an increase of approximately 25%. Revenue from the Business Services segment during the first quarter of 2016 includes our acquisition of RootAxcess, LLC, on September 30, 2015 and Fidelity on December 8, 2015. Revenue from the Company's Carrier Services segment totaled $12.2 million, as compared to $8.5 million in the first quarter of 2015, an increase of 44%. The increase was primarily due to an increase in the number of minutes of traffic carried during the quarter and higher blended rates for the termination of voice traffic.

Fusion's consolidated gross margin during the first quarter of 2016 was 40.0% as compared to 44.5% in the first quarter of 2015, driven primarily by an increase in revenue mix from the Company's Carrier Services segment as well as the acquisition of Fidelity in the Company's Business Services segment. Business Services had a gross margin of 60.8% for the first quarter of 2016, compared to 63.7% in the first quarter of 2015, due primarily to the integration of the Fidelity acquisition. Carrier Services' gross margin for the quarter ended March 31, 2016 was approximately 4.4%, down from 6.5% percent in the year-earlier first quarter due to a higher per-minute cost of termination for minutes carried.

The Company reported a net loss attributable to common shareholders of $4.1 million, or $0.30 per share on a fully diluted basis, as compared to a net loss of $4.7 million, or $0.49 per share on a fully diluted basis for the first quarter of 2015.

Adjusted EBITDA was $2.8 million during the first quarter of 2016, an 11% increase compared to Adjusted EBITDA of $2.5 million reported in the first quarter 2015.

At March 31, 2016, the Company's consolidated cash balance was $5.9 million, versus $7.5 million at December 31, 2015. Working capital at March 31, 2016 was approximately $0.9 million, as compared to working capital of $1.7 million at December 31, 2015.

Use of Non-GAAP Financial Measurements:

The Company believes that EBITDA (earnings before interest, taxes, depreciation and amortization) is useful to investors because it is commonly used in the cloud communications industry to evaluate companies on the basis of operating performance and leverage. Adjusted EBITDA provides an adjusted view of EBITDA that takes into account certain significant non-recurring transactions, if any, such as impairment losses and expenses associated with pending acquisitions, which vary significantly between periods and are not recurring in nature, as well as certain recurring non-cash charges such as changes in fair value of the Company's derivative liabilities and stock-based compensation. The Company also believes that Adjusted 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. 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 periods 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 accounting principles generally accepted in the United States of America ("GAAP"). In accordance with SEC Regulation G, the non-GAAP measurements in this press release have been reconciled to the nearest GAAP measurement, which can be viewed under the heading "Reconciliation of Net Loss to Adjusted EBITDA", immediately following the Consolidated Balance Sheets included in this press release.

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Revenues	$ 33,184,415	$ 25,263,038
Cost of revenues (exclusive of depreciation and amortization, shown separately below)	19,921,677	14,012,692
Gross profit	13,262,738	11,250,346
Depreciation and amortization	2,916,263	3,003,447
Selling, general and administrative expenses (including stock-based compensation of $198,883 and $122,516 for the three months ended March 31, 2016 and 2015, respectively)	11,424,786	9,736,294
Total operating expenses	14,341,049	12,739,741
Operating loss	(1,078,311)	(1,489,395)
Other (expenses) income:		
Interest expense	(1,627,964)	(1,606,843)
Gain (loss) on change in fair value of derivative liability	182,400	(1,204,802)
Other income, net	(9,670)	37,319
Total other expenses	(1,455,234)	(2,774,326)
Loss before income taxes	(2,533,545)	(4,263,722)
Benefit (provision) for income taxes	-	-

Net loss		(2,533,545)		(4,263,722)
Preferred stock dividends in arrears		(1,531,982)		(418,988)
Net loss attributable to common stockholders	$	(4,065,527)	$	(4,682,710)
Basic and diluted loss per common share	$	(0.30)	$	(0.49)
Weighted average common shares outstanding:				
Basic and diluted		13,741,366		8,159,534

FUSION TELECOMMUNICATIONS INTERNATIONAL, INC. AND SUBSIDIARIES

Reconciliation of Net Loss to EBITDA and Adjusted EBITDA

(Unaudited)

	Three Months Ended March 31,			
		2016		***2015***
Net Loss	$	(2,533,545)	$	(4,263,722)
Interest expense and other financing costs		1,627,992		1,606,843
Depreciation and amortization		2,916,263		3,003,447
EBITDA		2,010,710		346,568
Acquisition transaction expenses		92,370		706,593
Change in fair value of derivative liability		(182,400)		1,204,802
(Gain) loss on disposal of property and equipment		60,822		-
Employee related expenses		535,500		28,626
Stock-based compensation expense		250,785		218,867
Adjusted EBITDA	$	2,767,787	$	2,505,456

Forward Looking Statements

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 1996. Such statements consist of any statement other than a recitation of historical fact and may sometimes be identified by the use of forward-looking terminology such as "may", "expect", "anticipate", "intend", "estimate" or "continue" or the negative thereof or other variations thereof or comparable terminology. The reader is cautioned that all forward-looking statements are speculative, and there are certain risks and uncertainties that could cause actual events or results to differ from those referred to in such forward-looking statements. Important risks regarding the Company's business include the Company's ability to raise additional capital to execute its comprehensive business strategy; the integration of businesses and assets following an acquisition; the Company's ability to comply with covenants included in its senior debt agreements; competitors with broader product lines and greater resources; emergence into new markets; natural disasters, acts of war, terrorism or other events beyond the Company's control; and other factors identified by Fusion from time to time in its filings with the Securities and Exchange Commission, which are available through http://www.sec.gov. However, the reader is cautioned that Fusion's future performance could also be affected by risks and uncertainties not enumerated above.

In the event that there is any inconsistency between the information contained in this press release and the information set forth in Fusion's Form 10-K or 10-Q filed with the Securities and Exchange Commission, the information contained in the Form 10-K or 10-Q governs.

About Fusion

Fusion, a leading provider of cloud solutions to small, medium and large businesses, is the industry's single source for the cloud. Fusion's advanced, proprietary cloud service platform enables the integration of leading edge solutions in the cloud, including cloud communications, cloud connectivity, and cloud computing. Fusion's innovative, yet proven cloud solutions lower our customers' cost of ownership, and deliver new levels of security, flexibility, scalability, and speed of deployment. For more information, please visit www.fusionconnect.com.

Fusion contact
Brian Coyne

(212) 201-2404
Email contact

Darrow Associates Contacts for Fusion
Jordan Darrow
(512) 551-9296
Email contact

Bernie Kilkelly
(516) 236-7007
Email contact

Source: Fusion