

November 14, 2013



# **InterCloud Systems Reports Third Quarter 2013 Results**

## **Revenue Increases 448% to Over \$16 Million in the Third Quarter With Net Income of \$1.3 Million**

RED BANK, N.J., Nov. 14, 2013 (GLOBE NEWSWIRE) -- InterCloud Systems, Inc. (the "Company" or "InterCloud") (Nasdaq:ICLD), a single source provider of end-to end IT technology and telecom solutions to the service provider and corporate enterprise markets through professional services and cloud platforms, today announced financial results for the third quarter ended September 30, 2013.

"Our third quarter results reflect the integration of our completed acquisitions, and the success of InterCloud's cross selling plan," said Mark Munro, Chief Executive Officer of InterCloud Systems. "InterCloud now offers a full set of cloud and managed services as well as professional services focused on providing end-to-end network solutions for both carriers and enterprises. We continue to be well positioned for growth into 2014."

### **Third Quarter 2013 Financial Results**

Revenue for the third quarter ended September 30, 2013 increased by \$13.2 million, or 448%, to \$16.2 million, as compared to \$3.0 million for the third quarter of 2012. The increase in revenue is attributable to organic growth and the acquisitions closed during the past year.

Gross profit for the third quarter of 2013 totaled \$5.5 million, compared to \$1.2 million for the third quarter of 2012.

Net income for the third quarter of 2013 was \$1.3 million, or \$0.26 basic earnings per share, and \$0.12 diluted earnings per share, compared to a net loss of \$0.8 million, or \$2.16 per share, in the third quarter of 2012.

### **Nine Months ended September 30, 2013 Financial Results**

Revenue for the nine months ended September 30, 2013 increased by \$37.0 million, or 631%, to \$42.9 million, compared to \$5.9 million for the nine months ended September 30, 2012. The increase in revenue is attributable to organic growth and the revenue generated by the companies acquired in the past year.

Gross profit for the nine months ended September 30, 2013 totaled \$13.4 million, compared to \$2.3 million for the third quarter of 2012.

Net loss for the nine months ended September 30, 2013 was \$1.1 million, or \$0.49 per

share, compared to a net loss of \$1.7 million, or \$4.76 per share, for the nine months ended September 30, 2012.

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

InterCloud Systems, Inc. is a global single-source provider of value-added IT and telecom solutions for both corporate enterprises and service providers. InterCloud offers cloud and managed services and professional consulting services to assist its customers in meeting their changing technology demands. Its engineering, design, installation and maintenance services support the build-out and operation of some of the most advanced enterprise, fiber optic, Ethernet and wireless networks in the world. Additional information regarding InterCloud may be found on InterCloud's website at [www.intercloudsys.com](http://www.intercloudsys.com).

### **Non-GAAP Financial Measures**

Investors are cautioned that adjusted EBITDA, or earnings/(loss) before interest, taxes, depreciation, amortization, stock-based compensation, dividends on preferred stock and other non-cash charges, if any, as used in this press release, is defined as a "non-GAAP financial measure" by the Securities and Exchange Commission. Adjusted EBITDA per share is an additional non-GAAP financial measure presented. Adjusted EBITDA per share is adjusted EBITDA, as defined above, divided by weighted average basic and diluted shares outstanding. This measure may be different from non-GAAP financial measures used by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation. In addition, although InterCloud's management has provided a reconciliation of this measure to the nearest comparable GAAP measure, it should not be construed as an alternative to any other measure of performance determined in accordance with generally accepted accounting principles, or as an indicator of InterCloud's operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that it fails to address. InterCloud's management presents this financial information because they believe that it is helpful to some investors as a measure of InterCloud's performance. InterCloud cautions investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare InterCloud's current results with the results from other reporting periods and with the results of other companies. Definitions and reconciliations between the non-GAAP measure and relevant GAAP measure are set forth in the tables at the end of this press release.

### **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. It is routine for InterCloud's internal projections and expectations to change as the quarter and year progresses, and therefore it should be clearly understood that the internal projections and beliefs upon which InterCloud bases its expectations may change. Although these

expectations may change, InterCloud is under no obligation to inform you if they do. Actual events or results may differ materially from those contained in the projections or forward-looking statements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation:

InterCloud's inability to integrate recent and future acquisitions, which would adversely affect InterCloud's business, financial condition, result of operations and prospects; the cancellation of master service agreements, from which InterCloud derives a significant portion of its revenue, which may be cancelled by customers on short notice, or which InterCloud may be unable to renew on favorable terms or at all; the inability of InterCloud to attract and retain key personnel and skilled labor, or if labor difficulties are encountered, InterCloud's ability to bid for and successfully complete contracts may be negatively impacted; risks related to InterCloud's failure to compete effectively within its highly competitive industry, especially with a variety of larger companies with greater resources, which could reduce the number of new contracts awarded to InterCloud or adversely affect InterCloud's market share and harm InterCloud's financial performance; risks related to InterCloud's history of losses and deficiencies in working capital and stockholders' equity, which may continue in the future, raising substantial doubts about InterCloud's ability to continue as a going concern; risks related to the identification of material weaknesses in InterCloud's internal control over financial reporting, and a lack of assurance that additional material weaknesses or significant deficiencies will not occur in the future, leading to the possibility that InterCloud may not be able to accurately report financial results, prevent fraud, or file periodic reports in a timely manner, which may cause investors to lose confidence in InterCloud's reported financial information and may lead to a decline in InterCloud's stock price; and InterCloud's substantial indebtedness, which could adversely affect its business, financial condition and results of operations and its ability to meet payment obligations. This list is intended to identify only certain of the principal factors that could cause actual results to differ from those discussed in the forward-looking statements. Readers are referred to the reports and documents filed from time to time by us with the Securities and Exchange Commission for a discussion of these and other important risk factors that could cause actual results to differ from those discussed in forward-looking statements.

#### **Selected Balance Sheet Data**

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Cash	\$ 3,361,231	\$ 646,978
Accounts Receivable, net	11,152,355	8,481,999
Total current assets	18,652,233	10,183,971
Goodwill and intangible assets	37,670,356	29,667,823
Total assets	58,483,671	41,866,243
Total current liabilities	26,084,976	13,410,481
Other liabilities, including long term debt	15,642,414	15,159,644
Redeemable common and preferred stock	9,687,072	16,584,704
Stockholders' equity (deficit)	7,059,209	(3,288,586)

The following table shows the statement of operations for the three months ended September 30, 2013 and 2012:

## Statement of Operations

	For the three months ended September 30,	
	2013	2012
Revenues	\$ 16,158,045	\$ 2,950,728
Gross Profit	5,498,857	1,221,045
Operating Expenses	3,437,158	1,890,177
Income (Loss) from Operations	2,061,699	(669,132)
Other expense, net	(538,975)	(141,769)
Net loss before benefit for income taxes	1,522,724	(810,901)
Provision for income taxes	12,936	--
Dividends on Preferred Stock	(167,098)	(52,999)
Net loss attributable to InterCloud Systems, Inc. common stockholders	\$ 1,297,880	\$ (847,737)
Income (loss) per share, basic	\$ 0.26	\$ (2.16)
Income (loss) per share, diluted	\$ 0.12	\$ (2.16)
Basic weighted average shares outstanding	4,947,737	392,860
Diluted weighted average shares outstanding	6,852,448	392,860

Adjusted EBITDA for the third quarter 2013 was \$1,726,293, compared to adjusted EBITDA of \$369,994 for the third quarter 2012.

The following table shows adjusted EBITDA for the three months ended September 30, 2013 and 2012:

### Adjusted EBITDA

	For the three months ended September 30,	
	2013	2012
Net income (loss) attributable to InterCloud Systems, Inc. common stockholders	\$ 1,297,880	\$ (847,737)
Add Back		
Dividends on Preferred Stock	167,098	52,999
Interest expense	1,021,945	723,675
Depreciation and amortization	317,632	80,748
Stock based compensation	--	376,342
Net loss attributable to non-controlling interest	44,810	--
Change in fair value of derivative instruments	--	130
Provision for income taxes	12,936	--
Total add backs	1,564,421	1,233,894
Deduct		

Net income attributable to non-controlling interest	--	(16,163)
Change in fair value of derivative instruments	(482,857)	--
Change in fair value of contingent consideration	(653,151)	--
Total deductions	(1,136,008)	(16,163)

Adjusted EBITDA	\$ 1,726,293	\$ 369,994
Adjusted EBITDA per share, basic	\$ 0.35	\$ 0.94
Adjusted EBITDA per share, diluted	\$ 0.25	\$ 0.06
Basic weighted average shares outstanding	4,947,737	392,860
Diluted weighted average shares outstanding	6,852,448	5,732,639

The following table shows the statement of operations for the nine months ended September 30, 2013 and 2012:

#### Statement of Operations

	For the nine months ended September 30,	
	2013	2012
Revenues	\$ 42,916,458	\$ 5,874,314
Gross Profit	13,383,952	2,291,490
Operating Expenses	10,179,515	3,525,889
Income (Loss) from Operations	3,204,437	(1,234,399)
Other expense, net	(3,450,385)	(408,680)
Net loss before benefit for income taxes	(245,948)	(1,634,079)
Benefit for income taxes	(256,830)	--
Dividends on Preferred Stock	(1,020,764)	(105,957)
Net loss attributable to InterCloud Systems, Inc. common stockholders	\$ (1,067,092)	\$ (1,715,925)
Income (loss) per share, basic	\$ (0.49)	\$ (4.76)
Income (loss) per share, diluted	\$ (0.49)	\$ (4.76)
Basic weighted average shares outstanding	2,197,700	360,626
Diluted weighted average shares outstanding	2,197,700	360,626

The following table shows adjusted EBITDA for the nine months ended September 30, 2013 and 2012:

#### Adjusted EBITDA

	For the nine months ended September 30,	
	2013	2012
Net loss attributable to InterCloud Systems, Inc. common stockholders	\$ (1,067,092)	\$ (1,715,925)

Add Back		
Dividends on Preferred Stock	1,020,764	105,957
Interest expense	3,118,490	1,012,697
Depreciation and amortization	817,690	151,002
Stock based compensation	157,100	406,342
Net loss attributable to non-controlling interest	57,210	--
Change in fair value of derivative instruments	412,008	--
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Total add backs	5,583,262	1,675,998
Deduct		
Net loss attributable to non-controlling interest	--	(33,111)
Benefit from income taxes	(256,830)	--
Other income	(80,113)	--
Change in fair value of contingent consideration	(794,758)	--
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Total deductions	(1,131,701)	(33,111)
Adjusted EBITDA	\$ 3,384,469	\$ (73,038)
Adjusted EBITDA per share, basic	\$ 1.54	\$ (0.20)
Adjusted EBITDA per share, diluted	\$ 0.83	\$ (0.20)
Basic weighted average shares outstanding	2,197,700	360,626
Diluted weighted average shares outstanding	4,102,411	360,626

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Source: InterCloud Systems, Inc.