

March 20, 2015



# InterCloud Systems Reports Fourth Quarter and Full Year 2014 Results

- 4<sup>th</sup> Quarter Revenue Increased 101% to \$23.8 Million
- 4<sup>th</sup> Quarter Gross Profit Increased 89% to \$5.1 Million

SHREWSBURY, N.J., March 20, 2015 (GLOBE NEWSWIRE) -- InterCloud Systems, Inc. (the "Company" or "InterCloud") (Nasdaq:ICLD), a single-source provider of end-to-end information technology (IT) and next-generation network solutions to the telecommunications service provider (carrier) and corporate enterprise markets through cloud platforms and professional services, today reported financial results for the fourth quarter and full year 2014.

## Full Year Financial Highlights:

- Revenue increased 48% year-over-year to \$76.2 million
- Gross profit increased 42% year-over-year to \$20.1 million
- Stockholders' Equity increased to \$32.5 million from (\$1.7) million at fiscal year-end 2013

Mark Munro, Chairman and CEO of InterCloud, stated, "We are very excited to report that InterCloud's revenue increased quarter over quarter in all four quarters in 2014. We continued to see growth in our cloud and managed services segment as well as the other reporting segments. Growth across our entire footprint is a tribute to our enhanced product portfolio and our sales and engineering team efforts. We look forward to building upon our strengths throughout 2015 and beyond."

"We remain excited about the long-term potential of InterCloud and believe that with our robust cloud portfolio of products and services, with a heavy focus around software defined networks (SDN), network function virtualization (NFV) and InterCloud's proprietary SDN/NFV Orchestration software NFVGrid, that we have positioned the Company to capitalize on the immense opportunities in front of us and created the necessary foundation for ongoing financial performance. We believe our commitment towards organic growth through the hiring of additional sales personnel will provide us with a distinct opportunity to take advantage of the cloud industry's growth potential in 2015 and beyond. We thank our investors for their continued support of our aggressive goals," continued Mr. Munro.

## Fourth Quarter Financial Results:

Revenue for the fourth quarter ended December 31, 2014 increased \$11.9 million, or 101% to \$23.8 million, as compared to \$11.9 million for the fourth quarter of 2013. This

was the result of increased revenue from our cloud and managed services segment primarily driven by acquisitions made in 2014.

Gross profit percentage was 21% for the fourth quarter ended December 31, 2014 as compared to 23% for the comparable period in 2013. The overall decrease in gross profit percentage was due to increased hardware sales which have lower margins offset by increased margins in the applications and infrastructure segment.

The Company had a net loss attributable to common stockholders of \$(10.5) million in the fourth quarter of 2014 compared to a net loss of \$(22.8) million for the comparable period of 2013. The decrease in net loss during the fourth quarter of 2014 compared to the comparable period of 2013 resulted from a change in the fair value of derivative instruments of \$14.6 million and a decrease in the change in the fair value of contingent consideration of \$5.7 million. During the fourth quarter of 2014 and 2013, the Company recognized a change in the fair value of derivative instruments of \$0.8 million and \$(13.7) million, respectively. Additionally, during the fourth quarter of 2014 and 2013, the Company recognized a change in the fair value of contingent consideration of \$1.7 million and \$(3.9) million, respectively.

These decreases were offset by increases in salaries and wages during the fourth quarter of 2014 of \$3.6 million resulting from an increase in personnel as the Company implements its aggressive cloud centered growth strategy. SG&A expense includes non-cash stock compensation expense of \$2.4 million for the fourth quarter of 2014 compared to \$2.4 million for the fourth quarter of 2013.

### **Full Year Financial Results:**

Revenue for the year ended December 31, 2014 increased \$24.8 million, or 48% to \$76.2 million, as compared to \$51.4 million for 2013. This was the result of increased revenue from our cloud and managed services segment primarily driven by acquisitions made in 2014 which amounted to \$31.7 million.

Gross profit percentage was 26% for 2014 as compared to 27% for 2013. The overall decrease in gross profit percentage was due to increased hardware sales which have lower margins, lower margins in the applications and infrastructure segment offset by increased margins in the professional services segment.

The Company had a net loss attributable to common stockholders of \$(22.5) million for 2014 compared to a net loss of \$(25.4) million for 2013. The decreases in the net loss during 2014 compared to 2013 resulted from decreases in the change in the fair value of derivative instruments, contingent consideration and conversion features of \$41.6 million. During 2014 and 2013, the Company recognized a change in the fair value of derivative instruments of \$25.8 million and \$(14.2) million, respectively. During 2014 and 2013, the Company recognized a change in the fair value of contingent consideration of \$0.8 million and \$(3.1) million, respectively. Lastly, during 2014 and 2013, the Company recognized a loss on the fair value of conversion feature of \$(2.4) million and \$-0-, respectively. Additionally, the decrease is the result of an increase in gross profit of \$6.0 million.

These decreases were offset by increases in salaries and wages and SG&A expense of \$15.5 million during 2014 compared to 2013 due to an increase in personnel as the Company implements its aggressive cloud centered growth strategy. Additional increases included interest expense of \$8.3 million related to debt financings, losses on extinguishment of debt and conversion of debt of \$12.1 million. The Company also had increases in non-cash losses due to the \$3.8 million related to the write down of goodwill and intangibles and increases in depreciation/amortization expense of \$3.0 million. The Company also incurred non-cash stock compensation expense of \$4.2 million for 2014 compared to \$2.4 million for 2013.

#### About InterCloud Systems, Inc.

InterCloud Systems, Inc. is a single-source provider of end-to-end information technology (IT) and next-generation network solutions including Software Defined Networking (SDN) and Network Function Virtualization (NFV) to the telecommunications service provider (carrier) and corporate enterprise markets through cloud solutions and professional services. InterCloud offers cloud and managed services, professional consulting and staffing services, and infrastructure and applications to assist its customers in meeting their changing technology demands. InterCloud's cloud solutions offer enterprise and service-provider customers the opportunity to adopt an operational expense model by outsourcing to InterCloud rather than the capital expense model that has dominated in recent decades in IT infrastructure management. 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 three months ended	
	December 31,	
	2014	2013
Revenues	\$ 23,767	\$ 11,843
Gross Profit	5,068	2,684
Operating Expenses	11,053	11,207
Loss from operations	(5,985)	(8,523)
Other expense, net	(4,561)	(15,633)
Net loss before benefit for income taxes	(10,546)	(24,156)
Provision for income taxes	70	44
Loss from continuing operations	(10,616)	(24,200)
Loss from discontinued operations, net of taxes	--	(88)
Dividends on Preferred Stock	--	(63)
Net loss attributable to InterCloud Systems, Inc.'s. common		

stockholders	\$ (10,537)	\$ (24,370)
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Consolidated Statement of Operations  
(Dollar amounts in thousands, except per share data)

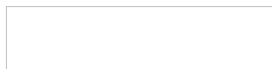
	For the years ended	
	December 31,	
	2014	2013
Revenues	\$ 76,228	\$ 51,408
Gross Profit	20,105	14,128
Operating Expenses	38,749	20,468
Loss from operations	(18,644)	(6,340)
Other expense, net	(3,344)	(19,076)
Net loss before benefit for income taxes	(21,988)	(25,416)
Provision (benefit) for income taxes	524	(588)
Loss from continuing operations	(22,512)	(24,828)
Income from discontinued operations, net of taxes	--	550
Dividends on Preferred Stock	--	(1,084)
Net loss attributable to InterCloud Systems, Inc's. common stockholders	\$ (22,489)	\$ (25,438)
Basic loss per share from continuing operations, basic and diluted	\$ (1.78)	\$ (8.02)
Income per share, from discontinued operations, basic and diluted	\$ --	\$ 0.17
Basic net loss per share	\$ (1.78)	\$ (7.85)
Diluted loss per share	\$ (3.67)	\$ (7.85)
Basic weighted average common shares outstanding	12,619,885	3,240,230
Diluted weighted average common shares outstanding	13,004,731	3,240,230

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

	December 31,	
	2014	2013
Cash	\$ 5,470	\$ 17,867
Accounts receivable, net	19,421	7,822
Total current assets	28,948	28,308
Goodwill and intangible assets	93,159	29,846
Total assets	124,463	60,690
Total current liabilities	42,045	24,111
Other liabilities, including long-term debt	49,871	38,255

Stockholders' equity (deficit)	32,547	(1,676)
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Source: InterCloud Systems, Inc.