

November 14, 2022



DecisionPoint Systems Announces Third Quarter 2022 Results

*Revenue increased 41.1% to a third quarter record \$25.7 million
GAAP Net income and diluted EPS increased by 81.5% and 72.8%, respectively
Full-year guidance for revenue and adjusted EBITDA increased to \$90 - \$93 million (+36% - 41%) and \$6.5 million to \$7.0 million, respectively*

DELRAY BEACH, Fla., Nov. 14, 2022 /CNW/ -- DecisionPoint™ Systems, Inc. (NYSE American: DPSI), a mobility-first enterprise services and solutions company, today announced third quarter 2022 financial results ended September 30, 2022.



MOVING DECISIONS CLOSER TO THE CUSTOMER™

"We saw continued strength during the third quarter growing revenue 41% and adjusted EBITDA by 74%" - Steve Smith, CEO

"We saw continued strength during the third quarter growing revenue 41% and adjusted EBITDA by 74%," said Steve Smith, chief executive officer. "This strength was broad-based across products and services, including run-rate, follow-on product orders from existing customers and 22% growth in our services revenue. Additionally, given the overall

supply chain environment and our ability to successfully access products from our OEMs and distributors, we continued to see customers placing orders with longer lead times, rebuilding our backlog to about \$29 million despite our strong quarter. Finally, this quarter also demonstrated the operating leverage inherent in our business, as we dropped more to the bottom line than we did in the second quarter."

Third Quarter Highlights (2022 versus 2021)

- Revenue increased 41.1% to \$25.7 million;
- Gross Profit increased 37.4% to \$5.8 million;
- GAAP Net Income and diluted EPS increased to \$1.1 million and \$0.15, respectively;
- Non-GAAP Net Income and non-GAAP diluted EPS increased 69.8% and 61.7% to \$1.2 million and \$0.16, respectively;
- Adjusted EBITDA increased 73.7% to \$2.3 million;
- Backlog as of September 30, 2022, was \$29.0 million.

Third Quarter Select Financial Metrics: 2022 versus 2021

| <i>(in \$M except for EPS)</i> | 3Q22 | 3Q21 | Change | YTD 2022 | YTD 2021 | Change |
|--|---------|---------|--------|----------|----------|---------|
| Total Revenue | \$ 25.7 | \$ 18.2 | 41.1 % | \$ 72.9 | \$ 49.5 | 47.5 % |
| Hardware Revenue | \$ 19.2 | \$ 12.7 | 50.7 % | \$ 54.1 | \$ 33.5 | 61.7 % |
| Software and Services Revenue | \$ 4.7 | \$ 3.9 | 22.1 % | \$ 13.7 | \$ 11.6 | 17.8 % |
| Consumables Revenue | \$ 1.8 | \$ 1.6 | 11.0 % | \$ 5.2 | \$ 4.4 | 17.6 % |
| Gross Profit | \$ 5.8 | \$ 4.2 | 37.4 % | \$ 16.8 | \$ 11.5 | 45.4 % |
| Operating Income | \$ 1.5 | \$ 0.9 | 73.9 % | \$ 3.8 | \$ 1.3 | 184.4 % |
| GAAP Net Income | \$ 1.1 | \$ 0.6 | 81.5 % | \$ 2.7 | \$ 2.1 | 26.9 % |
| GAAP Diluted Earnings Per Share | \$ 0.15 | \$ 0.08 | 72.8 % | \$ 0.36 | \$ 0.29 | 22.9 % |
| Non-GAAP Net Income | \$ 1.2 | \$ 0.7 | 69.8 % | \$ 3.3 | \$ 1.2 | 179.5 % |
| Non-GAAP Diluted EPS | \$ 0.16 | \$ 0.10 | 61.7 % | \$ 0.43 | \$ 0.16 | 161.7 % |
| Adjusted EBITDA | \$ 2.3 | \$ 1.3 | 73.7 % | \$ 6.1 | \$ 2.6 | 130.0 % |

*numbers may not add due to rounding

Balance Sheet and Liquidity as of September 30, 2022

Cash and cash equivalents were \$9.4 million, compared to \$2.6 million on December 31, 2021.

Long-term debt was \$0.1 million, roughly flat to December 31, 2021.

Net cash from operating activities was \$13.9 million compared to \$2.2 million in the third quarter of 2021.

2022 Commentary

| | 2021 Actual | New Guidance | 2022 vs 2021 | Prior Guidance |
|------------------------|----------------|-----------------------|--------------|-----------------------|
| | | \$90.0 - \$93.0 | | \$87.0 - \$90.0 |
| Revenue | \$65.9 Million | Million | +36% - 41% | Million |
| Adjusted EBITDA | \$5.0 Million | \$6.5 - \$7.0 million | +30% - 40% | \$4.6 - \$5.0 Million |

"As we look to the end of the year, we are confident in increasing our full-year 2022 guidance for revenue to \$90 to \$93 million (36% - 41%) and now expect adjusted EBITDA to be between \$6.5 and \$7.0 million for the year," concluded Smith.

Conference Call and Webcast Information

Management will host an earnings conference call and webcast at 11:00 a.m. Eastern Time. Management's presentation of the results, outlook and strategy will be followed by Q&A with investors.

Live Call Information:

Date: November 14, 2022

Time: 11:00 a.m. Eastern Time

Toll-Free: 1-877-407-3982

Toll/International: 1-201-493-6780

Webcast: https://viaid.webcasts.com/starthere.jsp?ei=1582068&tp_key=949e374fc7

Replay Information:

Toll-Free: 1-844-512-2921

Toll/International: 1-412-317-6671

Replay Pin Number: 13734298

Replay Start: Tuesday, November 14, 2022, 2:00 a.m. ET

Replay Expiry: Tuesday, November 21, 2022, 11:59 a.m. ET

About DecisionPoint Systems

DecisionPoint Systems Inc. delivers mobility-first managed service and integration solutions

to healthcare, supply chain, and retail customers, enabling them to make better and faster decisions in the moments that matter—the decision points. Our mission is to help businesses consistently deliver on those moments—accelerating growth, improving worker productivity, and lowering risks and costs. For more information about DecisionPoint Systems, Inc., visit <https://www.decisionpt.com>.

Forward-Looking Statements

In this press release, all statements that are not purely about historical facts, including, but not limited to, those in which we use the words "believe," "anticipate," "expect," "plan," "intend," "estimate," "target" and similar expressions, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. While these forward-looking statements represent our current judgment of what may happen in the future, actual results may differ materially from the results expressed or implied by these statements due to numerous important factors, including, but not limited to, those described in our most recent report on SEC Form 10-K (under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations"), which may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K. We are under no obligation, and expressly disclaim any obligation, to update the forward-looking statements in this press release, whether as a result of new information, future events or otherwise.

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DecisionPoint Systems, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except par value)
(Unaudited)

| | September 30, 2022 | December 31, 2021 |
|--|-----------------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 9,447 | \$ 2,587 |
| Accounts receivable, net | 14,483 | 12,302 |
| Inventory, net | 1,415 | 2,111 |
| Deferred costs | 2,422 | 1,998 |
| Prepaid expenses and other current assets | 184 | 336 |
| Total current assets | 27,951 | 19,334 |
| Operating lease assets | 2,784 | 329 |
| Property and equipment, net | 1,764 | 834 |
| Deferred costs, net of current portion | 2,346 | 1,492 |
| Deferred tax assets | 1,539 | 1,999 |
| Intangible assets, net | 4,711 | 3,564 |
| Goodwill | 10,012 | 8,128 |
| Other assets | 16 | 50 |
| Total assets | \$ 51,123 | \$ 35,730 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 18,044 | \$ 10,273 |
| Accrued expenses and other current liabilities | 4,098 | 3,220 |
| Deferred revenue | 6,664 | 4,599 |
| Current portion of long-term debt | 3 | 3 |
| Current portion of operating lease liabilities | 421 | 257 |
| Total current liabilities | 29,230 | 18,352 |
| Deferred revenue, net of current portion | 2,872 | 2,510 |
| Long-term debt | 143 | 146 |
| Noncurrent portion of operating lease liabilities | 2,639 | 83 |
| Other liabilities | 221 | 381 |
| Total liabilities | 35,105 | 21,472 |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value; 10,000 shares authorized; no shares issued or outstanding | — | — |
| Common stock, \$0.001 par value; 50,000 shares authorized; 7,234 and 7,007 shares issued and outstanding, respectively | 7 | 7 |
| Additional paid-in capital | 38,292 | 39,216 |
| Accumulated deficit | (22,281) | (24,965) |
| Total stockholders' equity | 16,018 | 14,258 |
| Total liabilities and stockholders' equity | \$ 51,123 | \$ 35,730 |

DecisionPoint Systems, Inc.
Condensed Consolidated Statements of Income and Comprehensive Income
(in thousands, except per share data)
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|---------------|--------------------------|-----------------|
| | September 30, | | September 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Net sales: | | | | |
| Product | \$ 20,988 | \$ 14,349 | \$ 59,259 | \$ 37,846 |
| Service | 4,725 | 3,870 | 13,681 | 11,614 |
| Net sales | <u>25,713</u> | <u>18,219</u> | <u>72,940</u> | <u>49,460</u> |
| Cost of sales: | | | | |
| Product | 16,923 | 11,267 | 47,213 | 29,948 |
| Service | 3,036 | 2,764 | 8,971 | 7,990 |
| Cost of sales | <u>19,959</u> | <u>14,031</u> | <u>56,184</u> | <u>37,938</u> |
| Gross profit | 5,754 | 4,188 | 16,756 | 11,522 |
| Operating expenses: | | | | |
| Sales and marketing expense | 2,291 | 1,812 | 6,850 | 5,611 |
| General and administrative expenses | 1,936 | 1,498 | 6,155 | 4,592 |
| Total operating expenses | <u>4,227</u> | <u>3,310</u> | <u>13,005</u> | <u>10,203</u> |
| Operating income | 1,527 | 878 | 3,751 | 1,319 |
| Interest expense | (7) | (17) | (42) | (67) |
| Gain on extinguishment of debt | - | — | - | 1,211 |
| Other expense | - | — | (17) | — |
| Income before income taxes | <u>1,520</u> | <u>861</u> | <u>3,692</u> | <u>2,463</u> |
| Income tax expense | (409) | (249) | (1,008) | (348) |
| Net income and comprehensive income attributable to common stockholders | <u>\$ 1,111</u> | <u>\$ 612</u> | <u>\$ 2,684</u> | <u>\$ 2,115</u> |
| Earnings per share attributable to stockholders (1): | | | | |
| Basic | \$ 0.15 | \$ 0.09 | \$ 0.37 | \$ 0.31 |
| Diluted | \$ 0.15 | \$ 0.08 | \$ 0.36 | \$ 0.29 |
| Weighted average common shares outstanding | | | | |
| Basic | 7,290 | 6,958 | 7,210 | 6,928 |
| Diluted | 7,593 | 7,230 | 7,510 | 7,274 |

DecisionPoint Systems, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

| | Nine Months Ended | |
|---|--------------------------|-----------------|
| | September 30, | |
| | 2022 | 2021 |
| Cash flows from operating activities | | |
| Net income | \$ 2,684 | \$ 2,115 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Loss on fixed asset disposal | 22 | - |
| Depreciation and amortization | 1,750 | 1,031 |
| Gain on extinguishment of debt | - | (1,211) |
| Amortization of deferred financing costs | - | 25 |
| Share-based compensation expense | 325 | 109 |
| Deferred income taxes, net | 460 | 171 |
| | 32 | - |
| Allowance for doubtful accounts | | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (811) | 4,548 |
| Inventory, net | 825 | (267) |
| Deferred costs | (1,155) | (21) |
| Prepaid expenses and other current assets | 186 | (346) |
| Accounts payable | 7,213 | (3,225) |
| Accrued expenses and other current liabilities | (139) | (161) |
| Due to related parties | - | (34) |
| Operating lease liabilities | 265 | (5) |
| Deferred revenue | 2,279 | (504) |
| Net cash provided by operating activities | <u>13,936</u> | <u>2,225</u> |
| Cash flows from investing activities | | |
| Cash paid for acquisitions, net of cash acquired | (4,525) | (170) |
| Purchases of property and equipment | (1,299) | (235) |
| Net cash used in investing activities | <u>(5,824)</u> | <u>(405)</u> |
| Cash flows from financing activities | | |
| Line of credit, net | - | (1,206) |
| Payment under term loan | (3) | - |
| Cash paid for cashless exercise of stock options | (1,403) | (25) |
| Proceeds from exercise of stock options | 154 | 2 |
| Net cash used in financing activities | <u>(1,252)</u> | <u>(1,229)</u> |
| Change in cash | 6,860 | 591 |
| Cash, beginning of period | 2,587 | 2,005 |
| Cash, end of period | <u>\$ 9,447</u> | <u>\$ 2,596</u> |

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