

August 16, 2021



Data Storage Corporation Reports 76% Increase in Revenue for the Second Quarter of 2021

Data Storage to host conference call today, August 16, 2021, at 11:00AM ET

MELVILLE, N.Y., Aug. 16, 2021 (GLOBE NEWSWIRE) -- Data Storage Corporation (Nasdaq: DTST) (the "Company"), a provider of diverse business continuity, disaster recovery protection, and cloud infrastructure solutions and services, today provided a business update and reported its financial results for the second quarter ended June 30, 2021.

Chuck Piluso, CEO of Data Storage Corporation, stated, "I am pleased to report we achieved a 76% increase in revenue for the three months ended June 30, 2021, compared to the same period last year. Specifically, we reported growth across all of our product lines, and expect to maintain strong organic growth going forward. Specifically, revenue for Infrastructure & Disaster Recovery/Cloud Services increased 25%; revenue for Equipment and Software increased 208%; revenue for Managed Services increased 269%; and revenue for Nexxis VoIP services increased 19%. We attribute this success to an increase in monthly subscription revenue and additional sales from the Flagship Solutions merger."

"As a leading provider of IBM solutions, managed services and cloud solutions, Flagship's offerings and established customers are highly complementary to our business. It's also important to note that the increase in reported revenue for the second quarter of 2021 includes just one month of Flagship results, June, since we completed the merger on May 31, 2021. Looking ahead, we see substantial opportunities to cross-sell solutions across Data Storage and Flagship's respective clients. We are also benefitting from other synergies following the acquisition, which we believe will help drive further operational efficiency across the organization."

"Given our expanded offering following the acquisition, we realigned our sales and marketing strategy to focus more heavily on four key verticals, where we have particularly strong sector expertise and see significant growth opportunities. These verticals include sports, banking & finance, healthcare, and government. Although we will still focus on opportunities in other sectors, we believe this new strategy will help accelerate our organic growth. Overall, we believe we are well positioned. The target marketplace for Infrastructure as a Service and Disaster Recovery as a Service is estimated at over one million logical partitions, virtual servers, in this mission critical technical environment. Our goal for the remainder of 2021 is to increase our presence in the IBM Power infrastructure cloud and business continuity marketplace and to further enhance our position as a leader in this market."

“Finally, we have significantly enhanced our balance sheet. We ended the second quarter of 2021 with approximately \$3.1 million of cash and cash equivalents after payments for the acquisition of Flagship. Since the end of the second quarter, we generated an additional \$3.4 million in net proceeds from the exercise of warrants and raised \$7.6 million through our recent registered direct in July. As a result, we believe we are positioned to execute on our organic growth strategy, as well as explore opportunistic and accretive acquisitions.”

Financial Results

Revenue for the three months ended June 30, 2021 was \$3.5 million, an increase of 76%, compared to \$2.0 million for the three months ended June 30, 2020. The increase was primarily attributable to additional sales from the Flagship merger and an increase in software and equipment sales, and Infrastructure & Disaster Recovery/Cloud Services.

Selling, general and administrative expenses for the three months ended June 30, 2021 were \$1.6 million compared to \$1.0 million for the three months ended June 30, 2020. The increase in expenses was primarily attributable to increases in salaries, professional fees, and advertising expenses as a result of the Flagship merger.

Net income for the three months ended June 30, 2020 was \$135,500 or \$0.03 per share, as compared to \$183,000 or \$0.05 per share for the three months ended June 30, 2020.

Conference Call

The Company plans to host a conference call at 11:00 AM Eastern Time on Monday, August 16, 2021, to discuss the Company’s financial results for the second quarter ended June 30, 2021, as well as corporate progress and other developments.

The conference call will be available via telephone by dialing toll free 888-506-0062 for U.S. callers or for international callers +1 973-528-0011 and using entry code: 518430. A webcast of the call may be accessed at <https://www.webcaster4.com/Webcast/Page/2763/42513>, or on the Company’s Investor Relations section of the website, ir.datastoragecorp.com.

A webcast replay of the call will be available on the Company’s Investor Relations section of the website (ir.datastoragecorp.com) through August 16, 2022. A telephone replay of the call will be available approximately one hour following the call, through August 30, 2021 and can be accessed by dialing 877-481-4010 for U.S. callers or +1 919-882-2331 for international callers and entering conference ID: 42513.

About Data Storage Corporation

The Company delivers and supports a broad range of premium technology solutions focusing on IaaS, data storage protection and IT management. Clients look to DSC to ensure disaster recovery, business continuity, enhance security, and to meet increasing industry, state and federal regulations. The Company markets to businesses, government, education and the healthcare industry by leveraging leading technologies. Through its business units, the Company provides IaaS, SaaS, DRaaS, VoIP, cyber security, data analytics, IBM Power systems and storage hardware with managed IT services. For more information, please visit <http://www.DataStorageCorp.com>

Safe Harbor Provision

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, that are intended to be covered by the safe harbor created thereby. Forward-looking statements are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements preceded by, followed by or that otherwise include the words “believes,” “expects,” “anticipates,” “intends,” “projects,” “estimates,” “plans” and similar expressions or future or conditional verbs such as “will,” “should,” “would,” “may” and “could” are generally forward-looking in nature and not historical facts, although not all forward-looking statements include the foregoing. The forward-looking statements include statements regarding the expansion of the existing relationship with the Falcons illustrating the scalability and performance of Flagship’s solutions. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can provide no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company’s expectations include, but are not limited to, the Company’s ability to leverage the scalability and performance of Flagship’s solutions, the Company’s ability to benefit from the IBM cloud migration underway, the Company’s ability to position itself for future profitability and the Company’s ability to maintain its Nasdaq listing. These risks should not be construed as exhaustive and should be read together with the other cautionary statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date on which it was initially made. Except as required by law, the Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise.

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tables follow

**DATA STORAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	June 30, 2021	December 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,076,120	\$ 893,598

Accounts receivable (less allowance for doubtful accounts of \$59,067 and \$30,000 in 2021 and 2020, respectively)	1,558,716	554,587
Prepaid expenses and other current assets	392,489	239,472
Total Current Assets	<u>5,027,325</u>	<u>1,687,657</u>
Property and Equipment:		
Property and equipment	6,327,875	7,845,423
Less—Accumulated depreciation	(4,177,560)	(5,543,822)
Net Property and Equipment	<u>2,150,315</u>	<u>2,301,601</u>
Other Assets:		
Goodwill	13,216,040	3,015,700
Operating lease right-of-use assets	198,549	241,911
Other assets	72,153	49,310
Intangible assets, net	391,662	455,935
Total Other Assets	<u>13,878,404</u>	<u>3,762,856</u>
Total Assets	\$21,056,044	\$ 7,752,114

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities:

Accounts payable and accrued expenses	\$ 1,547,763	\$ 979,552
Dividend payable	—	1,115,674
Deferred revenue	431,047	461,893
Line of credit	—	24
Finance leases payable	174,110	168,139
Finance leases payable related party	973,245	1,149,403
Operating lease liabilities short term	106,102	104,549
Contingent Consideration	4,950,000	—
Note payable	481,977	374,871
Total Current Liabilities	<u>8,664,244</u>	<u>4,354,105</u>

Note payable long term	—	107,106
Operating lease liabilities long term	102,407	147,525
Finance leases payable, long term	167,694	247,677
Finance leases payable related party, long term	597,408	974,743
Total Long Term Liabilities	<u>867,509</u>	<u>1,477,051</u>

Total Liabilities	<u>9,531,753</u>	<u>5,831,156</u>
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Stockholders' Equity:

Preferred stock, Series A par value \$.001; 10,000,000 shares authorized; 0 and 1,401,786 shares issued and outstanding in 2021 and 2020, respectively	—	1,402
Common stock, par value \$.001; 250,000,000 shares authorized; 4,862,352 and 3,213,486 shares issued and outstanding in 2021 and 2020, respectively	4,862	3,213
Additional paid in capital	27,276,653	17,745,785
Accumulated deficit	<u>(15,657,208)</u>	<u>(15,734,737)</u>
Total Data Storage Corp Stockholders' Equity	11,624,307	2,015,663
Non-controlling interest in consolidated subsidiary	<u>(100,016)</u>	<u>(94,705)</u>
Total Stockholder's Equity	<u>11,524,291</u>	<u>1,920,958</u>
Total Liabilities and Stockholders' Equity	<u>\$ 21,056,044</u>	<u>\$ 7,752,114</u>

**DATA STORAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Sales	\$ 3,528,249	\$ 2,005,625	\$ 6,102,940	\$ 4,104,335
Cost of sales	<u>2,021,324</u>	<u>1,140,421</u>	<u>3,442,223</u>	<u>2,356,538</u>
Gross Profit	1,506,925	865,204	2,660,717	1,747,797
Selling, general and administrative	<u>1,602,311</u>	<u>988,266</u>	<u>2,720,718</u>	<u>1,864,892</u>
Income (loss) from Operations	<u>(95,386)</u>	<u>(123,062)</u>	<u>(60,001)</u>	<u>(117,095)</u>
Other Income (Expense)				
Interest income	2	—	4	20
Interest expense	(46,623)	(43,679)	(81,670)	(90,139)
Gain on contingent liability	—	350,000	—	350,000
Loss on disposal of equipment	(29,732)	—	(29,732)	—
Gain on forgiveness of debt	307,300	—	307,300	—
Total Other Income (Expense)	<u>230,947</u>	<u>306,321</u>	<u>195,902</u>	<u>259,881</u>
Income before provision for income taxes	135,561	183,259	135,901	142,786

Provision for income taxes	—	—	—	—
Net Income	135,561	183,259	135,901	142,786
Non-controlling interest in consolidated subsidiary	3,552	7,487	5,311	13,550
Net Income attributable to Data Storage Corp	139,113	190,746	141,212	156,336
Preferred Stock Dividends	(24,800)	(35,041)	(63,683)	(69,227)
Net Income Attributable to Common Stockholders	\$ 114,313	\$ 155,705	\$ 77,529	\$ 87,109
Earnings per Share – Basic	\$ 0.03	\$ 0.05	\$ 0.02	\$ 0.03
Earnings per Share – Diluted	\$ 0.03	\$ 0.05	\$ 0.02	\$ 0.03
Weighted Average Number of Shares - Basic	3,981,402	3,213,485	3,607,909	3,212,822
Weighted Average Number of Shares - Diluted	4,118,989	3,357,589	3,611,242	3,356,926

**DATA STORAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six Months Ended June 30,	
	2021	2020
Cash Flows from Operating Activities:		
Net Income	\$ 135,901	\$ 142,786
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	577,044	494,467
Stock based compensation	76,221	74,386
Gain on forgiveness of debt	(307,300)	—
Gain on contingent liability	—	(350,000)
Loss on disposal of equipment	29,732	—
Changes in Assets and Liabilities:		

Accounts receivable	385,134	72,069
Other assets	(344)	16,125
Prepaid expenses and other current assets	(25,443)	(71,168)
Right of use asset	43,362	40,473
Accounts payable and accrued expenses	53,857	(55,529)
Deferred revenue	(99,582)	56,517
Operating lease liability	(43,565)	(39,168)
Net Cash Provided by Operating Activities	<u>825,017</u>	<u>380,958</u>
Cash Flows from Investing Activities:		
Capital expenditures	(303,228)	(101,850)
Cash consideration for business acquisition	(5,937,275)	—
Net Cash Used in Investing Activities	<u>(6,240,503)</u>	<u>(101,850)</u>
Cash Flows from Financing Activities:		
Proceeds from issuance of note payable	—	481,977
Repayments of finance lease obligations related party	(603,495)	(397,719)
Repayments of finance lease obligations	(74,010)	(4,109)
Proceeds from issuance of common stock and warrants	9,454,894	—
Cash received for the exercised of options	—	5,400
Repayments of Dividend payable	(1,179,357)	—
Repayment of line of credit	(24)	(74,976)
Net Cash Provided by Financing Activities	<u>7,598,008</u>	<u>10,573</u>
Increase in Cash and Cash Equivalents	2,182,522	289,681
Cash and Cash Equivalents, Beginning of Period	<u>893,598</u>	<u>326,561</u>
Cash and Cash Equivalents, End of Period	\$ 3,076,120	\$ 616,242
Supplemental Disclosures		
Cash paid for interest	\$ 78,136	\$ 77,095
Cash paid for income taxes	\$ —	\$ —
Non-cash investing and financing activities:		
Accrual of preferred stock dividend	\$ 63,683	\$ 69,227
Assets acquired by finance lease	\$ 50,000	\$ 663,078



Source: Data Storage Corp.