

August 11, 2022



Data Storage Corporation Reports 37% Increase in Revenue for the Second Quarter of 2022

Management to host conference call today, August 11, at 10:00 AM Eastern Time

MELVILLE, N.Y., Aug. 11, 2022 (GLOBE NEWSWIRE) -- **Data Storage Corporation (Nasdaq: DTST)** ("DSC" and the "Company"), a provider of diverse business continuity solutions for disaster-recovery, cloud infrastructure and cyber-security solutions, today provided a business update and reported financial results for the second quarter ended June 30, 2022.

Chuck Piluso, CEO of Data Storage Corporation, commented, "We continue to generate solid year-over-year growth, with revenue increasing 37% and 121% for the three and six months ended June 30, 2022, respectively. The higher increase in revenue for the six month period relates to the timing of one-time equipment sales, which were front-end loaded in the first quarter. Importantly, we have been increasing our focus on monthly recurring, subscription-based cloud and managed services, which increased 47% in the second quarter of 2022, compared to the same period last year. Given our established leadership position, we believe we are extremely well positioned to capitalize on growing opportunities as more companies seek to migrate their IBM Power infrastructure to the cloud. I'm also pleased to report that despite the lumpiness of equipment sales, we achieved positive EBITDA in the second quarter of 2022, and believe we are well positioned to drive increased profitability going forward given the scalability of our business model. We also ended the quarter with over \$11 million of cash and cash equivalents and no long-term debt, which provides us a solid foundation to accelerate our business model."

Conference Call

The Company plans to host a conference call at 10:00 am Eastern Time today, August 11, 2022, to discuss the company's financial results for the second quarter ended June 30, 2022, as well as corporate progress and other developments.

The conference call will be available via telephone by dialing toll-free 844-369-8770 for U.S. callers or for international callers +1 862-298-0840. A webcast of the call may be accessed at <https://www.webcaster4.com/Webcast/Page/2763/46363>, or on the Company's News & Events section of the website, <https://www.dtst.com/news-events/ir-calendar>.

A webcast replay of the call will be available on the Company's website (www.DTST.com) through August 11, 2023. A telephone replay of the call will be available approximately one hour following the call, through August 25, 2022, 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: 46363.

About Data Storage Corporation

The Company provides a broad range of premium business continuity solutions from seven data center facilities and two technical labs throughout the USA and Canada. The Company serves its clients with cloud infrastructure, disaster recovery and cyber security solutions. Clients look to Data Storage Corporation to ensure disaster recovery, business continuity, enhance cyber security, and meet increasing industry, state, and federal regulations. The Company markets to businesses, government, education, and the healthcare industry.

For more information, please visit <http://www.DTST.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. 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. 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, 2021, 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.

Contact:

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SOURCE: Data Storage Corporation

[Tables follow]

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 11,214,436	\$ 12,135,803
Accounts receivable (less allowance for credit losses of \$28,355 and \$30,000 in 2022 and 2021, respectively)	2,484,857	2,384,367
Prepaid expenses and other current assets	974,845	536,401
Total Current Assets	<u>14,674,138</u>	<u>15,056,571</u>
Property and Equipment:		
Property and equipment	7,092,451	6,595,236
Less—Accumulated depreciation	(4,510,837)	(4,657,765)
Net Property and Equipment	<u>2,581,614</u>	<u>1,937,471</u>
Other Assets:		
Goodwill	6,560,671	6,560,671
Operating lease right-of-use assets	325,745	422,318
Other assets	103,436	103,226
Intangible assets, net	2,115,105	2,254,566
Total Other Assets	<u>9,104,957</u>	<u>9,340,781</u>
Total Assets	\$ 26,360,709	\$ 26,334,823

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,312,387	\$ 1,343,391
Deferred revenue	249,482	366,859
Finance leases payable	424,603	216,299
Finance leases payable related party	706,001	839,793
Operating lease liabilities short term	207,062	205,414
Total Current Liabilities	<u>2,899,535</u>	<u>2,971,756</u>
Operating lease liabilities	128,952	226,344
Finance leases payable	421,648	157,424
Finance leases payable related party	450,970	364,654
Total Long Term Liabilities	<u>1,001,570</u>	<u>748,422</u>
Total Liabilities	<u>3,901,105</u>	<u>3,720,178</u>

Commitments and contingencies (Note 6)

Stockholders' Equity:

Preferred stock, Series A par value \$.001; 10,000,000 shares authorized; 0 and 0 shares issued and outstanding in 2022 and 2021, respectively

Common stock, par value \$.001; 250,000,000 shares authorized; 6,822,127 and 6,693,793 shares issued and outstanding in 2022 and 2021, respectively

Additional paid in capital

Accumulated deficit

Total Data Storage Corp Stockholders' Equity

Non-controlling interest in consolidated subsidiary

Total Stockholder's Equity

Total Liabilities and Stockholders' Equity

—	—
6,822	6,694
38,799,853	38,241,155
(16,221,610)	(15,530,576)
22,585,065	22,717,273
(125,461)	(102,628)
22,459,604	22,614,645
\$ 26,360,709	\$ 26,334,823

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Sales	\$ 4,827,749	\$ 3,528,249	\$ 13,484,948	\$ 6,102,940
Cost of sales	2,977,132	2,021,324	8,988,421	3,442,223
Gross Profit	1,850,617	1,506,925	4,496,527	2,660,717
Selling, general and administrative	2,594,204	1,602,311	5,054,070	2,720,718
Loss from Operations	(743,587)	(95,386)	(557,543)	(60,001)
Other Income (Expense)				
Interest expense, net	(113,664)	(46,621)	(156,324)	(81,666)
Loss on disposal of equipment	—	(29,732)	—	(29,732)

Gain on forgiveness of debt	<u>—</u>	<u>307,300</u>	<u>—</u>	<u>307,300</u>
Total Other Income (Expense)	<u>(113,664)</u>	<u>230,947</u>	<u>(156,324)</u>	<u>195,902</u>
Income (Loss) before provision for income taxes	(857,251)	135,561	(713,867)	135,901
Provision for income taxes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Income (Loss)	(857,251)	135,561	(713,867)	135,901
Non-controlling interest in consolidated subsidiary	<u>10,207</u>	<u>3,552</u>	<u>22,833</u>	<u>5,311</u>
Net Income (Loss) attributable to Data Storage Corp	(847,044)	139,113	(691,034)	141,212
Preferred Stock Dividends	<u>—</u>	<u>(24,800)</u>	<u>—</u>	<u>(63,683)</u>
Net Income (Loss) Attributable to Common Stockholders	\$ (847,044)	\$ 114,313	\$ (691,034)	\$ 77,529
Earnings (Loss) per Share – Basic	\$ (0.13)	\$ 0.03	\$ (0.10)	\$ 0.02
Earnings (Loss) per Share – Diluted	\$ (0.13)	\$ 0.03	\$ (0.10)	\$ 0.02

Weighted Average Number of Shares - Basic	6,758,238	3,981,402	6,727,108	3,607,909
Weighted Average Number of Shares - Diluted	6,758,238	4,118,989	6,758,238	3,611,242

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2022	2021
Cash Flows from Operating Activities:		
Net Income	\$ (713,867)	\$ 135,901
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	640,589	577,044
Stock based compensation	551,892	76,221
Gain on contingent liability	—	(307,300)
Loss on disposal of equipment	—	29,732
Changes in Assets and Liabilities:		
Accounts receivable	(100,490)	385,134
Other assets	(211)	(344)
Prepaid expenses and other current assets	(438,444)	(25,443)
Right of use asset	96,573	43,362
Accounts payable and accrued expenses	(31,003)	53,857
Deferred revenue	(117,377)	(99,582)
Operating lease liability	(95,744)	(43,565)
Net Cash (Used in) Provided by Operating Activities	<u>(208,082)</u>	<u>825,017</u>
Cash Flows from Investing Activities:		
Capital expenditures	(51,220)	(303,228)
Cash consideration for business acquisition	—	(5,937,275)
Net Cash Used in Investing Activities	<u>(51,220)</u>	<u>(6,240,503)</u>
Cash Flows from Financing Activities:		
Repayments of finance lease obligations related party	(487,403)	(603,495)
Repayments of finance lease obligations	(181,597)	(74,010)
Proceeds from issuance of common stock and warrants	—	9,454,894
Cash received for the exercised of options	6,935	—
Repayments of Dividend payable	—	(1,179,357)
Repayment of line of credit	—	(24)

Net Cash (Used in) Provided by Financing Activities	(662,065)	7,598,008
Increase (decrease) in Cash and Cash Equivalents	(921,367)	2,182,522
Cash and Cash Equivalents, Beginning of Period	12,135,803	893,598
Cash and Cash Equivalents, End of Period	\$ 11,214,436	\$ 3,076,120
Supplemental Disclosures:		
Cash paid for interest	\$ 76,874	\$ 78,136
Cash paid for income taxes	\$ —	\$ —
Non-cash investing and financing activities:		
Accrual of preferred stock dividend	\$ —	\$ 63,683
Assets acquired by finance lease	\$ 1,094,051	\$ 50,000

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA

To supplement our consolidated financial statements presented in accordance with GAAP and to provide investors with additional information regarding our financial results, we consider and are including herein Adjusted EBITDA, a Non-GAAP financial measure. We view Adjusted EBITDA as an operating performance measure and, as such, we believe that the GAAP financial measure most directly comparable to it is net income (loss). We define Adjusted EBITDA as net income adjusted for interest and financing fees, depreciation, amortization, stock-based compensation, and other non-cash income and expenses. We believe that Adjusted EBITDA provides us an important measure of operating performance because it allows management, investors, debtholders and others to evaluate and compare ongoing operating results from period to period by removing the impact of our asset base, any asset disposals or impairments, stock-based compensation and other non-cash income and expense items associated with our reliance on issuing equity-linked debt securities to fund our working capital.

Our use of Adjusted EBITDA has limitations as an analytical tool, and this measure should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP, as the excluded items may have significant effects on our operating results and financial condition. Additionally, our measure of Adjusted EBITDA may differ from other companies' measure of Adjusted EBITDA. When evaluating our performance, Adjusted EBITDA should be considered with other financial performance measures, including various cash flow metrics, net income and other GAAP results. In the future, we may disclose different non-GAAP financial measures in order to help our investors and others more meaningfully evaluate and compare our future results of operations to our previously reported results of operations.

The following table shows our reconciliation of net income (loss) to adjusted EBITDA for the three and six months ended June 30, 2022 and 2021, respectively:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net income (loss)	\$ (857,251)	\$ 135,561	\$ (713,867)	\$ 135,901
Non-GAAP adjustments:				
Depreciation and amortization	289,251	309,855	640,589	577,044
Interest income and expense	115,501	46,621	158,161	81,666
Flagship acquisition costs	—	—	605	—
Loss on disposal of equipment	—	29,732	—	29,732
Gain on forgiveness of debt	—	(307,300)	—	(307,300)
Stock based compensation	485,387	34,050	551,892	76,221
Adjusted EBITDA	\$ 32,888	\$ 248,519	\$ 637,380	\$ 593,264



Source: Data Storage Corp.