

March 31, 2023



Data Storage Corporation Reports 60% Increase in Revenue to \$23.9 Million for 2022

MELVILLE, N.Y., March 31, 2023 (GLOBE NEWSWIRE) -- Data Storage Corporation (Nasdaq: DTST) (“DSC” and the “Company”), a provider of diverse business continuity solutions for disaster-recovery, cloud infrastructure, cyber security, and IT services, today provided a business update and reported financial results for the twelve months ended December 31, 2022.

Chuck Piluso, CEO of Data Storage Corporation, commented, “We made meaningful progress the past year and achieved a 60% increase in revenue to \$23.9 million for 2022. Additionally, we reported positive adjusted EBITDA for the full year. While we witnessed strong year-over-year growth, we also implemented several important strategic initiatives that we believe will enable us to further accelerate growth and streamline the organization to ensure sustained profitability within each of our business subsidiaries.”

“Validating our efforts, our CloudFirst subsidiary generated \$11.5 million of revenue with an EBITDA margin of 27% and \$1.9 million of net income in 2022, on a standalone basis. Moving forward, we plan to replicate this success across each of our business segments, including Flagship, which we acquired in 2021. Specifically, our vision is to grow recurring revenue. Today, our sales and marketing teams are focused on building Flagship’s monthly recurring solutions and providing these solutions to new and existing clients while we continue to provide equipment and software to our clients. We also believe that investing in this recurring revenue strategy is aligned with the overall market as customers are working to outsource services and migrate to cloud-type solutions.”

“We have also realigned management and sales personnel to allocate resources towards services and verticals that we believe will generate the greatest return on capital, with a focus on areas such as cyber security and migration of customers to cloud-based solutions and long-term contracted managed services. These cloud-based solutions represent large addressable markets, where we are gaining traction, and have positioned ourselves as a leader in the market. At the same time, we continue to carefully manage expenses, and have maintained a strong balance sheet with approximately \$11.3 million in cash and short-term investments. Overall, we are executing on our business growth strategy and look forward to providing meaningful updates to shareholders as developments unfold.”

Conference Call

The Company plans to host a conference call at 10:00 am ET today, March 31st, 2023, to discuss the Company's financial results for the 2022 fiscal year ended December 31, 2022, as well as corporate progress and other developments.

The conference call will be available via telephone by dialing toll-free 877-451-6152 for U.S. callers or for international callers 1-201-389-0879. A webcast of the call may be accessed at https://viaavid.webcasts.com/starthere.jsp?ei=1604022&tp_key=53ef9c8f83, or on the Company's News & Events section of the website, www.dtst.com/news-events.

A webcast replay of the call will be available on the Company's website (www.dtst.com) through March 31st, 2024. A telephone replay of the call will be available approximately three hours following the call, through April 7th, 2023, and can be accessed by dialing 844-512-2921 for U.S. callers or + 1-412-317-6671 for international callers and entering conference ID: 13737044.

About Data Storage Corporation

Data Storage Corporation (Nasdaq: DTST) is a family of fully integrated cyber security, cloud infrastructure, and voice & data companies, built around investments in proprietary IT solutions for a broad range of domestic and global customers, including Fortune 500 clients, across a wide range of industries, such as government, education, and healthcare, with a focus on the rapidly growing, multi-billion-dollar business continuity market. A stable and emerging growth leader in cloud infrastructure support, DTST companies operate regional data center facilities across North America, sustainably servicing clients via recurring subscription agreements. Additional information about the Company is available at: www.dtst.com and on Twitter ([@DataStorageCorp](https://twitter.com/DataStorageCorp)).

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, 2022, 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:

Crescendo Communications, LLC
212-671-1020

DTST@crescendo-ir.com

SOURCE: Data Storage Corporation

[Tables follow]

CONSOLIDATED BALANCE SHEETS

	December 31, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,286,722	\$ 12,135,803
Short-term investments	9,010,968	—
Accounts receivable (less allowance for credit losses of \$27,250 and \$30,000 in 2022 and 2021, respectively)	3,502,836	2,384,367
Prepaid expenses and other current assets	584,666	536,401
Total Current Assets	15,385,192	15,056,571
Property and Equipment:		
Property and equipment	7,168,488	6,595,236
Less—Accumulated depreciation	(4,956,698)	(4,657,765)
Net Property and Equipment	2,211,790	1,937,471
Other Assets:		
Goodwill	4,238,671	6,560,671
Operating lease right-of-use assets	226,501	422,318
Other assets	48,437	103,226
Intangible assets, net	1,975,644	2,254,566
Total Other Assets	6,489,253	9,340,781
Total Assets	\$ 24,086,235	\$ 26,334,823
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 3,207,577	\$ 1,343,391
Deferred revenue	281,060	366,859
Finance leases payable	359,868	216,299
Finance leases payable related party	520,623	839,793
Operating lease liabilities short term	160,657	205,414
Total Current Liabilities	4,529,785	2,971,756
Operating lease liabilities	71,772	226,344
Finance leases payable	281,242	157,424
Finance leases payable related party	256,241	364,654
Total Long Term Liabilities	609,255	748,422

Total Liabilities	5,139,040	3,720,178
Commitments and contingencies	—	—
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	6,822	6,694
Additional paid in capital	38,982,440	38,241,155
Accumulated deficit	(19,887,378)	(15,530,576)
Total Data Storage Corp Stockholders' Equity	19,101,884	22,717,273
Non-controlling interest in consolidated subsidiary	(154,689)	(102,628)
Total Stockholder's Equity	18,947,195	22,614,645
Total Liabilities and Stockholders' Equity	\$ 24,086,235	\$ 26,334,823

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2022	2021
	<u>2022</u>	<u>2021</u>
Sales	\$ 23,870,837	\$ 14,876,227
Cost of sales	15,787,544	8,459,117
Gross Profit	8,083,293	6,417,110
Impairment of intangible assets	2,322,000	—
Selling, general and administrative	9,837,308	7,184,182
Loss from Operations	(4,076,015)	(767,072)
Other Income (Expense)		
Interest expense, net	(130,087)	(126,746)
Impairment of deferred offering costs and financing costs associated with canceled financing efforts	(127,343)	—
Other Expense	(75,418)	—
Loss on disposal of equipment	—	(44,732)
Gain on forgiveness of debt	—	798,840
Total Other Income (Expense)	(332,848)	627,362

Income (Loss) before provision for income taxes	(4,408,863)	(139,710)
Benefit from income taxes	—	399,631
Net Income (Loss)	(4,408,863)	259,921
Non-controlling interest in consolidated subsidiary	52,061	7,923
Net Income (Loss) attributable to Data Storage Corp	(4,356,802)	267,844
Preferred Stock Dividends	—	(63,683)
Net Income (Loss) Attributable to Common Stockholders	\$ (4,356,802)	\$ 204,161
Earnings per Share – Basic	\$ (0.64)	\$ 0.04
Earning pers Share – Diluted	\$ (0.64)	\$ 0.03
Weighted Average Number of Shares – Basic	6,775,140	5,075,716
Weighted Average Number of Shares – Diluted	6,775,140	6,340,125

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2022	2021
Cash Flows from Operating Activities:		
Net (loss) income	\$ (4,408,863)	\$ 259,921
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,225,911	1,284,345
Stock based compensation	734,479	171,798
Gain on forgiveness of debt	—	(798,840)
Impairment of deferred offering costs and financing costs associated with canceled financing efforts	127,343	—
Impairment of intangible assets	2,322,000	—
Loss on disposal of equipment	—	44,732
Received interest income on short-term investments	(10,968)	—
Deferred income taxes, release of valuation allowance	—	(399,631)
Changes in Assets and Liabilities:		
Accounts receivable	(1,118,469)	(440,517)
Other assets	54,788	(6,417)
Prepaid expenses and other current assets	(48,265)	(169,355)

Right of use asset	195,817	(180,407)
Accounts payable and accrued expenses	1,864,188	(142,233)
Deferred revenue	(85,799)	(163,770)
Operating lease liability	(199,329)	179,684
Net Cash Provided by (Used in) Operating Activities	<u>652,833</u>	<u>(360,690)</u>
Cash Flows from Investing Activities:		
Investor deposit	—	(25,000)
Capital expenditures	(127,257)	(455,835)
Purchase of short-term investments	(9,000,000)	—
Cash acquired in business acquisition	—	212,068
Cash consideration for business acquisition	—	(6,149,343)
Net Cash Used in Investing Activities	<u>(9,127,257)</u>	<u>(6,418,110)</u>
Cash Flows from Financing Activities:		
Proceeds from line of credit	—	50,000
Repayments of finance lease obligations related party	(867,741)	(968,420)
Repayments of finance lease obligations	(386,509)	(156,845)
Payments for deferred offering costs	(127,343)	—
Proceeds from issuance of common stock and warrants	—	16,944,380
Cash received for the exercise of Warrants	—	3,381,271
Cash received for the exercise of options	6,934	—
Repayments of Dividend payable	—	(1,179,357)
Repayment of line of credit	—	(50,024)
Net Cash (Used in) Provided by Financing Activities	<u>(1,374,657)</u>	<u>18,021,005</u>
Increase (decrease) in Cash and Cash Equivalents	(9,849,081)	11,242,205
Cash and Cash Equivalents, Beginning of Period	<u>12,135,803</u>	<u>893,598</u>
Cash and Cash Equivalents, End of Period	\$ 2,286,722	\$ 12,135,803
Supplemental Disclosures:		
Cash paid for interest	\$ 127,871	\$ 116,682
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	\$ 164,754



Source: Data Storage Corp.