

August 11, 2022



DecisionPoint Systems Announces Second Quarter 2022 Results

Revenue increased 81.3% to a record \$27.5 million

GAAP net income and diluted EPS of \$0.7 million and \$0.09;

*Non-GAAP net income and non-GAAP diluted EPS increased 227.4% and 233.3%; Adjusted
EBITDA increased 392.6% to \$2.7 million*

*Raises full-year 2022 revenue guidance to \$87.0 to \$90.0 million (33-36% growth) and
adjusted EBITDA guidance to \$4.6 to \$5.0 million*

DELRAY BEACH, Fla., Aug. 11, 2022 /CNW/ -- DecisionPoint™ Systems, Inc. (NYSE American: DPSI), a mobility-first enterprise services and solutions company today announced second quarter 2022 financial results.



MOVING DECISIONS CLOSER TO THE CUSTOMER™

| | |
|--|--|
| DecisionPoint (NYSE American:DPSI) reports record quarterly revenue; Increases 2022 Guidance | Systems American:DPSI) quarterly 2022 |
|--|--|

"Our mobility-first strategy is working as we had our best revenue quarter ever due to broad-based strength across our verticals," said Steve Smith, chief executive officer. "Demand from our retail vertical customers was robust, and we successfully leveraged strong relationships with our OEM and distribution partners to partially ship two significant

equipment orders while still building up inventory to fill our backlog in future quarters.

"We also made significant progress integrating the two strategic acquisitions made during the first quarter that strengthen our positions in the Transportation and Direct Store Delivery verticals. As a result, we realized cost synergies and are executing on many cross-selling opportunities. This quick realization of value also allows us to look at new potential acquisitions during the second half of the year."

Second Quarter Highlights (2022 versus 2021)

- Revenue increased 81.3% to \$27.5 million;
- Gross Profit increased 81.0% to \$6.3 million;
- GAAP Net Income and diluted EPS increased to \$0.7 million and \$0.09, respectively;
- Non-GAAP Net Income and non-GAAP diluted EPS increased 227.4% and 233.3% to \$0.8 million and \$0.10, respectively;
- Adjusted EBITDA increased 392.6% to \$2.7 million;
- Backlog as of June 30, 2022 was \$28.0 million.

Second Quarter Select Financial Metrics: 2022 versus 2021

| (in \$M except for EPS) | 2Q22 | 2Q21 | Change | YTD 2022 | YTD 2021 | Change |
|--|---------|---------|----------|----------|----------|---------|
| Total Revenue | \$ 27.5 | \$ 15.2 | 81.3 % | \$ 47.2 | \$ 31.2 | 51.2 % |
| Hardware Revenue | \$ 20.6 | \$ 10.3 | 240.3 % | \$ 34.9 | \$ 20.7 | 68.4 % |
| Software and Services Revenue | \$ 4.8 | \$ 3.6 | 149.1 % | \$ 9.0 | \$ 7.7 | 15.6 % |
| Consumables Revenue | \$ 2.1 | \$ 1.3 | 156.0 % | \$ 3.4 | \$ 2.8 | 21.4 % |
| Gross Profit | \$ 6.3 | \$ 3.5 | 80.98 % | \$ 11.0 | \$ 7.3 | 50.0 % |
| Operating Income | \$ 2.0 | \$ 0.1 | 1670.5 % | \$ 2.2 | \$ 0.4 | 403.9 % |
| GAAP Net Income | \$ 0.7 | \$ 0.2 | 324.1 % | \$ 1.6 | \$ 1.5 | 4.7 % |
| GAAP Diluted Earnings Per Share | \$ 0.1 | \$ 0.0 | 307.0 % | \$ 0.2 | \$ 0.2 | 3.5 % |
| Non-GAAP Net Income | \$ 0.8 | \$ 0.3 | 227.4 % | \$ 2.1 | \$ 0.5 | 351.4 % |
| Non-GAAP Diluted EPS | \$ 0.1 | \$ 0.0 | 233.3 % | \$ 0.3 | \$ 0.1 | 300.0 % |
| Adjusted EBITDA | \$ 2.7 | \$ 0.6 | 392.6 % | \$ 3.8 | \$ 1.4 | 182.3 % |

*numbers may not add due to rounding

Balance Sheet and Liquidity as of June 30, 2022

Cash and cash equivalents were \$8.5 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 \$12.9 million compared to \$2.5 million in the second quarter of 2021.

2022 Commentary

"Our strong first half of the year combined with a large backlog gives us the confidence to increase our revenue and adjusted EBITDA guidance for 2022. We now expect revenue to be \$87 to \$90 million, representing 33% to 36% growth versus 2021. We also expect approximately \$20 million to come from services. Within this range, we expect Adjusted EBITDA to be between \$4.6 and \$5.0 million," concluded Smith.

Conference Call and Webcast Information

DecisionPoint's earnings release will be filed on Form 8-K and posted on the DecisionPoint investor relations website (<https://www.decisionpt.com/investing-in-decisionpoint/>) at approximately 4:10 p.m. Eastern Time on August 11, 2022. Management will host an earnings conference call and webcast at 4:30 p.m. Eastern Time. Management's presentation of the results, outlook and strategy will be followed by Q&A with investors.

Live Call Information:

Date: August 11, 2022

Time: 4:30 p.m. Eastern Time

Dial-in Toll Free: 1-888-882-4478

Dial-in Toll/International: 1-323-794-2590

Webcast: https://viaavid.webcasts.com/starthere.jsp?ei=1563737&tp_key=933b447d44

Replay Information:

Toll Free: 1-844-512-2921

Toll/International: 1-412-317-6671

Replay Pin Number: 1185733

Replay Start: Thursday August 11, 2022, 7:30 PM ET

Replay Expiry: Thursday August 18, 2022, 11:59 PM 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

This press release contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 that are based on management's beliefs and assumptions and on information currently available to management. These statements involve risks, uncertainties and other factors that may cause actual results, levels of activity, performance, or achievements to be materially different from the information expressed or implied by forward-looking statements. Forward-looking statements in this press release may include statements about our plans to obtain funding for our current and proposed operations and potential acquisition and expansion efforts; the ultimate impact of the COVID-19 pandemic, or any other health epidemic, on our business, our clientele or the global economy as a whole; debt obligations of the Company; our general history of operating losses; our ability to compete with companies producing products and services; the scope of protection we are able to establish and maintain for intellectual property rights covering our products and technology; the accuracy of our estimates regarding expenses, future revenue, capital requirements and needs for additional financing; our ability to develop and maintain our corporate infrastructure, including our internal controls; our ability to develop innovative new products; and our financial performance. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this press release, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. We qualify all of our forward-looking statements by these cautionary statements. Forward-looking statements speak only as of the date they are made, and we do not undertake to update these statements other than as required by law. You are advised, however, to review any further disclosures we make on related subjects in our periodic filings with the Securities and Exchange Commission.

Investor Relations Contact:

Brian Siegel, IRC, MBA
Senior Managing Director, Hayden IR
(346) 396-8696
Brian@haydenir.com

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

| | June 30, 2022 | December 31, 2021 |
|--|------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 8,459 | \$ 2,587 |
| Accounts receivable, net | 18,654 | 12,302 |
| Inventory, net | 871 | 2,111 |
| Deferred costs | 1,867 | 1,998 |
| Prepaid expenses and other current assets | 516 | 336 |
| Total current assets | 30,367 | 19,334 |
| Operating lease assets | 2,924 | 329 |
| Property and equipment, net | 1,670 | 834 |
| Deferred costs, net of current portion | 2,051 | 1,492 |
| Deferred tax assets | 1,410 | 1,999 |
| Intangible assets, net | 5,223 | 3,564 |
| Goodwill | 10,012 | 8,128 |
| Other assets | 41 | 50 |
| Total assets | <u>\$ 53,698</u> | <u>\$ 35,730</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,310 | \$ 10,273 |
| Accrued expenses and other current liabilities | 3,736 | 3,220 |
| Deferred revenue | 13,086 | 4,599 |
| Current portion of long-term debt | 3 | 3 |
| Current portion of operating lease liabilities | 452 | 257 |
| Total current liabilities | 32,587 | 18,352 |
| Deferred revenue, net of current portion | 3,271 | 2,510 |
| Long-term debt | 144 | 146 |
| Noncurrent portion of operating lease liabilities | 2,747 | 83 |
| Other liabilities | 221 | 381 |
| Total liabilities | 38,970 | 21,472 |
| Commitments and contingencies | | |
| 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 | 38,113 | 39,216 |
| Accumulated deficit | (23,392) | (24,965) |
| Total stockholders' equity | 14,728 | 14,258 |
| Total liabilities and stockholders' equity | <u>\$ 53,698</u> | <u>\$ 35,730</u> |

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

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|---------------|-------------------------|-----------------|
| | June 30, | | June 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Net sales: | | | | |
| Product | \$ 22,692 | \$ 11,574 | \$ 38,272 | \$ 23,497 |
| Service | 4,814 | 3,595 | 8,955 | 7,744 |
| Net sales | <u>27,506</u> | <u>15,169</u> | <u>47,227</u> | <u>31,241</u> |
| Cost of sales: | | | | |
| Product | 17,869 | 9,208 | 30,290 | 18,657 |
| Service | 3,310 | 2,465 | 5,935 | 5,250 |
| Cost of sales | <u>21,179</u> | <u>11,673</u> | <u>36,225</u> | <u>23,907</u> |
| Gross profit | <u>6,327</u> | <u>3,496</u> | <u>11,002</u> | <u>7,334</u> |
| Operating expenses: | | | | |
| Sales and marketing expense | 2,384 | 1,910 | 4,560 | 3,799 |
| General and administrative expenses | 1,960 | 1,474 | 4,220 | 3,094 |
| Total operating expenses | <u>4,344</u> | <u>3,384</u> | <u>8,780</u> | <u>6,893</u> |
| Operating income | <u>1,983</u> | <u>112</u> | <u>2,222</u> | <u>441</u> |
| Interest expense | (9) | (21) | (35) | (50) |
| Gain on extinguishment of debt | - | — | - | 1,211 |
| Other income (expense) | (21) | — | (16) | — |
| Income before income taxes | <u>1,953</u> | <u>91</u> | <u>2,171</u> | <u>1,602</u> |
| Income tax benefit (expense) | <u>(1,232)</u> | <u>79</u> | <u>(598)</u> | <u>(99)</u> |
| Net income and comprehensive income attributable to common stockholders | <u>\$ 721</u> | <u>\$ 170</u> | <u>\$ 1,573</u> | <u>\$ 1,503</u> |
| Earnings per share attributable to stockholders (1): | | | | |
| Basic | \$ 0.10 | \$ 0.02 | \$ 0.22 | \$ 0.22 |
| Diluted | \$ 0.09 | \$ 0.02 | \$ 0.20 | \$ 0.20 |
| Weighted average common shares outstanding | | | | |
| Basic | 7,222 | 6,942 | 7,209 | 6,913 |
| Diluted | 7,691 | 7,392 | 7,720 | 7,647 |

(1) All share and per share information has been retroactively adjusted to reflect a reverse stock split.

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

| | Six Months Ended | |
|---|-------------------------|-----------------|
| | June 30, | |
| | 2022 | 2021 |
| Cash flows from operating activities | | |
| Net income | \$ 1,573 | \$ 1,503 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Loss on fixed asset disposal | 22 | - |
| Depreciation and amortization | 1,128 | 715 |
| Gain on extinguishment of debt | - | (1,211) |
| | - | 25 |
| Amortization of deferred financing costs | | |
| Share-based compensation expense | 275 | 74 |
| Deferred income taxes, net | 589 | (18) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (4,950) | 5,203 |
| Inventory, net | 1,369 | (252) |
| Deferred costs | (305) | 150 |
| Prepaid expenses and other current assets | (171) | (301) |
| Accounts payable | 4,479 | (4,730) |
| Accrued expenses and other current liabilities | (501) | (221) |
| Due to related parties | - | 25 |
| Operating lease liabilities | 264 | (3) |
| Deferred revenue | 9,100 | 1,532 |
| Net cash provided by operating activities | <u>12,872</u> | <u>2,491</u> |
| Cash flows from investing activities | | |
| Cash paid for acquisitions, net of cash acquired | (4,525) | (170) |
| Purchases of property and equipment | (1,095) | (155) |
| Net cash used in investing activities | <u>(5,620)</u> | <u>(325)</u> |
| Cash flows from financing activities | | |
| Line of credit, net | - | (1,206) |
| Payment under term loan | (2) | - |
| Cash paid for cashless exercise of stock options | (1,403) | - |
| Proceeds from exercise of stock options | 25 | 2 |
| Net cash used in financing activities | <u>(1,380)</u> | <u>(1,204)</u> |
| Change in cash | 5,872 | 962 |
| Cash, beginning of period | 2,587 | 2,005 |
| Cash, end of period | <u>\$ 8,459</u> | <u>\$ 2,967</u> |
| Supplemental disclosures of cash flow information | | |
| Cash paid for interest | \$ 31 | \$ 30 |
| Cash paid for taxes | 109 | 362 |
| Non-cash investing and financing activities | | |
| Right of use assets obtained in exchange for new operating lease liabilities | \$ 3,211 | \$ — |
| Cashless exercise of stock options | \$ 3,508 | \$ — |

Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements presented on a GAAP basis, we have provided non-GAAP financial information, namely non-GAAP Net Income, non-GAAP diluted EPS and Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization adjusted for transaction-related and non-recurring items). We believe that these non-GAAP measures provide investors with a better understanding of how the results relate to our historical performance as well as when comparing our results to other publicly-traded companies. The additional adjusted information is not meant to be considered in isolation or as a substitute for GAAP financials. Management believes that these adjusted measures reflect the essential operating activities of the Company. A reconciliation of non-GAAP financial information appears below:

DecisionPoint Systems, Inc.
Supplemental Financial Information
Reconciliation of Select GAAP Financial Measures to Non-GAAP Financial Measures
(in thousands, except per share data)
(unaudited)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------------------------------|----------------|-----------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income, as reported | \$ 721 | \$ 170 | \$ 1,573 | \$ 1,503 |
| Share-based compensation | 50 | 40 | 275 | 74 |
| Business acquisition costs | 25 | 42 | 202 | 106 |
| NYSE American uplisting costs | 29 | - | 29 | 14 |
| Gain on extinguishment of debt | - | - | - | (1,211) |
| | | | \$ | |
| Non-GAAP net income | \$ 825 | \$ 252 | \$ 2,079 | \$ 486 |
| Depreciation and amortization | 663 | 360 | 1,118 | 720 |
| Income taxes | 1,232 | (79) | 598 | 99 |
| Interest expense | 9 | 21 | 35 | 50 |
| | \$ | | | |
| Adjusted EBITDA | 2,729 | \$ 554 | \$ 3,830 | \$ 1,355 |
| Diluted EPS, as reported | \$ 0.09 | \$ 0.02 | \$ 0.20 | \$ 0.20 |
| Adjusted Diluted EPS | \$ 0.10 | \$ 0.03 | \$ 0.27 | \$ 0.07 |
| Weighted average diluted common shares outstanding | 7,691 | 7,392 | 7,720 | 7,647 |

View original content to download multimedia <https://www.prnewswire.com/news-releases/decisionpoint-systems-announces-second-quarter-2022-results-301604607.html>

SOURCE DecisionPoint Systems, Inc.