

May 13, 2015



InterCloud Systems Reports First Quarter Results

- 1st Quarter Revenue Grew 49% to \$21.0 Million
- 1st Quarter Gross Profit Increased 87% to \$7.4 Million
- 1st Quarter Gross Profit Margins Improved to 35%
- 1st Quarter Adjusted EBITDA of \$598,000

SHREWSBURY, N.J., May 13, 2015 (GLOBE NEWSWIRE) --InterCloud Systems, Inc. (the "Company" or "InterCloud") (Nasdaq:ICLD), is a leading provider of cloud networking orchestration and automation solutions and services, today reported financial results for the first quarter of 2015.

1st Quarter Financial Highlights:

- Revenue increased 49% year-over-year to \$21.0 million
- Gross Profit increased 87% year-over-year to \$7.4 million
- Gross Profit Margin increased year over year from 28% to 35%
- Adjusted EBITDA of \$598,000 compared to \$(1.5) million in the first quarter of 2014

Mark Munro, Chairman and CEO of InterCloud, stated, "We are extremely pleased to report that in the first quarter InterCloud increased revenue of 49% year over year. Importantly, organic growth rate across our businesses was 29% with the balance coming through acquisitions. This is a very important milestone and reflects our increasing success in penetrating large and high growth cloud networking markets. InterCloud also increased gross profit margin to 35% up from 28% last year due to the strength of our cloud segment. Our business continues to gain momentum in 2015 and we remain focused on improving the financial performance of the Company as our business continues to grow this year.

We remain excited about the expansion of our Cloud technology portfolio, the continued addition of new industry leading sales and engineering talent, and in the strategic business partnerships we have fostered and will continue to develop. InterCloud continues to build upon our competitive product and solution advantages in our markets through innovation and automation. We look forward to continued success in 2015 and we thank all investors for continuing to support our company."

Munro continues, "We have incorporated a summary of the Company's debt to make it easier for investors to understand our capital structure. We break out senior and subordinated debt and document which instruments include cash interest and principal payments as well as conversion features. At the end of the first quarter, we had only \$4 million of secured debt at the corporate level."

First Quarter Financial Results:

Revenue for the first quarter ended March 31, 2015 increased by 49% to \$21.0 million, compared to \$14.1 million for the first quarter of 2014. This was the result of increased revenue from all of our business segments including organic growth of 29% across our business lines with the remainder through acquisitions.

Gross profit margin increased to 35% during the first quarter of 2015, compared to 28% for the comparable period in 2014. The overall increase in gross profit margin was due to the growth in the gross profit percentage in our cloud segment. The gross profit in the cloud segment was 84% in 2015.

The Company had a net loss attributable to common stockholders of \$(10.7) million for the first quarter of 2015 compared to net income of \$10.3 million for the comparable period of 2014. The increase in net loss during the first quarter of 2015 compared to the comparable period of 2014 resulted from a change in the fair value of derivative instruments of \$20.0 million and a loss on the modification of debt totaling \$3.0 million. Additionally during the quarter, salaries and SG&A expense increased by \$2.9 million compared to the first quarter of 2014 as the Company implements its cloud networking orchestration and automation growth strategy.

These increases were offset by decreases in losses on extinguishment of debt and debt discount of \$6.9 million. Salaries and wages expense includes non-cash stock compensation expense of \$1.3 million for the first quarter of 2015 compared to \$0.2 million for the first quarter of 2014.

Business Highlights for First Quarter

- InterCloud announces backlog of \$36 million.
- InterCloud announces its sales pipeline has grown to \$169 million
- InterCloud becomes an Amazon Web Services company partner
- InterCloud to present at OpenStack Conference with Juniper Networks in Vancouver in May 2015
- InterCloud Systems Launched NFVGrid, a Network Functions Virtualization Orchestration Platform
- InterCloud Completed SOC 2 Type II Report of Secure Online Backup Service Operations
- InterCloud announces roll out of a new proof of concept (POC) for SDN/NFV platform for large enterprise with over 12,000 virtual machines in its network

Term Loans and Related Party Notes as of March 31, 2015 (in millions)

Unsecured:

Related Parties	\$ 17.9 (1)
Private Equity Firms - Former Owners of VaultLogix	15.6 (2)
Other Unsecured	2.1

Secured:

White Oak Term Loan	12.1 (3)
Senior Secured	3.8 (4)
Total Term Loans and Related Party Payables	<u>\$ 51.5*</u>

(1) The Company does not pay cash interest. Blended interest rate of 5.22%. Maturing between May 2016 and January 2018. \$12.5 million is convertible into common shares.

(2) The Company does not pay cash interest. Interest rate of 8.0%. Maturing in October 2017. Convertible at \$6.36 per share.

(3) Secured by the assets of Vaultlogix. Vaultlogix is currently servicing this term loan out of free cash flow, which includes a quarterly principal payment of \$500,000 and cash interest at 12%.

(4) Secured by the assets of the Company (excluding Vaultlogix). Cash interest rate at 12%.

*This balance is net of debt discounts \$6.5 million.

Use of Non-GAAP Financial Measures

This earnings release includes the following Non-GAAP financial measures; Adjusted EBITDA, Non-GAAP net income (loss) and Non-GAAP net income (loss) per share. We define adjusted EBITDA as net loss adjusted to exclude interest income, interest expense, income taxes, depreciation and amortization, stock based compensation, transaction costs from acquisitions, certain legal expenses, salaries for terminated employees, change in the fair value of contingent consideration and derivative instruments, losses attributable to a non-controlling interest, losses from conversion of debt, extinguishment of debt, modification of debt and losses on debt discount.

We define Non-GAAP net income (loss) as net loss adjusted to exclude stock based compensation, transaction costs from acquisitions, certain legal expenses, salaries for terminated employees, change in the fair value of contingent consideration and derivative instruments, losses from conversion of debt, extinguishment of debt, income taxes, loss attributable to a non-controlling interest, modification of debt and losses on debt discount.

We have provided below a reconciliation of each of Adjusted EBITDA and Non-GAAP net income (loss) to net loss, the most directly comparable GAAP financial measure. Neither Adjusted EBITDA nor Non-GAAP net income (loss) should be considered as an alternative to net loss or any other measure of financial performance calculated and presented in accordance with GAAP.

We believe that Adjusted EBITDA and Non-GAAP net income (loss) are useful because they facilitate operating performance comparisons on a period-to-period basis as they exclude variations primarily caused by changes in the excluded items noted above. In addition, we believe that Adjusted EBITDA, Non-GAAP net income (loss) and similar measures are widely used by investors, securities analysts, rating agencies and other parties in evaluating companies as measures of financial performance.

Our use of each of Adjusted EBITDA and Non-GAAP net income (loss) has limitations as an analytical tool, and you should not consider either in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect the payment or receipt of interest or the payment of income taxes;
- Neither Adjusted EBITDA nor Non-GAAP net income (loss) reflects changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditures requirements for such replacements or for new capital expenditures or any other contractual commitments;
- Neither Adjusted EBITDA nor Non-GAAP net income (loss) consider the potentially dilutive impact of shares issued or to be issued in connection with share-based compensation or warrant issuances; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA and Non-GAAP net income (loss) differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, you should consider Adjusted EBITDA and Non-GAAP net income (loss) alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results. In addition, in evaluating Adjusted EBITDA and Non-GAAP net income (loss), you should be aware that in the future we will incur expenses such as those that are the subject of adjustments in deriving Adjusted EBITDA and Non-GAAP net income (loss) and you should not infer from our presentation of Adjusted EBITDA and Non-GAAP net income (loss) that our future results will not be affected by these expenses or any unusual or non-recurring items.

About InterCloud Systems, Inc.

InterCloud Systems, Inc. is a cloud computing company which provides end-to-end information technology (IT) and next-generation network solutions including Software Defined Networking (SDN) and Network Function Virtualization (NFV) orchestration to the telecommunications service provider (carrier) and corporate enterprise markets through cloud solutions and professional services. Additional information regarding InterCloud may be found on InterCloud's website at www.intercloudsys.com.

Forward Looking Statements

Statements in this press release regarding InterCloud that are not historical facts are forward-looking statements and are subject to risks and uncertainties that could cause actual future events or results to differ materially from such statements. Any such forward-looking statements, including, but not limited to, financial guidance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements include all statements that do not directly or exclusively relate to historical facts. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "forecasts," "predicts," "potential," or the negative of those terms, and similar expressions and comparable terminology. These include, but are

not limited to, statements relating to future events or our future financial and operating results, plans, objectives, expectations and intentions. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these expectations may not be achieved. Forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to known and unknown risks, uncertainties and other factors outside of our control that could cause our actual results, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. In addition to the risks described above, these risks and uncertainties include: our ability to successfully execute our business strategies, including integration of the recent acquisitions of AW Solutions, Inc., Integration Partners-NY Corporation, RentVM, Inc. and VaultLogix, LLC and the future acquisition of other businesses to grow our company; customers' cancellation on short notice of master service agreements from which we derive a significant portion of our revenue or our failure to renew such master service agreements on favorable terms or at all; our ability to attract and retain key personnel and skilled labor to meet the requirements of our labor-intensive business or labor difficulties which could have an effect on our ability to bid for and successfully complete contracts; our failure to compete effectively in our highly competitive industry could reduce the number of new contracts awarded to us or adversely affect our market share and harm our financial performance; our ability to adopt and master new technologies and adjust certain fixed costs and expenses to adapt to our industry's and customers' evolving demands; our history of losses, deficiency in working capital and a stockholders' deficit and our ability to achieve sustained profitability; material weaknesses in our internal control over financial reporting and our ability to maintain effective controls over financial reporting in the future; our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations; the impact of new or changed laws, regulations or other industry standards that could adversely affect our ability to conduct our business; and changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural or man-made disasters.

These forward-looking statements represent our estimates and assumptions only as of the date of this release and, except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this release. Given these uncertainties, you should not place undue reliance on these forward-looking statements and should consider various factors, including the risks described, among other places, in our most recent Annual Report on Form 10-K and in our Quarterly Reports on Form 10-Q, as well as any amendments thereto, filed with the SEC.

Consolidated Statement of Operations
(Dollar amounts in thousands, except per share data)

For the quarter ended	
March 31,	
2015	2014

Revenues	\$ 20,993	\$ 14,075
Gross Profit	7,375	3,934
Operating Expenses	10,894	6,665
Loss from operations	(3,519)	(2,731)
Other (expense) income, net	(6,875)	9,576
Net (loss) income before provision for (benefit from) income taxes	(10,394)	6,845
Provision for (benefit from) income taxes	143	(3,556)
Net (loss) income	(10,537)	10,401
Net (loss) income attributable to InterCloud Systems, Inc's. common stockholders	\$ (10,724)	\$ 10,348
Basic net (loss) income per share	\$ (0.62)	\$ 1.10
Diluted loss per share	\$ (0.62)	\$ (0.96)
Basic weighted average common shares outstanding	17,203,434	9,449,622
Diluted weighted average common shares outstanding	17,203,434	11,020,743

Selected Balance Sheet Data

(Dollar amounts in thousands, except per share data)

	March 31, December 31,	
	2015	2014
Cash	\$ 4,770	\$ 5,470
Accounts receivable, net	13,931	19,421
Total current assets	21,106	28,948
Goodwill and intangible assets	90,381	90,053
Total assets	113,713	121,357
Total current liabilities	29,709	41,966
Other liabilities, including long-term debt	51,612	43,151
Stockholders' equity	32,392	36,240

Reconciliation of Net (Loss) Income to Adjusted EBITDA

(Unaudited)

(Dollar amounts in thousands, except per share data)

	Three Months Ended March 31,	
	2015	2014
Net (loss) income	\$ (10,724)	\$ 10,348
Non-GAAP Adjustments:		
Interest expense	3,660	3,277
Provision for (benefit from) income taxes	143	(3,556)

Depreciation and amortization	1,750	518
Stock-based compensation	1,254	183
Salaries for terminated employees	695	--
Acquisition costs	34	225
Certain litigation costs	331	270
Change in fair value of contingent consideration	53	--
Change in fair value of derivative	(1,025)	(20,978)
Loss on conversion of debt	17	--
Loss on extinguishment of debt	1,207	5,740
Loss on modification of debt	2,991	--
Loss on debt discount	--	2,385
Other expense	25	--
Net loss attributable to non-controlling interest	187	53
Adjusted EBITDA	<u>\$ 598</u>	<u>\$ (1,535)</u>
Basic loss per share	<u>\$ 0.03</u>	<u>\$ (0.16)</u>
Diluted loss per share	<u>\$ 0.03</u>	<u>\$ (0.14)</u>
Basic weighted average common shares outstanding	<u>17,203,434</u>	<u>9,449,622</u>
Diluted weighted average common shares outstanding	<u>17,203,434</u>	<u>11,020,743</u>

Reconciliation of Net (Loss) Income to Non-GAAP Net Loss

(Unaudited)

(Dollar amounts in thousands, except per share data)

	Three Months Ended March 31,	
	2015	2014
Net (loss) income	\$ (10,724)	\$ 10,348
Non-GAAP Adjustments:		
Taxes	143	(3,556)
Stock-based compensation	1,254	183
Salaries for terminated employees	695	--
Acquisition costs	34	225
Certain litigation costs	331	270
Change in fair value of contingent consideration	53	--
Change in fair value of derivative	(1,025)	(20,978)
Loss on conversion of debt	17	--
Loss on extinguishment of debt	1,207	5,740
Loss on modification of debt	2,991	--
Loss on debt discount	--	2,385

Other	25	--
Net loss attributable to non-controlling interest	<u>187</u>	<u>53</u>
Non-GAAP net loss	<u><u>\$ (4,812)</u></u>	<u><u>\$ (5,330)</u></u>

Non-GAAP net loss per share:

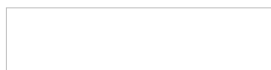
Basic	<u><u>\$ (0.28)</u></u>	<u><u>\$ (0.56)</u></u>
Diluted	<u><u>\$ (0.28)</u></u>	<u><u>\$ (0.48)</u></u>

Weighted average common shares outstanding:

Basic	<u><u>17,203,434</u></u>	<u><u>9,449,622</u></u>
Diluted	<u><u>17,203,434</u></u>	<u><u>11,020,743</u></u>

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Source: InterCloud Systems, Inc.