



November 14, 2016

TSS, Inc. Reports Third Quarter 2016 Results

ROUND ROCK, Texas, Nov. 14, 2016 /PRNewswire/ -- **TSS, Inc.** (Other OTC: TSSI), a data center and mission critical facilities and technology services company, reported results for its third quarter ended September 30, 2016.

Third Quarter Highlights:

- l Third quarter 2016 revenue of \$5.4 million compared with \$6.3 million in the third quarter of 2015 and \$7.0 million in the second quarter of 2016.
- l Gross margin of 27% in the third quarter of 2016 compared with 32% in the third quarter of 2015 and 31% in the second quarter of 2016.
- l Reduced operating expenses by 17% compared to the third quarter of 2015.
- l Recorded a gain of \$910,000 from the sale of a portion of our facilities maintenance business.
- l Net income of \$165,000 or \$0.01 per share, compared to a net loss of \$601,000 or \$(0.04) per share in the third quarter of 2015.
- l Adjusted EBITDA income of \$439,000 in the third quarter of 2016 (which includes the \$910,000 profit on sale of business) compared with Adjusted EBITDA loss of \$238,000 in the third quarter of 2015.



"We are excited about the changes we made in our business during the third quarter. Despite lower revenue in our systems integration business during the quarter, we won some significant streams of business that will carry us forward. Through the sale of our mid-Atlantic facilities maintenance business, we were able to improve our liquidity and refine our focus for the future. We are extremely optimistic about our fourth quarter and 2017 as we further develop our systems integration and modular facilities businesses." said Anthony Angelini, President and Chief Executive Officer of TSS.

Quarterly Conference Call Details

The Company has scheduled a conference call to discuss the third quarter 2016 financial results for today at 4:30PM Eastern. To participate on the conference call, please dial 877-691-2551 toll free from the U.S., or 630-691-2747 for international callers. The conference code is 43747809#. Investors may also access a live audio web cast of this conference call under the "events" tab on the investor relations section of the Company's website at <http://ir.totalsitesolutions.com/events.cfm>.

An audio replay of the conference call will be available approximately one hour after the conclusion of the call and will be made available until December 14, 2016. The audio replay can be accessed by dialing 1-888-843-7419 in the U.S. or 630-652-3042 toll free then enter conference ID number 4374 7809#. Additionally, a replay of the webcast will be available on the Company's website approximately two hours after the conclusion of the call and will remain available for 90 calendar days.

About Non-GAAP Financial Measures

Adjusted EBITDA is a supplemental financial measure not defined under Generally Accepted Accounting Principles (GAAP). We define Adjusted EBITDA as net income (loss) before interest expense, income taxes, depreciation and amortization, impairment loss on goodwill and other intangibles, stock-based compensation, and provision for bad debts. We present Adjusted EBITDA because we believe this supplemental measure of operating performance is helpful in comparing our

operating results across reporting periods on a consistent basis by excluding non-cash items that may, or could, have a disproportionate positive or negative impact on our results of operations in any particular period. We also use Adjusted EBITDA as a factor in evaluating the performance of certain management personnel when determining incentive compensation.

Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA, while providing useful information, should not be considered in isolation or as an alternative to net income or cash flows as determined under GAAP. Consistent with Regulation G under the U.S. federal securities laws, Adjusted EBITDA has been reconciled to the nearest GAAP measure, and this reconciliation is located under the heading "Adjusted EBITDA Reconciliation" following the Consolidated Statements of Operations included in this press release.

About TSS, Inc.

TSS is a trusted single source provider of mission-critical planning, design, system integration, deployment, maintenance and evolution of data centers facilities and information infrastructure. TSS specializes in customizable end to end solutions powered by industry experts and innovative services that include technology consulting, engineering, design, construction, operations, facilities management, technology system installation and integration, as well as maintenance for traditional and modular data centers. www.totalsitesolutions.com or call 888-321-4877.

Forward-Looking Statements

This press release contains "forward-looking statements" -- that is, statements related to future -- not past -- events, plans, and prospects. In this context, forward-looking statements may address matters such as our expected future business and financial performance, and often contain words such as "guidance," "prospects," "expects," "anticipates," "intends," "plans," "believes," "seeks," "should," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Particular uncertainties that could adversely or positively affect the Company's future results include: our independent registered public accounting firm's reports on our 2014 and 2015 financial statements contain an explanatory paragraph that expresses substantial doubt about our ability to continue as a going concern; we may not have sufficient resources to fund our business and may need to issue debt or equity to obtain additional funding; our reliance on a significant portion of our revenues from a limited number of customers; risks relating to operating in a highly competitive industry; risks relating to the failure to maintain effective internal control over financial reporting; risks relating to rapid technological, structural, and competitive changes affecting the industries we serve; risks involved in properly managing complex projects; risks relating to the possible cancellation of customer contracts on short notice; risks relating to our ability to continue to implement our strategy, including having sufficient financial resources to carry out that strategy; risks relating to our ability to meet all of the terms and conditions of our debt obligations; uncertainty related to current economic conditions and the related impact on demand for our services; and other risks and uncertainties disclosed in our filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2015. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

TSS, Inc.
Consolidated Balance Sheets
(In thousands except par values)

	September 30, 2016 (unaudited)	December 31 2015
<i>Assets</i>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 978	\$ 1,132
Contract and other receivables, net	2,996	6,997
Costs and estimated earnings in excess of billings on uncompleted contracts	265	1,084
Inventories, net	66	66
Escrow receivable	190	-
Prepaid expenses and other current assets	291	235
Total current assets	4,786	9,514
Property and equipment, net	603	702
Goodwill	1,907	1,907
Intangible assets, net	739	841
Other assets	29	30

Total assets	\$ 8,064	\$ 12,994
<i>Liabilities and Stockholders' Equity</i>		
Current Liabilities		
Long-term borrowings, current portion, net	\$ 320	\$ 287
Borrowings under factoring agreement	605	-
Borrowings under credit facility	-	2,150
Accounts payable and accrued expenses	5,887	7,608
Billings in excess of costs and estimated earnings on uncompleted contracts	1,983	2,476
Total current liabilities	8,795	12,521
Long-term borrowings, less current portion, net	833	1,036
Other liabilities	40	37
Total liabilities	9,668	13,594
Stockholders' Equity (Deficit)		
Preferred stock- \$.0001 par value; 1,000 shares authorized at March 31, 2016 and December 31, 2015; none issued	-	-
Common stock- \$.0001 par value, 49,000 shares authorized at Sept. 30, 2016 and December 31, 2015; 16,370 and 16,366 issued at Sept. 30, 2016 and December 31, 2015, respectively	2	2
Additional paid-in capital	68,496	68,329
Treasury stock 724 shares at cost at June 30, 2016 and December 31, 2015, respectively	(1,531)	(1,531)
Accumulated deficit	(68,571)	(67,400)
Total stockholders' equity (deficit)	(1,604)	(600)
Total liabilities and stockholders' equity (deficit)	\$ 8,064	\$ 12,994

TSS, Inc.
Condensed Consolidated Statements of Operations
(In thousands except per-share values, unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Results of Operations:				
Revenue	\$ 5,416	\$ 6,292	\$ 20,120	\$19,411
Cost of revenue, excluding depreciation and amortization	3,955	4,292	15,186	13,565
Gross profit, excluding depreciation and amortization	1,461	2,000	4,934	5,846
Operating expenses:				
Selling, general and administrative	1,970	2,383	6,299	7,412
Depreciation and amortization	161	144	459	422
Gain on sale of assets	(910)	-	(910)	-
Total operating costs	1,221	2,527	5,848	7,834
Operating income (loss)	240	(527)	(914)	(1,988)
Interest income (expense), net	(72)	(74)	(263)	(233)
Other income (expense), net	(3)	-	6	-
Income (loss) before income taxes	165	(601)	(1,171)	(2,221)
Income tax expense	-	-	-	-
Net income (loss)	\$ 165	\$ (601)	\$ (1,171)	\$ (2,221)
Income (loss) per Share:				
Basic and diluted earnings per share	\$ 0.01	\$ (0.04)	\$ (0.07)	\$ (0.14)

TSS, Inc.
Adjusted EBITDA Reconciliation
(In thousands, unaudited)

Three Months Ended June 30,		Six Months Ended June 30,	
2016	2015	2016	2015

Net income (loss)	\$ 165	\$ (601)	\$ (1,171)	\$ (2,221)
Interest income (expense), net	72	74	263	233
Depreciation and amortization	161	144	459	422
Income tax expense	8	14	64	35
EBITDA profit (loss)	<u>\$ 406</u>	<u>\$ (369)</u>	<u>\$ (385)</u>	<u>\$ (1,531)</u>
Stock based compensation	33	131	168	381
Provision for bad debts	-	-	5	-
Adjusted EBITDA profit (loss)	<u>\$ 439</u>	<u>\$ (238)</u>	<u>\$ (212)</u>	<u>\$ (1,150)</u>

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To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/tss-inc-reports-third-quarter-2016-results-300362393.html>

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