



Qualstar Corporation Reports Second Quarter 2024 Results

Achieved Positive Adjusted EBITDA for the Quarter

IRVINE, Calif., Aug. 13, 2024 /PRNewswire/ — Qualstar Corporation (OTC Markets: QBAK), a leading manufacturer of data storage solutions and high-efficiency power supplies, today announced its financial results for the three- and six-month periods ended June 30, 2024.

Consolidated Financial Highlights (Unaudited)

(Amounts in thousands except per share data and percentages)

Consolidated Financial Results	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	2023	\$ Δ	% Δ	2024	2023	\$ Δ	% Δ
Revenues	\$ 2,366	\$ 1,878	\$ 488	26.0%	\$ 4,653	\$ 4,070	\$ 583	14.3%
Gross profit	\$ 523	\$ 432	\$ 91	21.1%	\$ 1,223	\$ 1,086	\$ 137	12.6%
Gross margin	22.1%	23.0%			26.3%	26.7%		
(Loss) from operations	\$ (292)	\$ (271)			\$ (488)	\$ (328)		
Net (loss)	\$ (327)	\$ (277)			\$ (427)	\$ (290)		
Earnings (loss) per share	\$ (0.23)	\$ (0.17)			\$ (0.30)	\$ (0.18)		
Adjusted EBITDA	\$ 38	\$ (197)			\$ (107)	\$ (223)		

Key Highlights:

- Revenue increased 26% for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and increased 14% for the first half of 2024 compared to the first half of 2023. Revenues were up for our power supplies business on shipments of more units in 2024 versus 2023, offset slightly by lower revenues from our data storage business this year compared to last year. For the remainder of 2024 we expect a significant revenue reduction in our power supplies business due to the completion of existing orders in the first half of 2024 from a legacy customer. We anticipate the annual revenue run-rate of our power supplies business will decline substantially. We have made cost reductions that correspond to the lower sales forecast in order to target operating at breakeven.
- Net losses for the three- and six-month periods ended June 30, 2024, were impacted by certain non-routine expenses and non-cash charges. We use an Adjusted EBITDA financial measure to understand and evaluate our core operating performance. Adjusted EBITDA for the quarter ended June 30, 2024, improved to \$38,000, from (\$197,000) in the comparable quarter last year. Adjusted EBITDA for the first half of 2024 improved to (\$107,000), from (\$223,000) in the first half of 2023.
- In August 2024, our independent registered public accounting firm completed its audits of our consolidated financial statements for the years ended December 31, 2023 and 2022.
- We continue to pursue acquisitions of companies in the data management software and hardware systems spaces.
- We ended the quarter with \$2.4 million in cash and cash equivalents.

Qualstar makes available its annual financial statements, quarterly financial statements, and other significant reports and amendments to such reports, free of charge, on its website as soon as reasonably practicable after such reports are prepared. Please visit www.qualstar.com to view the Company's financial results in more detail.

About Qualstar Corporation

Qualstar Corporation, founded in 1984, manufactures and markets data storage system products and compact, high efficiency power solutions.

Our data storage systems are marketed under the Qualstar™ brand and include highly scalable automated magnetic tape libraries used to store, retrieve and manage electronic data primarily in the network computing environment. Our products, sold through resellers, system integrators and OEMs, range from entry-level to enterprise and are a cost-effective solution for organizations requiring backup, recovery and archival storage of critical electronic information.

The Company's power solutions, marketed under the N2Power™ brand, include standard, semi-custom and custom versions and provide OEM designers with increased functionality while reducing thermal loads and cooling requirements and lowering operating costs. These products are sold to OEMs in a wide range of markets, including telecom/networking equipment, audio/visual, industrial, gaming and medical.

More information is available at www.qualstar.com and www.n2power.com or by phone at 805-583-7744.

Non-GAAP Financial Measure

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with United States generally accepted accounting principles ("GAAP"), we use the following non-GAAP financial measure: Adjusted EBITDA. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We define Adjusted EBITDA for a particular period as net income (loss) before interest, taxes, depreciation and amortization, and as further adjusted for non-routine expenses that may not be indicative of our core business operating results such as severance compensation, provisions for inventory net realizable value, gains/losses on marketable securities, gains/losses on foreign currency transactions, and non-cash expenses such as stock-based compensation expense.

We use this non-GAAP financial measure for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that this non-GAAP financial measure provides meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our core business operating results. We believe that both management and investors benefit from referring to this non-GAAP financial measure in assessing our performance and when planning, forecasting, and analyzing future periods. This non-GAAP financial measure also facilitates management's internal comparisons to our historical performance and liquidity as well as comparisons to our competitors' operating results. We believe this non-GAAP financial measure is useful to investors both because (1) it allows for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) it is used by our investors to help them analyze the health of our business.

There are a number of limitations related to the use of non-GAAP financial measures. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures and evaluating these non-GAAP financial measures together with their relevant financial measures in accordance with GAAP.

The following table reconciles Net (Loss) to Adjusted EBITDA for the three- and six-month periods ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Month Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Net (loss)	\$ (327)	\$ (277)	\$ (427)	\$ (290)
Adjustments to arrive at earnings before interest, taxes, depreciation, and amortization (EBITDA):				
Interest income	(18)	(2)	(35)	(4)
Depreciation and amortization expense	9	9	19	19
EBITDA	(336)	(270)	(443)	(275)
Adjustments to arrive at Adjusted EBITDA:				
Severance compensation	57	—	57	9
Provisions for inventory net realizable value	218	65	228	77
(Gains) losses on marketable securities, net	45	4	(40)	(26)
(Gains) losses on foreign currency transactions, net	8	4	14	(8)
Stock-based compensation expense	46	—	77	—
Adjusted EBITDA	\$ 38	\$ (197)	\$ (107)	\$ (223)

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