DPW Holdings Reports Q1 2019 Revenues Up 33.5% Over Q1 2018 to $6,939,043

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Q1 2019 Financial Results Posted Assets of $54.7 Million, an Increase of 42.3% Over Q1 2018, Order Backlog of $73.6 Million and Interest Expense Reduced by $1.9 Million Over Q1 2018

NEWPORT BEACH, Calif.--(BUSINESS WIRE)-- **DPW Holdings, Inc. (NYSE.American: DPW)**, a diversified holding company (the "**Company**," or "**DPW**"), today announced that it filed its financial results for the three-month period-ended March 31, 2019 on its Form 10-Q with the Securities and Exchange Commission on May 20, 2019 and reports the following:

Revenues

Our revenues increased by $1,743,196, or 33.5% to $6,939,043 for the three-month period-ended March 31, 2019, compared to $5,195,847 for the three-month period-ended March 31, 2018. The increase in revenue was primarily due to our acquisition of 98.1% of the outstanding equity interests of I.AM and our acquisition of Enertec Systems 2001, Ltd., both of which closed on May 23, 2018. Revenues generated by these two acquirees during the three-month period-ended March 31, 2019, totaled $3,671,719. Excluding the revenues that were generated by these recent acquirees, the Company generated revenues of $3,267,324, which represents a decrease of $1,925,523 compared to the three-month period-ended March 31, 2018. As discussed below, the decrease of $1,925,523 resulted primarily from a decrease in revenue from our cryptocurrency mining operations and from the manufacturing of the Multiplex Laser Surface Enhancement ("**MLSE**") plasma-laser system units.

Revenues, cryptocurrency mining

In January 2018, we formed Digital Farms, Inc. formerly known as Super Crypto Mining, Inc. During the three-month period-ended March 31, 2019, due to the overall decline in market prices of digital currencies we curtailed our mining operations which resulted in a decrease in revenues of $208,692 for Digital Farms. The Company noted that during the second quarter of 2019 to date, there has been an escalating rise in Bitcoin and other cryptocurrency prices. Digital Farms immediately responded by increasing exponentially its mining of Bitcoin and continues to monitor its operations to maximize its return on investment and the best costs efficiencies.

Revenues, related party

During the three-month period-ended March 31, 2018, we recognized $1,792,892 in revenues from our purchase order from our customer, MTIX, Ltd. to manufacture the MLSE plasma-laser systems. In March 2017, the Company was awarded a 3-year, $50 million purchase order by MTIX, Ltd. to manufacture, install and service the MLSE plasma-laser system. We recognize revenue on the manufacture of the MLSE system based upon proportional performance over time and management believes that over the next several years, that the MLSE purchase order will be a source of revenue and generate significant cash flows. The lack of revenue during the three-months period-ended March 31, 2019 was due to management's decision to prioritize reducing the debt obligations incurred in May 2018 to acquire Enertec rather than funding MTIX, as reducing the Company's outstanding debt should in management's belief facilitate raising capital for other needs, including funding the development of MTIX. Payments, and the related manufacturing services, that otherwise would have gone to subcontractors of the MLSE plasma-laser system were delayed by supporting the Company's effort to effect significant debt reductions. The Company expects to resume recognizing revenue from the MTIX, Ltd. contract in the latter part of the second quarter or the beginning of the third quarter of 2019.

Gross Margins

Gross margins decreased 26.2% for the three-month period-ended March 31, 2019 compared to 26.8% for the three-month period-ended March 31, 2018. The Company's gross margins have typically ranged between 33% and 37%, with slight variations depending on the overall composition of our revenue. The decrease in gross margins from our historical average was partially attributable to the lower margin related-party revenue of $1,792,892 from MTIX, with gross margins of 22.6%, combined with negative margins at Digital Farms. The negative gross margins at Digital Farms resulted from monthly recurring fixed costs at our colocation facilities which temporarily exceed the revenues from our mining operations. If we had not recognized revenue, and the related cost of revenue, from Digital Farms and our contract with MTIX, then our adjusted gross margins for the three-month period-ended March 31, 2019 would have been 33.6%. During the three-month period-ended March 31, 2019, gross margins of 26.2% were negatively affected by Digital Farms. Excluding the contribution of Digital Farms, gross margins during the three-month period-ended March 31, 2019 were 36.7%.

The Company also reported that its order backlog slightly grew $1.7M from the preceding quarter, to a total of $73.6M. Digital Power Corp. which includes Power-Plus Technical Distributors, LLC and Digital Power, Ltd. (aka "Gresham Power") has an order backlog of $4.82M while Microphase posted an order backlog of $7.6M as Enertec increased its order backlog to $15.1M. The Company was especially pleased with the results reported by Enertec and its improvement with its order backlog.

General and Administrative

General and administrative expenses were $5,430,966 for the three-month period-ended March 31, 2019 compared to $3,221,623 for the three-month period-ended March 31, 2018, an increase of $2,209,343. Our acquisitions of Enertec and I.AM accounted for $1,270,362 of the increase in general and administrative expenses. The adjusted increase of $938,981 from the comparative prior period was mainly due to an increase in legal and audit costs, an increase in investor relationship costs and hiring of additional personnel to build an infrastructure in anticipation of our future growth and the increase in cost attributed to the hiring of a Chief Accounting Officer and Senior Vice President of Finance. The remaining increase in general and administrative expenses is due to various costs, none of which is significant individually. The Company notes that during the first quarter of 2019 its overhead costs were exceptionally higher at the start of the new year including the addition of new personnel and the start of new initiatives. The Company anticipates in the second quarter of 2019, that it will realize a reduction in general and administrative expenses that will continue quarter over quarter as management identifies new cost-saving synergistic opportunities.

Interest (expense) income, net

Interest expense was $2,099,541 for the three-month period-ended March 31, 2019 compared to $3,731,436 for the three-month period-ended March 31, 2018. The decrease in interest expense for the three-month period-ended March 31, 2019 is primarily related to a reduction of amortization of debt discount, in the aggregate amount of $1,559,935, resulting from original issue discount from the issuance of warrants in conjunction with the sale of debt instruments. During the three-month period-ended March 31, 2019 and 2018, as a result of these issuances, non-cash interest expense of

$1,491,065 and $3,051,000, respectively, was recorded from the amortization of debt discount and debt financing costs. The remaining decrease in interest expense was due to an increase in the amount of the Company's total borrowings and which was primarily offset by interest income pursuant to the Loan and Security Agreement entered into on September 6, 2017, between the Company and Avalanche International Corp.. The Company anticipates a sizable decrease in interest expense for the second quarter of 2019 due to a tremendous decrease in the Company's short-term debt including $6,000.000 paid on April 2, 2019, after the close of the first quarter, which is not reflected in the results for the first quarter.

Geographic Segment Reporting

We conduct operations in several geographical markets and for three-month period-ended March 31, 2019 and 2018. Other than as shown, no foreign country or region contributed materially to revenues or long-lived assets for these periods:

	For the Three-Month Periods-Ended March 31,			
	2019		**2018**	
Revenues:				
North America	$	3,749,140	$	4,747,546
Middle East		2,312,902		—
Europe		547,999		266,655
Other		329,002		181,646
Total revenues	**$**	**6,939,043**	**$**	**5,195,847**

As reflected in our consolidated statement of cash flows for the three-month period-ended March 31, 2019 and 2018, our reported net loss is comprised of non-cash charges of $2,444,142 and $4,152,000, respectively. A summary of these non-cash charges is as follows:

	For the Three-Month Periods-Ended March 31,	
	2019	**2018**
Interest expense – debt discount	$ 1,491,065	$ 3,051,000
Stock-based compensation	621,288	1,438,000
Depreciation and amortization	961,438	148,000
Amortization of right-of-use assets	32,165	—
Accretion of original issue discount on notes receivable – related party	(612,309)	(485,000)
Accretion of original issue discount on notes receivable	(49,505)	—
Non-cash items included in net loss	**$ 2,444,142**	**$ 4,152,000**

DPW's CEO and Chairman, Milton "Todd" Ault, III said, "We are very pleased that the Company has grown its revenue to over $6.9 million for the first quarter of 2019 and that our assets on the balance sheet have reached approximately $54.7 million. I believe the Company has weathered the last of a downturn that has ended this quarter and look to the second quarter of 2019 to set a baseline going forward. We are very pleased with our progress as we strive to improve our capital structure, our cashflow and our performance. We have achieved over $10.5 million in debt reduction since the beginning of the year, of which $6 million was executed on April 2, 2019 and thus not reflected in our current results reported yesterday. Stockholders won't see the benefit of our lowered cost of capital or proportional revenue from MTIX, Ltd. until either late in the second quarter or in the third quarter of 2019." Ault continued, "For the remainder of 2019, we anticipate our investments of over $20 million during 2018 should contribute to our topline with Digital Power Corp's. renewing the recognition of revenue from the MTIX, Ltd. MLSE contract and from our hospitality segment generating increasing revenues from I.AM due to dryer, warmer weather in the seasons ahead. This past year, 2018, was challenging as we completed two new acquisitions while completing the integration of two acquisitions from 2017. We anticipate much of the work and investment we have made will bring discernible results starting in the second quarter of 2019 that will continue through this year and well into 2020. With the recent corporate realignment of DPW, which created the new reporting subsidiaries, DPW Technologies led by JR Read and DPW Financial led by Darren Magot, we anticipate both new companies to harness our achievements from 2018 and create new efficiencies that should result positively to our net profitability and continue to increase sales through the year. We are especially excited to watch JR Read spearhead the reduction in our order backlog and to drive synergies to reduce costs at our commercial and defense businesses that we expect to be realized quarter over quarter into next year. Some of the savings that were projected from our acquisitions were delayed due to lease and other financial commitments or constraints. In summary, there are three important indicators that stockholders and investors should pay attention to; first, the dramatic reduction of outstanding debt; second, the continuing increase in sales and thirdly, moderate growth in our backlog due to new customers and new orders."

In regard to concerns about future long-term dilution incurred by stockholders, Mr. Ault stated, "The Company plans to support many financings at the subsidiary level. This strategy of raising capital on a closer, more targeted basis should in our view bode well for the commercial/defense business as well as for Digital Farms and Digital Power Lending, LLC, as it builds its client portfolio, as a California licensed finance lender." The Company noted that it will provide an update to stockholders on the status of the hotel at the end of the second quarter of 2019.

For more information on DPW Holdings and its subsidiaries, the Company recommends that stockholders, investors and any other interested parties read the Company's public filings and press releases available under the Investor Relations section at or available at www.sec.gov.

About DPW Holdings, Inc.

DPW Holdings, Inc. is a diversified holding company pursuing growth by acquiring undervalued businesses and disruptive technologies that hold global potential. Through its wholly owned subsidiaries and strategic investments, the Company provides mission-critical products that support a diverse range of industries, including defense/aerospace, industrial, telecommunications, medical, crypto-mining, and textiles. In addition, the Company owns a select portfolio of commercial hospitality properties and extends credit to select entrepreneurial businesses through a licensed lending subsidiary. DPW's headquarters are located at 201 Shipyard Way, Suite E, Newport Beach, CA 92663; www.DPWHoldings.com.

Forward Looking Statements

This press release contains “forward looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements generally include statements that are predictive in nature and depend upon or refer to future events or conditions, and include words such as “believes,” “plans,” “anticipates,” “projects,” “estimates,” “expects,” “intends,” “strategy,” “future,” “opportunity,” “may,” “will,” “should,” “could,” “potential,” or similar expressions. Statements that are not historical facts are forward-looking statements. Forward-looking statements are based on current beliefs and assumptions that are subject to risks and uncertainties. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update any of them publicly in light of new information or future events. Actual results could differ materially from those contained in any forward-looking statement as a result of various factors. More information, including potential risk factors, that could affect the Company’s business and financial results are included in the Company’s filings with the U.S. Securities and Exchange Commission, including, but not limited to, the Company’s Forms 10-K, 10-Q and 8-K. All filings are available at www.sec.gov and on the Company’s website at www.DPWHoldings.com.

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