

DIRECT COMMUNICATION SOLUTIONS

ANNOUNCES INTERIM FINANCIAL

STATEMENTS FOR Q2 2024

San Diego, California--(Newsfile Corp. - August 29 2024) - Direct Communication Solutions, Inc. (OTCQX: DCSX) (CSE: DCSI) (FSE: 7QU0) ("DCS" or the "Company"), a leading provider of information technology solutions for the Internet of Things (IoT) market, is pleased to announce the posting of its Interim Financial Statements for the second quarter ended June 30, 2024, along with the corresponding Management Discussion & Analysis on SEDAR+.

Significant Highlights

- **Ongoing Transition to SaaS Solutions:** Continued executing on our strategy to transition to a SaaS-focused model with an emphasis on high-margin, recurring revenue. Record recurring SaaS revenues of \$727,080 delivering 60.1% gross margins for the second quarter ended June 30, 2024. ARR increased 12% to \$2,835,892 for the period ended June 30, 2024 from June 30, 2023.
- **Backlog of Customer Purchase Orders:** Current backlog of customer purchase orders is \$1,395,000 for the second quarter ended June 30th, 2024.
- **Cost Reduction and Efficiency:** Further advancements in our cost-cutting initiatives, with general and administrative expenses reduced by 62% to \$1,004,998 for the second quarter ended June 2024, compared to \$2,650,928 for the same period in 2023. This significant reduction of \$1,645,930 aligns with our focus on high-margin SaaS revenue.
- **Strategic Partnerships:** Announced a significant strategic licensing and reseller agreement with SystemLOCO Ltd. for enhanced IoT solutions and expanded our partnership with CATrack Technologies for advanced catalytic converter theft prevention. These agreements are expected to contribute to our recurring SaaS revenue and strengthen our IoT solutions portfolio.
- **Debt Restructure:** Subsequent to June 30, 2024 The Company has successfully restructured 6.1M in debt with one of its key supplier. The supplier has forgiven 2.9M in payables and 3,2M has been restructured to a five-year term loan, principal to be repaid at the end of the five year term and 10% interest to be paid annually.

Financial Performance

Direct Communication Solutions Inc. reported second-quarter 2024 revenues of \$1.45 million (U.S.), compared to \$4.58 million (U.S.) in Q2 2023, representing a **68%** year-over-year decrease. The six-month ended June 2024 period reported revenues of \$3.34 million (U.S.) compared to \$7.78 million (U.S.), representing a **57%** year-over-year decrease. This decrease is attributed to our ongoing restructuring to prioritize high-margin recurring SaaS revenue over lower-margin, one-time hardware sales.

The second-quarter 2024 gross profit was \$615,037 (U.S.), compared to \$1.61 million (U.S.) Q2 2023, reflecting a **62%** decrease. The six-month period end June 2024 gross profit was \$1.27 million (U.S.)

compared to \$2.57 million (U.S.) for the same period last year, reflecting a **50%** decrease. However, the gross margin for second quarter of 2024 improved to **42%** from **35%** in Q2 2023 and **38%** from **33%** for the six-month ended period, reflecting an increase of **7%** for the second quarter and an increase of **5%** for the six-month period. The net loss for quarter end Q2 2024 was \$625,904 (U.S.), a reduction from a net loss of \$1.10 million (U.S.) in Q2 2023. The net loss for the six-month period ended June 2024 was \$1.13 million (U.S.), a reduction from a net loss of \$2.35 million (U.S.) Adjusted EBITDA for quarter ended Q2 2024 was (\$469,085) (U.S.), compared to (\$601,805) in Q2 2023, marking a **22%** improvement. Adjusted EBITDA for six-month period ended June 2024 was (\$950,000) (U.S.), compared to (\$1,279,790) for the same period in 2023, marking a **26%** improvement.

CEO Commentary

"In Q2 2024, we continued to execute our strategic transition towards high-margin, recurring SaaS revenues," said Chris Bursey, CEO of Direct Communication Solutions. "Our efforts are reflected in the increased SaaS revenues and improved gross margins. We are making significant strides in reducing operating costs while growing our SaaS subscriber base. The strategic partnerships we have forged are set to enhance our IoT solutions and contribute to our ongoing growth."

Board Announcement

The Company also announces the resignation of John Hubler, Director, effective September 3, 2024. We thank Mr. Hubler for his contributions and wish him the best in his future endeavors.

About Direct Communication Services Inc.

DCSI is a technology solutions integrator focusing on connecting the Internet of Things. We provide real solutions that solve real problems. Our software applications and scalable cloud services collect and assess business-critical data from all types of assets. DCSI is headquartered in San Diego, California and is publicly traded on the OTCQX ("DCSX"), Canadian Securities Exchange ("DCSI") and Frankfurt Stock Exchange ("7QU0"). For more information, visit www.dcsbusiness.com. DCSI and the DCSI logo are among the trademarks of DCSI in the United States. Any other trademarks or trade names mentioned are the property of their respective owners.

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Forward-Looking Statements

This release contains forward-looking statements reflecting management's current views of future events and operations. These statements are based on current expectations and assumptions, subject to risks and uncertainties that could cause results to differ materially. DCS believes that these potential risks and uncertainties include, without limitation: the ongoing COVID-19 pandemic, the Company's dependence on third-party manufacturers, suppliers, technologies, and infrastructure; risks related to intellectual property; industry risks, including competition, online security, government regulation, and

global economic conditions; and the Company's financial position and need for additional funding. Statements in this release should be evaluated in light of these factors. These risk factors and other important factors that could affect our business and financial results are discussed in our Management's Discussion and Analysis, periodic reports, and other public filings available on SEDAR+ at www.sedarplus.ca and posted with the OTC Disclosure and News Service. DCS undertakes no duty to update or revise any forward-looking statements.

Neither the Canadian Securities Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Canadian Securities Exchange) accepts responsibility for the adequacy or accuracy of this release.