



November 19, 2013

Cyalume Technologies Holdings, Inc. Reports 2013 Third Quarter and Nine Months Financial Results

WEST SPRINGFIELD, MA -- (Marketwired) -- 11/19/13 -- Cyalume Technologies Holdings, Inc. (OTCBB: CYLU) ("the Company" or "Cyalume") today reported its financial results for the third quarter and nine months ended September 30, 2013.

<i>\$ in thousands</i>	<i>Three Months Ended</i>			<i>Nine Months Ended</i>		
	<i>9/30/13</i>	<i>9/30/12</i>	<i>Change</i>	<i>9/30/13</i>	<i>9/30/12</i>	<i>Change</i>
Revenues	\$ 7,461	\$ 10,095	-26.1 %	\$ 25,006	\$ 27,012	-7.4 %
Gross profit	\$ 3,244	\$ 4,032	-19.5 %	\$ 11,553	\$ 11,551	0.0 %
Gross margin	43.5 %	39.9 %	354 bps	46.2 %	42.8 %	344 bps
Net loss **	\$ (7,804)	\$ (47,170)	NM*	\$ (9,662)	\$ (48,526)	NM*

* *NM - Not meaningful*

** *2012 three and nine months ended periods include \$47.6 million of non-cash impairment charges related to an acquisition made several years ago.*

Cyalume's President & CEO, Zivi Nedivi, noted, "The decline in revenues during the third quarter of 2013 as compared to the same period of last year primarily reflects the impacts of the U.S. federal government budget sequestration and the recent government shutdown, as well as the timing of certain military orders for our Chemical Light business. Ammunition revenues were also lower compared to the third quarter of 2012, as we are between contracts for military training rounds, with the next program we expect to participate in delayed until the second half of 2014. Partially offsetting these declines were increased sales of our Training and Simulation Products and Specialty Products. We posted an improvement in gross margin in the third quarter of 2013 relative to the comparable prior year period as a result of a favorable mix of more profitable sales during the current year quarter."

Mr. Nedivi continued, "Our reported net loss in the third quarter of 2013 was primarily comprised of a \$2.0 million legal settlement with the former owner of Combat Training Solutions (CTS), a \$2.7 million increase in general and administrative expenses from the third quarter of 2012 largely the result of higher legal and consulting expenses associated with the case, and a \$3.7 million non-cash provision for an uncollectible receivable from a related party."

Mr. Nedivi concluded, "With the legal settlement behind us, we have stopped a significant drag on our financial and corporate resources. We will continue to execute our business plan and pursue opportunities to grow our business through new product launches, current product upgrades, and expansion into new markets."

Conference Call

Cyalume's President & CEO, Zivi Nedivi, and CFO, Michael Bielonko, will host a conference call on Monday, November 25, 2013 at 11:00 am ET to discuss these results as well as recent corporate developments. After opening remarks, there will be a question and answer period. Interested parties may participate in the call by dialing (201) 493-6739. Please call in 10 minutes before the conference call is scheduled to begin and ask for the Cyalume call. Questions may be asked during the live call, or alternatively, you may e-mail questions in advance to lcati@equityny.com.

The conference call will also be broadcast live over the Internet. To listen to the live call, please go to www.cyalume.com click on the *Investors* section, then to the *Events and Presentations* where the conference call is posted. Please go to the website 15 minutes early to download and install any necessary audio software. If you are unable to listen live, the conference call will be archived and can be accessed for approximately 90 days. We suggest listeners use Microsoft Explorer as their browser.

About Cyalume Technologies Holdings, Inc.

Cyalume designs and manufactures non-pyrotechnic tactical products and training solutions for the world's militaries and law enforcement agencies, as well as for certain safety markets. Cyalume is the exclusive supplier to the U.S. and NATO-country militaries for all of their chemical light needs and operates manufacturing facilities in the U.S. and France. Through its subsidiary Cyalume Specialty Products, Cyalume also manufactures specialty chemical components for various markets.

Forward-Looking Statements

This press release and the accompanying scheduled investor conference call include forward-looking statements concerning sales and operating earnings. These forward-looking statements are based upon management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company and which could cause actual results to differ materially from such statements. These risks and uncertainties include, but are not limited to: the effect of regional and global economic and industrial market conditions including our expectations concerning their impact on the markets we serve; the effect of conditions in the financial and credit markets and their impact on the Company and our customers and suppliers; the impact of the Company's cost reduction initiatives; the Company's ability to execute its business plan to meet its sales, operating income, cash flow and capital expenditure guidance; the impact on the Company's gross profit margins as a result of changes in product mix; the Company's vulnerability to industry conditions and competition; the effect of any interruption in the Company's supply of raw materials or a substantial increase in the price of raw materials; ongoing capital expenditures and investment in research and development; compliance with any changes in government regulations and environmental and health and safety laws; the effect on the Company's international operations of unexpected changes in legal and regulatory requirements, export restrictions, currency controls, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, political and economic instability, difficulty in accounts receivable collection and potentially adverse tax consequences; the effect of foreign currency exchange rates as the Company's non-U.S. sales continue to increase; reliance for a significant portion of the Company's total revenues on a limited number of large organizations and the continuity of business relationships with major customers; the loss of key personnel; the nature and extent of military operations being conducted by customers.

Actual results and events may differ significantly from those projected in the forward-looking statements. Reference is made to Cyalume's filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K, its quarterly reports on Form 10-Q, and other periodic filings, for a description of the foregoing and other factors that could cause actual results to differ materially from those in the forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

The footnotes and other disclosures contained in the Company's annual report on Form 10-K, its quarterly reports on Form 10-Q, and other periodic filings are an integral part of its financial statements and should be read in conjunction with any review of its financial statements.

Cyalume Technologies Holdings, Inc.
Consolidated Statements of Comprehensive Loss
(in thousands, except shares and per share information)

	<i>For the Three Months Ended September 30, 2013</i>	<i>For the Three Months Ended September 30, 2012</i>	<i>For the Nine Months Ended September 30, 2013</i>	<i>For the Nine Months Ended September 30, 2012</i>
Revenues	\$ 7,461	\$ 10,095	\$ 25,006	\$ 27,012
Cost of revenues	<u>4,217</u>	<u>6,063</u>	<u>13,453</u>	<u>15,461</u>
Gross profit	3,244	4,032	11,553	11,551
Other expenses (income):				
Sales and marketing	1,200	1,262	3,650	4,229
General and administrative	4,411	1,679	9,107	5,105
Research and development	371	441	1,431	1,424
Interest expense, net	620	559	1,790	1,675
Interest expense - related party	122	2	174	18
Amortization of intangible assets	434	466	1,303	1,420
Provision for uncollectible receivable - related party	3,730	0	3,730	0
Impairment loss on goodwill and intangible assets	0	47,369	1,043	47,369
Impairment loss on equipment	0	273	0	273
Legal settlement	2,038	0	2,038	0
Change in fair value of contingent consideration	0	19	0	241
Other (income) loss, net	<u>45</u>	<u>(31)</u>	<u>49</u>	<u>(145)</u>
Total other expenses	12,971	52,039	24,315	61,609
Loss before income taxes	(9,727)	(48,007)	(12,762)	(50,058)

Benefit from income taxes	<u>(1,923)</u>	<u>(837)</u>	<u>(3,100)</u>	<u>(1,532)</u>
Net loss	(7,804)	(47,170)	(9,662)	(48,526)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	199	124	105	(60)
Unrealized gain on cash flow hedges, net of taxes of \$(14), \$(14), \$(28) and \$(21), respectively	<u>22</u>	<u>15</u>	<u>70</u>	<u>48</u>
Other comprehensive income (loss)	<u>221</u>	<u>139</u>	<u>175</u>	<u>(12)</u>
Comprehensive loss	<u>\$ (7,583)</u>	<u>\$ (47,031)</u>	<u>\$ (9,487)</u>	<u>\$ (48,538)</u>
Net loss per common share:				
Basic and diluted	\$ (0.38)	\$ (2.59)	\$ (0.47)	\$ (2.67)
Weighted average shares used to compute net income (loss) per common share:				
Basic and diluted	20,716,901	18,212,618	20,711,352	18,192,805

Cyalume Technologies Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except shares and per share information)

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Assets		
Current assets:		
Cash	\$ 1,607	\$ 2,695
Accounts receivable, net of allowance for doubtful accounts of \$41 and \$155, respectively	4,242	3,875
Inventories, net	11,335	9,597
Income taxes refundable	134	173
Deferred income taxes	722	652
Prepaid expenses and other current assets	<u>980</u>	<u>558</u>
Total current assets	19,020	17,550
Property, plant and equipment, net	8,604	9,177
Goodwill	7,992	8,160
Other intangible assets, net	18,390	20,190
Due from related party	563	3,972
Other noncurrent assets	<u>0</u>	<u>28</u>
Total assets	<u>\$ 54,569</u>	<u>\$ 59,077</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Line of credit	\$ 3,600	\$ 0
Current portion of notes payable	16,919	9,734
Note payable due to related parties	2,100	0
Accounts payable	5,416	2,934
Accrued expenses	5,009	2,583
Deferred revenue	58	0
Current portion of capital lease obligation	15	14
Derivatives liability	<u>43</u>	<u>169</u>
Total current liabilities	33,160	15,434
Notes payable, net of current portion	0	8,394
Note payable due to related parties	0	2,100

Deferred income taxes	722	3,862
Asset retirement obligation	191	184
Capital lease obligation, net of current portion	10	22
Contingent legal obligation	3,941	3,806
Other noncurrent liabilities	48	0
Total liabilities	<u>38,072</u>	<u>33,802</u>
Commitments and contingencies (Note 12)		
Stockholders' equity		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, no shares issued or outstanding	0	0
Common stock, \$0.001 par value; 100,000,000 shares authorized; 20,738,260 issued and outstanding	21	21
Additional paid-in capital	106,699	105,990
Accumulated deficit	(89,883)	(80,221)
Accumulated other comprehensive loss	(340)	(515)
Total stockholders' equity	<u>16,497</u>	<u>25,275</u>
Total liabilities and stockholders' equity	<u>\$ 54,569</u>	<u>\$ 59,077</u>

Adjusted EBITDA (a Non-GAAP Financial Measure)

Cyalume defines Adjusted EBITDA as net income before interest expense, income taxes, depreciation, amortization, non-cash stock-based compensation, foreign currency gains or losses and certain one-time income or expense items. Management uses Adjusted EBITDA for establishing internal budgets, goals and certain performance bonuses. Internal financial reports including those provided to the Board of Directors, focus on Adjusted EBITDA. Since Adjusted EBITDA is not necessarily an indicator of overall cash flows of Cyalume, management reviews capital budgets and cash flow forecasts in parallel with Adjusted EBITDA analysis. Because Adjusted EBITDA eliminates interest expense, income taxes and depreciation, amortization, non-cash stock-based compensation, foreign currency gains or losses and one-time income or expense items, Cyalume considers this financial measure an important indicator of Cyalume's liquidity, operational strength and performance. Investors may find Adjusted EBITDA useful as it illustrates underlying operating trends in Cyalume's business.

In addition, components of Adjusted EBITDA are a key component in the determination of our compliance with certain covenants under our credit agreements. Adjusted EBITDA is not a measure of financial performance under GAAP. Adjusted EBITDA should not be considered in isolation, or as a substitute for net income, cash flows, or other consolidated income or cash flow data presented in accordance with GAAP or as a measure of our liquidity or financial condition. Because Adjusted EBITDA is not a measure determined in accordance with GAAP and is thus susceptible to varying calculations, Adjusted EBITDA as discussed may not be comparable to other similarly titled measures of other companies.

The use of Adjusted EBITDA as a supplemental liquidity measure is useful as it assists management in understanding and evaluating the Company's capacity, excluding the impact of interest, taxes, and non-cash depreciation and amortization charges, for servicing debt and other cash needs, prior to our consideration of the impacts of other potential sources and uses of cash, such as working capital items. Investors may find it useful for these purposes as well. Adjusted EBITDA should not be considered an alternative to, or more meaningful than, net cash provided by operating activities, as determined in accordance with GAAP, since it omits the impact of interest, taxes and changes in working capital that use or provide cash (such as receivables, payables and inventories) as well as the sources or uses of cash associated with changes in other balance sheet items (such as long-term loss accruals and deferred items). Because Adjusted EBITDA excludes depreciation and amortization, Adjusted EBITDA does not reflect any cash requirements for the replacement of the assets being depreciated and amortized, which assets will often have to be replaced in the future. Further, Adjusted EBITDA, because it also does not reflect the impact of debt service, income taxes, cash dividends, capital expenditures and other cash commitments, does not represent how much discretionary cash we have available for other purposes. Nonetheless, Adjusted EBITDA is a key measure expected by and useful to our investors, rating agencies and the banking community in the analysis of a Company's ability to service debt, fund capital expenditures and otherwise meet cash needs, respectively. Cyalume also evaluates Adjusted EBITDA because it is clear that movements in these non-GAAP measures impact the Company's ability to attract financing. Adjusted EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies.

Cyalume Technologies Holdings, Inc.
Reconciliation of Net Income to Adjusted EBITDA
(in thousands)

For the Three Months Ended	For the Three Months Ended	For the Nine Months Ended	For the Nine Months Ended
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	<u>September 30, 2013</u>	<u>September 30, 2012</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Net Loss	\$ (7,804)	\$ (47,170)	\$ (9,662)	\$ (48,526)
Adjustments to arrive at EBITDA:				
Interest expense, net	742	561	1,964	1,693
Benefit from income taxes	(1,923)	(837)	(3,100)	(1,532)
Depreciation	348	348	1,030	1,031
Amortization	434	466	1,303	1,420
Impairment of goodwill, intangibles and equipment	<u>0</u>	<u>47,642</u>	<u>1,043</u>	<u>47,642</u>
EBITDA	(8,203)	1,010	(7,422)	1,728
Adjustments to arrive at Adjusted EBITDA:				
Contingent consideration	0	19	0	241
Other one-time expenses ⁽¹⁾	<u>270</u>	<u>77</u>	<u>752</u>	<u>307</u>
Adjusted EBITDA	<u>\$ (7,933)</u>	<u>\$ 1,106</u>	<u>\$ (6,670)</u>	<u>\$ 2,276</u>

(1) Non-cash stock-based compensation and foreign exchange (gains)/losses

Contact:

Cyalume Technologies Holdings, Inc.

Michael Bielonko

Chief Financial Officer

(413) 858-2500

www.cyalume.com

Investor Relations Counsel:

The Equity Group Inc.

Lena Cati

(212) 836-9611

lcati@equityny.com

www.theequitygroup.com

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