



American TonerServ Reports Record Revenue and EBITDA for Second Quarter

SANTA ROSA, CA, Aug 13, 2009 (MARKETWIRE via COMTEX News Network) -- American TonerServ Corp. (OTCBB: ASVP) ("ATS"), a strategic consolidator in the highly fragmented \$6.0 billion printer supplies and services industry, today announced continued strong growth momentum for the second quarter ended June 30, 2009.

"We are very pleased to report record numbers this quarter, with revenues growing more than 166% over last year's second quarter," said Chuck Mache, who was named chief executive officer in February 2009. "As evidence of the company's momentum, second quarter revenues were 15% above those of the preceding first quarter."

Revenue for the three months ended June 30, 2009, advanced to \$7.4 million from \$2.8 million for the corresponding quarter a year ago and from \$6.4 million for the preceding 2009 first quarter. The company's net loss for the 2009 second quarter decreased significantly to \$568,452, or \$.01 per share, from a net loss of \$1,254,809, or \$.01 per share, for the same quarter the previous year.

American TonerServ achieved earnings before interest, taxes, depreciation and amortization (EBITDA) of \$87,984 for the 2009 second quarter compared with a loss of \$803,893 in the second quarter of 2008. Adjusted EBITDA (EBITDA less stock-based compensation expense, other non-cash items and other one-time expenses) totaled \$270,193 for the 2009 second quarter, versus a loss of \$338,693 last year.

"The strong increase in revenues and EBITDA for the second quarter is attributable to the execution of our three 2009 strategic initiatives: our Sales Partner Program; a significant hospital contract; and continued execution of our acquisition strategy," Mache said. "Continuing to achieve positive EBITDA confirms that our formula is working, as we move forward in growing the company and moving closer to our goal of becoming a formidable national consolidator in our sector. Selective acquisitions will play a role in our strategic growth initiatives, as we also concentrate on organically growing our existing operations," Mache added.

Presentation of Non-GAAP Information

This press release contains non-GAAP financial measures, including EBITDA (earnings before interest, income taxes, depreciation and amortization) and Adjusted EBITDA (earnings before interest, income taxes, depreciation, amortization and other non-cash related expenditures). The Company believes these non-GAAP financial measures are useful to investors in evaluating its results. These measures are not a measurement of financial performance under GAAP and should not be considered as alternatives to net income, income from operations, or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating, investing or financing activities as a measure of liquidity. In addition, because EBITDA and Adjusted EBITDA may not be calculated identically by all companies, this presentation may not be comparable to other similarly titled measures of other companies. For a reconciliation of these non-GAAP financial measures to the most comparable GAAP equivalent, see the Non-GAAP Reconciliation - EBITDA and Adjusted EBITDA, along with related footnotes, below.

About American TonerServ

American TonerServ Corp., a leading marketer of compatible toner cartridges, is building a nationwide organization to efficiently serve the printing needs of small- and medium-sized businesses by consolidating best-in-class independent operators in the more than \$6.0 billion recycled printer cartridge and printer services industry, offering top-quality, environmentally-friendly products and local service teams. Please see www.AmericanTonerServ.com for more information.

Safe Harbor Statement

Except for historical information contained herein, the matters set forth above may be forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ from those in the forward-looking statements. Words such as "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the current beliefs of management, as well as assumptions made by and information currently available to management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors such as the level of business and consumer spending, the amount of sales of the Company's products, the competitive environment within the

industry, the ability of the Company to continue to expand its operations, the level of costs incurred in connection with the Company's expansion efforts, economic conditions in the industry and the financial strength of the Company's customers and suppliers. The Company does not undertake any obligation to update such forward-looking statements. Investors are also directed to consider all other risks and uncertainties.

AMERICAN TONERSERV CORP. AND SUBSIDIARIES
RESULTS OF OPERATIONS

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|----------------|------------------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | |
| Toner and supplies | \$ 6,352,395 | \$ 2,284,076 | \$11,717,620 | \$ 4,538,965 |
| Service | 1,003,981 | 478,471 | 2,014,871 | 913,261 |
| Total revenues | 7,356,376 | 2,762,547 | 13,732,491 | 5,452,226 |
| Cost of sales: | | | | |
| Toner | 4,644,588 | 1,424,389 | 8,814,812 | 2,877,603 |
| Service | 477,971 | 275,193 | 702,457 | 616,569 |
| Total cost of sales | 5,122,559 | 1,699,582 | 9,517,269 | 3,494,172 |
| Gross profit | 2,233,817 | 1,062,965 | 4,215,222 | 1,958,054 |
| Operating expenses: | | | | |
| Salaries and wages | 872,044 | 682,724 | 1,749,613 | 1,356,660 |
| Professional fees and services | 494,652 | 146,244 | 783,309 | 731,126 |
| Sales and marketing | 610,748 | 286,986 | 1,100,500 | 480,207 |
| General and administrative | 500,250 | 407,270 | 987,530 | 742,511 |
| Amortization of intangible assets | 181,310 | 154,229 | 353,491 | 306,206 |
| Total operating expenses | 2,659,004 | 1,677,453 | 4,974,443 | 3,616,710 |
| Loss from operations | (425,187) | (614,488) | (759,221) | (1,658,656) |
| Other (expense) income: | | | | |
| Change in fair value of warrant liability | 35,603 | (1,053) | 452,669 | 1,874 |
| Gain on claims settlement | - | - | - | 66 |
| Fair value of convertible debt | 250,000 | (375,000) | 250,000 | (362,500) |
| Interest expense, net | (430,019) | (264,268) | (793,419) | (432,709) |
| Other income | 1,151 | - | 3,905 | - |
| Net loss | \$ (568,452) | \$ (1,254,809) | \$ (846,066) | \$ (2,451,925) |
| Net loss per share: | | | | |
| Basic and diluted | \$ (0.01) | \$ (0.02) | \$ (0.01) | \$ (0.04) |
| Weighted average number of shares outstanding: | | | | |
| Basic and diluted | 78,154,691 | 64,542,512 | 77,873,619 | 62,233,698 |

BALANCE SHEET DATA

| | June 30, 2009 (unaudited) | December 31, 2008 |
|---------------------------|---------------------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 25,836 | \$ 4,033 |

| | | |
|--|--------------|--------------|
| Accounts receivable, net | 3,645,204 | 2,753,445 |
| Inventory | 1,156,766 | 774,747 |
| Prepaid expenses and other current assets | 178,816 | 75,716 |
| Deferred compensation | 27,382 | 73,275 |
| | ----- | ----- |
| Total current assets | 5,034,004 | 3,681,216 |
| | ----- | ----- |
| Intangible assets, net | 3,941,769 | 4,058,036 |
| Goodwill | 7,127,999 | 6,935,468 |
| Property and equipment, net | 598,892 | 644,477 |
| Other assets | 76,540 | 80,044 |
| | ----- | ----- |
| Total assets | \$16,779,204 | \$15,399,241 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Cash overdraft | \$ 46,384 | \$ 39,381 |
| Accounts payable and accrued expenses | 4,190,938 | 3,030,599 |
| Shareholder advances | 118,595 | 173,595 |
| Revolving line of credit | 1,668,179 | 1,346,722 |
| Notes payable - current portion (net of unamortized discount of \$121,451 and \$194,937 at June 30, 2009 and December 31, 2008) | 1,523,754 | 2,080,865 |
| Convertible notes payable, current portion (net of unamortized discount of \$140,461 and \$147,566 at June 30, 2009 and December 31, 2008) | 856,092 | 1,782,712 |
| Convertible notes payable, related parties - current portion(net of unamortized discount of \$0 and \$1,466 at June 30, 2009 and December 31, 2008) | - | 123,534 |
| Note payable, related parties | 200,000 | - |
| Deferred revenue | 276,079 | 77,245 |
| | ----- | ----- |
| Total current liabilities | 8,880,021 | 8,654,653 |
| | ----- | ----- |
| Long-term liabilities | | |
| Notes payable (net of unamortized discount of \$218,789 and \$244,016 at June 30, 2009 and December 31, 2008) | 1,533,210 | 929,842 |
| Convertible notes payable (net of unamortized discount of \$549,371 and \$669,042 at June 30, 2009 and December 31, 2008) | 2,906,836 | 2,926,524 |
| BALANCE SHEET DATA (continued) | | |
| Warrant liabilities | 193,329 | 639,193 |
| | ----- | ----- |
| Total long-term liabilities | 4,633,375 | 4,495,559 |
| | ----- | ----- |
| Total liabilities | 13,513,396 | 13,150,212 |
| | ----- | ----- |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock | | |
| 4,700,000 and 0 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively | 4,700 | - |
| Common stock | | |
| 78,345,996 and 77,045,995 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively | 78,346 | 77,046 |
| Additional paid-in capital | 26,248,664 | 24,391,819 |

| | | |
|--|---------------|---------------|
| Accumulated deficit | (23,065,902) | (22,219,836) |
| Total stockholders' equity | 3,265,808 | 2,249,029 |
| Total liabilities and stockholders' equity | \$ 16,779,204 | \$ 15,399,241 |

The following is a reconciliation of cash flows provided by operating activities to EBIT, EBITDA, and net loss:

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------------|------------------|----------------|
| | June 30, | | June 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Cash flows from operating activities | \$ 69,489 | \$ (690,878) | \$ (266,891) | \$ (1,326,103) |
| Changes in operating assets and liabilities | (73,064) | 202,514 | 16,831 | 304,950 |
| Non-cash (expenses) income, including depreciation and amortization | (554,251) | (766,445) | (596,006) | (1,430,772) |
| Interest expense, net | 430,019 | 264,268 | 793,419 | 432,709 |
| EBIT | (138,433) | (990,541) | (52,647) | (2,019,216) |
| Depreciation and amortization | 226,417 | 186,648 | 444,568 | 370,823 |
| EBITDA | 87,984 | (803,893) | 391,921 | (1,648,393) |
| Interest expense | (430,019) | (264,268) | (793,419) | (432,709) |
| Depreciation and amortization | (226,417) | (186,648) | (444,568) | (370,823) |
| Net loss | \$ (568,452) | \$ (1,254,809) | \$ (846,066) | \$ (2,451,925) |

The following is a reconciliation of net loss to EBITDA:

| | Three Months Ended | | Six Months Ended | |
|-------------------------------|--------------------|----------------|------------------|----------------|
| | June 30, | | June 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Net loss | \$ (568,452) | \$ (1,254,809) | \$ (846,066) | \$ (2,451,925) |
| Interest expense, net | 430,019 | 264,268 | 793,419 | 432,709 |
| EBIT | (138,433) | (990,541) | (52,647) | (2,019,216) |
| Depreciation and amortization | 226,417 | 186,648 | 444,568 | 370,823 |
| EBITDA | \$ 87,984 | \$ (803,893) | \$ 391,921 | \$ (1,648,393) |

The following is a reconciliation of net EBITDA to Adjusted EBITDA; which excludes all non-cash items; one time expenditures and stock related compensation:

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|--------------|------------------|----------------|
| | June 30, | | June 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| EBITDA | \$ 87,984 | \$ (803,893) | \$ 391,921 | \$ (1,648,393) |
| Stock related compensation | 434,785 | 88,926 | 547,238 | 493,909 |
| Fair value of conversion feature of convertible debt | (250,000) | 375,000 | (250,000) | 362,500 |
| Fair value of warrant liabilities | (35,603) | 1,053 | (452,669) | (1,874) |

| | | | | |
|--------------------|------------|--------------|------------|--------------|
| Bad debt allowance | | | | |
| for entities | 2,500 | 3,856 | 2,500 | 36,356 |
| Other costs | 31,247 | - | 45,426 | - |
| | ----- | ----- | ----- | ----- |
| ADJUSTED EBITDA | \$ 270,913 | \$ (338,693) | \$ 284,416 | \$ (761,137) |
| | ===== | ===== | ===== | ===== |

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