



*The Data Storage Experts*

Nasdaq: QBAK

Investor Presentation

Q1 2020

# FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, the Company's views on future financial performance and innovation, its acquisition strategy, industry developments, and the company's preliminary unaudited financial results for the fiscal year ended December 31, 2019, and are generally identified by phrases such as "thinks," "anticipates," "believes," "estimates," "expects," "intends," "plans," and similar words. Forward-looking statements are not guarantees of future performance and are inherently subject to uncertainties and other factors which could cause actual results to differ materially from the forward-looking statement. These statements are based upon, among other things, assumptions made by, and information currently available to, management, including management's own knowledge and assessment of the Company's industry, R&D initiatives, competition, and capital requirements. Other factors and uncertainties that could affect the Company's forward-looking statements include, among other things, the following: risks related to changes in Qualstar's preliminary unaudited financial results based on the completion of our financial statement closing procedures and the review by our independent registered public accounting firm of such financial statements; our success in predicting new markets and the acceptance of our new products; efficient management of our infrastructure; the pace of technological developments and industry standards evolution and their effect on our target product and market choices; the effect of outsourcing technology development; changes in the ordering patterns of our customers; a decrease in the quality and/or reliability of our products; protection of our proprietary intellectual property; competition by alternative sophisticated as well as generic products; continued availability of raw materials for our products at competitive prices; disruptions in our manufacturing facilities; risks of international sales and operations including fluctuations in exchange rates; compliance with regulatory requirements applicable to our manufacturing operations; and customer concentrations. These and other risks are more fully described in the Company's filings with the Securities and Exchange Commission, including the Company's most recently filed Annual Report on Form 10-K, which should be read in conjunction herewith for a further discussion of important factors that could cause actual results to differ materially from those in the forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# NON-GAAP FINANCIAL INFORMATION

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A non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles, or GAAP. Non-GAAP measures are not in accordance with, nor are they a substitute for, GAAP measures. Other companies may use different non-GAAP measures and presentation of results.

In addition to financial results presented in accordance with GAAP, this presentation may refer to EBITDA and EBITDA margin, each of which is a non-GAAP measure. EBITDA is determined by taking net income and adding interest, income taxes, depreciation and amortization, and EBITDA margin is determined by dividing EBITDA by net revenue. Qualstar believes that these non-GAAP measures, viewed in addition to and not in lieu of net income and gross margin, provide useful information to investors by providing more focused measures of operating results. These metrics are an integral part of Qualstar's internal reporting to evaluate its operations and the performance of senior management. A reconciliation of EBITDA to net income, the most comparable GAAP measure, is available on the Company's website. The non-GAAP measures presented herein may not be comparable to similarly titled measures presented by other companies.

# WHO IS QUALSTAR?

Founded in Southern California, Qualstar has been a leading provider of digital storage solutions since 1984. Today, it offers a full range of tape libraries in various sizes and configurations to meet any requirements. In addition, the company offers high-efficiency, small form factor power supplies through its wholly owned subsidiary, N2Power.



Q24 Library



XLS System



Q80 Library

# THE TURNAROUND

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- In July 2013, Steven Bronson, CEO of BKF Capital Group (OTC:BKFG) stepped in and took control of Qualstar—replacing the executive team and board of directors to position the company for success.
- BKF currently owns 708,286 shares, which accounts for 36.8 percent of the total outstanding shares.
- For the fiscal year ended June 30, 2013, Qualstar reported losses of \$10.36 million on revenue of \$12.64 million. For the fiscal year ended December 31, 2018, the company reported a profit of \$1.49 million on revenues of \$12.23 million.



# THE EVOLUTION OF QUALSTAR

## Looking to Tomorrow to Better Preserve Today

### Today

- 36 years of experience and expertise
- Trusted and recognized brand
- Strong financials with no debt
- Vertically integrated in-house capabilities
- Full spectrum of tape-based data storage products
- Expert technical support
- Known for high quality and reliability

### Current & Future Initiatives

- Commitment to R&D and product development
- Investment in key talent
- Partnerships and acquisitions of complementary product offerings
- Currently in the process of establishing a footprint in China, with plans to launch a European footprint to support our growth in the tape-based data storage systems market

# LEADERSHIP & GOVERNANCE TEAM



**Steven N. Bronson**  
*CEO & President*

Over 35 years of business and entrepreneurial experience. His background in investment banking, operations, and management has led him to acquire meaningful stakes in several promising technology companies.



**Louann Negrete**  
*Chief Financial Officer*

More than two decades of experience in corporate manufacturing accounting with public companies. She has managed mergers and acquisitions and has extensive experience with international subsidiaries.



**David J. Wolenski**  
*Chairman of the Board*

Vice President of Electro-Mechanical Products, Inc., which makes precision-machined components and thermal management systems for the semi-conductor, laser, and medical device industries.



**Leonard Hagan**  
*Director*

Over 40 years experience as a CPA and over 20 years as a licensed Financial and Operation Principal. He is a founding partner at Hagan & Burns CPA's PC.



**Nick Yarmovych**  
*Director*

CEO and Founder of Cloudpointe, a Salesforce consultancy firm. Founder of Salesforce implementation partner Ventus, which was acquired by NTT in 2012.



**Joy Hou**  
*Director*

Joy is the cofounder and CEO of MREN, a cloud-based commercial real estate market network. Joy spent 10 years on Wall St (DLJ, Lehman, Barclays) where she closed \$10 billion of RE transactions.

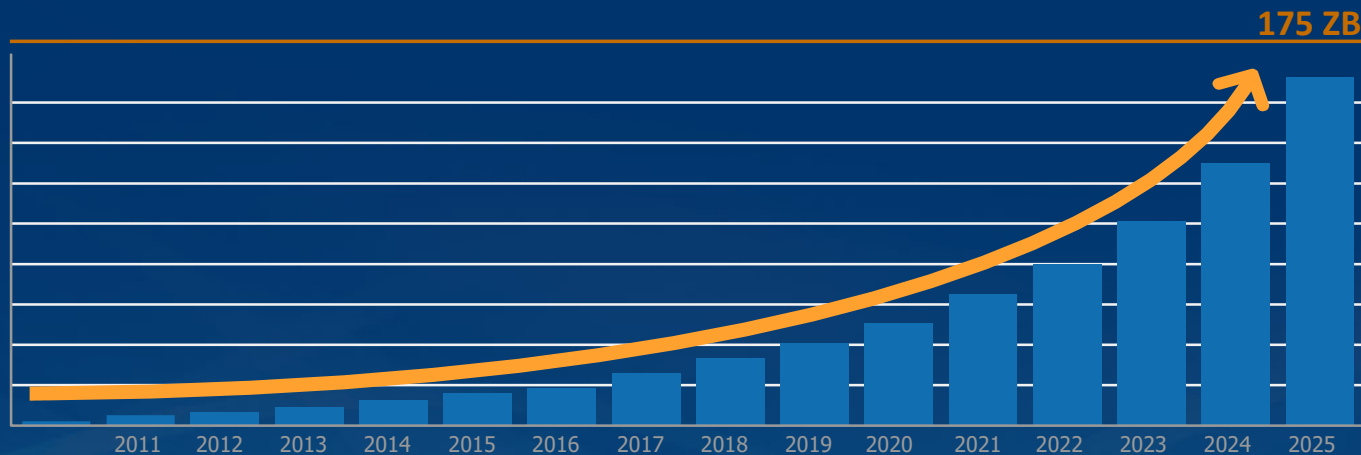
# QUALSTAR ECOSYSTEM OF EXCELLENCE

- Vertically integrated in-house capabilities
- ISO, RoHS, UL, and FCC certified products
- Focused on innovation
- Corporate culture of community and collaboration with value chain partners
- Global footprint with strategic presences in the United States, South Korea, China, and Germany
- Over 32,000 tape-based data storage products sold
- As the last independent library manufacturer, our customers are not locked into using a specific archiving application promoted by the tape library company



# EMERGING PROSPECTS—THE BIG DATA TSUNAMI

By 2025, the world's total datasphere will increase from 33 to 175 zettabytes, with users producing 463 exabytes of data each day.<sup>1</sup> However, this data has no lasting value unless it can be reliably stored, managed, and accessed.



**Zettabyte** is approximately equal to a thousand Exabytes, a billion Terabytes, or a trillion **Gigabytes**

This is a major reason the next-generation global data storage market was valued at \$52.54 billion in 2018 and is projected to reach \$144.33 billion by 2027, growing at a CAGR of 12.5% during the 2019–2027 forecast.<sup>2</sup>

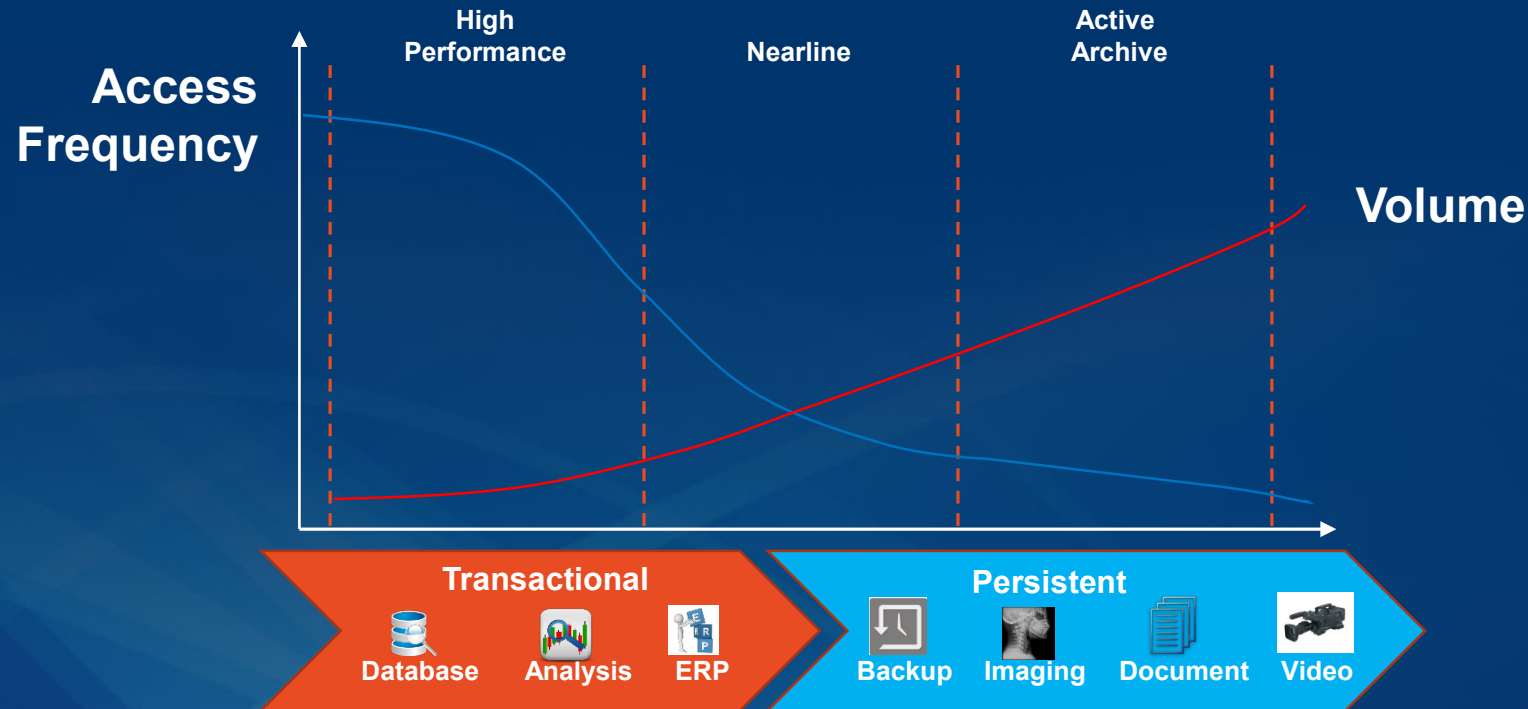
# WHY TAPE IS STILL RELEVANT

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- Each cartridge can store dozens of terabytes.
- Tape maintains data integrity for up to 30 years.
- Lower power consumption makes it a green alternative to hard drives.
- Barcode tracking system keeps data organized.
- Since data on tape is decoupled from its source, it is more secure from cyberattacks.
- Increased data density has yielded faster write and read speeds.
- Compared to the cloud, hard drives, physical media, and other storage alternatives, tape is still the most cost-effective media for data storage.

# DATA ACCESS

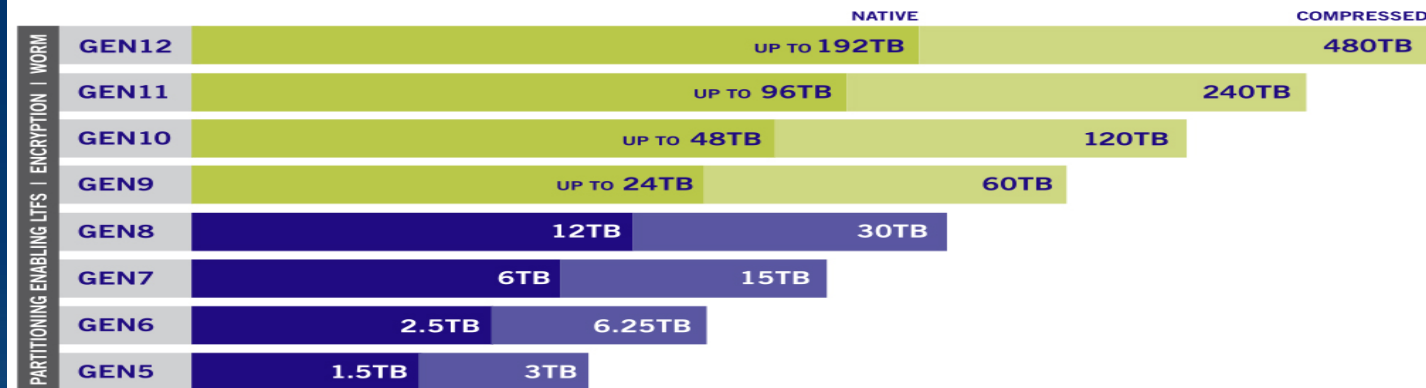
- Estimates suggest that over 95% of data is never accessed again beyond 90 days after creation.<sup>1</sup>
- Within 30 days, the majority of data becomes “persistent data,” which does not change over time and is accessed infrequently.
- Qualstar’s libraries are a storage solution that satisfies both active archive and nearline requirements.



# LTO ULTRIUM ROADMAP

The consortium behind LTO (comprising IBM, HP, and Quantum) has already laid out the media's development through its 12<sup>th</sup> generation.

## LTO ULTRIUM ROADMAP ADDRESSING YOUR STORAGE NEEDS



**NOTE:** Compressed capacity for generation 5 assumes 2:1 compression. Compressed capacities for generations 6-12 assume 2.5:1 compression (achieved with larger compression history buffer).

**SOURCE:** The LTO Program. The LTO Ultrium roadmap is subject to change without notice and represents goals and objectives only. Linear Tape-Open, LTO, the LTO logo, Ultrium, and the Ultrium logo are registered trademarks of Hewlett Packard Enterprise, IBM and Quantum in the US and other countries.

# **N2Power™** A WHOLLY OWNED SUBSIDIARY

- N2Power is a leading provider of high-efficiency, small form factor power supplies.
- Trusted and recognized brand known for value-add and customization offerings.
- Commitment to new product development.
- Penetrate new growth markets (medical) and continue to grow existing markets like telecom, industrial, and gaming. (Two of the top three gaming manufacturers use N2Power supplies.)
- Target acquisitions that will expand our technological and engineering resources while allowing us to launch new product offerings.





# REVENUE OVERVIEW

in \$000's	Nine months ending 9/30/19	12/31/2018
Revenue		
Data Storage		
Hardware	\$3,060	\$3,111
Service	\$1,094	\$1,645
Sony ODA	\$1,727	\$1,546
Data Storage Total	\$5,881	\$6,302
Power Supplies	\$4,117	\$5,927
Total Revenue	\$9,998	\$12,229

# KEY INVESTMENT CONSIDERATIONS

- Leverage 36 years of strong brand awareness and experience in tape-based data storage to offer complimentary products through strategic partnerships and acquisitions
- Strong balance sheet consisting of \$4.4 million cash balance and no debt
- Attractive cap structure: 1,925,025 total outstanding shares, of which 778,847 (40.5%) are held by insiders
- In 2019, the company repurchased 148,093 shares at an average price of \$5.47/share
- Market cap is less than 1X revenue
- Core tape-based data storage solutions segment well positioned for growth

# STAY CONNECTED

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