

HEADLINE: Streamline Health(R) Reports Third Quarter 2018 Revenues of \$5.4 Million; (\$0.7 Million) Net Loss; Adjusted EBITDA of \$0.8 Million

ATLANTA, GA / ACCESSWIRE / December 10, 2018 / [Streamline Health Solutions, Inc.](#) (NASDAQ: STRM), provider of integrated solutions, technology-enabled services and analytics supporting revenue cycle optimization for healthcare enterprises, today announced financial results for the third quarter of fiscal 2018, which ended October 31, 2018.

Revenues for the three-month period ended October 31, 2018 decreased approximately 16% to \$5.4 million as compared to revenues of \$6.4 million for the quarter ended October 31, 2018. Recurring revenue comprised 82% of total revenue in the quarter ended October 31, 2018.

Net loss for the third quarter was approximately (\$0.7 million) as compared to break even in the same period a year ago. The net loss of (\$0.7 million) includes the cost of the Atlanta operating lease assignment of \$0.6 million, with a considerable amount of the cost being non-cash from the write-off of leasehold improvements and furniture and fixtures.

Adjusted EBITDA for the third quarter 2018 was \$0.8 million, down from \$1.5 million in the third quarter of 2017.

"Our third quarter performance was very solid, as we continued to sharpen our focus on helping healthcare providers with the many challenges they face in the middle of their revenue cycle – from charge capture to bill drop," stated David Sides, President and Chief Executive Officer, Streamline Health. "We have invested materially in eValuator to expand the number of rules for In-Patient use, and to accelerate the development and deployment of eValuator for Out-Patient use and for Pro-Fee for Physician Practices. Going forward, we will make additional investments in sales and marketing to help us accelerate our revenue growth rate – primarily with eValuator, but also with our CDI and Abstracting solutions.

"We are starting to see the impact of eValuator sales in our contracted revenue as our bookings growth has improved by 200% year-over-year, and we have produced quarterly, sequential growth in our backlog of 13%. We believe that these leading indicators point to our Company turning from lower revenue to a period of revenue growth in 2019 and beyond. The impact of the operational improvements we made over the past couple of years – including the many cost-containment measures we have implemented – will have a positive impact on our fourth quarter adjusted EBITDA. But the bulk of the effect will be reported next year when we expect to generate \$5 million in Adjusted EBITDA with the same level of revenue as this year, although we anticipate marginal growth in our revenue base in 2019. We will provide specific guidance for fiscal year 2019 during our fourth quarter and fiscal year end earnings call."

Highlights for the third quarter ended October 31, 2018 included:

- Revenue for the third quarter 2018 was \$5.4 million;
- Net loss for the third quarter 2018 was \$(0.7 million);
- Adjusted EBITDA for the third quarter 2018 was \$0.8 million;
- Backlog is up 13%, sequentially, from Q2 2018 to \$26 million;
- Bookings up 200% from the YTD Q3 2017 to \$7.1 million.

Conference Call

The Company will conduct a conference call to review the results on Tuesday, December 11, 2018 at 9:00 AM ET. Interested parties can access the call by joining the live webcast: [click here](#) to register. You can also join by phone by dialing 877-269-7756.

A replay of the conference call will be available from Tuesday, December 11, 2018 at 12:00 PM ET to Monday, December 17, 2018 at 12:00 PM ET by dialing 877.660.6853 and requesting conference ID 13685656. An online replay of the presentation will also be available for six months following the presentation in the Investor Relations section of the Streamline Health website, www.streamlinehealth.net.

*Non-GAAP Financial Measures

Streamline Health reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). Streamline Health's management also evaluates and makes operating decisions using various other measures. One such measure is adjusted EBITDA, which is a non-GAAP financial measure. Streamline Health's management believes that this measure provides useful supplemental information regarding the performance of Streamline Health's business operations.

Streamline Health defines "adjusted EBITDA" as net earnings (loss) plus interest expense, tax expense, depreciation and amortization expense of tangible and intangible assets, stock-based compensation expense, significant non-recurring operating expenses, and transactional related expenses including: gains and losses on debt and equity conversions, associate severances and related restructuring expenses, associate inducements, and professional and advisory fees. A table illustrating this measure is included in this press release.

About Streamline Health

[Streamline Health Solutions, Inc.](http://www.streamlinehealth.net) (NASDAQ: STRM) is a healthcare industry leader in capturing, aggregating, and translating enterprise data into knowledge – actionable insights that support revenue cycle optimization for healthcare enterprises. We deliver integrated solutions and analytics that enable providers to drive reimbursement in a value-based world. We share a common calling and commitment to advance the quality of life and the quality of healthcare – for society, our clients, the communities they serve, and the individual patient. For more information, please visit our website at www.streamlinehealth.net.

Safe Harbor statement under the Private Securities Litigation Reform Act of 1995

Statements made by Streamline Health Solutions, Inc. that are not historical facts are forward-looking statements that are subject to certain risks, uncertainties and important factors that could cause actual results to differ materially from those reflected in the forward-looking statements included herein. Forward-looking statements contained in this press release include, without limitation, statements regarding the Company's estimates of future revenue, backlog, results of investments in sales and marketing, adjusted EBITDA, success of future products and related expectations and assumptions. These risks and uncertainties include, but are not limited to, the timing of contract negotiations and execution of contracts and the related timing of the revenue recognition related thereto, the potential cancellation of existing contracts or clients not completing projects included in the backlog, the impact of competitive solutions and pricing, solution demand and market acceptance, new solution development and enhancement of current solutions, key strategic alliances with vendors and channel partners that resell the Company's solutions, the ability of the Company to control costs, the effects of cost-containment measures implemented by the Company, availability of solutions from third party vendors, the healthcare regulatory environment, potential changes in legislation, regulation and government funding affecting the healthcare industry, healthcare information systems budgets, availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems, fluctuations in operating results, effects of critical accounting policies and judgments, changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other similar entities, changes in economic, business and market conditions impacting the healthcare industry generally and the markets in which the Company operates and nationally, and the Company's ability to maintain compliance with the terms of its credit facilities, and other risks detailed from time to time in the Streamline Health Solutions, Inc. filings with the U. S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

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STREAMLINE HEALTH SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|-------------------|--------------------------|-----------------------|
| | October 31, | | October 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Systems sales | \$ 309,522 | \$ 348,526 | \$ 1,827,071 | \$ 1,055,941 |
| Professional services | 576,682 | 801,771 | 1,086,117 | 1,793,618 |
| Audit Services | 233,561 | 280,025 | 841,117 | 919,485 |
| Maintenance and support | 3,051,260 | 3,250,229 | 9,576,615 | 9,883,563 |
| Software as a service | 1,197,552 | 1,718,748 | 3,569,562 | 4,586,532 |
| Total revenues | <u>5,368,577</u> | <u>6,399,299</u> | <u>16,900,482</u> | <u>18,239,139</u> |
| Operating expenses: | | | | |
| Cost of systems sales | 223,235 | 434,138 | 763,109 | 1,596,988 |
| Cost of professional services | 675,038 | 555,815 | 2,078,735 | 1,814,236 |
| Cost of audit services | 323,337 | 404,280 | 1,017,397 | 1,236,358 |
| Cost of maintenance and support | 505,779 | 667,307 | 1,720,366 | 2,241,969 |
| Cost of software as a service | 206,878 | 289,503 | 805,137 | 914,711 |
| Selling, general and administrative | 2,391,873 | 2,819,549 | 8,159,823 | 8,983,248 |
| Research and development | 1,026,423 | 932,251 | 3,301,587 | 3,985,161 |
| Loss on exit of operating lease | 561,898 | -- | 1,368,061 | -- |
| Total operating expenses | <u>5,914,461</u> | <u>6,102,843</u> | <u>19,214,215</u> | <u>20,772,671</u> |
| Operating income (loss) | (545,884) | 296,456 | (2,313,733) | (2,533,532) |
| Other expense: | | | | |
| Interest expense | (105,784) | (113,078) | (332,387) | (360,723) |
| Miscellaneous expenses | (25,128) | (177,282) | (118,156) | (235,007) |
| Income (loss) before income taxes | (676,796) | 6,096 | (2,764,276) | (3,129,262) |
| Income tax expense | (1,714) | (2,607) | (5,141) | (7,822) |
| Net Income (loss) | <u>\$ (678,510)</u> | <u>\$ 3,489</u> | <u>\$ (2,769,417)</u> | <u>\$ (3,137,084)</u> |
| Basic Net earnings (loss) per common share | <u>(0.03)</u> | <u>--</u> | <u>(0.14)</u> | <u>(0.16)</u> |
| Number of shares used in basic per common share computation | <u>19,753,074</u> | <u>19,985,822</u> | <u>19,903,529</u> | <u>19,838,691</u> |
| Diluted net earnings (loss) per common share | <u>\$ (0.03)</u> | <u>\$ --</u> | <u>\$ (0.14)</u> | <u>\$ (0.16)</u> |
| Number of shares used in diluted per common share computation | <u>19,753,074</u> | <u>23,068,423</u> | <u>19,903,529</u> | <u>19,838,691</u> |

STREAMLINE HEALTH SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

Assets

| | <u>October 31,</u> <u>2018</u> | <u>January</u> <u>31,</u> <u>2018</u> |
|--|-----------------------------------|---|
| Current assets: | | |
| Cash and cash equivalents | \$ 1,144,559 | \$ 4,619,834 |
| Accounts receivable, net of allowance for doubtful accounts of \$307,736 and \$349,058, respectively | 1,562,074 | 3,001,170 |
| Contract receivables | 1,231,969 | 223,791 |
| Prepaid hardware and third-party software for future delivery | -- | 5,858 |
| Prepaid client maintenance contracts | 469,335 | 506,911 |
| Other prepaid assets | 662,051 | 742,232 |
| Other current assets | 406,143 | 546,885 |
| Total current assets | <u>5,476,131</u> | <u>9,646,681</u> |
| Non-current assets: | | |
| Property and equipment: | | |
| Computer equipment | 1,414,876 | 2,852,776 |
| Computer software | 666,442 | 730,950 |
| Office furniture, fixtures and equipment | -- | 683,443 |
| Leasehold improvements | -- | 729,348 |
| | <u>2,081,318</u> | <u>4,996,517</u> |
| Accumulated depreciation and amortization | (1,804,305) | (3,834,153) |
| Property and equipment, net | <u>277,013</u> | <u>1,162,364</u> |
| Contract Receivables, less current portion | 614,725 | -- |
| Capitalized software development costs, net of accumulated amortization of \$19,553,507 and \$18,658,183, respectively | 5,700,270 | 4,307,351 |
| Intangible assets, net | 5,130,311 | 5,835,151 |
| Goodwill | 15,537,281 | 15,537,281 |
| Other non-current assets | 328,843 | 642,226 |
| Total non-current assets | <u>27,558,443</u> | <u>27,484,373</u> |
| | <u>\$33,064,574</u> | <u>\$37,131,054</u> |

STREAMLINE HEALTH SOLUTIONS, INC. CONSOLIDATED BALANCE SHEETS (Unaudited)

Liabilities and Stockholders' Equity

| | <u>October 31,</u> <u>2018</u> | <u>January 31,</u> <u>2018</u> |
|---|-----------------------------------|-----------------------------------|
| Current liabilities: | | |
| Accounts payable | \$ 1,469,954 | \$ 421,425 |
| Accrued compensation | 941,349 | 342,351 |
| Accrued other expenses | 1,089,304 | 609,582 |
| Current portion of term loan | 596,984 | 596,984 |
| Deferred revenues | 5,845,779 | 9,481,807 |
| Other | 22,281 | -- |
| Total current liabilities | <u>9,965,651</u> | <u>11,452,149</u> |
| Non-current liabilities: | | |
| Term loan, net of deferred financing cost of \$75,074 and \$128,275, respectively | 3,506,816 | 3,901,353 |

| | | |
|--|----------------------|----------------------|
| Royalty liability | 889,654 | 2,469,193 |
| Deferred revenues, less current portion | 752,093 | 332,645 |
| Other Liabilities | 112,848 | 274,128 |
| Total non-current liabilities | <u>5,261,411</u> | <u>6,977,319</u> |
| Total liabilities | <u>15,227,062</u> | <u>18,429,468</u> |
| Series A 0% Convertible Redeemable Preferred Stock, \$.01 par value per share, \$8,686,392 and \$8,849,985 redemption value, 4,000,000 shares authorized, 2,895,464 and 2,949,995 issued and outstanding, respectively | 8,686,392 | 8,849,985 |
| Stockholders' equity: | | |
| Common stock, \$.01 par value per share, 45,000,000 shares authorized; 20,127,703 and 20,005,977 shares issued and outstanding, respectively | 201,277 | 200,060 |
| Additional paid in capital | 82,404,377 | 81,776,606 |
| Accumulated deficit | <u>(73,454,534)</u> | <u>(72,125,065)</u> |
| Total stockholders' equity | <u>9,151,120</u> | <u>9,851,601</u> |
| | <u>\$ 33,064,574</u> | <u>\$ 37,131,054</u> |

STREAMLINE HEALTH SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | <u>Nine Months Ended</u> | |
|---|--------------------------|--------------------|
| | <u>October</u> | <u>October</u> |
| | <u>31,</u> | <u>31,</u> |
| | <u>2018</u> | <u>2017</u> |
| Operating activities: | | |
| Net loss | \$ (2,769,417) | \$ (3,137,084) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 411,277 | 595,866 |
| Amortization of capitalized software development costs | 895,325 | 1,574,493 |
| Amortization of intangible assets | 704,840 | 922,462 |
| Amortization of other deferred costs | 347,170 | 229,780 |
| Valuation adjustment for warrants liability | -- | 104,666 |
| Other valuation adjustments | 71,428 | 124,423 |
| Loss on exit of operating lease | 1,368,061 | -- |
| Loss (gain) on disposal of fixed assets | 5,190 | (14,871) |
| Share-based compensation expense | 492,298 | 844,960 |
| Provision for accounts receivable | (23,639) | 181,859 |
| Changes in assets and liabilities, net of assets acquired: | | |
| Accounts and contract receivables | 590,555 | 1,957,439 |
| Other assets | 272,823 | (671,254) |
| Accounts payable | 1,048,529 | (308,747) |
| Accrued expenses | 53,673 | 134,324 |
| Deferred revenues | <u>(4,176,055)</u> | <u>(3,866,878)</u> |
| Net cash provided by (used in) operating activities | <u>(707,942)</u> | <u>(1,328,562)</u> |
| Investing activities: | | |
| Purchases of property and equipment | (21,142) | (24,517) |
| Proceeds from sales of property and equipment | 20,408 | -- |
| Capitalization of software development costs | <u>(2,288,244)</u> | <u>(1,336,942)</u> |
| Net cash used in investing activities | <u>(2,288,978)</u> | <u>(1,361,459)</u> |
| Financing activities: | | |

| | | |
|---|---------------------|---------------------|
| Principal repayments on term loan | (447,738) | (962,443) |
| Principal payments on capital lease obligations | (3,714) | (91,337) |
| Proceeds from exercise of stock options, stock purchase plan, subscription and equity financing | 35,388 | 23,703 |
| Surrender of shares of common stock | (62,291) | (41,813) |
| Net cash used in financing activities | <u>(478,355)</u> | <u>(1,071,890)</u> |
| Net decrease in cash and cash equivalents | (3,475,275) | (3,761,911) |
| Cash and cash equivalents at beginning of year | 4,619,834 | 5,654,093 |
| Cash and cash equivalents at end of year | <u>\$ 1,144,559</u> | <u>\$ 1,892,182</u> |

STREAMLINE HEALTH SOLUTIONS, INC.

Backlog
(Unaudited)

Table A

| | <u>October 31</u> | <u>July 31</u> |
|-------------------------------------|---------------------|---------------------|
| Streamline Health Software Licenses | \$ 687,000 | \$ 53,000 |
| Professional Services | 1,843,000 | 1,867,000 |
| Audit Services | 1,239,000 | 1,019,000 |
| Maintenance and Support | 12,686,000 | 11,489,000 |
| Software as a Service | 9,617,000 | 8,936,000 |
| Total 2018 backlog | <u>\$26,072,000</u> | <u>\$23,364,000</u> |
| Total 2017 backlog | <u>\$47,668,000</u> | <u>\$46,362,000</u> |

STREAMLINE HEALTH SOLUTIONS, INC.

New Bookings
(Unaudited)

Table B

| | <u>October 31</u> | |
|-------------------------------------|-----------------------------------|----------------------------------|
| | <u>Three Months Ended</u> | <u>Nine Months Ended</u> |
| Streamline Health Software licenses | \$ 340,000 | \$1,795,000 |
| Software as a service | 708,000 | 1,862,000 |
| Maintenance and support | 116,000 | 1,203,000 |
| Professional services | 577,000 | 2,128,000 |
| Audit Services | 19,000 | 110,000 |
| Total 2018 bookings | <u>\$1,760,000</u> | <u>\$7,098,000</u> |
| Total 2017 bookings | <u>\$1,932,000</u> | <u>\$3,564,000</u> |

Reconciliation of Non-GAAP Financial Measures
(Unaudited)

Table C

This press release contains a non-GAAP financial measure under the rules of the U.S. Securities and Exchange Commission for Adjusted EBITDA. This non-GAAP information supplements and is not intended to represent a measure of performance in accordance with disclosures required by generally accepted accounting principles.

Non-GAAP financial measures are used internally to manage the business, such as in establishing an annual operating budget. Streamline Health's management in its operating and financial decision-making uses non-GAAP financial measures because management believes these measures reflect ongoing business in a manner that allows meaningful period-to-period comparisons. Accordingly, the Company believes it is useful for investors and others to review both GAAP and non-GAAP measures in order to (a) understand and evaluate current operating performance and future prospects in the same manner as management does and (b) compare in a consistent manner the Company's current financial results with past financial results. The primary limitations associated with the use of non-GAAP financial measures are that these measures may not be directly comparable to the amounts reported by other companies and they do not include all items of income and expense that affect operations. The Company's management compensates for these limitations by considering the Company's financial results and outlook as determined in accordance with GAAP and by providing a detailed reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures in the tables attached to this press release. Streamline Health defines "Adjusted EBITDA" as net earnings (loss) plus interest expense, tax expense, depreciation and amortization expense of tangible and intangible assets, stock-based compensation expense, significant non-recurring operating expenses, and transactional related expenses including: gains and losses on debt and equity conversions, associate severances and related restructuring expenses, associate inducements, professional and advisory fees, and internal direct costs incurred to complete transactions.

Reconciliation of net earnings (loss) to non-GAAP Adjusted EBITDA (in thousands):

(Unaudited)

| Adjusted EBITDA Reconciliation | Three Months Ended, | | Nine Months Ended, | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | October 31, 2018 | October 31, 2017 | October 31, 2018 | October 31, 2017 |
| Net Income (loss) | \$ (679) | \$ 3 | \$ (2,769) | \$ (3,137) |
| Interest expense | 106 | 113 | 332 | 361 |
| Income tax expense | 2 | 3 | 5 | 8 |
| Depreciation | 87 | 193 | 411 | 596 |
| Amortization of capitalized software development costs | 249 | 431 | 895 | 1,574 |
| Amortization of intangible assets | 235 | 256 | 705 | 922 |
| Amortization of other costs | 101 | 51 | 294 | 177 |
| EBITDA | <u>101</u> | <u>1,050</u> | <u>(127)</u> | <u>501</u> |
| Share-based compensation expense | 125 | 290 | 492 | 845 |
| Loss (gain) on disposal of fixed assets | 7 | (14) | 5 | (15) |
| Non-cash valuation adjustments to assets and liabilities | 15 | 188 | 71 | 229 |
| Associate severances and other costs relating to transactions or corporate restructuring | 562 | -- | 1,368 | -- |
| Adjusted EBITDA | <u>\$ 810</u> | <u>\$ 1,514</u> | <u>\$ 1,809</u> | <u>\$ 1,560</u> |
| Adjusted EBITDA per diluted share | | | | |
| Earnings (loss) per share - diluted | \$ (0.03) | \$ -- | \$ (0.14) | \$ (0.16) |
| Adjusted EBITDA per adjusted diluted share ⁽¹⁾ | <u>\$ 0.04</u> | <u>\$ 0.07</u> | <u>\$ 0.08</u> | <u>\$ 0.07</u> |
| Diluted weighted average shares | 19,753,074 | 23,068,423 | 19,903,529 | 19,838,691 |
| Includable incremental shares - Adjusted EBITDA ⁽²⁾ | 2,971,381 | -- | 3,033,263 | 3,242,413 |
| Adjusted diluted shares | <u>22,724,455</u> | <u>23,068,423</u> | <u>22,936,792</u> | <u>23,081,104</u> |

(1) Adjusted EBITDA per adjusted diluted share for the Company's common stock is computed using the more dilutive of the two-class method or the if-converted method.

- (2) The number of incremental shares that would be dilutive under profit assumption, only applicable under a GAAP net loss. If GAAP profit is earned in the current period, no additional incremental shares are assumed.

SOURCE: Streamline Health Solutions, Inc.

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