



December 10, 2015

Streamline Health® Reports Third Quarter 2015 Financial Performance

Third Quarter Revenues of \$7.2 Million; Cash up to \$8.5 Million; Debt Reduced to \$8.6 Million; Change in Auditors Expected to Result in Significant Savings

ATLANTA, Dec. 10, 2015 /PRNewswire/ --[Streamline Health Solutions, Inc.](#) (NASDAQ: STRM), a leading provider of transformational data-driven solutions to help healthcare providers reduce exposure to risk, enhance clinical, financial, and operational performance, and improve patient care, today announced financial results for the third quarter of 2015, which ended October 31, 2015.

Revenues for the three-month period ended October 31, 2015 declined as expected to approximately \$7.2 million, as compared to \$8.6 million in the previous quarter that included \$1.6 million in perpetual license revenue. Removing the revenue from the one-time perpetual license that was recognized in Q2, revenues for the year have increased consistently over the first three quarters of 2015, from \$6.2 million in Q1, to \$7.0 million in Q2, and to \$7.2 million in Q3. As compared to Q3 2014, revenues for Q3 2015 increased 5.9%.

Adjusted EBITDA for the third quarter 2015 was \$1.7 million, up \$2.0 million compared to Adjusted EBITDA from the third quarter of 2014. Adjusted EBITDA for the year-to-date period is \$2.3 million, up \$2.6 million from the comparable prior year period. On a GAAP basis, the company had a net loss of \$0.5 million and \$2.9 million for the three and nine months ended October 31, 2015, respectively.

The Company selected RSM US LLP (formerly known as McGladrey LLP) to replace KPMG LLP as its independent registered public accounting firm, effective today. This change is expected to result in significant savings going forward.

"I'm pleased to report another solid quarter of performance. We continue to realize significant improvement in our balance sheet, building cash and reducing debt as we look to improve our operational efficiency in all areas of our business," stated David Sides, President and Chief Executive Officer, Streamline Health. "With the improvement in our financial position, we are now in position to invest significantly in our sales resources going forward by adding additional direct salespeople, account executives and a dedicated channel partner manager."

Highlights for the third quarter ended October 31, 2015 included:

- | Revenue for the third quarter 2015 was \$7.2 million;
- | Adjusted EBITDA for the third quarter 2015 was \$1.7 million;
- | Net loss for the third quarter 2015 was \$0.5 million;
- | New sales bookings for the quarter were \$1.1 million; and
- | Backlog at the end of the quarter was \$67.5 million.

Conference Call Information

The Company will conduct a conference call to review the results on Thursday, December 10, 2015 at 5:00 PM ET. Interested parties can access the call by dialing 888-287-5563 and then entering passcode 1594783. A live webcast will also be available; [click here](#) to register.

A replay of the conference call will be available from Thursday, December 10, 2015 at 8:00 PM ET to Tuesday, December 15, 2015 at 8:00 PM ET by dialing 888-203-1112 and entering passcode 1594783.

About Streamline Health

[Streamline Health Solutions, Inc.](#) (NASDAQ: STRM) is a healthcare industry leader in capturing, aggregating, and translating enterprise data into knowledge - actionable insights that reduce exposure to risk, enhance operational performance, and improve patient care. Through our Looking Glass® Platform we provide clients with meaningful, intelligent SaaS-based solutions from patient engagement to reimbursement. We share a common calling and commitment to advance the quality of life and the quality of healthcare - for society, our industry, 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 expected cost savings from changing its independent registered public accounting firm, debt, backlog, future investments in sales resources, 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, key strategic alliances with vendors and channel partners that resell the Company's solutions, the ability of the Company to control costs, 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.

Company Contact:

Randy Salisbury
SVP, Chief Marketing Officer
(404) 229-4242
randy.salisbury@streamlinehealth.net

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

| | Three Months Ended | | Nine Months Ended | |
|---------------------------------------|--------------------|------------------|-------------------|-------------------|
| | Oct 31, | | Oct 31, | |
| | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | |
| ^ Systems sales | \$ 327,493 | \$ 345,919 | \$ 2,567,710 | \$ 999,209 |
| ^ Professional services | 621,547 | 447,939 | 1,631,878 | 1,731,888 |
| ^ Maintenance and support | 4,034,481 | 4,062,442 | 11,315,664 | 12,411,419 |
| ^ Software as a service | 2,171,548 | 1,980,343 | 6,428,358 | 5,887,368 |
| ^ ^ ^ ^ ^ Total revenues | <u>7,155,069</u> | <u>6,836,643</u> | <u>21,943,610</u> | <u>21,029,884</u> |
| Operating expenses: | | | | |
| ^ Cost of systems sales | 695,824 | 835,398 | 2,117,409 | 2,505,190 |
| ^ Cost of professional services | 829,964 | 681,350 | 2,249,029 | 2,446,466 |
| ^ Cost of maintenance and support | 766,594 | 756,469 | 2,297,772 | 2,553,180 |
| ^ Cost of software as a service | 611,158 | 770,347 | 2,052,758 | 2,113,390 |
| ^ Selling, general and administrative | 2,351,082 | 4,230,347 | 10,636,370 | 12,925,597 |
| ^ Research and development | 2,258,092 | 2,275,410 | 6,715,641 | 6,850,973 |
| ^ ^ ^ ^ ^ Total operating expenses | <u>7,512,714</u> | <u>9,549,321</u> | <u>26,068,979</u> | <u>29,394,796</u> |
| Operating loss | (357,645) | (2,712,678) | (4,125,369) | (8,364,912) |
| Other income (expense): | | | | |
| ^ Interest expense | (206,286) | (180,583) | (698,402) | (523,599) |

| | | | | |
|---|--------------|----------------|----------------|----------------|
| A Loss on early extinguishment of debt | -- | (114,522) | -- | (114,522) |
| Â Miscellaneous income | 110,383 | 752,219 | 1,939,543 | 1,803,509 |
| Loss before income taxes | (453,548) | (2,255,564) | (2,884,228) | (7,199,524) |
| Â Income tax expense | (3,113) | -- | (2,645) | (2,290) |
| Net loss | \$ (456,661) | \$ (2,255,564) | \$ (2,886,873) | \$ (7,201,814) |
| Less: deemed dividends on Series A Preferred Shares | (346,339) | (269,152) | (967,014) | (751,501) |
| Net loss attributable to common shareholders | \$ (803,000) | \$ (2,524,716) | \$ (3,853,887) | \$ (7,953,315) |
| Basic net loss per common share | \$ (0.04) | \$ (0.14) | \$ (0.21) | \$ (0.44) |
| Number of shares used in basic per common share computation | 18,746,632 | 18,309,677 | 18,658,626 | 18,210,034 |
| Diluted net loss per common share | \$ (0.04) | \$ (0.14) | \$ (0.21) | \$ (0.44) |
| Number of shares used in diluted per common share computation | 18,746,632 | 18,309,677 | 18,658,626 | 18,210,034 |

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

Assets

| | October 31, 2015 | January 31, 2015 |
|--|---------------------|---------------------|
| Current assets: | | |
| Â Cash and cash equivalents | \$ 8,505,736 | \$ 6,522,600 |
| Â Accounts receivable, net of allowance for doubtful Â Â accounts of \$130,214 and \$665,962, respectively | 3,429,188 | 6,935,270 |
| Â Contract receivables | 142,250 | 191,465 |
| Â Prepaid hardware and third party software for Â Â future delivery | 5,858 | 55,173 |
| Â Prepaid client maintenance contracts | 1,048,667 | 935,858 |
| Â Other prepaid assets | 1,084,721 | 1,437,680 |
| Â Deferred income taxes | 220,004 | 220,004 |
| Â Other current assets | 34,644 | 207,673 |
| Â Â Â Â Â Total current assets | 14,471,068 | 16,505,723 |
| Non-current assets: | | |
| Property and equipment: | | |
| Â Computer equipment | 2,507,132 | 2,381,923 |
| Â Computer software | 677,354 | 964,857 |
| Â Office furniture, fixtures and equipment | 683,443 | 683,443 |
| Â Leasehold improvements | 729,348 | 724,015 |
| | 4,597,277 | 4,754,238 |
| Â Accumulated depreciation and amortization | (2,103,282) | (1,617,423) |
| Property and equipment, net | 2,493,995 | 3,136,815 |
| Â Contract receivables, less current portion | 17,421 | 43,553 |
| Â Capitalized software development costs, net of Â Â accumulated amortization of \$14,178,705 and Â Â \$11,846,468, respectively | 6,864,881 | 9,197,118 |
| Intangible assets, net of accumulated amortization of Â Â \$4,338,373 and \$3,326,683, respectively | 8,488,627 | 9,500,317 |
| Deferred financing costs, net of accumulated Â Â amortization of \$66,797 and \$13,677, respectively | 287,881 | 387,199 |
| Goodwill | 16,184,667 | 16,184,667 |
| Other | 784,909 | 823,723 |
| Â Â Â Â Â Total non-current assets | 35,122,381 | 39,273,392 |
| | \$ 49,593,449 | \$ 55,779,115 |

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

Liabilities and Stockholders' Equity

| | October 31, 2015 | January 31, 2015 |
|--|-----------------------------|-----------------------------|
| Current liabilities: | | |
| À Accounts payable | \$ 749,303 | \$ 2,298,851 |
| À Accrued compensation | 1,104,120 | 865,865 |
| À Accrued other expenses | 213,130 | 563,838 |
| À Current portion of long-term debt | 617,657 | 500,000 |
| À Deferred revenues | 8,201,299 | 9,289,076 |
| À Current portion of capital lease obligation | <u>772,781</u> | <u>781,961</u> |
| À À À À À À Total current liabilities | <u>11,658,290</u> | <u>14,299,591</u> |
| Non-current liabilities: | | |
| À Term loans | 8,029,536 | 9,500,000 |
| À Warrants liability | 275,914 | 1,834,380 |
| À Royalty liability | 2,548,965 | 2,385,826 |
| À Lease incentive liability | 365,140 | 342,129 |
| À Capital lease obligation | 126,550 | 582,911 |
| À Deferred revenues, less current portion | 1,495,531 | 964,933 |
| À Deferred income tax liability | <u>220,005</u> | <u>229,579</u> |
| À À À À À À Total non-current liabilities | <u>13,061,641</u> | <u>15,839,758</u> |
| À À À À À À Total liabilities | <u>24,719,931</u> | <u>30,139,349</u> |
| Series A 0% Convertible Redeemable Preferred stock, \$.01 par value per share, \$8,849,985 redemption value, 4,000,000 shares authorized, 2,949,995 issued and outstanding, net of unamortized preferred stock discount of \$1,244,994 and \$2,212,007, respectively | | |
| | 7,604,992 | 6,637,978 |
| Stockholders' equity: | | |
| À Common stock, \$.01 par value per share, 45,000,000 shares authorized, 18,783,540 and 18,553,389 shares issued and outstanding, respectively | 187,835 | 185,534 |
| À Additional paid in capital | 79,541,734 | 78,390,424 |
| À Accumulated deficit | <u>(62,461,043)</u> | <u>(59,574,170)</u> |
| À À À À À À Total stockholders' equity | <u>17,268,526</u> | <u>19,001,788</u> |
| | \$ <u>49,593,449</u> | \$ <u>55,779,115</u> |

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

| | Nine Months Ended | |
|---|--------------------------|----------------|
| | Oct 31, | |
| | 2015 | 2014 |
| Operating activities: | | |
| Net loss | \$ (2,886,873) | \$ (7,201,814) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation | 930,508 | 670,955 |
| Amortization of capitalized software development costs | 2,332,237 | 2,735,990 |
| Amortization of intangible assets | 1,011,690 | 1,051,025 |
| Amortization of other deferred costs | 142,764 | 172,804 |

| | | |
|--|---------------------|---------------------|
| Valuation adjustment for warrants liability | (1,558,466) | (2,325,824) |
| Share-based compensation expense | 1,858,588 | 1,286,145 |
| Other valuation adjustments | 206,712 | 119,593 |
| Loss on disposal of property and equipment | 92,448 | 110,710 |
| Loss on exit of operating lease | -- | 234,823 |
| Gain on early extinguishment of lease liability | (33,059) | -- |
| Provision for accounts receivable | 11,488 | 252,803 |
| Deferred tax expense | (9,574) | -- |
| Changes in assets and liabilities, net of effects of acquisitions: | | |
| Accounts and contract receivables | 3,569,941 | 3,360,780 |
| Other assets | 411,665 | (314,501) |
| Accounts payable | (1,505,462) | 410,395 |
| Accrued expenses | (63,498) | (801,074) |
| Deferred revenues | (557,179) | (2,124,790) |
| Â Net cash provided by (used in) operating activities | <u>3,953,930</u> | <u>(2,361,980)</u> |
| Investing activities: | | |
| Purchases of property and equipment | (243,283) | (1,862,855) |
| Capitalization of software development costs | -- | (503,464) |
| Payment for acquisition, net of cash acquired | -- | (6,058,225) |
| Â Net cash used in investing activities | <u>(243,283)</u> | <u>(8,424,544)</u> |
| Financing activities: | | |
| Principal repayments on term loan | (1,352,807) | (910,710) |
| Principal repayments on note payable | -- | (300,000) |
| Principal payments on capital lease obligation | (602,394) | (165,115) |
| Recovery (payment) of deferred financing costs | 2,111 | (256,212) |
| Proceeds from exercise of stock options and stock purchase plan | 225,579 | 438,425 |
| Â Net cash used in financing activities | <u>(1,727,511)</u> | <u>(1,193,612)</u> |
| Increase (decrease) in cash and cash equivalents | 1,983,136 | (11,980,136) |
| Cash and cash equivalents at beginning of period | 6,522,600 | 17,924,886 |
| Cash and cash equivalents at end of period | \$ <u>8,505,736</u> | \$ <u>5,944,750</u> |

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STREAMLINE HEALTH SOLUTIONS, INC.

Backlog
(Unaudited)
Table A

| | <u>October 31, 2015</u> | <u>January 31, 2015</u> | <u>October 31, 2014</u> |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Streamline Health Software Licenses | \$ 21,533,000 | \$ 20,888,000 | \$ 21,103,000 |
| Hardware and Third Party Software | 200,000 | 244,000 | 126,000 |
| Professional Services | 5,951,000 | 7,485,000 | 8,095,000 |
| Maintenance and Support | 21,057,000 | 21,304,000 | 21,657,000 |
| Software as a Service | 18,738,000 | 22,574,000 | 24,928,000 |
| Â Â Total | \$ <u>67,479,000</u> | \$ <u>72,495,000</u> | \$ <u>75,909,000</u> |

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STREAMLINE HEALTH SOLUTIONS, INC.

New Bookings
(Unaudited)
Table B

**Three Months Ended
Oct 31, 2015**

| | <u>Value</u> | <u>% of Total Bookings</u> |
|-------------------------------------|--------------|----------------------------|
| Streamline Health Software licenses | \$ 44,000 | 4% |
| Software as a service | 248,000 | 22% |
| Maintenance and support | 58,000 | 5% |
| Professional services | 760,000 | 68% |
| Hardware & third party software | 2,000 | 0% |
| Total bookings | \$ 1,112,000 | 100% |

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Reconciliation of Non-GAAP Financial Measures
(Unaudited)
Table C

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Streamline Health Solutions, Inc. (the "Company") reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company'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. The Company 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.

Non-GAAP financial information supplements and is not intended to represent a measure of performance in accordance with disclosures required by GAAP. Non-GAAP financial measures are used internally to manage the business, such as in establishing the Company's annual operating budget. The Company's management uses non-GAAP financial measures in its operating and financial decision-making 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 financial 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 below table.

Below is a table reconciling adjusted EBITDA to net loss, which is the most comparable GAAP measure.

In thousands, except per share data

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------|-------------------|----------------|
| | Oct 31, 2015 | Oct 31, 2014 | Oct 31, 2015 | Oct 31, 2014 |
| Net loss | \$ (457) | \$ (2,256) | \$ (2,887) | \$ (7,202) |
| Interest expense | 206 | 181 | 698 | 524 |
| Income tax expense | 3 | -- | 3 | 2 |
| Depreciation | 305 | 310 | 931 | 671 |
| Amortization of capitalized software | 774 | 905 | 2,332 | 2,736 |
| Development costs | 337 | 346 | 1,012 | 1,051 |
| Amortization of intangible assets | 41 | 50 | 90 | 121 |
| EBITDA | <u>1,209</u> | <u>(464)</u> | <u>2,179</u> | <u>(2,097)</u> |
| Share-based compensation expense | 575 | 421 | 1,859 | 1,286 |
| Loss on disposal of property and equipment | 58 | 27 | 92 | 111 |
| Loss on early extinguishment of debt | -- | 115 | -- | 115 |
| Associate severances and other costs | -- | -- | -- | -- |
| Restructuring | -- | 255 | 206 | 831 |
| Non-cash valuation adjustments to assets and liabilities | (178) | (1,061) | (1,352) | (2,206) |

| | | | | |
|--|------------|------------|------------|------------|
| A A Transaction related professional | | | | |
| Â Â Â Â fees, advisory fees and other | | | | |
| Â Â Â Â internal direct costs | 34 | 1 | 53 | 176 |
| Â Â Non-recurring operating expenses | -- | 428 | -- | 1,491 |
| Â Â Other non-recurring income | -- | -- | (750) | -- |
| Adjusted EBITDA | \$ 1,698 | \$ (278) | \$ 2,287 | \$ (293) |
| Adjusted EBITDA Margin ⁽¹⁾ | 24% | (4%) | 10% | (1%) |
| Adjusted EBITDA per diluted share | | | | |
| Earnings (loss) per share - diluted | \$ (0.04) | \$ (0.14) | \$ (0.21) | \$ (0.44) |
| Adjusted EBITDA per adjusted diluted share ⁽²⁾ | \$ 0.08 | \$ (0.02) | \$ 0.11 | \$ (0.02) |
| Diluted weighted average shares | 18,746,632 | 18,309,677 | 18,658,626 | 18,210,034 |
| Â Â Includable incremental shares — adjusted EBITDA ⁽³⁾ | 2,234,344 | -- | 2,493,843 | -- |
| Adjusted diluted shares | 20,980,976 | 18,309,677 | 21,152,469 | 18,210,034 |

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- (1) Adjusted EBITDA as a percentage of GAAP revenues
- 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) converted method.
- (3) 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.

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To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/streamline-health-reports-third-quarter-2015-financial-performance-300191542.html>

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