



December 13, 2012

Streamline Health® Reports Third Quarter Fiscal Year 2012 Financial Results

52% Increase in Revenue; 49% Increase in Adjusted EBITDA*

ATLANTA, Dec. 13, 2012 /PRNewswire/ -- [Streamline Health Solutions, Inc.](#) (NASDAQ: STRM), a leading provider of enterprise content management, business analytics, computer assisted coding (CAC), and clinical documentation improvement (CDI) solutions for healthcare providers, today announced financial results for the third quarter of fiscal year 2012, which ended October 31, 2012.

Revenues for the three-month period ended October 31, 2012, were \$6,534,000 as compared to \$4,312,000 in the comparable period of fiscal 2011. The quarterly increase was primarily attributable to revenues provided by increases in recurring SaaS revenues.

"We had a very successful third quarter," said Robert E. Watson, President and Chief Executive Officer of Streamline Health. "Revenue and adjusted EBITDA continued to grow. Additionally, we closed the acquisition of Meta Health Technology which expanded our solutions portfolio significantly and we completed a very significant financing. It is important to note that we did not forecast these major accomplishments when we began this fiscal year. Consequently, the accounting treatment for these transactions has negatively impacted our GAAP EPS for this fiscal year. However, these strategic moves were major steps in positioning our company for further growth, enabling us to invest in world-class healthcare information technology solutions, and helping our clients improve their financial outcomes."

Highlights for the quarter included:

- Recorded net loss of \$1,165,000; of which \$494,000 is attributable to non-recurring transaction related expenses; resulting in an adjusted non-GAAP net loss of \$671,000
- Adjusted EBITDA* for third quarter 2012 was \$1.6 million, an increase of 49% over third quarter 2011;
- Software as a Service (SaaS) revenues for the quarter increased 23% over the prior year comparable quarter, excluding \$821,000 of incremental SaaS revenue from the acquired operations of Interpoint Partners;
- New sales bookings for the quarter were \$2.9 million;
- Maintenance and SaaS contract renewals for the quarter were \$2.5 million;
- Backlog at the end of the quarter was \$48.7 million.

New sales bookings for the second quarter were \$2.9 million, primarily consisting of professional services and software as a service contracts. Maintenance and SaaS renewals or extensions were \$2.5 million. For the comparable prior period in 2011, new sales bookings were \$1.4 million and renewals or extensions were \$1.6 million.

Backlog at October 31, 2012 was \$48.7 million, compared with \$32.2 million at July 31, 2012. The increase in the current backlog reflects significant new SaaS contract signings as well as current clients purchasing additional solutions.

Conference Call Information

Interested parties can access the call by dialing 888-427-9419 and then entering the passcode 8521046. A live webcast will also be available by clicking this link: bit.ly/VrdPro

A replay of the conference call will be available from Thursday, December 13, 2012 at 2:00 p.m. EST to Tuesday, December 18, 2012 at 2:00 p.m. EST by dialing 888-203-1112 and entering passcode 8521046.

* Non-GAAP Financial Measures

Streamline Health reports its financial results in accordance with generally accepted accounting principles in the United States ("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 these measures provide 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, and non-recurring transaction costs. A table illustrating this measure is included in this publication.

About Streamline Health

[Streamline Health Solutions, Inc.](#) (NASDAQ: STRM) is a leading provider of SaaS-based healthcare information technology (HCIT) solutions for hospitals and physician groups with offices in Atlanta, Cincinnati and New York. The company's comprehensive suite of solutions includes: enterprise content management (ECM), business analytics, integrated workflow systems, clinical documentation improvement (CDI), and computer assisted coding (CAC). Across the revenue cycle, these solutions offer healthcare enterprises a flexible, customizable way to communicate between disparate departments and information systems to improve processes, boost productivity, and optimize clinical, administrative and financial performance. For more information, please visit our website at <http://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 risks and uncertainties and are no guarantee of future performance. The forward looking statements contained herein 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. 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 products and pricing, product demand and market acceptance, new product development, key strategic alliances with vendors that resell the Company's products, the ability of the Company to control costs, availability of products obtained 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, 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.

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STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three and Nine Months Ended October 31,
(Unaudited)

	Three Months		Nine Months	
	2012	2011	2012	2011
Revenues:				
Ä Systems sales	\$ 290,294	\$ 232,395	\$ 719,495	\$ 526,597
Ä Professional services	1,089,814	833,592	3,153,672	2,708,824
Ä Maintenance and support	3,148,442	2,279,886	7,797,263	6,558,484
Ä Software as a service	2,005,813	966,218	5,358,120	2,804,141
Ä Ä Ä Ä Ä Total revenues	<u>6,534,363</u>	<u>4,312,091</u>	<u>17,028,550</u>	<u>12,598,046</u>
Operating expenses:				
Ä Cost of systems sales	717,901	583,388	1,936,761	1,751,890
Ä Cost of professional services	854,997	572,056	1,910,951	1,923,576
Ä Cost of maintenance and support	918,750	513,868	2,349,745	1,651,884
Ä Cost of software as a service	550,875	480,368	1,849,962	1,334,659
Ä Selling, general and administrative	2,926,830	1,494,891	6,800,794	4,742,084
Ä Product research and development	866,659	303,973	1,833,865	1,063,903
Ä Ä Ä Ä Ä Total operating expenses	<u>6,836,012</u>	<u>3,948,544</u>	<u>16,682,078</u>	<u>12,467,996</u>
Operating income (loss)	(301,649)	363,547	346,472	130,050
Other income (expense):				
Ä Interest expense	(895,142)	(25,896)	(1,494,161)	(67,529)
Ä Miscellaneous income (expenses)	43,549	(36,885)	55,805	(42,155)
Earnings (loss) before income taxes	(1,153,242)	300,766	(1,091,884)	20,366
Ä Income tax expense	(11,733)	(5,000)	(44,733)	(12,315)
Net earnings (loss)	<u>\$ (1,164,975)</u>	<u>\$ 295,766</u>	<u>\$ (1,136,617)</u>	<u>\$ 8,051</u>
Less: deemed dividends on Preferred Shares	(139,133)		(139,133)	
Net earnings (loss) attributable to common shareholders	<u>\$ (1,304,108)</u>	<u>\$</u>	<u>(1,275,750)</u>	<u>\$</u>
Basic net earnings (loss) per common share	<u>\$ (0.11)</u>	<u>\$ 0.03</u>	<u>\$ (0.11)</u>	<u>\$ 0.00</u>
Number of shares used in basic per common share computation	<u>12,393,314</u>	<u>9,943,567</u>	<u>11,346,415</u>	<u>9,823,937</u>
Diluted net earnings (loss) per common share	<u>\$ (0.11)</u>	<u>\$ 0.03</u>	<u>\$ (0.11)</u>	<u>\$ 0.00</u>
Number of shares used in diluted per common share computation	<u>12,393,314</u>	<u>9,958,947</u>	<u>11,346,415</u>	<u>9,837,750</u>

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STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Assets

	(Unaudited)	
	Ä October 31, 2012	January 31, 2012
Current assets:		
Ä Cash and cash equivalents	\$ 10,528,695	\$ 2,243,054
Ä Accounts receivable, net of allowance for doubtful Ä Ä Ä accounts of \$134,000 and \$100,000, respectively	3,389,738	4,484,605
Ä Contract receivables	648,736	430,370
Ä Prepaid hardware and third party software for future delivery	22,777	38,193
Ä Prepaid client maintenance contracts	1,038,035	788,917
Ä Prepaid and other assets	555,310	256,104
Ä Deferred income taxes	326,618	167,000
Ä Ä Ä Ä Ä Total current assets	<u>16,509,909</u>	<u>8,408,243</u>
Non-current assets:		
Property and equipment:		
Ä Computer equipment	3,418,500	2,892,885
Ä Computer software	2,196,236	2,131,730
Ä Office furniture, fixtures and equipment	818,231	756,375
Ä Leasehold improvements	693,890	667,000

	7,126,857	6,447,990
Accumulated depreciation and amortization	<u>(5,778,675)</u>	<u>(5,232,321)</u>
Property and equipment, net	<u>1,348,182</u>	<u>1,215,669</u>
Contract receivables, less current portion	142,021	221,596
Capitalized software development costs, net of accumulated amortization of \$16,733,274 and \$14,805,236, respectively	13,119,354	9,830,175
Intangible assets, net	8,517,084	417,666
Deferred financing cost, net	1,211,912	145,857
Goodwill	12,038,226	4,060,504
Other, including deferred income taxes of \$711,000 and \$711,000, respectively	<u>1,077,857</u>	<u>841,348</u>
Total non-current assets	<u>\$ 53,964,545</u>	<u>\$ 25,141,058</u>

STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

Liabilities and Stockholders' Equity

	(Unaudited) October 31, 2012	January 31, 2012
Current liabilities:		
Accounts payable	\$ 832,657	\$ 879,027
Accrued compensation	1,603,355	887,130
Accrued other expenses	1,373,307	479,526
Deferred revenues	6,262,960	6,496,938
Contingent consideration for earn-out	1,319,559	-
Current portion of long-term debt	<u>1,250,000</u>	<u>-</u>
Total current liabilities	<u>12,641,838</u>	<u>8,742,621</u>
Non-current liabilities:		
Term loans	12,750,000	4,120,000
Convertible note payable, net of unamortized discount of \$1,822,255	3,877,322	-
Warrants liability	4,138,783	3,000,000
Lease incentive liability	101,453	-
Contingent consideration for earn-out, less current portion	-	47,193
Deferred income tax liability	<u>4,602,230</u>	<u>1,232,720</u>
Total non-current liabilities	<u>25,469,788</u>	<u>8,399,913</u>
Total liabilities	<u>38,111,626</u>	<u>17,142,534</u>
Series A 0% Convertible redeemable preferred stock, \$.01 par value per share, \$7,250,355 redemption value, 5,000,000 shares authorized, 2,416,785 shares issued	2,979,170	-
Stockholders' equity:		
Common stock, \$.01 par value per share, 25,000,000 shares authorized, 12,582,598 and 10,433,716 shares issued and outstanding, respectively	125,826	104,338
Additional paid in capital	44,351,334	38,360,980
Accumulated deficit	<u>(31,603,411)</u>	<u>(30,466,794)</u>
Total stockholders' equity	<u>12,873,749</u>	<u>7,998,524</u>
	<u>\$ 53,964,545</u>	<u>\$ 25,141,058</u>

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

Nine Months Ended October 31,
(Unaudited)

	2012	2011
Operating activities:		
Net earnings (loss)	\$ (1,136,617)	\$ 8,051
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities, net of effect of acquisition:		
Depreciation and amortization	2,847,665	2,008,432
Loss on disposal of equipment	-	26,667
Stock-based compensation expense	645,407	529,104
Provision for accounts receivable	-	40,000
Amortization of debt discount	111,584	-
Fair value adjustment for contingent earnout	86,839	-
Net loss from conversion of convertible notes	56,682	-
Change in assets and liabilities:		
Accounts and contract receivables	(1,351,935)	419,517
Other assets	(482,785)	(89,066)
Accounts payable	(137,107)	161,609
Accrued expenses	947,630	(574,012)
Deferred revenues	<u>881,677</u>	<u>(1,904,641)</u>
Net cash provided by operating activities	<u>2,469,040</u>	<u>625,661</u>
Investing activities:		
Purchases of property and equipment	(546,061)	(245,262)
Capitalization of software development costs	(1,571,420)	(1,970,000)
Payment for acquisition, net of cash acquired	<u>(12,161,634)</u>	<u>-</u>
Net cash used in investing activities	<u>(14,279,115)</u>	<u>(2,215,262)</u>
Financing activities:		
Net change in borrowings	9,880,000	550,000
Payment of deferred financing costs	(1,246,107)	-
Proceeds from exercise of stock options and stock purchase plan	161,823	92,711
Proceeds from private placement	12,000,000	-
Payment of success fees	(700,000)	-
Payments on capital lease obligation	<u>-</u>	<u>(156,621)</u>
Net cash provided by financing activities	<u>20,095,716</u>	<u>486,090</u>
Increase (decrease) in cash and cash equivalents	8,285,641	(1,103,511)
Cash and cash equivalents at beginning of period	<u>2,243,054</u>	<u>1,403,949</u>
Cash and cash equivalents at end of period	<u>\$ 10,528,695</u>	<u>\$ 300,438</u>
Supplemental cash flow disclosures:		

Ä Interest paid	\$	<u>1,181,929</u>	\$	<u>61,532</u>
Ä Income taxes paid	\$	<u>78,041</u>	\$	<u>19,136</u>

Supplemental Disclosure of Non-Cash Financing and Investing Activities:

- In June 2012, the \$3,000,000 convertible note and accrued interest was converted to 1,529,729 common shares at \$2.00 per share.
- In August 2012, we issued 393,086 shares of our common stock at a price of \$4.07, as part of the Meta acquisition purchase price.
- In October 2012, we issued approximately 200,000 common stock warrants, convertible into common stock shares at \$4.06 per share.
- During the third quarter of 2012, we recorded approximately \$139,000 of deemed dividends from preferred shares discount accretion.

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STREAMLINE HEALTH SOLUTIONS, INC.
Backlog
(Unaudited)
Table A

Backlog

	<u>October 31, 2012</u>	<u>January 31, 2012</u>	<u>October 31, 2011</u>
Streamline Health Software Licenses	\$ 3,650,000	\$ 181,000	\$ 67,000
Hardware and Third Party Software	84,000	194,000	190,000
Professional Services	4,348,000	5,945,000	4,946,000
Software as a service	19,117,000	10,542,000	6,237,000
Maintenance and support	21,535,000	10,504,000	5,374,000
Ä Ä Ä Total	<u>\$ 48,734,000</u>	<u>\$ 27,366,000</u>	<u>\$ 16,814,000</u>

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STREAMLINE HEALTH SOLUTIONS, INC.
Bookings
(Unaudited)
Table B

New bookings (1)

	<u>Three Months Ended</u>	
	<u>Value</u>	<u>% of Total Bookings</u>
Streamline Health Software licenses	\$ -	-%
Software as a service	2,200,000	76%
Maintenance and support	-	-%
Professional services	684,000	23%
Hardware & third party software	20,000	1%
Ä Ä Ä Total bookings	<u>\$ 2,904,000</u>	<u>100%</u>

	<u>Nine Months Ended</u>	
	<u>Value</u>	<u>% of Total Bookings</u>
Streamline Health Software licenses	\$ 50,000	-%
Software as a service	9,757,000	86%
Maintenance and support	64,000	1%
Professional services	1,160,000	10%
Hardware & third party software	368,000	3%
Ä Ä Ä Total bookings	<u>\$ 11,399,000</u>	<u>100%</u>

(1)Ä Bookings are the aggregate of signed contracts and/or completed customer purchase orders approved and accepted by the Company as binding commitments to purchase its products and/or services. New bookings do not include maintenance services as these tend to be recurring in nature on an annual or more frequent basis.

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

This press release contains a non-GAAP financial measure under the rulesÄ 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. Non-GAAP financial measures are used by Streamline Health's management 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 measures in order to (a)Ä understand and evaluate current operating performance and future prospects in the same manner as management does and (b)Ä 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.

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

Adjusted EBITDA Reconciliation	<u>Three Months Ended,</u>		<u>Nine Months Ended,</u>	
	<u>October 31, 2012</u>	<u>October 31, Ä 2011</u>	<u>October 31, 2012</u>	<u>OctoberÄ 31, 2011</u>
Net earnings (loss)	\$ (1,165)	\$ 296	\$ (1,137)	\$ 8
Ä Ä Ä Interest expense	895	26	1,494	68
Ä Ä Ä Income tax expenseÄ	12	5	45	12
Ä Ä Ä Depreciation and other amortization	184	163	548	553
Ä Ä Ä Amortization of capitalized softwareÄ developmentÄ costs	708	454	1,930	1,455
Ä Ä Ä Amortization of intangible assets	229	-	254	-
EBITDA	<u>863</u>	<u>944</u>	<u>3,134</u>	<u>2,096</u>
Ä Ä Ä Stock-based compensation expense	245	133	645	529
Ä Ä Ä TransactionÄ expenses	494	-	1,043	-
Adjusted EBITDA	<u>\$ 1,602</u>	<u>\$ 1,077</u>	<u>\$ 4,822</u>	<u>\$ 2,625</u>

Adjusted EBITDA per diluted share				
Earnings (loss) per share - diluted	\$ (0.11)	\$ 0.03	\$ (0.11)	\$ 0.00
Adjusted EBITDA per adjusted diluted share	<u>\$ 0.10</u>	<u>\$ 0.11</u>	<u>\$ 0.33</u>	<u>\$ 0.27</u>

Diluted weighted average shares	12,393,314	9,958,947	11,346,415	9,837,750
Ä Ä Ä Includable incremental shares — adjusted EBITDA (1)	3,683,574	-	3,117,999	-
Adjusted diluted shares	<u>16,076,888</u>	<u>9,958,947</u>	<u>14,464,414</u>	<u>9,837,750</u>

(1)Ä Includes preferred shares on an as-if-converted basis and common stock warrants and options under the treasury stock method.

SOURCE Streamline Health Solutions, Inc.

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