STREAMLINE HEALTH, INC.

Moderator: David Mayr
September 3, 2015
4:00 pm CT

Operator: Good day and welcome to the Streamline Health, Inc. to announce Second Quarter 2015 Financial Results Call. Today's conference is being recorded. At this time I would like to turn the conference over to Mr. Randy Salisbury, Chief Marketing Officer. Please go ahead sir.

Randy Salisbury: Thank you for joining us to review the financial results of Streamline Health Solutions for the second quarter and first half of fiscal year 2015, which ended July 31st of this year.

As the conference call operator indicated, my name is Randy Salisbury. As Senior Vice President and Chief Marketing Officer here at Streamline Health, I manage all communications including Investor Relations.

Joining me on the call today are David Sides, our President and Chief Executive Officer; and Nick Meeks, Senior Vice President and Chief Financial Officer.

At the conclusion of today's prepared remarks we will open the call for a question and answer session. If anyone participating on today's call does not have a full text copy of the release, you can retrieve it from the company's Web site at streamlinehealth.net or at numerous financial Web sites. Before we begin with prepared remarks, we submit for the record the following statement.

Statements made by the management team of Streamline Health Solutions during the course of this conference call that are not historical facts are considered to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to risks, uncertainties, assumptions and other factors that could cause actual results to differ materially from those reflected in the forward-looking statements included herein.

Please refer to the company's press releases and filings made with the U.S. Securities and Exchange Commission including our most recent Form 10-K reports for more information about these risks, uncertainties and assumptions and other factors.

Participants on this call are cautioned not to place undue reliance on these forward-looking statements that reflect management's analysis only as of the date hereof. The company undertakes no obligation to publicly revise these forward-looking statements.

On this call the company will discuss non-GAAP financial measures such as adjusted EBITDA. Again, please refer to our Web site at streamlinehealth.net and our earnings release for a reconciliation of such non-GAAP measures to the most comparable GAAP measures.

Management uses certain non-GAAP measures to evaluate and monitor the ongoing financial performance of our operations. These non-GAAP measures do not include certain items of income and expense that affect operations and other companies may calculate these non-GAAP measures differently.

With that said, let me turn the call over to David Sides, President and Chief Executive Officer. David.

David Sides: Thank you Randy and good afternoon everyone. I'm pleased to report a very solid quarter of performance in all areas of our business. Before I review some of the highlights from our second quarter performance, I want to remind everyone that last quarter I said we believed our Q1 financial results would represent the lowest point in our company's go forward path to improved performance.

Specifically, we discussed how we should be able to realize meaningful improvements in the areas of revenue, adjusted EBITDA and cash while reducing our bank debt. We said that our visibility into the 2015 guidance we provided during our year-end earnings call in April continued to improve and that we remain confident that we would achieve those goals.

Further, we stated that this quarter we would exceed $7 million in revenue and that our adjusted EBITDA would be no lower than break even and our use of cash would be net neutral at a minimum.

As previously released during the second quarter of fiscal 2015, we generated revenues of $8.6 million, increase of 39% over the previous quarter and approximately 19% higher than the revenue generated in the second quarter last year.

Revenues in the quarter included the previously mentioned perpetual license contract in the amount of $1.6 million. We anticipated a perpetual license sale in our annual guidance numbers for fiscal year 2015. With this in mind, recurring revenues were 72% of total revenue for the second quarter.

Looking ahead, we believe the growth trend will continue albeit without the perpetual license and that revenues next quarter will exceed $7 million. New contract bookings for the second quarter were solid at $5.9 million.

As stated as quarter, we continue to build a pipeline that we believe is capable of generating multimillion dollars in new bookings each quarter going forward. We continue to generate interest particularly in our Looking Glass Clinical Analytics and Coding and Clinical Documentation Improvement Solutions.

As previously mentioned, last quarter we sold our Enterprise Content Management Solution to Acadia, a leading national behavioral health provider. We completed the implementation for the first facility in just under eight weeks. The go live date was July 1st.

As anticipated, Professional Services revenue increased appreciably in the quarter up 88% over Q1 to $659,000. We invoiced nearly $300,000 of additional Professional Services delivered during the quarter.

However, those revenues were deferred and will be recognized ratably over the client contract terms in conformity with current accounting guidance. We continue to see positive traction in our Professional Services Group as we sign new booking that lead to more immediate implementations.

Turning our attention now to adjusted EBITDA. We generated approximately $1.9 million in Q2 bringing the total amount through the first six months of fiscal year 2015 to nearly $600,000 from a negative $1.3 million in Q1 of this year.

Looking ahead, we continue to see positive trends in our adjusted EBITDA performance and are confident that we will meet or exceed estimated range in our fiscal 2015 annual guidance of one million to $1.5 million.

Finally, before turning the call over to Nick Meeks, our Chief Financial Officer, I want to discuss the meaningful improvement in our balance sheet during the second quarter. Our cash balance for the quarter increased approximately 14% to $6 million from $5.3 million last quarter while at the same time we reduced our term debt by approximately $900,000.

In total we generated $1.8 million of cash from operations during the second quarter and we expect to generate a similar amount of cash in Q3. Our goal is to increase cash enough over the next few quarters to reach a debt neutral position.

Part of this improvement in our cash position can be found in the reduction in our accounts receivables. Some clients who had substantial past due balances have come current thanks to our investment and support, engineering and account management.

I will now turn the call over to Nick Meeks, our CFO for additional insight into our quarterly performance. Nick.

Nick Meeks: Thanks David and good afternoon everyone. As David mentioned, we're all very pleased with this quarter's headline figures. Let me begin with some of the supporting revenue metrics for the quarter.

Unimplemented quarterly committed recurring revenue at the end of the fiscal second quarter was $1 million. This measure represents contracts, which have been executed and are somewhere in the implementation cycle, but for which we are not yet recognizing recurring revenues. This number is a sub-component of total revenue backlog, which was $69.7 million, a 13% growth over the same period in fiscal year 2014.

In our earnings release and on our Web site at www.streamlinehealth.net we have included a table reconciling our net loss to the non-GAAP financial measure of adjusted EBITDA. We define adjusted EBITDA as net earnings or loss plus interest and tax expense, depreciation and amortization expense of tangible and intangible assets, stock-based compensation expense and non-recurring expenses such as severance costs.

Given the relatively large amount of non-cash charges and certain non-recurring expenses, we feel that adjusted EBITDA is a more meaningful measure in understanding our underlying cash based earnings.

While revenue was a strong contributor to the adjusted EBITDA performance in the second quarter, I also want to highlight that the cost savings efforts led by David is implemented by the team are continuing to have a positive and compounding impact. Total operating expenses are down $1.3 million or 6% through the first half of the fiscal year relative to the same time period last fiscal year.

Allowing for the $351,000 difference in capitalized software expense, spending was uniformly down in every area of our company while selling, general and administrative expenses continue to be rebalanced towards the sales organization. There were no material adjustments to EBITDA during the quarter other than equity based compensation expense.

Turning now to the balance sheet and our cash position. As David noted, we finished the quarter with $6 million of cash on hand having generated enough cash to completely eclipse the first quarter's use of cash in operations and bring year-to-date cash generation from operations up to $810,000.

While accounts receivable are building on the balance sheet, this is primarily a result of the large revenue quarter and collection success played a large part in cash generation, as did the lower expense base. During the quarter, we also prepaid approximately $875,000 of our principal on our term loan facility with Wells Fargo.

I'd like to take a moment to add my thanks to the entire Streamline team for their efforts in making this a successful quarter. That concludes my remarks. I will now turn the call back over to David.

David Sides: Thanks Nick. Our number one objective this year is to ramp up our sales growth primarily in the form of new contract bookings and to improve our client retention. This will remain our primary focus for the fiscal year and in years to come as we seek to take advantage of large market opportunity we have before us.

Part of that sales growth we believe can come from expanding our go-to-market strategy to include more channel partner opportunities. In pursuit of this strategy, we're having discussions with numerous leading healthcare IT providers regarding the benefits of reselling some of our Looking Glass solutions.

We are working to establish contracts with these leading vendors who are interested in reselling our coding and CDI workflows as well as our clinical analytics and patient scheduling solutions.

We're excited not only about the potential revenues that these channel partners may be able to generate but also in the knowledge that large well known healthcare IT providers in our space view our Looking Glass solutions as best of breed and believe their customers will benefit from deployment. These potential channel partners are much larger than we are.

As mentioned before, tend to be quite deliberate in their negotiating. We remain confident however that we will find new reseller agreements with at least one of these leading companies in the near future. We will of course announce any new agreement as soon as we can.

Our second strategic objective is to complete links among solutions on our Looking Glass platform. We continue to make progress here. First, we combined the source code for all of our solutions and synchronized all of our development teams on three week (agile spreads).

We have now selected and are implementing a message bus to tie together the various solutions using RESTful APIs. We expect to deploy our first integration between the ECM and our trading solutions in the coming quarters. These are two of our largest existing client bases and also represent some of our best cross-selling opportunities.

I want to be clear that this is not an expensive rewrite of our applications but rather an extension of all of them to allow the access to the capabilities of the others thereby enabling the reuse of the solutions capabilities in new ways. Our overall strategy is to surround existing EMRs in order to be able to superior value to our clients.

For example, this can be done by aggregating data in ECM, which is then passed to our analytics solutions for real-time decision support. We're increasing revenue for our clients by enabling better coding decisions through the use of a combination of our tools.

Our platform gives us the ability to create new value around EMR without having to rip and replace existing systems. We think this market will only expand over time as value-based care goes beyond the four walls of the hospital and into the community. Here's another example.

By using data from our client's multiple EMRs regardless of the type of EMR, our proven solutions like our Looking Glass clinical analytics solution can enable ACOs to determine the root cause of care (variances), which can help our clients control their risk across multiple care venues.

I commented on our third strategic objective for the year already, which is to improve our professional services. A specific example of this improving performance can be found in our ability to bring our ECM solutions for Acadia online in just eight weeks.

We stated many times that as long as we get a willing client, we can make some of their IT personnel available, we can bring the right resources to bear to get our solutions implemented more efficiently than in quarter's past.

A few other highlights from the quarter before I turn the call over to the operator for a question and answer session. Recently we announced that for the second consecutive year, our Looking Glass Enterprise Content Management Solution was ranked number one in the category of financial management, content management solutions in a recent survey conducted by Black Book Rankings.

Black Book surveyed hospital CFOs, CIOs, technology and financial professionals about their financial system, software and services. Survey ranked healthcare IT and outsource service vendors by customer satisfaction on client experience based key performance indicators and our Looking Glass enterprise content management solution ranked the highest in its category again.

We believe this is no accident as we have made some major performance upgrades on this platform over the past year, which certainly helped us in landing the Acadia account last quarter. Further, our upgraded Looking Glass ECM solution recently passed the 2014 ONC HIT certification providing our clients with the opportunity to apply for and certify on meaningful use Stage 2 standards.

In essence, our clients could become eligible for the various state and federal EHR adoption incentive payments in the market today. This is not a simple rubberstamp ceremony by the way. There were eight different tests ranging from user access management to transaction logging to document integrity. Many members of our Streamline team worked on the certification and they have certainly earned appreciation from our clients.

On an investor relations note, September will be a busy month for us as we have some non-deal road show dates with First Analysis. We plan to be in Milwaukee on September 14th, Austin on September 15th and New York City on September 16th. In addition, we've been invited to participate again in the Craig-Hallum Alpha Select Conference, New York City, on Thursday, September 17.

We appreciate opportunities to meet with our current and potential future shareholders whenever we can. I want to thank the many shareholders that continue to support us as we've implemented the programs that we believe will lead to sustained, improved financial performance. As shareholders ourselves, we are aligned with you and are committed to increasing shareholder value.

Finally, this afternoon I want to thank our Streamline Health Associates for their continued hard work and dedication to our clients, to our shareholders and to each other. I especially enjoyed time we spent in Manhattan two weeks ago when we opened the NASDAQ stock exchange.

Many of our associates from our Atlanta office traveled up to New York and everyone from our New York office participated. It is great to see first-hand the excitement and esprit de corps our associates have developed this year. Thanks to them we're making progress toward the three strategic objectives we laid out at the beginning of this year.

We know we have a lot of work to do in order to realize the full potential of the opportunity we have in front of us. But certainly we are encouraged by our improved performance today.

I will now turn the call over to the operator for a Q&A session. Operator.

Operator: Thank you. If you would like to ask a question, please signal by pressing star 1 on your telephone keypad. If you're using a speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment. Once again, press star 1 to ask a question. And we'll pause for just a moment to allow everyone an opportunity to signal.

Male: Go ahead.

Operator: And we will take our first question from Matt Hewitt with Craig-Hallum.

(Dillon): Hey guys. This is actually (Dillon) on for Matt. Congrats on the quarter.

David Sides: Thanks Dillon.

(Dillon): Sure. So with respect - initially with respect to the pipeline, obviously we can see the size. I'm just trying to get a better sense for the breadth. I think David what you said in your opening remarks is you have guys have no more of these large perpetual type deals in the hopper for this fiscal year. And then just maybe kind of provide some color around the breadth of the pipeline and how many, you know, more base hit type deals you guys have.

David Sides: Yes. So the - this was the perpetual deal we kind of had in our guidance from the beginning of the year. We had a couple. There are some other ones in there but they're smaller. So if we close another, you know, smaller being a 100,000, couple 100,000 deals, they may still come through. But this one was one we tracked from when we set our original guidance.

On the pipeline as a whole, it looks healthy. It's growing. We have a lot of interest in clinical analytics. We are especially excited around the DSRIP opportunities that are present where a lot of our clients are and sort of making a concerted push in that direction as well to see what we can do with clinical analytics as well as Coding & CDI.

(Dillon): Okay. And then a follow up there. You know, under the prior regime, it was the preference to go SaaS all the time, you know, as opposed to these perpetual deals. Do you kind of adopt the same focus or is there really no preference?

David Sides: I mean we prefer recurring revenue. So that's still the same strategy. Excuse me. But some of our clients have bought perpetual. So this client had bought perpetual licenses from us and probably seven or eight years ago. And that's one of the things that, you know, when you have an existing contract it's easier to stay in existing contract terms. And so rather than make things more difficult, we chose to, you know, do what the clients asked for.

So we'll continue to do that but there are less of those opportunities because over the last few years we've sold a lot more recurring revenue contracts that we're just trying to add on to going forward.

(Dillon): Sure. Sure. Okay. And then - and I apologize if I missed this in your segment commentary. But SaaS did have a pretty nice performance in the quarter both sequentially and year-over-year. Can you provide any color on that?

David Sides: Yes. There's some seasonal variances. So it was good from that perspective and, you know, could move around some. But we're really focused on the recurring number being as high as possible. So without, you know, without the perpetual deal, we'd have been 88% recurring in the quarter and so that's what we are trying to build on.

(Dillon): And then lastly for me. With respect to ICD-10, how much of your revenues are tied to the implementation and maintenance of ICD-10? And have you guys have been seeing increased level of interest as we move towards the deadline? And are you expecting an increased level of interest? Is there anymore baked into your guidance for the back half of the year?

David Sides: We've been working with our clients on this for some time. So I think all of our clients are ready, you know, because they were ready last year.

(Dillon): Right.

David Sides: I think we'll see good, you know, an uptick in buying post October. We'll meet with a number of clients in, you know, this month and next month just to be sure that they're set and they're comfortable. And in those conversations talking about how do we improve your coder productivity knowing that after ICD-10 it may slow down with the expansion of codes that they'll need better productivity there.

So I think you'll see in our forecast and it's in our plan from the beginning of the year that in kind of Q4 we'll probably see a decent uptick in coding and in that piece as a result of ICD-10. This quarter I think we'll have a reasonable quarter but many places are kind of on pause as they just kind of work through and be sure they're set.

(Dillon): Okay. And can you quantify it? Is it a couple million bucks of your overall revenue or is it a little opaque?

David Sides: There's maybe a $1.5 million of revenue from the coding segment.

(Dillon): Okay.

David Sides: And, you know, from a pipeline I think it's a good pipeline space because there has been a little bit of a pause around ICD-10. So I think we will see an uptick there.

(Dillon): Okay. Cool. Thanks for the questions guys.

David Sides: Thanks Dillon.

Operator: And we will take our next question from Charles Rhyee with Cowen & Company.

Charles Rhyee: Hey guys. How's it going?

Male: Good.

David Sides: Good Charles. How are you?

Charles Rhyee: Good. Hey. Thanks for taking the questions here. Just a few. You know, you talked about Acadia eight weeks to implement; obviously a good sign here.

You know, David, I think in the past you talked about, you know, trying to do a lot of the work before you get the client site to kind of pre-configure as much as you could.

Is that an example - is this an example of that process? And in other words, how repeatable do you feel your implementation process has gone? Is this something you can bring to other clients and say hey, we can do this in this kind of eight-week timeframe?

David Sides: Yes. So I think it's repeatable. So this is a SaaS based client. We host all the software associated with this client. They were a great client to work with. They followed our new methodology. We did training as we went. You know, so for that kind of implementation, you're kind of training people on a pre-built system right from the start and it went up very smoothly.

So, you know, we welcome the opportunity to do, you know, more business with them in additional facilities and do the same for other clients. I think that the model can have that kind of speed to it especially when you move things, you know, through quickly with the client (ask) capabilities.

So I think it's indicative of things we can do. We had another clients that went live after about three, three and a half months, which was also substantially faster than we've done in the past for a different solution. And so, you know, both of those were pleased with and we'll continue to iterate on those and, you know, work on a, you know, kind of total quality management system of how do we lean this process out and get to a better place and faster still.

Charles Rhyee: And, you know, on those 3-1/2 months, was that also SaaS client or was that an on-premise kind of - like what (do you achieve) like if someone buys perpetual license or, you know, wants, you know, wants to do it, you know, have it on site kind of thing? Are you able to, you know, what's the implementation times looking like there?

David Sides: Those are usually longer. The other client was also a SaaS based client. They were two separate solutions I just pointed out because with different solutions, we've been able to bring both ECM and coding to a faster timeframe. But if it's a perpetual client, you know, you're - it really depends on the client capability. Do they already have servers? Do they have to order servers? If they have to order servers, we wait 45 days for them to show up.

You know, we're - since we virtualized everything, if a client signs up now, it's a couple days; we can copy the virtual environment and we provisioned it and we are ready to go.

So it's really, you know, a lot faster processing; speed the value for the client as well because we're not using as many of their hours. Our services quotes are smaller...

Charles Rhyee: Right.

David sides:...and we're able to get, you know, the solutions to the end users faster, which is ultimately where the ROI is for our clients.

Charles Rhyee: Okay. That's helpful. You know, obviously I think Nick you mentioned obviously, costs have come down, you know, obviously across all of COGS as well as in the rest of the income statement. How much more savings are you guys - think that you can kind of ring out of the system here or is this the run rate we should be thinking about as we move forward?

Nick Meeks: Well I think we will continue to squeeze at the margins but I think we're also looking at where we can invest in the sales process. And so on that I would look at this as being pretty close to run rate. It may tickle down a little bit but not materially (from here).

Charles Rhyee: Okay. You know, on the bookings, 12 million, I might have missed it. Did you guys kind of talk about what the mix was between net new clients versus cross-sell at the existing claims?

David Sides: No. We didn't really break that out. It was probably, (I don't know), around maybe half and half; maybe a little bit over to existing claims actually.

Nick Meeks: Yes. I think it was a little more cross-sell.

David Sides: Yes.

Charles Rhyee: Okay. And so then when I think about like net new clients, you just talked David about clinical analytics. You know, you obviously signed NantHealth a while back. Can you talk about how that has ramped up? And, you know, it's a fairly, you know, sort of a premier client.

You know, how much of that helped? You know, is it possible to point to any sort of, you know, intangible benefit as you, you know, try to sell clinical analytics elsewhere. Has it kind of - has it helped you anywhere in the pipeline?

David Sides: Sure. I mean, you know, they're a good client. They're pushing, you know, us and we're working with them on genomics and what to do there, which gets to be a little more cutting edge and, you know, frankly fun to work on for us and our engineering teams.

We have other life clients as well that, you know, are helping as we get to more clients to say, okay, now we've got three life clients, four life clients. It helps the next client say okay, this is actually something that's sustainable.

And it's also I think we've been working with Montefiore for some time. I really think there's a decent opportunity there with DSRIP and the work we've done there to improve the quality of care, you know, because the government's trying to really disrupt the system.

That we can do things that are unique as far as root cause analysis for a wiser variance of care, you know, rather than just dashboards. Now we have the dashboards now too but it's really what do you have to change to improve the quality, I think it will really help drive a lot of business for us.

Charles Rhyee: And, you know, I'm sorry. I apologize if I might have missed it. Did you update guidance for the full year? Are we - has there been any changes? You know, we obviously outperformed in the revenue. How should we think about that in relation to the full year outlook?

Nick Meeks: Yes. We're still comfortable with our guidance we reiterated. We feel pretty solid about it.

Charles Rhyee: Okay. All right. Great. Thanks guys.

David Sides: Thanks Charles.

Nick Meeks: Thanks Charles.

Operator: Once again, if you would like to ask a question, please press star 1. We'll take our next question from Bruce Jackson with Lake Street Capital Markets.

Bruce Jackson: Hi. Thanks for taking my question. If I could go back to the ICD-10 implementation, which is set to go into effect on October 1; do you think there could be, you know, once hospitals start submitting claims and not getting paid, do you think they might start to take a look at their revenue cycle software and could that potentially pull through some other products for you?

Nick Meeks: Yes.

David Sides: Yes. So it's a good question. We think so. I mean I compare it to Y2K with clients sometimes. You may technically be enabled to send things to CMS or insurers and, you know, in the Y2K terms the clock the turnover to 00.

But you can have all kinds of problems 30 days later when reports don't run or in the ICD-10 world when you get a lot of denials because you chose the wrong code or there's, you know, there's an explosion, you know, ten times more codes and people choose the wrong combinations.

So that's where we've seen some of our, you know, clients start to buy clinical documentation improvement to be sure that they can follow that through. We have functionality in the system to do dual coding between ICD-09 and ICD-10 that frankly I have originally expect clients to use as they were trying to learn ICD-10.

And we talked to clients; well, we will turn that off and they said no, no, no. Once we're in ICD-10, we're going to look at it because everyone's still thinking ICD-09 for a while. So that functionality is hugely valuable for us to kind of cross check that we're going things correctly.

So I think that you're right. I think that there will be lot of denials that happen. You know, add that onto the same size coding team and then there'll be a lot of push for productivity for coders and that'll need software. So we've got, you know, the clinical documentation and computer systems coding to made people productive in the post ICD-10 kind of, you know, return of codes from denials.

Bruce Jackson: Okay. So basically reality could set in around fourth quarter and then we might actually see a bit of an uptick on some of the other products potentially.

David Sides: That's what we - that's what we think will happen and we expect will happen, but we'll see how quick that works out. But, you know, our quarter ends in January. So I think, you know, clients will start to have a good idea of where they are sometime in late November and December.

And our goal is to be sure they know that we have the tools they need to make their coding associates productive and get them contracted for additional solutions in January.

And then like we talked about earlier, get them implemented in two to three months and get the value there quickly so they can get out of the - any potential hold they might have from the, you know, the rebound from their submitted bills due to the ICD-10 codes not being exactly what people are looking for.

Bruce Jackson: Okay. Then other question I've got is, you know, there's some movement afoot to move to more risk-based reimbursement systems and the accountable care organizations. Are there any milestones that could potentially drive the clinical analytics side of the business with those various reimbursement programs that you're trying to switch over?

David Sides: Yes. I think, you know, as soon as the government - they're doing some work on value-based care and how they're going to reimburse organizations for that. With Montefiore they were the number one in the country for shared medical savings with the government.

So we really liked the work that they did with the tool. And we've talked to clients about how - that have ACOs or don't, how they could expand that to reduce readmission rates or other quality measures like (hetascores), which may be part of the DSRIP, you know, process.

So I think, you know, we're excited about DSRIP from a state perspective of the incentives that are there to reform care to be, you know, quality based and then, you know, how do you tell that you have both quality there and quality-based care.

It's a perfect setup for our clinical analytics solution because with the map built in that we have in that solution, it's telling you here's the standard deviation, here's the quality of this data and then it's giving you the real cause of here's the variances causing a change in care.

So we're really excited about those opportunities and, you know, frankly like the direction the government is going of pay for value rather than pay for procedure system that we're in today.

Bruce Jackson: All right. That's very helpful. Thank you very much.

David sides: Thank you.

Operator: And we will take a follow- p question from Charles Rhyee with Cowen & Company.

Charles Rhyee: Yes. Thanks. Hey David, you know, just kind of following on your comments there. You know, when they fix the sustainable growth rate SGR and they replace it with this (MIPS), you know, within that, right, they're starting to merge a bunch of the different programs like Meaningful Use, PCRS and some of these value based measures.

Can you talk about how, you know, first, are providers viewing this because it seems like it will be, you know, very significant as the 2017 is the start year of the performance? And can you talk about how you guys are positioned to help clients, you know, either maximize their reimbursement or to avoid really some of the penalties here? Thanks.

David Sides: Yes. That's a really good question. So it reminds me a little bit of PQRS when it started where it was two years away and people thought, well, that will be a long time from now; it won't happen. And then, right, next thing we knew from a client perspective you're in the baseline here, if you didn't make it, you didn't make it.

So we've had some good conversations with NCQA earlier this week talking with them about how do you baseline for these type of changes; ideas on data quality; how to use that epidemiological, you know, scoring and risk-based adjustments to help people know what their baseline should look like and what's the starting point and what should the ending point be.

I mean I think part of the difficult today is it's - there aren't enough examples where you can say that is quality care. I know that that is quality care. You know, 1% readmission rates on total needs is quality care. There's not like a great standard.

So we had a lot of discussion around what is the, you know, how do you get to that number and then what kind of math and tools do you need to bring and data do you have to have to get a baseline set and then you can know to measure people against a number that shows an excellent outcome from a personal perspective?

So I, you know, I think a lot of our clients, they know that, you know, 2017 is here pretty quickly. Luckily we can deploy our solution in about 2-1/2 months for Clinical Analytics. So they have sometime but you want to start to use that data and get an idea of what your baselines looks like so you can change, you know, any clinical processes you need to before you start to get measured.

So we tell clients look it - you're thinking about 2017 as the start. You think by the middle of next year you need to have a system like ours in place and already be experimenting with it to try to find out where you might be off from the mark because otherwise you're going to get into 2017, find something, try to change it and not have time for organizationally to go to change management process and sync in.

So I think that's - I think that's on a lot of clients' minds. It's a big shift for sure. And I think the government's putting their incentive payments behind it and trying to align their system so that they're, you know, doing it in a concerted effort. And I, you know, I think they're doing a pretty decent job of that and it will drive a lot of change in the system once they get those all aligned.

Charles Rhyee: So would you say that overall your customers or providers in general are pretty aware of, you know, what could be huge penalties in 2019 if they're not ready in 2017?

David Sides: Yes, yes. So I think our clients are aware of it. I think the smaller clients are extremely nervous about it because it's hard to have the level of expertise that you need for some of these. So we've talked about being sure that our solutions scale down to smaller health systems.

And the larger health systems I think you're seeing a consolidation just like you are in the insurance agency of providers consolidating because these changes are hard to weather without, you know, decent financial resources. And if you're a standalone facility in a town like Atlanta, it would be - it would be tough to compete. So, you know, I think that's part of what's driving some of the consolidation at a macro level.

Charles Rhyee: Okay. And one last question for me. Just as I think about the guidance here, you know, you're sort of halfway to the revenue goal. What would you think or what would you say are the puts and takes here that you could - you know, what would be the reasons that we're going to outperform it or what could be the reasons why we might fall short at this point and when you're looking at your backlog and, you know, what you got in the pipeline? And that'll be it for me. Thanks.

David Sides: It's hard to answer that one. I think we feel pretty solid about the guidance overall. I think to the extent that the costs are still coming down and haven't - and last quarter isn't the baseline but this quarter is the baseline, you know, there could be upside on the EBITDA number.

I think our cash position looks really strong as we said in the comments. I think this quarter will be similar to last quarter for cash generation. That puts us on really solid footing that we haven't been in in the past.

If you just look at the statement of cash flows of what this year looks like on every measure, we're doing a lot better job of cash. So, you know, those would be my puts and takes. We're still really focused on sales. So that's where I think you'll see if we were to overspend somewhere, at some point it'll be in sales. But so far those expenses have been right on budget or under so we're fine.

Charles Rhyee: On the top line though like what could drive sort of outperformance in top line? Is it simply a function of making sure we can drive implementation times faster or is there things in the pipeline that can convert faster? Or was it really just that, you know, the visibility you have, this is probably what it is?

David Sides: There's things that could drive it up some like some device resale or hardware resale. But, you know, for now right now we're looking - we're comfortable with the guidance. You know, we're on a pretty good path.

Charles Rhyee: Okay.

David Sides: There could always be a perpetual that came through but we're not targeting those. That will be more client driven than us driving it but those could happen. But, you know, right now we don't see something like that. We certainly don't see another perpetual this size in the next two quarters.

Charles Rhyee: Okay. Great. Thanks a lot guys.

David Sides: Yes.

Operator: It appears there are no further questions at this time. I'd like to turn the conference back over to Mr. Randy Salisbury for any additional or closing remarks.

Randy Salisbury: Well thank you again for your interest in and support of Streamline Health. If you have any additional questions or you need more information, please contact me at randy.salisbury@streamlinehealth.net. We look forward to speaking with you all again in early December when we'll discuss our third quarter 2015 financial performance. Good day.

Operator: That does conclude today's conference. Thank you for your participation.

END