



December 9, 2014

## **Streamline Health® Reports Third Quarter 2014 Revenues Of \$6.8 Million; Recurring Revenues Up 11% Over Q3 2013**

### **Company Sets New Record for Contract Bookings of \$21.3 Million in Q3**

ATLANTA, Dec. 9, 2014 /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 2014, which ended October 31, 2014.



Revenues for the three-month period ended October 31, 2014, increased approximately 2% to \$6.8 million versus \$6.7 million in the comparable period of fiscal 2013. Recurring revenues increased 11% in the third quarter over the same period a year earlier and are up 13% YTD over the comparable first nine months of fiscal 2013.

"As previously announced, I'm pleased with the progress we are making in transitioning our Company to a recurring revenue model," stated Robert E. Watson, President and CEO, Streamline Health Solutions, Inc. "For the first nine months of this fiscal year, 89% of our total revenues are recurring, up from 76% for the first nine months of last year. Additionally, we established a new record amount of contract bookings in a single quarter of \$21.3 million, consisting entirely of recurring license revenues and professional services. I have championed a strategy from day one to always try to sell our clients a SaaS-based or recurring revenue based contract versus a perpetual license and it is gratifying to see this kind of recurring revenue and new contract bookings performance."

"With such a successful quarter of new bookings, our committed, unimplemented quarterly recurring revenues continue to build, now standing at approximately \$1.3 million up from \$660,000 at the end of the previous quarter. That's more than \$5 million in annual revenues that are unrecognized. Going forward we are focused on implementing various strategies that will help us convert this revenue in a more timely manner."

Highlights for the third quarter ended October 31, 2014 included:

- | Revenues for the third quarter 2014 was \$6.8 million;
- | Adjusted EBITDA for the third quarter 2014 was \$(278) thousand;
- | Recorded net loss of \$2.3 million for the three-month period ended October 31, 2014;
- | Maintenance and support revenues for the quarter increased \$0.5 million over the same period one year ago;
- | New sales bookings for the quarter were \$21.3 million
- | Backlog at the end of the quarter was \$75.9 million.

#### Conference Call Information

The Company will conduct a conference call to review the results on Tuesday, December 9, 2014 at 5:00 PM EST. Interested parties can access the call by dialing 888-505-4369 and then entering Conference ID 3681688. A live webcast will also be available; [click here](#) to register.

A replay of the conference call will be available from Tuesday, December 9, 2014 at 7:00 PM EST to Sunday, December 14, 2014 at 7:00 PM EST by dialing 888-203-1112 and entering passcode 3681688.

*\*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.](#) (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](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 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, renewal sales 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.

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

	Three Months Ended		Nine Months Ended	
	Oct 31,		Oct 31,	
	2014	2013	2014	2013
<b>Revenues:</b>				
Â Systems sales	\$ 345,919	\$ 347,532	\$ 999,209	\$ 2,905,846
Â Professional services	447,939	966,962	1,731,888	2,925,553
Â Maintenance and support	4,062,442	3,523,551	12,411,419	10,524,595
Â Software as a service	1,980,343	1,893,489	5,887,368	5,622,237
Â Â Â Â Â Total revenues	6,836,643	6,731,534	21,029,884	21,978,231

**Operating expenses:**

Â Cost of systems sales	835,398	611,887	2,505,190	1,911,609
Â Cost of services	681,350	1,262,559	2,446,466	3,503,765
Â Cost of maintenance and support	756,469	739,887	2,553,180	2,519,952
Â Cost of software as a service	770,347	520,062	2,113,390	1,613,217
Â Selling, general and administrative	4,230,347	3,373,230	12,925,597	10,362,246
Â Research and development	2,275,410	1,370,178	6,850,973	3,627,336
Â Â Â Â Â Total operating expenses	<u>9,549,321</u>	<u>7,877,803</u>	<u>29,394,796</u>	<u>23,538,125</u>
Operating loss	(2,712,678)	(1,146,269)	(8,364,912)	(1,559,894)
Other expense (income):				
Â Interest expense	(180,583)	(580,390)	(523,599)	(1,734,763)
Â Loss on early extinguishment of debt	(114,522)	-	(114,522)	-
Â Miscellaneous income (expenses)	752,219	(4,510,439)	1,803,509	(6,316,867)
Loss before income taxes	<u>(2,255,564)</u>	<u>(6,237,098)</u>	<u>(7,199,524)</u>	<u>(9,611,524)</u>
Â Income tax benefit (expense)	-	4,680	(2,290)	(158,944)
Net loss	\$ (2,255,564)	\$ (6,232,418)	\$ (7,201,814)	\$ (9,770,468)
Less: deemed dividends on Series A Preferred Shares	<u>(269,152)</u>	<u>(374,162)</u>	<u>(751,501)</u>	<u>(731,309)</u>
Net loss attributable to common shareholders	\$ <u>(2,524,716)</u>	\$ <u>(6,606,580)</u>	\$ <u>(7,953,315)</u>	\$ <u>(10,501,777)</u>
Basic net loss per common share	\$ <u>(0.14)</u>	\$ <u>(0.50)</u>	\$ <u>(0.44)</u>	\$ <u>(0.82)</u>
Number of shares used in basic per common share computation	<u>18,309,677</u>	<u>13,257,943</u>	<u>18,210,034</u>	<u>12,884,711</u>
Diluted net loss per common share	\$ <u>(0.14)</u>	\$ <u>(0.50)</u>	\$ <u>(0.44)</u>	\$ <u>(0.82)</u>
Number of shares used in diluted per common share computation	<u>18,309,677</u>	<u>13,257,943</u>	<u>18,210,034</u>	<u>12,884,711</u>

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

## Assets

	October 31, 2014	January 31, 2014
Current assets:		
Â Cash and cash equivalents	\$ 5,944,750	\$ 17,924,886
Â Accounts receivable, net of allowance for doubtful Â Â accounts of \$477,994 and \$267,264, respectively	5,917,038	7,999,571
Â Contract receivables	213,652	1,181,606
Â Prepaid hardware and third party software for Â Â future delivery	33,473	25,640
Â Prepaid client maintenance contracts	1,017,261	909,464
Â Other prepaid assets	1,447,214	1,407,515
Â Deferred income taxes	95,498	95,498
Â Other current assets	55,694	144,049
Â Â Â Â Â Total current assets	<u>14,724,580</u>	<u>29,688,229</u>
Non-current assets:		
Â Â Property and equipment:		
Â Computer equipment	4,854,578	3,769,564
Â Computer software	2,521,293	2,239,654
Â Office furniture, fixtures and equipment	687,407	889,080
Â Leasehold improvements	<u>1,227,999</u>	<u>697,570</u>
	9,291,277	7,595,868
Â Accumulated depreciation and amortization	<u>(6,012,436)</u>	<u>(6,676,824)</u>
Â Property and equipment, net	<u>3,278,841</u>	<u>919,044</u>
Â Contract receivables, less current portion	52,263	78,395
Â Capitalized software development costs, net of Â Â accumulated amortization of \$10,904,467 and Â Â \$7,949,352, respectively	10,044,129	10,238,357
Â Intangible assets, net of accumulated amortization Â Â Â Â Â Â Â of \$2,981,391 and \$1,930,366, respectively	11,797,610	12,175,634
Â Deferred financing, costs net of accumulated Â Â amortization, \$107,271 and \$98,102, respectively	120,760	44,898

A Goodwill	15,889,595	11,933,683
Â Other	<u>841,432</u>	<u>500,634</u>
Â Â Â Â Â Total non-current assets	<u>42,024,630</u>	<u>35,890,645</u>
	\$ <u>56,749,210</u>	\$ <u>65,578,874</u>

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

Liabilities and Stockholders' Equity

	October 31, 2014	January 31, 2014
Current liabilities:		
Â Accounts payable	\$ 2,173,577	\$ 1,796,418
Â Accrued compensation	1,073,771	1,782,599
Â Accrued other expenses	962,247	554,877
Â Current portion of long-term debt	1,214,280	1,214,280
Â Deferred revenues	8,215,846	9,658,232
Â Current portion of note payable	-	300,000
Â Current portion of capital lease obligation	795,339	105,573
Â Â Â Â Â Total current liabilities	<u>14,435,060</u>	<u>15,411,979</u>
Non-current liabilities:		
Â Term loans	5,887,331	6,971,767
Â Warrants liability	1,791,901	4,117,725
Â Royalty liability	2,376,564	2,264,000
Â Swap contract	-	111,086
Â Note payable	600,000	600,000
Â Lease incentive liability, less current portion	220,883	74,434
Â Capital lease obligation	772,804	121,089
Â Deferred revenues, less current portion	114,433	-
Â Deferred income tax liability, less current portion	825,677	816,079
Â Â Â Â Â Total non-current liabilities	<u>12,589,593</u>	<u>15,076,180</u>
Â Â Â Â Â Total liabilities	<u>27,024,653</u>	<u>30,488,159</u>
Series A 0% Convertible Redeemable Preferred stock, \$.01 par value per share, \$8,849,985 and \$8,849,985 redemption value, 4,000,000 shares authorized, 2,949,995 and 2,949,995 issued and outstanding, net of unamortized preferred stock discount of \$2,498,816 and \$3,250,317, respectively	6,351,169	5,599,668
Stockholders' equity:		
Â Common stock, \$.01 par value per share, 45,000,000 shares authorized, 18,458,745 and 18,175,787 shares issued and outstanding, respectively	184,588	181,758
Â Additional paid in capital	77,953,327	76,983,088
Â Accumulated deficit	(54,764,527)	(47,562,713)
Â Accumulated other comprehensive loss	-	(111,086)
Â Â Â Â Â Total stockholders' equity	<u>23,373,388</u>	<u>29,491,047</u>
	\$ <u>56,749,210</u>	\$ <u>65,578,874</u>

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

	<u>Nine Months Ended Oct 31,</u>	
	<u>2014</u>	<u>2013</u>
Operating activities:		
Â Net loss	\$ (7,201,814)	\$ (9,770,468)
Â Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Â Â Â Depreciation	670,955	490,043

Amortization of capitalized software development costs	2,735,990	2,086,885
Amortization of intangible assets	1,051,025	946,228
Amortization of other deferred costs	172,804	296,942
Valuation adjustment for warrants liability	(2,325,824)	2,082,789
Share-based compensation expense	1,286,145	1,203,919
Other valuation adjustments	119,593	4,140,441
Loss on disposal of fixed assets	110,710	-
Loss on exit of operating lease	234,823	-
Provision for accounts receivable	252,803	-
Deferred tax expense	-	150,634
Changes in assets and liabilities, net of assets acquired:		
Accounts and contract receivables	3,360,780	2,509,842
Other assets	(314,501)	(627,883)
Accounts payable	410,395	87,014
Accrued expenses	(801,074)	(150,206)
Deferred revenues	(2,124,790)	(2,683,899)
Net cash (used in) provided by operating activities	(2,361,980)	762,281
Investing activities:		
Purchases of property and equipment	(1,862,855)	(106,392)
Capitalization of software development costs	(503,464)	(1,047,938)
Payment for acquisition	(6,058,225)	(3,000,000)
Net cash used in investing activities	(8,424,544)	(4,154,330)
Financing activities:		
Principal repayments on term loan	(910,710)	(937,501)
Principal repayments on note payable	(300,000)	-
Principal payments on capital lease obligation	(165,115)	-
Payment of deferred financing costs	(256,212)	-
Proceeds from exercise of stock options and stock purchase plan	438,425	1,093,285
Net cash (used in) provided by financing activities	(1,193,612)	155,784
Decrease in cash and cash equivalents	(11,980,136)	(3,236,265)
Cash and cash equivalents at beginning of period	17,924,886	7,500,256
Cash and cash equivalents at end of period	\$ 5,944,750	\$ 4,263,991

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STREAMLINE HEALTH SOLUTIONS, INC.

Backlog  
(Unaudited)  
**Table A**

	October 31, 2014	January 31, 2014	October 31, 2013
Streamline Health Software Licenses	\$ 21,103,000	\$ 2,230,000	\$ 2,529,000
Hardware and Third Party Software	126,000	79,000	20,000
Professional Services	8,095,000	7,255,000	7,141,000
Maintenance and Support	21,657,000	25,936,000	28,234,000
Software as a Service	24,928,000	21,073,000	17,087,000
Â Â Â Total	\$ 75,909,000	\$ 56,573,000	\$ 55,011,000

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STREAMLINE HEALTH SOLUTIONS, INC.

New Bookings  
(Unaudited)  
**Table B**

	Three Months Ended Oct 31, 2014	
	Value	% of Total Bookings
Streamline Health Software licenses	\$ 19,463,000	91.6%
Software as a service	-	0.0%
Maintenance and support	30,000	0.1%
Professional services	1,766,000	8.3%

Hardware & third party software	-	0.0%
Total bookings	\$ 21,259,000	100%

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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 U.S. 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) 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.

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

Adjusted EBITDA Reconciliation	Three Months Ended		Nine Months Ended	
	Oct 31, 2014	Oct 31, 2013	Oct 31, 2014	Oct 31, 2013
Net loss	\$ (2,256)	\$ (6,232)	\$ (7,202)	\$ (9,770)
Â Â Â Interest expense	181	580	524	1,735
Â Â Â Income tax expense	-	(5)	2	159
Â Â Â Depreciation	310	152	671	490
Â Â Â Amortization of capitalized softwareÂ				
Â Â Â development costs	905	691	2,736	2,087
Â Â Â Amortization of intangible assets	346	314	1,051	946
Â Â Â Amortization of other costs	50	23	121	47
EBITDA	<u>(464)</u>	<u>(4,477)</u>	<u>(2,097)</u>	<u>(4,306)</u>
Â Â Share-based compensation expense	421	378	1,286	1,204
Â Â Loss on disposal of fixed assets	27	-	111	-
Â Â Loss on early extinguishment of debt	115	-	115	-
Â Â Associate severances and other costsÂ Â Â Â				
Â Â relating to transactions or corporateÂ				
Â Â restructuring	255	-	831	383
Â Â Non-cash valuation adjustments to Â				
Â Â assets and liabilities	(1,061)	4,514	(2,206)	6,223
Â Â Transaction related professional				
Â Â fees, advisory fees and other				
Â Â internal direct costs	1	138	176	363
Â Â Non-recurring operating expenses	428	-	1,491	53
Adjusted EBITDA	\$ <u>(278)</u>	\$ <u>553</u>	\$ <u>(293)</u>	\$ <u>3,920</u>
Adjusted EBITDA Margin <sup>(1)</sup>	<u>(4%)</u>	<u>8%</u>	<u>(1%)</u>	<u>18%</u>
<b>Adjusted EBITDA per diluted share</b>				
Earnings (loss) per share - diluted	\$ (0.14)	\$ (0.50)	\$ (0.44)	\$ (0.82)
Adjusted EBITDA per adjusted diluted shareÂ <sup>(2)</sup>	\$ <u>(0.02)</u>	\$ <u>0.03</u>	\$ <u>(0.02)</u>	\$ <u>0.22</u>
Diluted weighted average shares	18,309,677	13,257,943	18,210,034	12,884,711
Â Â Â Includable incremental shares — adjusted EBITDAÂ <sup>(3)</sup>	-	5,058,763	-	5,130,937

Adjusted diluted shares	<u>18,309,677</u>	<u>18,316,706</u>	<u>18,210,034</u>	<u>18,015,648</u>
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- (1) Adjusted EBITDA as a percentage of GAAP revenues
- (2) 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.
- (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-2014-revenues-of-68-million-recurring-revenues-up-11-over-q3-2013-300007181.html>

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