



July 24, 2014

Streamline Health® Reports First Quarter 2014 Revenues Of \$7.0 Million

Recurring Revenues Up 15%; Sales Backlog Up 19% Over First Quarter 2013

ATLANTA, July 24, 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 first quarter of 2014, which ended April 30, 2014.



Revenues for the three-month period ended April 30, 2014, increased approximately 7% to \$7.0 million versus \$6.5 million in the comparable period of fiscal 2013. Recurring revenues increased 15% over year ago period, and sales backlog continued to grow at a double-digit rate, increasing 19% over Q1 2013.

"As stated in our fourth quarter and year end report, we recognized that due to the lateness of our filings we would be late filing our first quarter results. These delays are now behind us and we are back on our normal quarterly filing schedule," stated Robert E. Watson, President and CEO, Streamline Health Solutions, Inc.

"Regarding our first quarter financial performance, we are seeing some positive trends, such as a steady increase in recurring revenues, continued strong growth in our sales backlog, and solid renewals among our key clients."

Highlights for the first quarter ended April 30, 2014 included:

- 1 Revenue for the first quarter 2014 was \$7.0 million, an increase of 7% over the comparable period in 2013;
- 1 Adjusted EBITDA for the first quarter 2014 was (\$0.5 million);
- 1 Recorded net loss of \$2.7 million for the three-month period ended April 30, 2014;
- 1 Maintenance and support revenues for the quarter increased \$0.8 million, over the same period one year ago;
- 1 New sales bookings and long term renewal agreements for quarter were \$10.7 million comprised of \$9.0 million in renewals and \$1.7 million in new bookings; and
- 1 Backlog at the end of the quarter was \$62.9 million.

Conference Call Information

The Company will conduct a conference call to review the results on Thursday, July 24, 2014 at 5:00 PM EDT. Interested parties can access the call by dialing 800-691-0338 and then entering Conference ID 3622071. A live webcast will also be available; [click here](#) to register.

A replay of the conference call will be available from Thursday, July 24, 2014 at 8:00 PM EDT to Tuesday, July 29, 2014 at 8:00 PM EDT by dialing 888-203-1112 and entering passcode 3622071.

*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 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.

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 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	
	April 30,	
	2014	2013
Revenues:		
Â Systems sales	\$ 339,205	\$ 324,646
Â Professional services	608,951	919,351
Â Maintenance and support	4,171,812	3,380,600
Â Software as a service	1,831,202	1,848,741
Â Â Â Â Â Total revenues	<u>6,951,171</u>	<u>6,473,338</u>
Operating expenses:		
Â Cost of systems sales	835,468	638,597
Â Cost of services	986,425	974,462
Â Cost of maintenance and support	960,186	984,588
Â Cost of software as a service	771,579	579,080
Â Selling, general and administrative	4,640,456	3,580,867

Research and development	2,350,443	1,097,010
Total operating expenses	<u>10,544,557</u>	<u>7,854,604</u>
Operating loss	(3,593,387)	(1,381,266)
Other expense (income):		
Interest expense	(169,478)	(566,565)
Miscellaneous income (expenses)	<u>1,092,771</u>	<u>(742,265)</u>
Loss before income taxes	(2,670,094)	(2,690,096)
Income tax expense	<u>(1,145)</u>	<u>(19,750)</u>
Net loss	\$ (2,671,239)	\$ (2,709,846)
Less: deemed dividends on Series A Preferred Shares	<u>(229,766)</u>	<u>(341,637)</u>
Net loss attributable to common shareholders	\$ (2,901,005)	\$ (3,051,483)
Basic net loss per common share	\$ (0.16)	\$ (0.24)
Number of shares used in basic per common share computation	<u>18,146,232</u>	<u>12,534,474</u>
Diluted net loss per common share	\$ (0.16)	\$ (0.24)
Number of shares used in diluted per common share computation	<u>18,146,232</u>	<u>12,534,474</u>

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

	April 30, 2014	January 31, 2014
Current assets:		
Cash and cash equivalents	\$ 6,965,739	\$ 17,924,886
Accounts receivable, net of allowance for doubtful accounts of \$253,080 and \$267,264, respectively	9,002,126	7,999,571
Contract receivables	195,841	1,181,606
Prepaid hardware and third party software for future delivery	27,510	25,640
Prepaid client maintenance contracts	1,095,009	909,464
Other prepaid assets	1,919,881	1,407,515
Deferred income taxes	95,498	95,498
Other current assets	<u>78,587</u>	<u>144,049</u>
Total current assets	<u>19,380,191</u>	<u>29,688,229</u>
Non-current assets:		
Property and equipment:		
Computer equipment	3,830,157	3,769,564
Computer software	2,320,557	2,239,654
Office furniture, fixtures and equipment	900,900	889,080
Leasehold improvements	<u>1,172,070</u>	<u>697,570</u>
	8,223,684	7,595,868
Accumulated depreciation and amortization	<u>(6,827,484)</u>	<u>(6,676,824)</u>
Property and equipment, net	<u>1,396,200</u>	<u>919,044</u>
Contract receivables, less current portion	69,684	78,395
Capitalized software development costs, net of accumulated amortization of \$9,085,345 and \$7,949,352, respectively	11,537,757	10,238,357
Intangible assets, net	12,489,756	12,175,634
Deferred financing costs	41,947	44,898
Goodwill	15,931,098	11,933,683
Other	<u>781,725</u>	<u>500,634</u>
Total non-current assets	<u>42,248,167</u>	<u>35,890,645</u>
	\$ 61,628,358	\$ 65,578,874

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(Unaudited)
 Liabilities and Stockholders' Equity

	April 30, 2014	January 31, 2014
Current liabilities:		
• Accounts payable	\$ 1,780,392	\$ 1,796,418
• Accrued compensation	1,567,606	1,782,599
• Accrued other expenses	801,963	554,877
• Current portion of long-term debt	1,214,280	1,214,280
• Deferred revenues	9,336,655	9,658,232
• Current portion of note payable	300,000	300,000
• Current portion of capital lease obligation	112,345	105,573
• • • • • Total current liabilities	<u>15,113,241</u>	<u>15,411,979</u>
Non-current liabilities:		
• Term loans	6,665,076	6,971,767
• Warrants liability	2,979,704	4,117,725
• Royalty liability	2,302,200	2,264,000
• Swap contract	132,800	111,086
• Note payable	600,000	600,000
• Lease incentive liability, less current portion	67,641	74,434
• Capital lease obligation	100,789	121,089
• Deferred income tax liability, less current portion	825,677	816,079
• • • • • Total non-current liabilities	<u>13,673,887</u>	<u>15,076,180</u>
• • • • • Total liabilities	<u>28,787,128</u>	<u>30,488,158</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 \$3,020,551 and \$3,250,317, respectively		
	5,829,434	5,599,668
Stockholders' equity:		
• Common stock, \$.01 par value per share, 25,000,000 shares authorized, 18,176,120 and 18,175,787 shares issued and outstanding, respectively	181,761	181,758
• Convertible redeemable preferred stock, \$.01 par value per		
• Additional paid in capital	77,196,787	76,983,088
• Accumulated deficit	(50,233,952)	(47,562,712)
• Accumulated other comprehensive loss	(132,800)	(111,086)
• • • • • Total stockholders' equity	<u>27,011,796</u>	<u>29,491,048</u>
	<u>\$ 61,628,358</u>	<u>\$ 65,578,874</u>

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

	Three Months Ended April 30,	
	2014	2013
Operating activities:		
• Net loss	\$ (2,671,239)	\$ (2,709,846)
• Adjustments to reconcile net loss to net cash used in operating activities:		
• Depreciation	150,660	171,443
• Amortization of capitalized software development costs	916,868	694,689
• Amortization of intangible assets	358,879	314,488
• Amortization of other deferred costs	38,838	82,814
• Valuation adjustment for warrants liability	(1,138,021)	645,354
• Share-based compensation expense	442,876	467,401
• Other valuation adjustments	38,200	-
• Changes in assets and liabilities, net of assets acquired:		
• Accounts and contract receivables	528,680	38,880

Other assets	(927,325)	(414,056)
Accounts payable	(142,824)	(768,793)
Accrued expenses	(378,084)	(632,741)
Deferred revenues	<u>(1,161,803)</u>	<u>(598,984)</u>
Â Net cash used in operating activities	<u>(3,944,295)</u>	<u>(2,709,351)</u>
Investing activities:		
Purchases of property and equipment	(592,498)	(78,516)
Capitalization of software development costs	(193,379)	(460,177)
Payment for acquisition	<u>(5,890,402)</u>	<u>-</u>
Â Net cash used in investing activities	<u>(6,676,279)</u>	<u>(583,693)</u>
Financing activities:		
Principal repayments on term loan	(202,380)	(312,501)
Principal payments on capital lease obligation	(23,985)	-
Payment of deferred financing costs	(112,800)	-
Proceeds from exercise of stock options and stock purchase plan	<u>592</u>	<u>61,512</u>
Â Net cash used in financing activities	<u>(338,573)</u>	<u>(250,989)</u>
Decrease in cash and cash equivalents	(10,959,147)	(3,499,033)
Cash and cash equivalents at beginning of period	<u>17,924,886</u>	<u>7,500,256</u>
Cash and cash equivalents at end of period	\$ <u>6,965,739</u>	\$ <u>4,001,223</u>

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STREAMLINE HEALTH SOLUTIONS, INC.

Backlog
(Unaudited)

Table A

	<u>April 30, 2014</u>	<u>January 31, 2014</u>	<u>April 30, 2013</u>
Streamline Health Software Licenses	\$ 2,006,000	\$ 2,230,000	\$ 3,304,000
Hardware and Third Party Software	54,000	79,000	77,000
Professional Services	6,948,000	7,255,000	8,040,000
Maintenance and Support	27,114,000	25,936,000	23,017,000
Software as a Service	<u>26,808,000</u>	<u>21,073,000</u>	<u>18,607,000</u>
Â Â Total	\$ <u>62,930,000</u>	\$ <u>56,573,000</u>	\$ <u>53,045,000</u>

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STREAMLINE HEALTH SOLUTIONS, INC.

New Bookings
(Unaudited)

Table B

	Three Months Ended April 30, 2014	
	<u>Value</u>	<u>% of Total Bookings</u>
Streamline Health Software licenses	\$ 133,000	8%
Software as a service	1,163,000	70%
Maintenance and support	24,000	1%
Professional services	327,000	20%
Hardware & third party software	8,000	0%
Total bookings	\$ <u>1,655,000</u>	<u>100%</u>

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Reconciliation of Non-GAAP Financial Measures
(Unaudited)

Table C

This press release contains a non-GAAP financial measure under the rulesÂ 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) 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,	
	April 30,	April 30,
	2014	2013
Net loss	\$ (2,671)	\$ (2,710)
Â Â Â Interest expense	169	567
Â Â Â Income tax expense	1	20
Â Â Â Depreciation	151	171
Â Â Â Amortization of capitalized software development costs	917	695
Â Â Â Amortization of intangible assets	359	314
Â Â Â Amortization of other costs	27	10
EBITDA	<u>(1,047)</u>	<u>(933)</u>
Â Â Â Share-based compensation expense	443	467
Â Â Â Associate severances and other costs relating to		
Â Â Â Â transactions or corporate restructuring	451	383
Â Â Â Non-cash valuation adjustments to assets and liabilities	(1,100)	645
Â Â Â Transaction related professional fees, advisory fees and		
Â Â Â Â other internal direct costs	164	74
Â Â Â Other non-recurring operating expenses	574	49
Adjusted EBITDA	<u>\$ (515)</u>	<u>\$ 685</u>
Adjusted EBITDA Margin ⁽¹⁾	(7%)	11%
Adjusted EBITDA per diluted share		
Loss per share - diluted	<u>\$ (0.16)</u>	<u>\$ (0.24)</u>
Adjusted EBITDA per adjusted diluted share ⁽²⁾	<u>\$ (0.03)</u>	<u>\$ 0.04</u>
Diluted weighted average shares	18,146,232	12,534,474
Â Â Â Includable incremental shares — adjusted EBITDA ⁽³⁾	-	5,213,514
Adjusted diluted shares	<u>18,146,232</u>	<u>17,747,988</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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