

# Fourth Quarter 2016: Financial Results

July 29, 2016

TSX-V: SYN

## Conference Call Details:

Date: Friday, July 29, 2016 at 8:00 a.m. ET

Dial In Number: (647) 427-7450 or 1-888-231-8191

Live Webcast: <http://event.on24.com/r.htm?e=1218947&s=1&k=FDCE3FC30DB2762E79EB29D359E50CC1>



# Syncordia

Technologies and Healthcare Solutions

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# Q4 FY 2016 Financial Highlights



## Fourth Quarter 2016 Compared to Third Quarter 2016

- Revenue from the Revenue Cycle Management (“RCM”) segment was \$2,918, a 20% sequential decrease reflecting the impact of the previously announced REACH Medical Holdings contract termination, winter month seasonality and a less favourable payor mix, partially offset by \$167 of revenue from Billing Solutions.
- Adjusted EBITDA before Corporate and Syncordia Cloud segment costs was \$806 compared to \$1,674, reflecting lower revenue as noted above.
- Adjusted EBITDA was negative \$120 compared to \$704.
- As at March 31, 2016 Cash and cash equivalents were \$4,436 compared to \$10,285 as at December 31, 2015 reflecting \$5,871 to fund the acquisition of Billing Solutions and routine capital expenditures, \$306 for interest payments, \$160 for transaction costs and \$489 for operating activities.

## 2016 Financial Highlights

- Revenue was \$13,888 and is segmented by RCM business as follows - \$11,901 HSI, \$1,820 Paragon Billing and \$167 Billing Solutions.
- Adjusted EBITDA before Corporate and Syncordia Cloud segment costs was \$5,755.
- Adjusted EBITDA was \$1,907 reflecting our 80% interest in Billing Solutions.

Note: All dollar figures are in thousands of US Dollars.



# Q4 FY 2016 Business Highlights



## Business Highlights

- Completed the acquisition of an 80% interest in Billing Solutions, LLC, a full-service third-party billing solutions company based in Prescott, Arizona, dedicated to the mental and behavioral health industry.
- Secured a three year contract with Air Medical for air ambulance RCM billing services.
- Subsequent to the fourth quarter, secured several new contracts including:
  - Multi-year contracts with Mercy Health North LLC and LACP/St Rita's Medical Center, of Toledo, Ohio ("Mercy") both of whom are the affiliated EMS units of Mercy St. Vincent Medical Center for RCM services focused on Mercy's rotary wing EMS, mobile intensive care unit.
  - Five year contract with five year automatic renewals, with Jet 911 of Kew Gardens, New York, a fixed wing air ambulance service.
  - Two year contract with The Bridges Network, LLC/ Cornerstone Recovery Center, LLC effective June 1, 2016 for an initial two year term, with automatic annual renewals thereafter.
  - Contract extension with REACH Medical Holdings, LLC ("Reach"), a wholly owned subsidiary of Air Medical Group Holdings, Inc. pursuant to which, HSI will continue to provide RCM services for claims in existence at November 30, 2015 until May 31, 2017.
- Announced the implementation of our proprietary Claim Editor, a workflow automation tool designed to minimize errors while maximizing payment rates in submitting medical billing claims and decreasing the time to input claims by more than 2.5 times. We also unveiled Coordinet, a cloud-based application designed to assist hospital systems in the coordination of care for high risk patients with the goal of minimizing inappropriate readmissions and the resulting associated fines from CMS (Centers for Medicare and Medicaid).
- Hired Chief Technology Officer Andy Tran, a 21 year veteran in the technology industry with vertical experiences including software-as-a-service (SaaS), print-and-fulfillment, healthcare, and financial services.





# Q4 2016 Financial Results

# Q4 2016 Results



(in thousands of US Dollars)

	Three months ended		Change %	Twelve months ended
	March 31 2016	December 31 2015		March 31 2016
<b>Revenue</b>	<b>2,918</b>	<b>3,678</b>	-21%	<b>13,888</b>
<b>Gross Margin</b>	<b>1,894</b>	<b>2,683</b>	-29%	<b>9,776</b>
<i>Percentage of Revenue</i>	65%	73%		70%
<b>Operating Expenses</b>				
General and administrative	1,658	1,605	3%	6,560
Sales and marketing	152	150	1%	613
Research and development	204	224	-9%	692
<b>Total Operating Expenses</b>	<b>2,014</b>	<b>1,979</b>		<b>7,865</b>
<b>Adjusted EBITDA</b>	<b>(120)</b>	<b>704</b>	-117%	<b>1,911</b>
<i>Percentage of Revenue</i>	-4%	19%		14%

Note: Adjusted EBITDA attributed to Billing Solutions for the three and twelve months ended March 31, 2016 was \$20.



# Q4 2016 RCM Segment



(in thousands of US Dollars)

	Three months ended		Change %	Twelve months ended
	March 31 2016	December 31 2015		March 31 2016
<b>Revenue</b>				
HSI	2,259	3,173	-29%	11,901
Paragon	492	505	-3%	1,820
Billing Solutions	167	-	NM	167
<b>Total Revenue</b>	<b>2,918</b>	<b>3,678</b>	<b>-21%</b>	<b>13,888</b>
<b>Gross Margin</b>	<b>1,894</b>	<b>2,683</b>	<b>-29%</b>	<b>9,776</b>
<i>Percentage of Revenue</i>	65%	73%		70%
<b>Operating Expenses</b>				
General and administrative	936	859	9%	3,408
Sales and marketing	152	150	1%	613
Research and development	-	-	NM	-
<b>Total Operating Expenses</b>	<b>1,088</b>	<b>1,009</b>	<b>8%</b>	<b>4,021</b>
<b>Adjusted EBITDA</b>	<b>806</b>	<b>1,674</b>	<b>-52%</b>	<b>5,755</b>
<i>Percentage of Revenue</i>	28%	46%		41%

NM - Not Meaningful

Note: Operating Expenses and Adjusted EBITDA attributable to Billing Solutions for the three and twelve month period ended March 31, 2016 were \$63 and \$20, respectively.



# Key Performance Indicator: Encounters



We present Encounters as a key performance indicator to assist readers in better evaluating our performance. We have defined an Encounter as a discrete business activity for which we would submit a claim. We believe this metric provides investors with a better proxy for measuring the level of business activity than revenue as encounters measure the number of distinct services provided in the period whereas revenue reflects the amount of services recognized for accounting purposes and is typically a lagging indicator of business activity.

	Fiscal 2016 Quarter		Change		Fiscal 2016 Total
	Q4	Q3	#	%	#
HSI	8,588	11,564	(2,976)	-26%	47,592
Paragon	82,345	76,053	6,292	8%	313,476
Billing Solutions	50,690	-	-	-	50,690

## Notes:

- HSI Encounters decreased 26% primarily reflecting the provision of RCM services to REACH Medical Holdings, LLC for claims in existence until November 30, 2015. HSI incurred 2,864 Encounters (1,843 Air Encounters and 1,021 Ground Encounters) attributed to REACH in the third quarter of fiscal 2016 compared to nil Encounters in the fourth quarter of fiscal 2016.
- Paragon Encounters increased 8% primarily reflecting a growth in the number of customers in Q4.
- Billing Solutions Encounters for Q4 FY 2016 reflect a full three months of operations. Syncordia acquired an 80% interest in Billing Solutions on March 22, 2016.
- Paragon Encounters for Q1 FY 2016 reflect a full three months of operations. Syncordia acquired Paragon on April 24, 2015.





# Q4 2016 Syncordia Cloud Segment



(in thousands of US Dollars)

	Three months ended		Change %	Twelve months ended
	March 31 2016	December 31 2015		March 31 2016
<b>Operating Expenses</b>				
General and administrative	167	196	-15%	793
Sales and marketing	-	-	-	-
Research and development	204	224	-9%	692
<b>Total Operating Expenses</b>	<b>371</b>	<b>420</b>	<b>-12%</b>	<b>1,485</b>
<i>Percentage of Revenue</i>	13%	11%	11%	11%

## Notes:

- The reduction in General and administrative costs primarily reflects the resignation of our former Chief Technology Officer (CTO) effective February 18, 2016 and this position remaining vacant until May 2016 when Andy Tran was hired as our new CTO.
- The reduction in Research and development costs reflects the timing of various project costs. We continue to invest in various product development initiatives to advance the commercialization of Platform Syncordia, a collection of billing software modules, for the Revenue Cycle Management (RCM) industry.



# Q4 2016 Corporate Segment



(in thousands of US Dollars)

	Three months ended		Change %	Twelve months ended
	March 31 2016	December 31 2015		March 31 2016
<b>Operating Expenses</b>				
General and administrative	555	550	1%	2,359
Sales and marketing	-	-	-	-
Research and development	-	-	-	-
<b>Total Operating Expenses</b>	<b>555</b>	<b>550</b>	<b>1%</b>	<b>2,359</b>
<i>Percentage of Revenue</i>	19%	15%	27%	17%



# Summary Consolidated Balance Sheet Highlights



(in thousands of US Dollars)

	As at March 31, 2016	As at March 31, 2015	Change	Change %
Cash and cash equivalents	4,437	2,842	1,595	56%
Current assets	7,041	4,919	2,122	43%
Total Assets	40,856	27,059	13,797	51%
Trade accounts payable and accrued liabilities	1,585	1,135	450	40%
Long-term notes payable	14,573	10,484	4,089	39%
Total Equity	21,470	13,119	8,351	64%



# Liquidity Reconciliation



(in thousands of US Dollars)

	Three months ended		Twelve months ended
	March 31 2016	December 31 2015	March 31 2016
<b>Adjusted EBITDA</b>	<b>(120)</b>	<b>704</b>	<b>1,911</b>
Changes in non-cash working capital items	665	(92)	566
Cash Interest	(306)	(308)	(1,206)
Transaction costs	(160)	(17)	(877)
Cash Incomes taxes	(59)	-	(19)
Foreign exchange gains and (losses)	3	(12)	(143)
<b>Cash provided by (used in) operating activities</b>	<b>23</b>	<b>275</b>	<b>232</b>
<b>Cash provided by (used in) investing activities</b>	<b>(5,871)</b>	<b>(35)</b>	<b>(10,968)</b>
<b>Cash provided by (used in) financing activities</b>	<b>-</b>	<b>-</b>	<b>12,331</b>
<b>Increase/(decrease) in cash and cash equivalents during the period</b>	<b>(5,848)</b>	<b>240</b>	<b>1,595</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>10,285</b>	<b>10,045</b>	<b>2,842</b>
<b>Cash and cash equivalents - End of period</b>	<b>4,437</b>	<b>10,285</b>	<b>4,437</b>





# Appendix



# Reconciliation of Non-IFRS Measures – EBITDA



(in thousands of US Dollars)

	Three months ended		Twelve months ended
	March 31 2016	December 31 2015	March 31 2016
Net loss and comprehensive loss	(1,186)	(601)	(3,115)
Amortization of operating and other assets	809	774	3,084
Interest expense	477	478	1,874
Income tax expense (recovery)	(391)	-	(391)
<b>EBITDA</b>	<b>(291)</b>	<b>651</b>	<b>1,452</b>



# Reconciliation of Non-IFRS Measures – Adjusted EBITDA before Syncordia Cloud and Corporate costs



(in thousands of US Dollars)

	Three months ended		Twelve months ended
	March 31 2016	December 31 2015	March 31 2016
Net loss and comprehensive loss	(1,186)	(601)	(3,115)
Amortization of operating and other assets	809	774	3,084
Interest expense	477	478	1,874
Income tax expense (recovery)	(391)	0	(391)
Transaction costs	160	17	1,946
Foreign exchange (gains) and losses	(3)	12	143
Unrealized (gains) and losses on derivative financial liability	(1)	(1)	(609)
Realized gain on contingent consideration	0	0	(1,111)
Stock based compensation	15	25	90
<b>Adjusted EBITDA</b>	<b>(120)</b>	<b>704</b>	<b>1,911</b>
Syncordia Cloud costs	371	420	1,485
Corporate costs	555	550	2,359
<b>Adjusted EBITDA before Syncordia Cloud and Corporate costs</b>	<b>806</b>	<b>1,674</b>	<b>5,755</b>

