

First Quarter 2017: Financial Results

August 26, 2016

TSX-V: SYN

Conference Call Details:

Date: Friday, August 26, 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=1246234&s=1&k=49C8B2FCA7CA6F9BBEDB9E67C57B3DD0>



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Q1 FY 2017 Financial Highlights



First Quarter 2017 Compared to First Quarter 2016

- Revenue increased \$717 or 21%, \$1,637 of which was attributable to the acquisition of Billing Solutions offset by a \$1,086 decrease attributable to REACH Air Medical Holdings and affiliated entities as we wind down the provision of billing services to this customer group.
- Gross margin decreased from 70% to 59% of revenue primarily reflecting a lower portion of our revenue from higher margin air transports
- Adjusted EBITDA before Syncordia Cloud and Corporate costs decreased \$726 or 46% primarily reflecting lower revenues at HSI.
- Adjusted EBITDA was negative \$136, before accounting for non-controlling interests.

First Quarter 2017 Financial Highlights

- Revenue was \$4,110 and is segmented by RCM business as follows - \$1,924 HSI, \$549 Paragon and \$1,637 Billing Solutions
- Adjusted EBITDA was negative \$180, reflecting our 80% interest in Billing Solutions.
- Cash and cash equivalents of \$3,663.

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



Q1 FY 2017 Business Highlights



Business Highlights

- Completed the onboarding of Mercy Health North LLC and LACP/St. Rita's Medical Center and began billing operation. This three-year contract was signed in April 2016.
- Five-year contract with five year automatic renewals, with Jet 911 of Kew Gardens, New York, a fixed wing air ambulance service.
- 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
- Billing Solutions signed and began billing services for The Bridges Network, LLC/The Cornerstone Recovery Center, LLC. This two-year contract was signed in June 2016.
- Announced Claim Editor, a proprietary 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.
- Announced Coordinet, a proprietary 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 fines from Centers for Medicare and Medicaid.





Q1 2017 Financial Results

Q1 2017 Results



(in thousands of US Dollars)

	Three months ended			Three months ended		
	June 30 2016	June 30 2015	Change %	June 30 2016	March 31 2016	Change %
Revenue	4,110	3,393	21%	4,110	2,918	41%
Gross Margin	2,429	2,380	2%	2,429	1,894	28%
<i>Percentage of Revenue</i>	59%	70%		59%	65%	
Operating Expenses						
General and administrative	1,952	1,501	30%	1,952	1,658	18%
Sales and marketing	386	145	166%	386	152	154%
Research and development	227	83	173%	227	204	11%
Total Operating Expenses	2,565	1,729		2,565	2,014	
Adjusted EBITDA	(136)	651	-121%	(136)	(120)	13%
<i>Percentage of Revenue</i>	-3%	19%		-3%	-4%	

Note: Adjusted EBITDA attributed to Billing Solutions for the three months ended June 30, 2016 was \$220.



Q1 2017 RCM Segment



(in thousands of US Dollars)

	Three months ended			Three months ended		
	June 30 2016	June 30 2015	Change %	June 30 2016	March 31 2016	Change %
Revenue						
HSI	1,924	3,066	-37%	1,924	2,259	-15%
Paragon	549	327	68%	549	492	12%
Billing Solutions	1,637	-	NM	1,637	167	880%
Total Revenue	4,110	3,393	21%	4,110	2,918	41%
Gross Margin	2,429	2,380	2%	2,429	1,894	28%
<i>Percentage of Revenue</i>	59%	70%		59%	65%	
Operating Expenses						
General and administrative	1,207	673	79%	1,207	936	29%
Sales and marketing	386	145	166%	386	152	154%
Research and development	-	-	NM	-	-	NM
Total Operating Expenses	1,593	818	95%	1,593	1,088	46%
Adjusted EBITDA	836	1,562	-46%	836	806	4%
<i>Percentage of Revenue</i>	20%	46%		20%	28%	

NM - Not Meaningful

Note: Operating Expenses and Adjusted EBITDA attributable to Billing Solutions for the three month period ended June 30, 2016 were \$665 and \$220, 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.

	FY2017	FY2016	Sequential Quarterly Change	
	Q1	Q4	#	%
HSI	9,946	8,588	1,358	16%
Paragon	82,430	82,345	85	0%
Billing Solutions	46,697	50,690	(3,993)	-8%

Notes:

- HSI encounters increased 16% reflecting the on-boarding of Mercy Health North LLC and LACP/St. Rita's Medical Center.
- Paragon encounters were substantially unchanged.
- Billing Solutions encounters decreased 8% as a result of seasonality, customer churn, and reduced activity associated with certain insurance payors.



Q1 2017 Syncordia Cloud Segment



(in thousands of US Dollars)

	Three months ended			Three months ended		
	June 30 2016	June 30 2015	Change %	June 30 2016	March 31 2016	Change %
Operating Expenses						
General and administrative	260	217	20%	260	167	56%
Sales and marketing	-	-	-	-	-	-
Research and development	227	83	173%	227	204	11%
Total Operating Expenses	487	300	62%	487	371	31%
<i>Percentage of Revenue</i>	12%	9%	34%	12%	13%	-7%

Notes:

- The increase in General and administrative costs primarily reflects one-time recruiting costs and 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 increase 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.



Q1 2017 Corporate Segment



(in thousands of US Dollars)

	Three months ended			Three months ended		
	June 30 2016	June 30 2015	Change %	June 30 2016	March 31 2016	Change %
Operating Expenses						
General and administrative	485	611	-21%	485	555	-13%
Sales and marketing	-	-	-	-	-	-
Research and development	-	-	-	-	-	-
Total Operating Expenses	485	611	-21%	485	555	-13%
<i>Percentage of Revenue</i>	12%	18%	-34%	12%	19%	-38%



Summary Consolidated Balance Sheet Highlights



(in thousands of US Dollars)

	As at June 30, 2016	As at March 31, 2016	Change	Change %
Cash and cash equivalents	3,663	4,437	(774)	-17%
Current assets	6,172	7,041	(869)	-12%
Total Assets	39,142	40,856	(1,714)	-4%
Trade accounts payable and accrued liabilities	1,496	1,585	(89)	-6%
Long-term notes payable	14,806	14,573	233	2%
Total Equity	19,876	21,470	(1,594)	-7%



Liquidity Reconciliation



(in thousands of US Dollars)

	Three months ended	
	June 30 2016	June 30 2015
Adjusted EBITDA	(136)	651
Changes in non-cash working capital items	2	185
Cash Interest	(307)	(286)
Cash Transaction costs	(1)	(653)
Cash Incomes taxes	(38)	-
Foreign exchange gains and (losses)	(3)	(28)
Cash provided by (used in) operating activities	(483)	(131)
Cash provided by (used in) investing activities	(271)	(4,757)
Cash provided by (used in) financing activities	(20)	12,332
Increase/(decrease) in cash and cash equivalents during the period	(774)	7,444
Cash and cash equivalents - Beginning of period	4,437	2,842
Cash and cash equivalents - End of period	3,663	10,286





Appendix



Reconciliation of Non-IFRS Measures – EBITDA



(in thousands of US Dollars)

	Three months ended	
	June 30 2016	June 30 2015
Net loss and comprehensive loss	(1,576)	(1,190)
Amortization of operating and other assets	930	729
Interest expense	523	444
Income tax expense (recovery)	(28)	-
EBITDA	(151)	(17)



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



(in thousands of US Dollars)

	Three months ended	
	June 30 2016	June 30 2015
Net loss and comprehensive loss	(1,576)	(1,190)
Amortization of operating and other assets	930	729
Interest expense	523	444
Income tax expense (recovery)	(28)	0
Transaction costs	1	1,722
Foreign exchange (gains) and losses	3	28
Unrealized (gains) and losses on derivative financial liability	0	0
Realized gain on contingent consideration	0	(1,111)
Stock based compensation	11	29
Adjusted EBITDA	(136)	651
Syncordia Cloud costs	487	300
Corporate costs	485	611
Adjusted EBITDA before Syncordia Cloud and Corporate costs	836	1,562

