

# Second Quarter 2017: Financial Results

November 24, 2016

TSX-V: SYN

Conference Call Details:

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

**Live Webcast:**

<http://event.on24.com/r.htm?e=1309987&s=1&k=924601BCAA1A9D2932324974BAA379A5>



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# Q2 FY 2017 Financial Highlights



## Second Quarter 2017 Compared to Second Quarter 2016

- Revenue decreased \$275 or 7%, \$1,340 of which is attributable to REACH Air Medical Holdings and affiliated entities as we wind down the provision of billing services to this customer group as well as other payor mix changes at HSI, offset by \$1,513 which was attributable to the acquisition of Billing Solutions.
- Gross margin decreased from 72% to 58% of revenue primarily reflecting a lower portion of our revenue from higher margin air transports.
- Adjusted EBITDA before Platform Syncordia and Corporate costs decreased \$950 or 55% primarily reflecting lower revenues at HSI.
- Adjusted EBITDA was negative \$176, before accounting for non-controlling interests.

## Second Quarter 2017 Financial Highlights

- Revenue was \$3,624 and is segmented by RCM business as follows - \$1,652 HSI, \$459 Paragon and \$1,513 Billing Solutions
- Adjusted EBITDA was negative \$307, reflecting our 80% interest in Billing Solutions.
- Cash and cash equivalents of \$2,974.

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



# Q2 FY 2017 Business Highlights



## Business Highlights

- Obtained a waiver from senior lending consortium, resulting in reduced principal payment of \$1.35 million in November 2016 instead of \$2.22 million in order to maintain adequate flexibility and liquidity for working capital needs. The shortfall of \$0.88 million will be added to the May 2017 principal repayment.
- Management is exploring strategies to achieve sufficient liquidity to meet obligations under our debt arrangement. Strategic alternatives include, but are not limited to, the sale of portfolio RCM company or companies and refinancing existing the senior debt.
- Syncordia maintains 3 operating businesses that could be sold at favorable multiples and would maximize value as Platform Syncordia and Corporate costs would not be required by the new owners in the event of a sale.



## Business Highlights

- Billing Solutions entered into several new contracts for billing services subsequent to the first quarter, expected to represent approximately 50,000 annual treatment encounters.
- Subsequent to quarter end, Paragon anticipated to sign a customer contract which is expected to begin in January 2017. With an expected 50,000 encounters, this contract would represent an increase in Paragon's encounters by approximately 20%.
- Syncordia is introducing Claim Editor and additional staff in its Maryland billing center to further reduce cost per claim.
- Announced NECTAR, a client analytics portal for our behavioural health customers, consisting of a business intelligence dashboard showing key medical practice performance indicators.
- Announced TransferLink, a web based client portal for department managers and hospital administrators to track and manage patient transfer information, including real time operational dashboards with analytics depicting HIPAA compliant displays.
- 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.





# Q2 2017 Financial Results



# Q2 2017 Results



(in thousands of US Dollars)

	Three months ended			Three months ended			Six months ended		
	Sep 30 2016	Sep 30 2015	Change %	Sep 30 2016	Jun 30 2016	Change %	Sep 30 2016	Sep 30 2015	Change %
<b>Revenue</b>	<b>3,624</b>	<b>3,899</b>	-7%	<b>3,624</b>	<b>4,110</b>	-12%	<b>7,734</b>	<b>7,292</b>	6%
<b>Gross Margin</b>	<b>2,105</b>	<b>2,819</b>	-25%	<b>2,105</b>	<b>2,429</b>	-13%	<b>4,534</b>	<b>5,199</b>	-13%
<i>Percentage of Revenue</i>	58%	72%		58%	59%		59%	71%	
<b>Operating Expenses</b>									
General and administrative	1,888	1,797	5%	1,888	1,952	-3%	3,840	3,298	16%
Sales and marketing	152	165	-8%	152	386	-61%	538	310	74%
Research and development	241	181	33%	241	227	6%	468	264	77%
<b>Total Operating Expenses</b>	<b>2,281</b>	<b>2,143</b>		<b>2,281</b>	<b>2,565</b>		<b>4,846</b>	<b>3,872</b>	
<b>Adjusted EBITDA</b>	<b>(176)</b>	<b>676</b>	-126%	<b>(176)</b>	<b>(136)</b>	29%	<b>(312)</b>	<b>1,327</b>	-124%
<i>Percentage of Revenue</i>	-5%	17%		-5%	-3%		-4%	18%	

Note: Adjusted EBITDA attributed to Billing Solutions for the three and six months ended September 30, 2016 was \$657 and \$880, respectively.



# Q2 2017 RCM Segment



(in thousands of US Dollars)

	Three months ended			Three months ended			Six months ended		
	Sep 30 2016	Sep 30 2015	Change %	Sep 30 2016	Jun 30 2016	Change %	Sep 30 2016	Sep 30 2015	Change %
<b>Revenue</b>									
HSI	1,652	3,403	-51%	1,652	1,913	-14%	3,565	6,469	-45%
Paragon	459	496	-7%	459	549	-16%	1,008	823	22%
Billing Solutions	1,513	-	NM	1,513	1,648	-8%	3,161	-	NM
<b>Total Revenue</b>	<b>3,624</b>	<b>3,899</b>	<b>-7%</b>	<b>3,624</b>	<b>4,110</b>	<b>-12%</b>	<b>7,734</b>	<b>7,292</b>	<b>6%</b>
<b>Gross Margin</b>	<b>2,105</b>	<b>2,818</b>	<b>-25%</b>	<b>2,105</b>	<b>2,429</b>	<b>-13%</b>	<b>4,534</b>	<b>5,199</b>	<b>-13%</b>
<i>Percentage of Revenue</i>	58%	72%		58%	59%		59%	71%	
<b>Operating Expenses</b>									
General and administrative	1,190	941	26%	1,190	1,207	-1%	2,397	1,614	49%
Sales and marketing	152	165	-8%	152	386	-61%	538	310	74%
Research and development	-	-	NM	-	-	NM	-	-	NM
<b>Total Operating Expenses</b>	<b>1,342</b>	<b>1,106</b>	<b>21%</b>	<b>1,342</b>	<b>1,593</b>	<b>-16%</b>	<b>2,935</b>	<b>1,924</b>	<b>53%</b>
<b>Adjusted EBITDA</b>	<b>763</b>	<b>1,713</b>	<b>-55%</b>	<b>763</b>	<b>836</b>	<b>-9%</b>	<b>1,599</b>	<b>3,275</b>	<b>-51%</b>
<i>Percentage of Revenue</i>	21%	44%		21%	20%		21%	45%	

NM - Not Meaningful

Note: Operating Expenses and Adjusted EBITDA attributable to Billing Solutions for the three and six month period ended September 30, 2016 were \$310 and \$974, 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	FY2017	FY2017	Sequential Quarterly Change	
	Q1	Q2	YTD	#	%
Air/SCT	2,744	3,903	6,647	1,159	42%
Ground	7,202	12,231	19,433	5,029	70%
HSI	9,946	16,134	26,080	6,188	62%
Paragon	82,430	63,809	146,239	(18,621)	-23%
Billing Solutions	46,697	48,052	94,749	1,355	3%

## Notes:

- HSI encounters increased 62% reflecting the on-boarding of Mercy Health North LLC and LACP/St. Rita's Medical Center. SCT encounters were 245 and 901 in the first and second quarter, respectively.
- Paragon encounters decreased 18,621 or 23% due to seasonality and customer churn.
- Billing Solutions encounters increased 3% primarily as a result of new customers.



# Projected Net Revenue



We assess the performance of our RCM segment by estimating the eventual cash collections as a result of Encounter activity in the current period. Management determines Projected Net Revenue by utilizing the billed Encounter activity by customer, multiplied by the customer-specific historical collections per Encounter over an 8-12 month look-back period. Management believes this is a valuable measure since it aligns revenues to the period expenses incurred to generate that revenue.

(in thousands of US Dollars)

	Three months ended	Three months ended	Six months ended
	Jun 30 2016	Sep 30 2016	Sep 30 2016
<b>Projected Net Revenue</b>			
HSI	1,606	1,845	3,451
Paragon	526	422	948
Billing Solutions	2,158	2,091	4,249
<b>Projected Net Revenue</b>	<b>4,290</b>	<b>4,358</b>	<b>8,648</b>
<b>Cost of Sales</b>	<b>1,681</b>	<b>1,519</b>	<b>3,200</b>
<b>Gross Margin</b>	<b>2,609</b>	<b>2,839</b>	<b>5,448</b>
<i>Percentage of Revenue</i>	61%	65%	63%
<b>Total Operating Expenses</b>	<b>1,593</b>	<b>1,342</b>	<b>2,935</b>
<b>Projected Net Revenue Adjusted EBITDA</b>	<b>1,016</b>	<b>1,497</b>	<b>2,513</b>
<i>Percentage of Revenue</i>	24%	34%	29%
<b>RCM Adjusted EBITDA as reported</b>	<b>836</b>	<b>763</b>	<b>1,599</b>
<b>Difference</b>	<b>180</b>	<b>734</b>	<b>914</b>

# Headcount Summary



	<b>As at September 30, 2016</b>	<b>As at March 31, 2016</b>	<b>Change</b>
<b>RCM</b>	119	143	(24)
<b>Platform Syncordia</b>	8	8	0
<b>Corporate</b>	7	9	(2)
	<b>134</b>	<b>160</b>	<b>(26)</b>

# Q2 2017 Platform Syncordia Segment



(in thousands of US Dollars)

	Three months ended			Three months ended			Six months ended		
	Sep 30 2016	Sep 30 2015	Change %	Sep 30 2016	Jun 30 2016	Change %	Sep 30 2016	Sep 30 2015	Change %
<b>Operating Expenses</b>									
General and administrative	152	213	-29%	152	260	-42%	412	430	-4%
Sales and marketing	-	-	-	-	-	-	-	-	-
Research and development	241	181	33%	241	227	6%	468	264	77%
<b>Total Operating Expenses</b>	<b>393</b>	<b>394</b>	<b>0%</b>	<b>393</b>	<b>487</b>	<b>-19%</b>	<b>880</b>	<b>694</b>	<b>27%</b>
<i>Percentage of Revenue</i>	11%	10%		11%	12%		11%	10%	

Notes:

- 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.



# Q2 2017 Corporate Segment



(in thousands of US Dollars)

	Three months ended			Three months ended			Six months ended		
	Sep 30 2016	Sep 30 2015	Change %	Sep 30 2016	Jun 30 2016	Change %	Sep 30 2016	Sep 30 2015	Change %
<b>Operating Expenses</b>									
General and administrative	546	643	-15%	546	485	13%	1,031	1,254	-18%
Sales and marketing	-	-	-	-	-	-	-	-	-
Research and development	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>546</b>	<b>643</b>	<b>-15%</b>	<b>546</b>	<b>485</b>	<b>13%</b>	<b>1,031</b>	<b>1,254</b>	<b>-18%</b>
<i>Percentage of Revenue</i>	15%	16%		15%	12%		13%	17%	



# Summary Consolidated Balance Sheet Highlights



(in thousands of US Dollars)

	As at Sep 30, 2016	As at Mar 31, 2016	Change	Change %
Cash and cash equivalents	2,974	4,437	(1,463)	-33%
Current assets	5,553	7,041	(1,488)	-21%
Total Assets	37,707	40,856	(3,149)	-8%
Trade accounts payable and accrued liabilities	1,426	1,585	(159)	-10%
Long-term notes payable	15,041	14,573	468	3%
Total Equity	19,208	22,383	(3,175)	-14%



# Liquidity Reconciliation



(in thousands of US Dollars)

	Three months ended		Six months ended	
	Sep 30 2016	Sep 30 2015	Sep 30 2016	Sep 30 2015
<b>Adjusted EBITDA</b>	<b>(176)</b>	<b>676</b>	<b>(312)</b>	<b>1,327</b>
Changes in non-cash working capital items	(121)	(154)	(118)	31
Cash Interest	(312)	(306)	(620)	(592)
Cash Transaction costs	0	(47)	(1)	(701)
Cash Incomes taxes	0	-	(38)	-
Foreign exchange gains and (losses)	0	(106)	(3)	(134)
<b>Cash provided by (used in) operating activities</b>	<b>(609)</b>	<b>64</b>	<b>(1,092)</b>	<b>(67)</b>
<b>Cash provided by (used in) investing activities</b>	<b>(60)</b>	<b>(305)</b>	<b>(331)</b>	<b>(5,062)</b>
<b>Cash provided by (used in) financing activities</b>	<b>(20)</b>	<b>(1)</b>	<b>(40)</b>	<b>12,331</b>
<b>Increase/(decrease) in cash and cash equivalents during the period</b>	<b>(689)</b>	<b>(242)</b>	<b>(1,463)</b>	<b>7,202</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>3,663</b>	<b>10,286</b>	<b>4,437</b>	<b>2,842</b>
<b>Cash and cash equivalents - End of period</b>	<b>2,974</b>	<b>10,044</b>	<b>2,974</b>	<b>10,044</b>





# Appendix





# Reconciliation of Non-IFRS Measures – EBITDA



(in thousands of US Dollars)

	Three months ended		Six months ended	
	Sep 30 2016	Sep 30 2015	Sep 30 2016	Sep 30 2015
Net loss and comprehensive loss	(1,594)	(138)	(3,170)	(1,328)
Amortization of operating and other assets	939	772	1,869	1,501
Interest expense	530	476	(88)	0
Income tax expense (recovery)	(60)	-	1,053	920
<b>EBITDA</b>	<b>(185)</b>	<b>1,110</b>	<b>(336)</b>	<b>1,093</b>



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



(in thousands of US Dollars)

	Three months ended		Six months ended	
	Sep 30 2016	Sep 30 2015	Sep 30 2016	Sep 30 2015
Net loss and comprehensive loss	(1,594)	(138)	(3,170)	(1,328)
Amortization of operating and other assets	939	772	1,869	1,501
Interest expense	530	476	1,053	920
Income tax expense (recovery)	(60)	0	(88)	0
Transaction costs	0	47	1	1,769
Foreign exchange (gains) and losses	0	106	3	134
Unrealized (gains) and losses on derivative financial liability	0	(608)	0	(608)
Realized gain on contingent consideration	0	0	0	(1,111)
Stock based compensation	9	21	20	50
<b>Adjusted EBITDA</b>	<b>(176)</b>	<b>676</b>	<b>(312)</b>	<b>1,327</b>
Platform Syncordia costs	393	394	880	694
Corporate costs	546	643	1,031	1,254
<b>Adjusted EBITDA before Platform Syncordia and Corporate costs</b>	<b>763</b>	<b>1,713</b>	<b>1,599</b>	<b>3,275</b>

