

Syncordia Technologies and Healthcare Solutions, Corp. Reports Second Quarter Fiscal 2017 Results

Toronto, Ontario, November 23, 2016 – Syncordia Technologies and Healthcare Solutions, Corp. (TSXV: SYN) (“Syncordia” or the “Company”) today reported financial results for the three and six months ended September 30, 2016.

Reported results reflect six months of operations of Health Services Integration Inc. (“HSI”), which was acquired effective October 31, 2014, Paragon Billing LLC, (“Paragon”) which was acquired April 24, 2015, and Billing Solutions LLC (“Billing Solutions”), which was acquired March 22, 2016. All results are reported in thousands of US dollars and are prepared in accordance with International Financial Reporting Standards (“IFRS”).

Management Commentary

Along with the Company’s refinancing efforts, Syncordia continues to evaluate various strategic alternatives including, but not limited to, the divestiture of a portfolio company to reduce debt and put additional cash on the balance sheet, along with the idea of a business combination or merger of equals involving one of Syncordia’s portfolio companies, and other M&A activity in exchange for a minority position/software licensure and management contract agreement(s) in the target. The Company believes these steps will unlock the value that exists in the enterprise and allow Syncordia to expand further in the RCM space.

Michael Franks, Chief Executive Officer, said “to ensure sufficient working capital to capitalize on new contract growth, Syncordia signed a waiver with its lending group to short pay the scheduled principal payment by \$875 thousand, representing 39% of the scheduled amount. We view this as a positive event in our corporate timeline as the lending group realizes the true value of the enterprise and showed their willingness to be supportive of Syncordia’s efforts, its mission and strategic plan.

We would like to thank the lenders for their ongoing support and will continue our refinancing efforts and operational initiatives to drive free cash flow for the benefit of lenders and shareholders. Our cost per ground claim continues to drop from an average of \$25/claim last quarter to \$21/claim in Q2 to around \$18 now. Historically in another business we have managed cost per claim of approximately \$10 for ground claims and this is the direction we are headed. Air cost per claim was \$114/claim in Q1 and has dropped to \$84/claim in Q2. We are taking steps now to reduce this further. We also continue to reduce headcounts and rationalize costs in our Corporate offices, and have streamlined Platform Syncordia.”

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.
- The Company is pursuing a number of alternatives with regard to refinancing our senior debt.
- Management is exploring strategic alternatives, including but not limited to (i) the sale of portfolio RCM company or companies (ii) strategic alliances with HSI to improve overall results (iii) licensing or sale of certain intellectual property (iv) other cash-generating initiatives. Syncordia maintains three operating businesses that we anticipate 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.

- Billing Solutions entered into several new contracts for billing services subsequent to the first quarter, expected to represent approximately 50,000 annual treatment encounters.
- Paragon is anticipated to sign a customer contract with expected volume of 50,000 annual encounters. This contract would represent an increase in Paragon's encounters by approximately 20%, and is expected to begin in January 2017.
- 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 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.
- 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.

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.
- Platform Syncordia costs were relatively unchanged, reflecting our software development efforts as we continue to develop the Syncordia Billing Module.
- Corporate costs decreased \$97 or 15% reflecting several cost reduction initiatives.
- Adjusted EBITDA was negative \$176, before accounting for non-controlling interests.
- Cash and cash equivalents of \$2,974.

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.

Key Performance Indicators

We report Encounters as a key performance indicator to assist readers in better evaluating our performance. We define 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.

Quarter	Encounters			Sequential Quarterly Change	
	Q1 FY2017	Q2 FY2017	YTD FY2017	#	%
<i>Air/SCT</i>	2,744	3,903	6,647	1,159	42%
<i>Ground</i>	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%

HSI encounters increased 62% reflecting the on-boarding of Mercy Health North LLC and LACP/St. Rita’s Medical Center. Specialty Care Transport (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.

Notice of Conference Call

Syncordia will hold a conference call on Thursday, November 24, 2016, at 8:00 a.m (ET) to discuss its financial results and other corporate developments. To access the conference call by telephone, dial 647-427-7450 or 1-888-231-8191. A live audio webcast will be available through www.syncordiahealth.com or <http://event.on24.com/r.htm?e=1309987&s=1&k=924601BCAA1A9D2932324974BAA379A5>. An archived replay of the webcast will be available for 90 days. A presentation will accompany the conference call and will be available for download from the Investor Relations section of Syncordia's website at: <http://www.syncordiahealth.com/company/investor-relations/events-presentations/>.

Forward Looking Statements

Certain statements herein may be “forward looking” statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Syncordia or the industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements. These forward looking statements reflect current assumptions and expectations regarding future events and operating performance and are made as of the date hereof

and we assume no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances.

Cautionary Note Regarding Non-IFRS Measures

This press release contains references to “EBITDA,” “Adjusted EBITDA,” “Gross margin,” and “Adjusted EBITDA before Platform Syncordia and Corporate costs.”

Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) and Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) are non-IFRS measures used by management to provide additional insight into our performance and financial condition. We believe that these non-IFRS measures are important as they provide an indication of the results generated by our RCM business prior to taking into consideration how those activities are financed as well as the other items listed in their respective definitions. Accordingly, we are presenting EBITDA, Adjusted EBITDA and Adjusted EBITDA before Platform Syncordia and Corporate costs in this MD&A to enhance the usefulness of our MD&A. We have provided below a reconciliation of EBITDA, Adjusted EBITDA and Adjusted EBITDA before Platform Syncordia Corporate costs to the most directly comparable IFRS figures, disclosure of the purpose of the non-IFRS measure, and how the non-IFRS measures is used in managing the business.

EBITDA, Adjusted EBITDA and Adjusted EBITDA before Platform Syncordia and Corporate costs are not calculations based on IFRS and should not be considered an alternative to operating income or net income (loss) in measuring the our performance, nor should it be used as an exclusive measure of cash flow, because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash which are disclosed in the consolidated statements of cash flows. Investors should carefully consider the specific items included in our computation of these measures.

Management defines EBITDA as Earnings before Interest, Taxes, Depreciation and Amortization.

Management defines Adjusted EBITDA as Earnings before Interest, Taxes, Depreciation, Amortization, Transaction Costs, Fair Value Gains/Losses, Foreign Exchange Gains/Losses, Stock Based Compensation and Cash based Share Compensation Arrangements. Transaction costs include professional fees associated with business transactions.

Management defines Adjusted EBITDA before Platform Syncordia and Corporate costs as Earnings before Interest, Taxes, Depreciation, Amortization, Transaction Costs, Fair Value Gains/Losses, Foreign Exchange Gains/Losses, Stock Based Compensation, Cash based Share Compensation Arrangements and costs of our Platform Syncordia and Corporate segment. This metric is used to assess the performance of RCM and Platform Syncordia segments.

Gross margin is a non-IFRS measure defined by management to reflect revenue less direct cost of sale, excluding amortization of intellectual property, customer lists, other amortizations and fair value gains/losses.

Platform Syncordia and Corporate costs include sales and marketing, general and administrative and research and development, less amortization and depreciation, foreign exchange gains and losses, and stock-based compensation expense indexed to our share price.

About Syncordia Technologies and Healthcare Solutions, Corp.

We are a technology enhanced revenue cycle management (“RCM”) company focused on underserved niche segments of the healthcare industry. We are building a diversified software and services business by consolidating healthcare billing providers. Our growth strategy is to acquire RCM businesses with and without software and, improve their profitability by increasing revenues and operating efficiencies using our software, and in time, commercializing Platform Syncordia, our cloud-based software offering, to provide customer demanded turn-key solutions from a single provider and to address compelling RCM market opportunities.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the

TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For further information:

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The following is a reconciliation of EBITDA with net loss and comprehensive loss:
(in thousands of US Dollars)

	Three Months ended		Three Months ended		Six Months ended	
	Sep 30 2016	Sep 30 2015	Sep 30 2016	Jun 30 2016	Sep 30 2016	Sep 30 2015
Net loss and comprehensive loss	(1,594)	(138)	(1,594)	(1,576)	(3,170)	(1,328)
Amortization of operating and other assets	939	772	939	930	1,869	1,501
Income tax expense (recovery)	(60)	-	(60)	(28)	(88)	-
Interest expense	530	476	530	523	1,053	920
EBITDA	(185)	1,110	(185)	(151)	(336)	1,093

The following is a reconciliation of Adjusted EBITDA and Adjusted EBITDA before Platform Syncordia and Corporate costs with Net loss and comprehensive loss:
(in thousands of US Dollars)

	Three Months ended		Three Months ended		Six Months ended	
	Sep 30 2016	Sep 30 2015	Sep 30 2016	Jun 30 2016	Sep 30 2016	Sep 30 2015
Net loss and comprehensive loss	(1,594)	(138)	(1,594)	(1,576)	(3,170)	(1,328)
Amortization of operating and other assets	939	772	939	930	1,869	1,501
Income tax expense (recovery)	(60)	-	(60)	(28)	(88)	-
Interest expense	530	476	530	523	1,053	920
Transaction costs	-	47	-	1	1	1,769
Foreign exchange (gains) and losses	-	106	-	3	3	134
Unrealized (gains) and losses on derivative financial liability	-	(608)	-	-	-	(608)
Realized gain on contingent consideration	-	-	-	-	-	(1,111)
Stock based compensation	9	21	9	11	20	50
Adjusted EBITDA ⁽ⁱ⁾	(176)	676	(176)	(136)	(312)	1,327
Platform Syncordia costs ⁽ⁱ⁾	393	394	393	487	880	694
Corporate costs ⁽ⁱ⁾	546	643	546	485	1,031	1,254
Adjusted EBITDA before Platform Syncordia and Corporate costs ⁽ⁱ⁾	763	1,713	763	836	1,599	3,275

Notes:

- (i) *Non-IFRS measure, Platform Syncordia and Corporate costs exclude stock based compensation, transaction costs, foreign exchange gains and loss, fair value adjustments, and amortization.*

Syncordia Technologies and Healthcare Solutions, Corp.
Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2016 and March 31, 2016

	September 30 2016	March 31 2016
Assets		
Current assets		
Cash and cash equivalents	2,974,012	4,436,844
Accounts receivable	2,342,462	2,226,715
Other assets	236,414	377,185
	<u>5,552,888</u>	<u>7,040,744</u>
Property and equipment	349,218	338,622
Intangible assets	21,046,342	22,694,613
Goodwill	10,758,996	10,781,769
	<u>37,707,444</u>	<u>40,855,748</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,426,338	1,584,735
Holdback payable	-	250,000
Current portion of notes payable	4,444,129	2,222,065
	<u>5,870,467</u>	<u>4,056,800</u>
Notes payable	10,596,957	12,350,631
Deferred tax liabilities	1,806,143	1,932,097
Other non-current liabilities	225,747	133,076
	<u>18,499,314</u>	<u>18,472,604</u>
Shareholders' Equity		
Share capital	25,529,338	25,517,330
Contributed surplus	1,986,203	1,963,529
Deficit	(9,317,730)	(6,010,506)
Equity attributable to shareholders of Syncordia	18,197,811	21,470,353
Non-controlling interests	1,010,319	912,791
	<u>19,208,130</u>	<u>22,383,144</u>
	<u>37,707,444</u>	<u>40,855,748</u>

Syncordia Technologies and Healthcare Solutions, Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended September 30, 2016 and 2015

	Three months ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Revenue	3,624,604	3,898,903	7,734,186	7,291,698
Gain on settlement of contingent consideration	-	-	-	1,111,342
	3,624,604	3,898,903	7,734,186	8,403,040
Cost of sales	1,518,859	1,079,434	3,200,079	2,092,166
Amortization of operating assets	855,731	704,652	1,700,641	1,368,983
	1,250,014	2,114,817	2,833,466	4,941,891
Operating expenses	2,290,820	2,270,264	4,869,759	4,056,187
Transaction costs	-	47,378	916	1,769,428
Other amortization	82,979	66,986	168,136	132,286
Loss before financing and tax expenses	(1,123,785)	(269,811)	(2,205,345)	(1,016,010)
Change in fair value of derivative financial liability	-	(607,961)	-	(607,961)
Interest expense	530,131	475,757	1,052,799	919,643
Net loss before tax	(1,653,916)	(137,607)	(3,258,144)	(1,327,692)
Income tax expense (recovery)	(60,024)	-	(88,448)	-
Net loss and comprehensive loss for the period	(1,593,892)	(137,607)	(3,169,696)	(1,327,692)
Net loss and comprehensive loss attributable to:				
Shareholders of Syncordia	(1,705,585)	(137,607)	(3,307,224)	(1,327,692)
Non-controlling interests	111,693	-	137,528	-
Net loss per share				
Basic and diluted earnings per share	(0.09)	(0.01)	(0.17)	(0.08)
Weighted average number of shares outstanding				
Basic	19,650,564	19,643,635	16,647,119	17,610,993
Diluted	19,650,564	19,799,804	16,647,119	17,767,162

Syncordia Technologies and Healthcare Solutions, Corp.
Condensed Interim Consolidated Statements of Cash Flows
For the three and six month periods ended September 30, 2016 and 2015

	Three months ended		Six months ended	
	September 30		September 30	
	2016	2015	2016	2015
Cash provided by (used in)				
Operating activities				
Net loss for the period	(1,593,892)	(137,607)	(3,169,696)	(1,327,692)
Items not affecting cash				
Gain on settlement of contingent consideration	-	-	-	(1,111,342)
Reverse Takeover transaction costs	-	-	-	1,068,920
Income tax expense (recovery)	(60,023)	-	(125,954)	-
(Gain)/loss on derivative liability	-	(607,961)	-	(607,961)
Amortization	938,710	771,638	1,868,777	1,501,269
Non-cash interest on notes payable	218,054	171,129	433,218	328,888
Share-based compensation and awards	9,603	20,294	20,136	50,008
Changes in non-cash working capital items				
Accounts receivable	(92,020)	224,954	(115,746)	83,564
Other assets	21,887	12,343	140,770	(72,062)
Accounts payable and accrued liabilities	(52,704)	(434,854)	(145,285)	(64,021)
Other non-current liabilities	1,031	43,590	2,242	83,839
	<u>(609,354)</u>	<u>64,156</u>	<u>(1,091,538)</u>	<u>(66,590)</u>
Investing activities				
Purchase of property, equipment and intangible assets	(82,783)	(54,856)	(104,067)	(123,530)
Working capital settlement for acquisition of Billing Solutions	22,773	-	22,773	-
Acquisition of Paragon (net of cash acquired)	-	-	-	(3,479,929)
Settlement of Paragon holdback	-	(250,000)	(250,000)	(250,000)
Settlement of contingent consideration	-	-	-	(1,208,658)
	<u>(60,010)</u>	<u>(304,856)</u>	<u>(331,294)</u>	<u>(5,062,117)</u>
Financing activities				
Issuance of Class B Series 2 preferred shares	-	-	-	3,405,000
Issuance of private placement	-	-	-	8,052,460
Cash consideration from issuance of Reverse Takeover shares	-	-	-	402,605
Share issuance costs	-	(920)	-	(831,560)
Proceeds from long-term notes	-	-	-	1,332,388
Deferred financing costs	-	-	-	(29,960)
Distributions to non-controlling interest	(20,000)	-	(40,000)	-
	<u>(20,000)</u>	<u>(920)</u>	<u>(40,000)</u>	<u>12,330,933</u>
Increase/(decrease) in cash and cash equivalents during the period	(689,364)	(241,620)	(1,462,832)	7,202,226
Cash and cash equivalents - Beginning of period	3,663,376	10,286,259	4,436,844	2,842,413
Cash and cash equivalents - End of period	2,974,012	10,044,639	2,974,012	10,044,639
Cash interest paid	312,259	306,073	619,590	592,200