

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

Toronto, Ontario. February 23, 2017 – Syncordia Technologies and Healthcare Solutions, Corp. (TSXV: SYN) (“Syncordia” or the “Company”) today reported financial results for the three and nine months ended December 31, 2016.

Reported results reflect nine 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. The Company believes these steps will unlock the value that exists in the enterprise and allow Syncordia to expand further in the healthcare software industry. We maintain a good relationship with our lenders and are keenly focused on operational excellence to unlock the value of our underlying assets. Recent organic wins, operational throughput enhancements have added top line revenue and additional margin driving bottom line profits. We continue to evaluate targets for acquisition and organic growth as well as development of new software products to enhance shareholder value. All of these details have recently been press released and available in greater detail on the investor news section of our website.

HSI reduced its average cost per ground claim to \$19 compared to \$21 in the second quarter. We continue to enhance operations moving toward our target cost of \$8 to \$10 per ground claim. Cost per air claim at HSI increased from \$84 in the second quarter to \$97 in the third quarter. This increase is attributable to a 20% decrease in air/SCT volume quarter over quarter. We have taken steps to reduce cost per air claim and are targeting \$60 per claim.

Year to date, we have reduced our staff headcounts by approximately 40 individuals in our RCM segment, including a reduction of ten FTEs at HSI in the third quarter. As at December 31, 2016, we had 109 FTEs across our portfolio companies. In addition, we continue to rationalize corporate and Platform Syncordia headcounts, reducing our FTEs at Syncordia Ireland by three in the third quarter.

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.

- HSI is implementing several operational initiatives anticipate to add over \$1.0 million to the bottom line on an annualized basis, expected to be realized by first quarter fiscal 2018. In addition, HSI is onboarding new contracts over the coming months and quarters while continuing to convert additional pipeline opportunities.
- Billing Solutions is in the process of signing customer contracts expected to contribute an additional \$0.3 million in EBITDA on an annualized basis.
- Paragon signed a customer contract with expected volume of 50,000 annual encounters. This contract commenced in February 2017.
- Syncordia is introducing Claim Editor and additional staff in its lower cost Maryland billing center to further reduce cost per claim.
- Announced NECTAR version 2.0, a client analytics portal for our behavioural health customers, consisting of a business intelligence dashboard showing key medical practice performance indicators. Syncordia continues to focus on building out its full service software suite for Billing Solutions.

Third Quarter 2017 Compared to Third Quarter 2016

- Revenue decreased \$277 or 8%, \$1,216 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 \$1,428 which was attributable to the acquisition of Billing Solutions.
- Gross margin decreased from 73% to 59% of revenue primarily reflecting a lower portion of our revenue from higher margin air transports.
- Net loss and comprehensive loss was \$1,345 compared to a loss of \$601 in the comparative period, reflecting a \$277 reduction in revenue and \$527 increase in cost of sales.
- Adjusted EBITDA before Platform Syncordia and Corporate costs decreased \$831 or 50% primarily reflecting lower revenues at HSI.
- Platform Syncordia costs decreased \$176 or 42%, excluding \$245 of capitalized development costs during the three months ended December 31, 2016. Total Platform Syncordia spend reflects our software development efforts as we continue to develop Platform Syncordia.
- Corporate costs decreased \$81 or 15% reflecting several cost reduction initiatives.
- Adjusted EBITDA was \$130, before accounting for non-controlling interests.
- Cash and cash equivalents of \$1,121.

Third Quarter 2017 Financial Highlights

- Revenue was \$3,401 and is segmented by RCM business as follows - \$1,543 HSI, \$430 Paragon and \$1,428 Billing Solutions
- Adjusted EBITDA was \$130, reflecting our 80% interest in Billing Solutions.
- Cash and cash equivalents of \$1,121.

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	Q3 FY2017	YTD FY2017	#	%
Air/SCT	2,744	3,903	3,125	9,772	(778)	(20%)
Ground	7,202	12,231	15,708	35,141	3,477	28%
HSI	9,946	16,134	18,833	44,913	2,699	17%
Paragon	82,430	63,809	65,737	211,976	1,928	3%
Billing Solutions	46,697	48,052	45,697	140,446	(2,355)	(5%)

HSI encounters increased 17% reflecting the on-boarding of Mercy Health North LLC and LACP/St. Rita’s Medical Center. Specialty Care Transport (SCT) encounters were 245, 901, and 462 in the first, second and third quarters, respectively. Paragon encounters increased 1,928 or 3% as we begin to onboard new customers. Billing Solutions encounters decreased 5% primarily as a result of seasonality.

Notice of Conference Call

Syncordia will hold a conference call on Friday, February 24, 2017, 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=1362075&s=1&k=FDD63B34F7F8568172D50022B42EA90C>. 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.

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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		Nine Months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Sep 30 2016	Dec 31 2016	Dec 31 2015
Net loss and comprehensive loss	(1,345)	(601)	(1,345)	(1,594)	(4,514)	(1,929)
Amortization of operating and other assets	989	774	989	939	2,858	2,275
Income tax expense (recovery)	(59)	-	(59)	(60)	(147)	-
Interest expense	510	478	510	530	1,563	1,397
EBITDA	95	651	95	(185)	(241)	1,743

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		Nine Months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Sep 30 2016	Dec 31 2016	Dec 31 2015
Net loss and comprehensive loss	(1,345)	(601)	(1,345)	(1,594)	(4,514)	(1,929)
Amortization of operating and other assets	989	774	989	939	2,858	2,275
Income tax expense (recovery)	(59)	-	(59)	(60)	(147)	-
Interest expense	510	478	510	530	1,563	1,397
Transaction costs	19	17	19	-	20	1,786
Foreign exchange (gains) and losses	6	12	6	-	9	146
Unrealized (gains) and losses on derivative financial liability	-	(1)	-	-	-	(608)
Realized gain on contingent consideration	-	-	-	-	-	(1,111)
Stock based compensation	10	25	10	9	30	75
Adjusted EBITDA ⁽ⁱ⁾	130	704	130	(176)	(183)	2,031
Platform Syncordia costs ⁽ⁱ⁾	244	420	244	393	1,124	1,114
Corporate costs ⁽ⁱ⁾	469	550	469	546	1,500	1,804
Adjusted EBITDA before Platform Syncordia and Corporate costs ⁽ⁱ⁾	843	1,674	843	763	2,442	4,949

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 December 31, 2016 and March 31, 2016

	December 31 2016	March 31 2016
Assets		
Current assets		
Cash and cash equivalents	1,121,203	4,436,844
Accounts receivable	2,152,578	2,226,715
Other assets	303,529	377,185
	<u>3,577,310</u>	<u>7,040,744</u>
Property and equipment	429,196	338,622
Intangible assets	20,397,586	22,694,613
Goodwill	10,758,996	10,781,769
	<u>35,163,088</u>	<u>40,855,748</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,755,070	1,584,735
Holdback payable	-	250,000
Current portion of notes payable	11,675,806	2,222,065
	<u>13,430,876</u>	<u>4,056,800</u>
Notes payable	2,000,000	12,350,631
Deferred tax liabilities	1,746,103	1,932,097
Other non-current liabilities	272,329	133,076
	<u>17,449,308</u>	<u>18,472,604</u>
Shareholders' Equity		
Share capital	25,529,338	25,517,330
Contributed surplus	1,996,384	1,963,529
Deficit	(10,773,339)	(6,010,506)
Equity attributable to shareholders of Syncordia	16,752,383	21,470,353
Non-controlling interests	961,397	912,791
	<u>17,713,780</u>	<u>22,383,144</u>
	<u>35,163,088</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 nine months ended December 31, 2016 and 2015

	Three months ended December 31		Nine months ended December 31	
	2016	2015	2016	2015
Revenue	3,400,716	3,678,236	11,134,903	10,969,933
Gain on settlement of contingent consideration	-	-	-	1,111,342
	3,400,716	3,678,236	11,134,903	12,081,275
Cost of sales	1,390,854	996,161	4,591,061	3,088,326
Amortization of operating assets	841,416	708,368	2,542,057	2,077,351
	1,168,446	1,973,707	4,001,785	6,915,598
Operating expenses	1,895,662	2,016,429	6,765,295	6,072,616
Transaction costs	18,824	16,742	19,740	1,786,170
Other amortization	147,417	65,332	315,552	197,618
Loss before financing and tax expenses	(893,457)	(124,796)	(3,098,802)	(1,140,806)
Change in fair value of derivative financial liability	-	(1,026)	-	(608,987)
Interest expense	509,747	477,594	1,562,546	1,397,237
Net loss before tax	(1,403,204)	(601,364)	(4,661,348)	(1,929,056)
Income tax expense (recovery)	(58,673)	-	(147,121)	-
Net loss and comprehensive loss for the period	(1,344,531)	(601,364)	(4,514,227)	(1,929,056)
Net loss and comprehensive loss attributable to:				
Shareholders of Syncordia	(1,455,609)	(601,364)	(4,762,833)	(1,929,056)
Non-controlling interests	111,078	-	248,606	-
Net loss per share				
Basic and diluted earnings per share	(0.07)	(0.03)	(0.23)	(0.11)
Weighted average number of shares outstanding				
Basic	19,681,135	19,643,635	19,658,499	18,291,004
Diluted	19,681,135	19,673,670	16,658,499	18,321,039

Syncordia Technologies and Healthcare Solutions, Corp.
Condensed Interim Consolidated Statements of Cash Flows
For the three and nine month periods ended December 31, 2016 and 2015

	Three months ended		Nine months ended	
	December 31		December 31	
	2016	2015	2016	2015
Cash provided by (used in)				
Operating activities				
Net loss for the period	(1,344,531)	(601,364)	(4,514,227)	(1,929,056)
Items not affecting cash				
Gain on settlement of contingent consideration	-	-	-	(1,111,342)
Reverse Takeover transaction costs	-	-	-	1,068,920
Deferred income tax expense (recovery)	(60,040)	-	(185,994)	-
(Gain)/loss on derivative liability	-	(1,026)	-	(608,987)
Amortization	988,832	773,700	2,857,609	2,274,969
Non-cash interest on notes payable	214,168	171,473	647,386	500,361
Share-based compensation and awards	10,181	25,231	30,317	75,239
Changes in non-cash working capital items				
Accounts receivable	189,884	246,123	74,138	329,687
Other assets	(67,115)	(108,198)	73,655	(180,260)
Accounts payable and accrued liabilities	32,795	(274,184)	(112,490)	(338,205)
Other non-current liabilities	1,211	43,590	3,453	127,429
	<u>(34,615)</u>	<u>275,345</u>	<u>(1,126,153)</u>	<u>208,755</u>
Investing activities				
Purchase of property, equipment and intangible assets	(66,622)	(34,966)	(170,689)	(158,496)
Capitalized software development costs	(245,000)	-	(245,000)	-
Working capital settlement for acquisition of Billing Solutions	-	-	22,773	-
Acquisition of Paragon (net of cash acquired)	-	-	-	(3,479,929)
Settlement of Paragon holdback	-	-	(250,000)	(250,000)
Settlement of contingent consideration	-	-	-	(1,208,658)
	<u>(311,622)</u>	<u>(34,966)</u>	<u>(642,916)</u>	<u>(5,097,083)</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	-	-	-	(831,560)
Proceeds from long-term notes	-	-	-	1,332,388
Repayment of notes payable	(1,346,572)	-	(1,346,572)	-
Deferred financing costs	-	-	-	(29,960)
Distributions to non-controlling interest	(160,000)	-	(200,000)	-
	<u>(1,506,572)</u>	<u>-</u>	<u>(1,546,572)</u>	<u>12,330,933</u>
Increase/(decrease) in cash and cash equivalents during the period	(1,852,809)	240,379	(3,315,641)	7,442,605
Cash and cash equivalents - Beginning of period	2,974,012	10,044,639	4,436,844	2,842,413
Cash and cash equivalents - End of period	1,121,203	10,285,018	1,121,203	10,285,018
Cash interest paid	295,580	307,616	915,170	899,816