



NantHealth Reports 2019 First-Quarter Financial Results

05/09/19

- **Total revenue in Q1 was \$23.7 million, up 7% from Q1 2018**
 - SaaS revenue of \$17.8 million in Q1, up 10% from Q1 2018 and 3% sequentially
- **Signed Substantial Three-year Eviti Contract with Multi-state Healthcare Payer**
- **Sequencing and Molecular Analysis, 820 total tests ordered in Q1, including 428 GPS Cancer® and 392 Liquid GPSSM Tests**

CULVER CITY, Calif.--(BUSINESS WIRE)--May 9, 2019-- NantHealth, Inc. (NASDAQ-GS: NH), a next-generation, evidence-based, personalized healthcare company, today reported financial results for its first quarter ended March 31, 2019.

"We had an excellent start to fiscal 2019," said Bob Petrou, Chief Financial Officer of NantHealth. "Our solid 2019 first quarter results were driven by higher total revenue combined with an improved gross margin. Our SaaS business, which comprises the largest portion of our operations, continued its sequential quarterly topline growth, and with the recent signing of a multi-year contract for our Eviti clinical decision support solution, we expect to continue to see further revenue growth."

Software and Services Highlights:

- **Clinical Decision Support (Eviti):**
 - In Q2, signed a three-year partnership with a leading nonprofit multi-state health plan, expanding Eviti Connect's total covered lives to over 25 million
 - In Q1, released versions 7.6 and 7.7, with the following enhancements:
 - Added features that alert payers when a patient begins treatment before eligibility is determined
 - Clinical content teams can now publish regimens more efficiently and effectively to meet client needs
 - Payer medical management groups can now customize warnings and deviations for their clinically equivalent programs
 - Payers are now provided with superior insights into member eligibility and treatment timeframes
- **Payer Engagement (NaviNet):**
 - In Q1, implemented refreshed pricing for NaviNet AllPayer services, which is expected to drive enhanced SaaS financial performance in 2019
 - In Q1, enhanced new workflow capabilities within the Authorizations applications to support functionality in submission workflow, and updated the Authorization Appeals application to better support users
 - In Q1, upgraded the Claim Status Inquiry tool to allow for better visibility of actions taken within NaviNet for non-NaviNet Claims, increasing utility of the NaviNet solution beyond current payer partners
 - In Q1, provided health plans/payers greater efficiency by allowing enhanced customization to Open Claim attachment metadata, improving automated file retrieval and processing on their backend
- **Connected Care (DeviceConX):**
 - In Q1, participated in Healthcare Information and Management Systems Society (HIMSS) Conference in Orlando, FL, showcasing the DeviceConX solution's ability to successfully deliver GE Healthcare device data and the company's collaborations with Dell Boomi, Baxter and other kidney dialysis treatment solutions
 - In Q1, significantly increased connectivity license sales, driving improved recurring maintenance revenue on a go forward basis, as previously announced
 - In Q1, as previously announced, deployed DeviceConX Version 5.15 upgrade, with the ability to push OS security patches directly to HBox Connected Care hardware devices
 - In April, the company presented its VitalsConX technology at the American Nursing Informatics Association (ANIA) Annual Conference, demonstrating the ease of collecting, inputting and integrating patient data into electronic health records (EHRs)
- **Sequencing and Molecular Analysis – Highlights**
 - In Q1, total GPS orders were 820, comprised of GPS Cancer of 428 and Liquid GPS of 392
 - In Q1, scientific teams from NantHealth and NantOmics presented five posters at the American Society of Clinical Oncology's (ASCO) Gastrointestinal Cancers Symposium and two posters at the ASCO's Genitourinary Cancers Symposium. The research presented focused on the significance of RNA expression, in tissue and blood, and individual biomarkers in determining why some patients do not respond to targeted cancer therapies based on DNA genomic profiling alone

Assets

Current assets		
Cash and cash equivalents	\$ 12,444	\$ 18,305
Accounts receivable, net	15,288	15,286
Inventories	416	496
Related party receivables, net	735	1,007
Prepaid expenses and other current assets	5,264	4,350
Total current assets	34,147	39,444
Property, plant, and equipment, net	20,673	22,978
Goodwill	115,930	115,930
Intangible assets, net	62,416	64,703
Investment in related party	37,810	40,000
Related party receivable, net of current	1,603	1,611
Operating lease right-of-use assets	11,099	—
Other assets	1,566	1,671
Total assets	\$ 285,244	\$ 286,337

Liabilities and Stockholders' Equity (Deficit)

Current liabilities		
Accounts payable	\$ 2,335	\$ 1,650
Accrued and other current liabilities	15,293	13,832
Deferred revenue	16,892	16,263
Related party payables, net	4,856	4,791
Total current liabilities	39,376	36,536
Deferred revenue, net of current	7,091	6,704
Related party liabilities	19,313	17,708
Related party promissory note	112,666	112,666
Related party convertible note, net	8,494	8,378
Convertible notes, net	80,674	79,433
Operating lease liabilities	12,404	—
Other liabilities	21,589	22,081
Total liabilities	301,607	283,506
Stockholders' equity (deficit)		
Common stock, \$0.0001 par value per share, 750,000,000 shares authorized; 109,921,647 and 109,491,277 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively (including 1 share of restricted stock at both dates)	11	11
Additional paid-in capital	887,963	887,289
Accumulated deficit	(904,045)	(884,122)
Accumulated other comprehensive loss	(292)	(347)
Total stockholders' equity (deficit)	(16,363)	2,831
Total liabilities and stockholders' equity (deficit)	\$ 285,244	\$ 286,337

NantHealth, Inc.**Condensed Consolidated Statements of Operations**

(Dollars in thousands, except per share amounts)

(Unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
Total net revenue	\$ 23,729	\$ 22,263
Total cost of revenue	11,290	11,068
Gross Profit	12,439	11,195
Operating Expenses:		
Selling, general and administrative	16,789	20,737

Research and development	5,080		5,151	
Amortization of acquisition-related assets	1,054		1,054	
Total operating expenses	22,923		26,942	
Loss from operations	(10,484)	)	(15,747))
Interest expense, net	(4,414)	)	(4,197))
Other (expense) income, net	(2,505)	)	180)
Loss from related party equity method investment	(2,210)	)	(3,261))
Loss from continuing operations before income taxes	(19,613)	)	(23,025))
Provision for (benefit from) income taxes	226		(1,050))
Net loss from continuing operations	(19,839)	)	(21,975))
Loss from discontinued operations, net of tax	(84)	)	(193))
Net loss	\$ (19,923)	)	\$ (22,168))

Net loss per share:

Continuing operations				
Basic and diluted - common stock	\$ (0.18)	)	\$ (0.20))
Discontinued operations				
Basic and diluted - common stock	\$ —		\$ —	
Total net loss per share				
Basic and diluted - common stock	\$ (0.18)	)	\$ (0.20))

Weighted average shares outstanding:

Basic and diluted - common stock	109,904,336		108,579,271	
----------------------------------	-------------	--	-------------	--

NantHealth, Inc.

Supplemental Revenue Schedule

(Dollars in thousands)

(Unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
Revenue:		
Software-as-a-service related	\$ 17,802	\$ 16,166
Software and hardware related	1,027	1,455
Maintenance	2,493	2,446
Total software-related revenue	21,322	20,067
Sequencing and molecular analysis	814	840
Home health care services	1,593	1,356
Total net revenue	\$ 23,729	\$ 22,263
Cost of Revenue:		
Software-as-a-service related	\$ 5,752	\$ 6,602
Software and hardware related	785	885
Maintenance	270	215
Amortization of developed technologies	1,233	1,173
Total software-related cost of revenue	8,040	8,875
Sequencing and molecular analysis	2,427	1,431
Home health care services	823	762
Total cost of revenue	\$ 11,290	\$ 11,068

NantHealth, Inc.

Non-GAAP Net Loss from Continuing Operations and

Non-GAAP Net Loss Per Share from Continuing Operations

(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	March 31,	
	2019	2018
Net loss from continuing operations	\$(19,839	) \$(21,975
Adjustments to GAAP net loss:		
Loss from related party equity method investment	2,210	3,261
Stock-based compensation expense from continuing operations	650	2,718
Acquisition related sales incentive	—	145
Change in fair value of derivatives liability	—	(1
Change in fair value of Bookings Commitment	2,494	—
Noncash interest expense related to convertible notes	1,357	1,194
Intangible amortization from continuing operations	2,287	2,227
Securities litigation costs	—	73
Tax provision (benefit) resulting from certain noncash tax items	111	(1,123
Total adjustments to GAAP net loss from continuing operations	9,109	8,494
Net loss - Non-GAAP from continuing operations	\$(10,730	) \$(13,481
Weighted average shares outstanding	109,904,336	108,579,271
Net loss per share from continuing operations - Non-GAAP	\$(0.10	) \$(0.12

Reconciliation of Net Loss from Continuing Operations per Common Share

to Net Loss per Common Share from Continuing Operations - Non-GAAP (Unaudited):

	Three Months Ended	
	March 31,	
	2019	2018
Net loss per common share from continuing operations	\$(0.18	) \$(0.20
Adjustments to GAAP net loss per common share from continuing operations:		
Loss from related party equity method investment	0.02	0.03
Stock-based compensation expense from continuing operations	0.01	0.03
Acquisition related sales incentive	—	—
Change in fair value of derivatives liability	—	—
Change in fair value of Bookings Commitment	0.02	—
Noncash interest expense related to convertible notes	0.01	0.01
Intangible amortization from continuing operations	0.02	0.02
Securities litigation costs	—	—
Tax provision (benefit) resulting from certain noncash tax items	—	(0.01
Total adjustments to GAAP net loss per common share from continuing operations	0.08	0.08
Net loss per common share from continuing operations - Non-GAAP	\$(0.10	) \$(0.12

View source version on businesswire.com: <https://www.businesswire.com/news/home/20190509005875/en/>

Source: NantHealth, Inc.

Investor Contact:
Robert Jaffe
rjaffe@rjaffeco.com
424.288.4098