

April 1, 2019



# Intellinetics, Inc. Reports Q4 and Year-End Results

***Total Annual Revenue \$2,381,427  
Q4 Total Revenue Growth over 2017  
Consistent Software as a Service Growth***

COLUMBUS, Ohio, April 01, 2019 (GLOBE NEWSWIRE) -- Intellinetics, Inc. ([OTCQB: INLX](#)), a cloud-based document solutions provider, announced financial results for the twelve months ended December 31, 2018.

## **2018 Fourth Quarter Financial Highlights**

- Total Revenue increased 26% from Q4 2017.
- Software as a Service Revenue increased 33% from Q4 2017.
- Net Loss increase of 74% from Q4 2017.
- Adjusted EBITDA Loss of \$257,490, a decrease of 45% from 2017.

## **Year-End Financial Highlights**

- Total Revenue decreased 9% from 2017.
- Software as a Service Revenue increased 20% from 2017.
- Net Loss increase of 71% from 2017.
- Adjusted EBITDA Loss of \$1,159,214, an increase of 30% from 2017.

## **Summary – 2018 Fourth Quarter Results**

Revenues for the three months ended December 31, 2018 were \$633,266 as compared with \$503,770 for the same period in 2017. Intellinetics reported a net loss of \$552,403 and \$317,531 for the three months ended December 31, 2018 and 2017, respectively, representing an increase in net loss of \$234,872. Net Loss in 2017 included a \$419,090 one-time gain on retirement of debt. Net loss per share for the three months ended December 31, 2018 and 2017 was (\$0.03) and (\$0.02), respectively.

## **Summary – Year-End Results**

Revenues for the twelve months ended December 31, 2018 were \$2,381,427 as compared with \$2,620,108 for the same period in 2017. Intellinetics reported a net loss of \$2,340,280 and \$1,365,364 for the twelve months ended December 31, 2018 and 2017, respectively, representing an increase of \$974,916. Net Loss in 2017 included a \$419,090 one-time gain on retirement of debt. Net loss per share for the twelve months ended December 31, 2018 and 2017 was (\$0.13) and (\$0.08), respectively.

## **2018 Highlights**

- Our commitment to the Human Services Provider market included launching our Provider Portal in 2018, which provides a cost-effective solution that allows

Independent Providers to get up and running within 24 hours. An Independent Provider is a self-employed person who provides services to people with developmental disabilities and who must provide and fund their own technology solutions.

- We launched our partnership with K-12 education partner Software Unlimited Inc. in 2018, which included completing fully integrated document management capabilities within their School Accounting System for K-12 school districts, as well as successfully implementing 11 pre-launch beta customers in December, 2018.

[James F. DeSocio](#), President & CEO of Intellinetics, stated, “The groundwork for our growth is laid with our focus on a core group of customers in the Human Services Provider and K-12 education space. Our unique and differentiated product value proposition, including auditing, compliance and reporting, is compelling. Excitingly, both our cost to acquire customers and effort to implement and on-board new customers is streamlined and accelerated with our focus. This course will provide greater revenue consistency, higher growth, and deliver the best long-term value to shareholders.”

“The improved results in the fourth quarter is a good indicator that our strategy to focus in key markets such as K-12 and align ourselves with strategic solution partners is the right path. At the same time, our clients’ adoption of hosted solutions has accelerated, which impacts our total revenue with lower one-time software sales, but is exactly the conversion that needs to happen to build our recurring revenue base to give us more predictability and reliability in the future. In increasing our SaaS-based revenues we recognize that short-term revenue recognition on subscription services is generally lower than upfront premise license sales and that the new programs will take some months to bear fruit in our top line and this is exactly the track we need to be on to change and enable a breakthrough to the next level. We expect our results to be reflected in improved sales revenue overall, and growing recurring SaaS in particular, in 2019,” DeSocio concluded.

#### **About Intellinetics, Inc.**

Intellinetics, Inc., located in Columbus, Ohio, is a cloud-based document content services provider. Its flagship IntelliCloud™ platform provides easy to use, affordable, secure document management to organizations that have critical document requirements and must always be audit-ready, including health and human services, education and law enforcement. Our customers save valuable time by immediately locating any form, file, record or document, and our commitment to superior customer service ensures users can remain focused on their mission. For additional information, please visit [www.intellinetics.com](http://www.intellinetics.com).

#### **Cautionary Statement**

Statements in this press release which are not purely historical, including statements regarding future business and new revenues associated with any industry, channel partner, service, or business relationship; Intellinetics’ future revenues, revenue consistency, growth and long-term value, including in 2019; growth of software as a service revenue; market penetration; execution of Intellinetics’ business plan, strategy, and focus; and other intentions, beliefs, expectations, representations, projections, plans or strategies regarding future growth, financial results, and other future events are forward-looking statements. The forward-looking statements involve risks and uncertainties including, but not limited to, the risks associated with the effect of changing economic conditions, trends in the products markets, variations in Intellinetics’ cash flow or adequacy of capital resources, market

acceptance risks, the success of Intellinetics' channel partners and distribution partners, technical development risks, and other risks and uncertainties discussed in Intellinetics' most recent annual report on Form 10-K. Intellinetics cautions investors not to place undue reliance on the forward-looking statements contained in this press release. Intellinetics disclaims any obligation and does not undertake to update or revise any forward-looking statements in this press release. Expanded and historical information is made available to the public by Intellinetics on its website at [www.intellinetics.com](http://www.intellinetics.com) or at [www.sec.gov](http://www.sec.gov).

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#### **Non-GAAP Financial Measure**

Intellinetics uses non-GAAP Adjusted EBITDA as a supplemental measure of our performance that is not required by, or presented in accordance with, accounting principles generally accepted in the United States (GAAP).

A non-GAAP financial measure is a numerical measure of a company's financial performance that excludes or includes amounts so as to be different from the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows of a company. Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to net income, operating income, or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or a measure of our liquidity. Intellinetics urges investors to review the reconciliation of non-GAAP Adjusted EBITDA to the comparable GAAP Net Loss, which is included in this press release, and not to rely on any single financial measure to evaluate Intellinetics' financial performance.

We believe that Adjusted EBITDA is a useful performance measure and is used by us to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business than measures under GAAP can provide alone. We define "Adjusted EBITDA" as earnings before interest expense, any income taxes, depreciation and amortization expense, and other non-cash expenses such as share-based compensation, note conversion warrant expense and other financing related transaction costs.

#### **Reconciliation of Net Loss to Adjusted EBITDA**

|                                       | Year Ended December 31, |                |
|---------------------------------------|-------------------------|----------------|
|                                       | 2018                    | 2017           |
| Net loss - GAAP                       | (\$2,340,280 )          | (\$1,365,364 ) |
| Interest expense, net                 | 865,501                 | 609,851        |
| Depreciation and amortization         | 9,040                   | 11,831         |
| Share-based compensation              | 306,525                 | 219,045        |
| Note issue/conversion warrant expense | -                       | 52,951         |
| Gain on retirement of debt            | -                       | (419,090 )     |
| Adjusted EBITDA                       | (\$1,159,214 )          | (\$890,776 )   |

# Reconciliation of Net Loss to Adjusted EBITDA

|                                       | Three Months Ended December 31, |              |
|---------------------------------------|---------------------------------|--------------|
|                                       | 2018                            | 2017         |
| Net loss - GAAP                       | (\$552,403 )                    | (\$317,531 ) |
| Interest expense, net                 | 230,523                         | 198,090      |
| Depreciation and amortization         | 2,033                           | 2,815        |
| Share-based compensation              | 62,357                          | 70,482       |
| Note issue/conversion warrant expense | -                               | (1,064 )     |
| Gain on retirement of debt            | -                               | (419,090 )   |
| Adjusted EBITDA                       | (\$257,490 )                    | (\$466,298 ) |

## INTELLINETICS, INC. and SUBSIDIARY Consolidated Statements of Operations

|                                                      | For the Three Months Ended<br>December 31, |              | For the Year Ended<br>December 31, |                |
|------------------------------------------------------|--------------------------------------------|--------------|------------------------------------|----------------|
|                                                      | 2018                                       | 2017         | 2018                               | 2017           |
| Revenues:                                            |                                            |              |                                    |                |
| Sale of software                                     | \$33,553                                   | \$77,232     | \$173,691                          | \$452,238      |
| Software as a service                                | 221,057                                    | 166,139      | 748,754                            | 622,224        |
| Software maintenance services                        | 254,643                                    | 233,851      | 995,170                            | 966,011        |
| Professional services                                | 121,113                                    | 14,651       | 289,962                            | 451,628        |
| Third Party services                                 | 2,900                                      | 11,897       | 173,850                            | 128,007        |
| Total revenues                                       | 633,266                                    | 503,770      | 2,381,427                          | 2,620,108      |
| Cost of revenues:                                    |                                            |              |                                    |                |
| Sale of software                                     | 5,464                                      | 26,384       | 69,754                             | 97,899         |
| Software as a service                                | 79,282                                     | 76,358       | 300,235                            | 304,512        |
| Software maintenance services                        | 25,810                                     | 32,959       | 100,205                            | 120,422        |
| Professional services                                | 61,976                                     | 15,000       | 120,421                            | 198,133        |
| Third Party services                                 | 953                                        | 5,789        | 151,790                            | 39,496         |
| Total cost of revenues                               | 173,485                                    | 156,490      | 742,405                            | 760,462        |
| Gross profit                                         | 459,781                                    | 347,280      | 1,639,022                          | 1,859,646      |
| Operating expenses:                                  |                                            |              |                                    |                |
| General and administrative                           | 523,792                                    | 628,720      | 2,106,851                          | 2,199,904      |
| Sales and marketing                                  | 255,836                                    | 254,276      | 997,910                            | 822,514        |
| Depreciation                                         | 2,033                                      | 2,815        | 9,040                              | 11,831         |
| Total operating expenses                             | 781,661                                    | 885,811      | 3,113,801                          | 3,034,249      |
| Loss from operations                                 | (321,880 )                                 | (538,531 )   | (1,474,779 )                       | (1,174,603 )   |
| Other income (expense)                               |                                            |              |                                    |                |
| Gain on retirement of debt                           | 0                                          | 419,090      | 0                                  | 419,090        |
| Interest expense, net                                | (230,523 )                                 | (198,090 )   | (865,501 )                         | (609,851 )     |
| Total other income (expense)                         | (230,523 )                                 | 221,000      | (865,501 )                         | (190,761 )     |
| Net loss                                             | (\$552,403 )                               | (\$317,531 ) | (\$2,340,280 )                     | (\$1,365,364 ) |
| Basic and diluted net loss per share:                | (\$0.03 )                                  | (\$0.02 )    | (\$0.13 )                          | (\$0.08 )      |
| Weighted average number of common shares outstanding |                                            |              |                                    |                |
| - basic and                                          |                                            |              |                                    |                |
| diluted                                              | 17,729,421                                 | 17,383,266   | 17,726,927                         | 17,369,012     |

**INTELLINETICS, INC. and SUBSIDIARY**  
**Consolidated Balance Sheets**

**ASSETS**

|                                           | <u>December 31,</u><br><u>2018</u> | <u>December 31,</u><br><u>2017</u> |
|-------------------------------------------|------------------------------------|------------------------------------|
| Current assets:                           |                                    |                                    |
| Cash                                      | \$1,088,630                        | \$1,125,921                        |
| Accounts receivable, net                  | 135,739                            | 295,815                            |
| Prepaid expenses and other current assets | 162,495                            | 162,450                            |
| Total current assets                      | <u>1,386,864</u>                   | <u>1,584,186</u>                   |
| Property and equipment, net               | 9,131                              | 14,760                             |
| Other assets                              | 10,284                             | 10,284                             |
| Total assets                              | <u><u>\$1,406,279</u></u>          | <u><u>\$1,609,230</u></u>          |

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

|                                                                                                                                                                    |                           |                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Current liabilities:                                                                                                                                               |                           |                           |
| Accounts payable and accrued expenses                                                                                                                              | \$308,121                 | \$405,155                 |
| Deferred revenues                                                                                                                                                  | 723,619                   | 708,130                   |
| Deferred compensation                                                                                                                                              | 165,166                   | 213,166                   |
| Notes payable - current                                                                                                                                            | -                         | 875,000                   |
| Notes payable - related party - current                                                                                                                            | 46,807                    | 416,969                   |
| Total current liabilities                                                                                                                                          | <u>1,243,713</u>          | <u>2,618,420</u>          |
| Long-term liabilities:                                                                                                                                             |                           |                           |
| Notes payable - net of current portion                                                                                                                             | 3,144,926                 | 1,221,384                 |
| Notes payable - related party - net of current portion                                                                                                             | 1,045,937                 | 312,680                   |
| Other long-term liabilities                                                                                                                                        | 502,295                   | 100,301                   |
| Total long-term liabilities                                                                                                                                        | <u>4,693,158</u>          | <u>1,634,365</u>          |
| Total liabilities                                                                                                                                                  | 5,936,871                 | 4,252,785                 |
| Stockholders' deficit:                                                                                                                                             |                           |                           |
| Common stock, \$0.001 par value, 75,000,000 shares authorized; 17,729,421 and 17,426,792 shares issued and outstanding at December 31, 2018 and 2017, respectively | 30,733                    | 30,431                    |
| Additional paid-in capital                                                                                                                                         | 14,101,460                | 13,648,519                |
| Accumulated deficit                                                                                                                                                | (18,662,785 )             | (16,322,505 )             |
| Total stockholders' deficit                                                                                                                                        | <u>(4,530,592 )</u>       | <u>(2,643,555 )</u>       |
| Total liabilities and stockholders' deficit                                                                                                                        | <u><u>\$1,406,279</u></u> | <u><u>\$1,609,230</u></u> |

**INTELLINETICS, INC. and SUBSIDIARY**  
**Consolidated Statements of Cash Flows**

|                                                                               | <b>For the Twelve Months Ended<br/>December 31,</b> |                 |
|-------------------------------------------------------------------------------|-----------------------------------------------------|-----------------|
|                                                                               | <b>2018</b>                                         | <b>2017</b>     |
| Cash flows from operating activities:                                         |                                                     |                 |
| Net loss                                                                      | \$ (2,340,280 )                                     | \$ (1,365,364 ) |
| Adjustments to reconcile net loss to net cash used in operating activities:   |                                                     |                 |
| Depreciation and amortization                                                 | 9,039                                               | 11,831          |
| Bad debt expense                                                              | (7,223 )                                            | 4,221           |
| Loss on disposal of fixed assets                                              | -                                                   | 4,816           |
| Amortization of deferred financing costs                                      | 232,609                                             | 132,296         |
| Amortization of beneficial conversion option                                  | 202,220                                             | 252,623         |
| Stock issued for services                                                     | 57,500                                              | 65,625          |
| Stock options compensation                                                    | 249,025                                             | 153,420         |
| Note offer warrant expense                                                    | -                                                   | 52,951          |
| Gain on retirement of debt                                                    | -                                                   | (419,090 )      |
| Changes in operating assets and liabilities:                                  |                                                     |                 |
| Accounts receivable                                                           | 167,299                                             | (40,539 )       |
| Prepaid expenses and other current assets                                     | (45 )                                               | (11,829 )       |
| Accounts payable and accrued expenses                                         | (97,034 )                                           | (95,704 )       |
| Deferred compensation                                                         | (48,000 )                                           | (1,846 )        |
| Other long-term liabilities                                                   | 401,994                                             | 99,176          |
| Deferred interest expense                                                     | -                                                   | (3,542 )        |
| Deferred revenues                                                             | 15,489                                              | 38,511          |
| Total adjustments                                                             | 1,182,873                                           | 242,920         |
| Net cash used in operating activities                                         | (1,157,407 )                                        | (1,122,444 )    |
| Cash flows from investing activities:                                         |                                                     |                 |
| Purchases of property and equipment                                           | (3,410 )                                            | (12,624 )       |
| Net cash used in investing activities                                         | (3,410 )                                            | (12,624 )       |
| Cash flows from financing activities:                                         |                                                     |                 |
| Payment of deferred financing costs                                           | (130,841 )                                          | (317,527 )      |
| Proceeds from notes payable                                                   | 900,000                                             | 2,320,000       |
| Proceeds from notes payable - related parties                                 | 400,000                                             | 390,000         |
| Repayment of notes payable                                                    | -                                                   | (786,461 )      |
| Repayment of notes payable - related parties                                  | (45,633 )                                           | (34,969 )       |
| Net cash provided by financing activities                                     | 1,123,526                                           | 1,571,043       |
| Net increase (decrease) in cash                                               | (37,291 )                                           | 435,975         |
| Cash - beginning of period                                                    | 1,125,921                                           | 689,946         |
| Cash - end of period                                                          | \$1,088,630                                         | \$1,125,921     |
| Supplemental disclosure of cash flow information:                             |                                                     |                 |
| Cash paid during the period for interest and taxes                            | \$34,852                                            | \$170,889       |
| Supplemental disclosure of non-cash financing activities:                     |                                                     |                 |
| Discount on notes payable for beneficial conversion feature                   | \$57,661                                            | \$248,522       |
| Discount on notes payable - related parties for beneficial conversion feature | 24,710                                              | -               |
| Discount on notes payable for warrants                                        | 44,548                                              | 103,637         |
| Discount on notes payable - related parties for warrants                      | 19,799                                              | 61,801          |



Source: Intellinetics, Inc.