

November 14, 2019



# Intellinetics, Inc. Reports Third Quarter and Nine-Month Results

## *Revenue Growth Over Second Quarter*

COLUMBUS, OH, Nov. 14, 2019 (GLOBE NEWSWIRE) -- Intellinetics, Inc. ([OTCQB: INLX](#)), a cloud-based document solutions provider, announced financial results for the three and nine months ended September 30, 2019.

### **2019 Third Quarter Financial Highlights**

- Highest third quarter Total Revenue since inception.
- Total Revenue increased 18% sequentially from Q2 2019.
- Total Revenue increased 12% from Q3 2018.
- Software as a Service Revenue increased 23% from Q3 2018.
- Net Loss of \$398,753.
- Adjusted EBITDA Loss of \$92,833, a decrease of 55% from Q3 2018.

### **2019 Nine Month Financial Highlights**

- Total Revenue increased 9% from the same period in 2018.
- Software as a Service Revenue increased 22% from the same period in 2018.
- Net Loss of \$1,542,268.
- Adjusted EBITDA Loss of \$547,727, a decrease of 39% from the same period in 2018.

### **Summary – 2019 Third Quarter Results**

Revenues for the three months ended September 30, 2019 were \$755,568 as compared with \$673,111 for the same period in 2018, and as compared with \$640,608 for Q2 2019. Intellinetics reported a net loss of \$398,753 and \$479,916 for the three months ended September 30, 2019 and 2018, respectively, representing a decrease in net loss of \$81,163. The decreased net loss was a result of higher revenue, driven by higher software, software as a service, and professional services compared to 2018, partially offset by lower third party software, as well as lower cost of revenues partially offset by higher operating expenses. Net loss per share for the three months ended September 30, 2019 and 2018 was (\$0.02) and (\$0.03), respectively.

### **Summary – 2019 Nine-month Results**

Revenues for the nine months ended September 30, 2019 were \$1,911,561 as compared with \$1,748,161 for the same period in 2018. Intellinetics reported a net loss of \$1,542,268 and \$1,787,877 for the nine months ended September 30, 2019 and 2018, respectively, representing a decrease in net loss of \$245,609. The decreased net loss was a result of higher revenue, driven by higher professional services, software as a service, software, and maintenance compared to 2018, partially offset by lower third party software, as well as lower cost of revenues and slightly lower operating expenses. Net loss per share for the nine

months ended September 30, 2019 and 2018 was (\$0.08) and (\$0.10), respectively.

## 2019 Highlights

- The third quarter of 2019 was the strongest-ever third-quarter revenue for us, driven by software and professional services projects.
  - a. The third quarter of 2019 was the second highest revenue quarter in company history, and the best since the fourth quarter of 2012.
  - b. Additionally, the gross profit margins improved year over year. Along with the increased sales revenue, the profit contribution grew.
- Our commitment to the Human Services Provider market continued with the launch of two solutions:
  - a. Our advanced [Incident Case Management System](#), which vastly enhanced compliance and organization transparency regarding the status of incidents, enabling our customers to make better decisions in providing service to their consumers.
  - b. Our ground-breaking Electronic Visit Verification (EVV) solution module, built to take advantage of current mobile and voice technology and be compatible with any back-end agency management system, or with no back-end system at all.
- Our continued investment in [enhancing the security of our platform](#) for all users, as well as help our customers improved their systems through strategic collaboration.
- We continue to expand and enhance our partnerships with solutions providers, including health care and education, as well as participation in relevant associations.

[James F. DeSocio](#), President & CEO of Intellinetics, stated, “I am pleased that our focused market strategy is beginning to be reflected in our results. Continuing from the prior quarter, our revenues grew the most recent quarter and the ongoing revenue mix shifted towards our own internal software and away from third party solution integrations resulting in higher margins for us. Our backlog of orders remains strong, which reflects our steady commitment to the Human Service Provider, state and local government, and education markets, where we not only maintain our exemplary customer service, but we also innovate, as reflected in the timely solutions we bring to market.”

“To illustrate our innovation, I can point to both our Incident Case Management System as well as our recently released EVV solution, which is superior to other offerings in the marketplace due to the value from its ease of use, transparency of information, and control. These sorts of innovations underscore our commitment to empowering our clients,” DeSocio concluded.

## About Intellinetics, Inc.

Intellinetics, Inc., located in Columbus, Ohio, is a cloud-based content services software provider. Its IntelliCloud™ suite of solutions serve a mission-critical role for organizations in highly regulated, risk and compliance-intensive markets in Healthcare, K-12, Public Safety, Public Sector, Risk Management, Financial Services and beyond. IntelliCloud solutions make content secure, compliant, and process-ready to drive innovation, efficiencies and growth. 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, market, initiative,

service or innovation; Intellinetics' future revenues, revenue consistency, growth and long-term value, including trends in revenue growth and mix; growth of software as a service, professional services, and maintenance revenue; market penetration; execution of Intellinetics' business plan, strategy, direction 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' solutions providers, including human services, health care, and education, technical development risks, and other risks, uncertainties and other factors discussed from time to time in its reports filed with or furnished to the Securities and Exchange Commission, including in Intellinetics' most recent annual report on Form 10-K as well as subsequently filed reports on Form 10-Q and Form 8-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, share-based compensation, note conversion and note offer warrant expense, and gain or loss on debt retirement.

**Reconciliation of Net Loss to Adjusted EBITDA**

| For the Three Months Ended September 30, |              |     |          |
|------------------------------------------|--------------|-----|----------|
|                                          | 2019         |     | 2018     |
| Net loss - GAAP                          | (\$ 398,753) | (\$ | 479,916) |
| Interest expense, net                    | 245,156      |     | 206,642  |
| Depreciation and amortization            | 1,901        |     | 2,429    |
| Share-based compensation                 | 58,863       |     | 62,358   |
| Adjusted EBITDA                          | (\$ 92,833)  | (\$ | 208,487) |

**Reconciliation of Net Loss to Adjusted EBITDA**

| For the Nine months Ended September 30, |                |     |            |
|-----------------------------------------|----------------|-----|------------|
|                                         | 2019           |     | 2018       |
| Net loss - GAAP                         | (\$ 1,542,268) | (\$ | 1,787,877) |
| Interest expense, net                   | 717,650        |     | 634,978    |
| Depreciation and amortization           | 5,908          |     | 7,007      |
| Share-based compensation                | 270,983        |     | 244,168    |
| Adjusted EBITDA                         | (\$ 547,727)   | (\$ | 901,724)   |

**INTELLINETICS, INC. and SUBSIDIARY**  
**Condensed Consolidated Statements of Operations**  
(Unaudited)

|                                                                             | For the Three Months Ended<br>September 30, |                  | For the Nine Months Ended<br>September 30, |                    |
|-----------------------------------------------------------------------------|---------------------------------------------|------------------|--------------------------------------------|--------------------|
|                                                                             | 2019                                        | 2018             | 2019                                       | 2018               |
| Revenues:                                                                   |                                             |                  |                                            |                    |
| Sale of software                                                            | \$ 170,738                                  | \$ 64,986        | \$ 179,590                                 | \$ 140,138         |
| Software as a service                                                       | 214,237                                     | 173,515          | 643,402                                    | 527,697            |
| Software maintenance services                                               | 248,343                                     | 251,660          | 753,692                                    | 740,527            |
| Professional services                                                       | 116,696                                     | 57,294           | 311,101                                    | 168,849            |
| Third Party services                                                        | 5,554                                       | 125,656          | 23,776                                     | 170,950            |
| Total revenues                                                              | <u>755,568</u>                              | <u>673,111</u>   | <u>1,911,561</u>                           | <u>1,748,161</u>   |
| Cost of revenues:                                                           |                                             |                  |                                            |                    |
| Sale of software                                                            | 1,469                                       | 33,757           | 4,479                                      | 64,290             |
| Software as a service                                                       | 67,643                                      | 75,266           | 195,911                                    | 220,953            |
| Software maintenance services                                               | 17,894                                      | 23,794           | 67,813                                     | 74,395             |
| Professional services                                                       | 56,207                                      | 22,303           | 129,527                                    | 58,445             |
| Third Party services                                                        | 4,477                                       | 106,638          | 22,529                                     | 150,837            |
| Total cost of revenues                                                      | <u>147,690</u>                              | <u>261,758</u>   | <u>420,259</u>                             | <u>568,920</u>     |
| Gross profit                                                                | <u>607,878</u>                              | <u>411,353</u>   | <u>1,491,302</u>                           | <u>1,179,241</u>   |
| Operating expenses:                                                         |                                             |                  |                                            |                    |
| General and administrative                                                  | 510,817                                     | 446,224          | 1,570,835                                  | 1,583,059          |
| Sales and marketing                                                         | 248,757                                     | 235,974          | 739,177                                    | 742,074            |
| Depreciation                                                                | 1,901                                       | 2,429            | 5,908                                      | 7,007              |
| Total operating expenses                                                    | <u>761,475</u>                              | <u>684,627</u>   | <u>2,315,920</u>                           | <u>2,332,140</u>   |
| Loss from operations                                                        | <u>(153,597)</u>                            | <u>(273,274)</u> | <u>(824,618)</u>                           | <u>(1,152,899)</u> |
| Interest expense, net                                                       | <u>(245,156)</u>                            | <u>(206,642)</u> | <u>(717,650)</u>                           | <u>(634,978)</u>   |
| Net loss                                                                    | \$ (398,753)                                | \$ (479,916)     | \$ (1,542,268)                             | \$ (1,787,877)     |
| Basic and diluted net loss per share:                                       | \$ (0.02)                                   | \$ (0.03)        | \$ (0.08)                                  | \$ (0.10)          |
| Weighted average number of common shares outstanding -<br>basic and diluted | 18,524,878                                  | 17,729,421       | 18,510,256                                 | 17,726,083         |

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

**ASSETS**

|                                           | (Unaudited)<br>September<br>30,<br>2019 | December 31,<br>2018 |
|-------------------------------------------|-----------------------------------------|----------------------|
| Current assets:                           |                                         |                      |
| Cash                                      | \$ 303,080                              | \$ 1,088,630         |
| Accounts receivable, net                  | 348,993                                 | 135,739              |
| Prepaid expenses and other current assets | 127,041                                 | 162,495              |
|                                           | <hr/>                                   | <hr/>                |
| Total current assets                      | 779,114                                 | 1,386,864            |
| Property and equipment, net               | 8,712                                   | 9,131                |
| Right of use asset                        | 107,567                                 | -                    |
| Other assets                              | 10,284                                  | 10,284               |
|                                           | <hr/>                                   | <hr/>                |
| Total assets                              | \$ 905,677                              | \$ 1,406,279         |

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

|                                                                                                                                                                                  |              |              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Current liabilities:                                                                                                                                                             |              |              |
| Accounts payable and accrued expenses                                                                                                                                            | \$ 373,919   | \$ 308,121   |
| Lease liability - current                                                                                                                                                        | 46,309       | -            |
| Deferred revenues                                                                                                                                                                | 672,716      | 723,619      |
| Deferred compensation                                                                                                                                                            | 130,089      | 165,166      |
| Notes payable - related party - current                                                                                                                                          | 12,185       | 46,807       |
|                                                                                                                                                                                  | <hr/>        | <hr/>        |
| Total current liabilities                                                                                                                                                        | 1,235,218    | 1,243,713    |
| Long-term liabilities:                                                                                                                                                           |              |              |
| Notes payable                                                                                                                                                                    | 3,291,204    | 3,144,926    |
| Notes payable - related party - net of current portion                                                                                                                           | 1,090,585    | 1,045,937    |
| Lease liability - net of current portion                                                                                                                                         | 65,167       | -            |
| Other long-term liabilities                                                                                                                                                      | 1,025,380    | 502,295      |
|                                                                                                                                                                                  | <hr/>        | <hr/>        |
| Total long-term liabilities                                                                                                                                                      | 5,472,336    | 4,693,158    |
|                                                                                                                                                                                  | <hr/>        | <hr/>        |
| Total liabilities                                                                                                                                                                | 6,707,554    | 5,936,871    |
| Stockholders' deficit:                                                                                                                                                           |              |              |
| Common stock, \$0.001 par value, 75,000,000 shares authorized; 18,524,878 and 17,729,421 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively | 31,528       | 30,733       |
| Additional paid-in capital                                                                                                                                                       | 14,371,648   | 14,101,460   |
| Accumulated deficit                                                                                                                                                              | (20,205,053) | (18,662,785) |
|                                                                                                                                                                                  | <hr/>        | <hr/>        |
| Total stockholders' deficit                                                                                                                                                      | (5,801,877)  | (4,530,592)  |
|                                                                                                                                                                                  | <hr/>        | <hr/>        |
| Total liabilities and stockholders' deficit                                                                                                                                      | \$ 905,677   | \$ 1,406,279 |

**INTELLINETICS, INC. and SUBSIDIARY**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

|                                                                             | <b>For the Nine Months Ended September 30,</b> |                |
|-----------------------------------------------------------------------------|------------------------------------------------|----------------|
|                                                                             | <b>2019</b>                                    | <b>2018</b>    |
| Cash flows from operating activities:                                       |                                                |                |
| Net loss                                                                    | \$ (1,542,268)                                 | \$ (1,787,877) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                                |                |
| Depreciation and amortization                                               | 5,908                                          | 7,007          |
| Bad debt expense                                                            | 14,340                                         | 2,398          |
| Amortization of deferred financing costs                                    | 137,888                                        | 186,646        |
| Amortization of beneficial conversion option                                | 53,038                                         | 184,541        |
| Amortization of right of use asset                                          | 30,982                                         | -              |
| Stock issued for services                                                   | 87,500                                         | 57,500         |
| Stock options compensation                                                  | 183,483                                        | 186,668        |
| Changes in operating assets and liabilities:                                |                                                |                |
| Accounts receivable                                                         | (227,594)                                      | 100,848        |
| Prepaid expenses and other current assets                                   | 35,454                                         | (37,899)       |
| Right of use asset                                                          | (138,549)                                      | -              |
| Accounts payable and accrued expenses                                       | 65,798                                         | (10,194)       |
| Lease liability, current and long-term                                      | 111,476                                        | -              |
| Deferred compensation                                                       | (35,077)                                       | (35,077)       |
| Other long-term liabilities                                                 | 523,085                                        | 236,634        |
| Deferred revenues                                                           | (50,903)                                       | (14,932)       |
| Total adjustments                                                           | 796,829                                        | 864,140        |
| Net cash used in operating activities                                       | (745,439)                                      | (923,737)      |
| Cash flows from investing activities:                                       |                                                |                |
| Purchases of property and equipment                                         | (5,489)                                        | (3,410)        |
| Cash flows from financing activities:                                       |                                                |                |
| Payment of deferred financing costs                                         | -                                              | (130,841)      |
| Proceeds from notes payable                                                 | -                                              | 900,000        |
| Proceeds from notes payable - related parties                               | -                                              | 400,000        |
| Repayment of notes payable - related parties                                | (34,622)                                       | (34,655)       |
| Net cash (used in)/provided by financing activities                         | (34,622)                                       | 1,134,504      |
| Net (decrease) increase in cash                                             | (785,550)                                      | 207,357        |
| Cash - beginning of period                                                  | 1,088,630                                      | 1,125,921      |
| Cash - end of period                                                        | \$ 303,080                                     | \$ 1,333,278   |
| Supplemental disclosure of cash flow information:                           |                                                |                |
| Cash paid during the period for interest and taxes                          | \$ 6,241                                       | \$ 32,207      |
| Supplemental disclosure of non-cash financing activities:                   |                                                |                |
| Discount on notes payable for warrants                                      | -                                              | 44,548         |
| Discount on notes payable - related parties for warrants                    | -                                              | 19,799         |



Source: Intellinetics, Inc.