Vitalhub Corp. Reports Third Quarter 2023 Results

Toronto, Ontario (GLOBE NEWSWIRE – November 9, 2023) Vitalhub Corp. (the "Company" or "Vitalhub") (TSX:VHI) (OTCQX:VHIBF) announced today it has filed its Interim Condensed Consolidated Financial Statements and Management's Discussion and Analysis report for the three and nine months ended September 30, 2023, with the Canadian securities authorities. These documents may be viewed under the Company's profile at www.sedar.com.

"Our well-established business foundation continues to drive robust financial performance. In Q3 2023, VitalHub delivered another solid quarter, demonstrating consistent growth in revenue, gross profits, net income, and cash generation," said Dan Matlow, Chief Executive Officer of Vitalhub. "This can be attributed to our unwavering commitment to expanding our healthcare product portfolio, further integrating into healthcare networks, and broadening our geographical reach. Strong double-digit year-over-year growth was delivered in all of our revenue streams: term licences, maintenance and support; perpetual licenses; services; and hardware. Our business continues to drive ARR [1,2] organic growth evident from sequential quarter-over-quarter growth of 4%. Compared to Q3 2022, ARR [1,2] increased 38% or $11.6 million to $42.6 million, with 17% attributed to organic growth. Adjusted EBITDA [2] increased 59% or $1.3 million to $3.4 million (26% of revenue) from Q3 2022. Net income before income taxes increased to $2.8 million compared to $0.4 million in Q3 2022. Excluding a one-time tax reversal, Q3 2023 net income was $1.8 million representing $0.04 per fully diluted share. We closed the quarter with $29.8 million in cash on hand, a sequential increase of $6.9 million, and combined with the availability of our Bank of Nova Scotia Facility, we currently have $62.8 million to continue progressing both our go-to-market and acquisition strategies. As evidenced by our robust organic growth, we are penetrating further into core accounts, expanding horizontally into adjacent markets, and driving deeper into our core geographies. We look forward to continuing this momentum as we close out 2023 and look forward into 2024."

Vitalhub Corp's quarterly investor conference call will take place on Friday, November 10th, 2023, at 9:00AM EST.

To register for the call, please visit:

https://us02web.zoom.us/webinar/register/WN_xaGInaLgTjmtaG7YBfONJA

Third Quarter 2023 Highlights

- Revenue of $13,224,264 as compared to $9,780,553 in the equivalent prior year period, an increase of $3,443,711 or 35%.

- Gross profit as a percentage of revenue was 82% compared to 80% in the equivalent prior year period (Q2 2023 - 81%).
    - The increase in Q3 2023 was primarily due to an increase in higher margin maintenance and support revenues in the quarter, coupled with an ongoing effort to reduce costs and gain operating cost synergies.

- ARR [1–2] at September 30, 2023, was $42,612,166 as compared to $41,008,702 at June 30, 2023.
    - ARR [1–2] growth was largely due to organic growth of $1,475,976 or 4% (16.3% annualized). ARR [1–2] also benefitted by a gain of $127,489 or 0.3% due to the increase in the US dollar relative to the Canadian dollar in the quarter.

- EBITDA [2] of $2,928,358 compared to $1,389,065 in the equivalent prior year period, an increase of $1,539,293 or 111%.
- Adjusted EBITDA [2] of $3,411,871 or 26% of revenue, compared to $2,151,753 or 22% of revenue in the equivalent prior year period, an increase of $1,260,118 or 59%.
    - The increase in EBITDA [2] and adjusted EBITDA [2] from Q3 2022 to Q3 2023 was primarily attributable to the higher recurring revenues of $10,821,758 in Q3 2023, as compared to $7,657,559 in Q3 2022, coupled with an ongoing effort to reduce costs and gain operating cost synergies.

- Net income before income taxes of $1,820,543 as compared to a net income of $409,498 in the equivalent prior year period, an increase of $1,411,045 or 78%.
    - The increase was primarily attributable to the significant increase in revenues from organic growth and acquisitions, coupled with an ongoing effort to reduce costs and gain operating cost synergies.

Nine Month 2023 Highlights

- Revenue of $38,904,879 as compared to $28,681,209 in the equivalent prior year period, an increase of $10,223,670 or 36%.

- Gross profit as a percentage of revenue was 81% compared to 82% in the equivalent prior year period.
    - Gross profit as a percentage of revenue is largely dependent upon the sales mix, with perpetual and term licenses, maintenance and support generating a higher margin than consulting services and hardware revenue. The decrease of 1% was primarily due to the unusual volume of high margin perpetual license sales of $2,767,253 in Q1 2022, coupled with an ongoing effort to reduce costs and gain operating cost synergies.

- ARR [1–2] at September 30, 2023 was $42,612,166 as compared to $30,967,215 at September 30, 2022, an increase of $11,644,951 or 38%.
    - ARR [1–2] benefited from organic growth of $5,373,855 or 17%; growth from acquisitions of $4,100,854 or 13%, and a gain of $2,170,242 or 7.0% primarily due to the fluctuation in the GBP pound relative to the Canadian dollar.

- EBITDA [2] of $6,895,569 compared to $4,779,798 in the equivalent prior year period, an increase of $2,115,771 or 44%.
- Adjusted EBITDA [2] of $9,305,973 or 24% of revenue, compared to $7,069,334 or 25% of revenue in the equivalent prior year period, an increase of $2,236,639 or 32%.

- ○ The increase in EBITDA (2) and adjusted EBITDA (2) from Q3 2022 to Q3 2023 was primarily attributable to the higher recurring revenues of $31,029,887 for the nine months ended September 30, 2023, as compared to $20,623,096 in the equivalent prior year period, coupled with an ongoing effort to reduce costs and gain operating cost synergies.

- Cash on hand at September 30, 2023 was $29,794,692 compared to $17,452,210 as at December 31, 2022, and an increase of $6.9 million sequentially compared to Q2 2023.
  - ○ After spending approximately $1.8M on acquisitions in the nine months ended September 30, 2023, the Company has been able to grow the cash balance, due to continued revenue growth (both organically and through acquisition) combined with an ongoing effort to reduce costs and gain operating cost synergies.

- Net income before income taxes of $3,343,487 as compared to $1,963,057 in the equivalent prior year period, an increase of $1,380,430 or 41%.
  - ○ The change in net income was primarily attributable to higher revenues from maintenance and support, services and hardware.

(1) The Company defines annual recurring revenue ("ARR") as the recurring revenue expected based on yearly subscriptions of the renewable software license fees and maintenance services.
(2) Non-IFRS measure.

SELECTED FINANCIAL INFORMATION

	Three months ended					Nine months ended				
	September 30, 2023	% Revenue	September 30, 2022	% Revenue	Change	September 30, 2023	% Revenue	September 30, 2022	% Revenue	Change
	$		$		%	$		$		%
Revenue	**13,224,264**	**100%**	9,780,553	**100%**	**35%**	**38,904,879**	**100%**	28,681,209	**100%**	**36%**
Cost of sales	**2,392,707**	**18%**	1,952,398	**20%**	**(23%)**	**7,333,455**	**19%**	5,032,259	**18%**	**(46%)**
Gross profit	**10,831,557**	**82%**	7,828,155	**80%**	**38%**	**31,571,424**	**81%**	23,648,950	**82%**	**34%**
Operating expenses										
General and administrative	**2,683,879**	**20%**	2,159,870	**22%**	**(24%)**	**8,853,440**	**23%**	6,165,619	**21%**	**(44%)**
Sales and marketing	**1,466,675**	**11%**	1,076,673	**11%**	**(36%)**	**4,488,319**	**12%**	3,148,312	**11%**	**(43%)**
Research and development	**3,167,468**	**24%**	2,549,466	**26%**	**(24%)**	**8,981,113**	**23%**	7,208,055	**25%**	**(25%)**
Depreciation of property and equipment	**84,202**	**1%**	69,992	**1%**	**(20%)**	**242,370**	**1%**	173,865	**1%**	**(39%)**
Depreciation of right-of-use assets	**100,951**	**1%**	64,158	**1%**	**(57%)**	**298,600**	**1%**	179,640	**1%**	**(66%)**
Stock based compensation	**266,784**	**2%**	289,019	**3%**	**8%**	**838,425**	**2%**	872,803	**3%**	**4%**
Deferred share-based compensation	**-**	**0%**	-	**0%**	**0%**	**97,560**	**0%**	-	**0%**	**100%**
Foreign currency loss (gain)	**103,766**	**1%**	(109,607)	**(1%)**	**195%**	**(55,319)**	**(0%)**	56,573	**0%**	**198%**
Other income and expenses										
Amortization of intangible assets	**1,066,767**	**8%**	847,818	**9%**	**(26%)**	**3,191,228**	**8%**	2,327,016	**8%**	**(37%)**
Business acquisition, restructuring and integration costs	**216,729**	**2%**	473,669	**5%**	**54%**	**1,228,094**	**3%**	1,416,733	**5%**	**13%**
Loss on change in fair value of contingent consideration	**-**	**0%**	-	**0%**	**0%**	**246,325**	**1%**	-	**0%**	**(100%)**
Interest expense and accretion (net of interest income)	**(160,917)**	**(1%)**	(75,059)	**(1%)**	**114%**	**(237,272)**	**(1%)**	30,626	**0%**	**875%**
Interest expense from lease liabilities	**16,812**	**0%**	72,658	1%	**77%**	**57,156**	**0%**	105,594	**0%**	**46%**
Current and deferred income taxes	**(1,006,534)**	**(8%)**	368,721	4%	**373%**	**(267,209)**	**(1%)**	410,087	**1%**	**165%**
Net income	**2,827,077**	**21%**	40,777	**0%**	**6833%**	**3,610,696**	**9%**	1,552,970	**5%**	**133%**
EBITDA (Non-IFRS measure)	**2,928,358**	**22%**	1,389,065	**14%**	**111%**	**6,895,569**	**18%**	4,779,798	**17%**	**44%**
Adjusted EBITDA (Non-IFRS measure)	**3,411,871**	**26%**	2,151,753	**22%**	**59%**	**9,305,973**	**24%**	7,069,334	**25%**	**32%**
Annual recurring revenue (Non-IFRS measure)	**42,612,166**		30,967,215		**38%**	**42,612,166**		30,967,215		**38%**
Term licences, maintenance and support revenue	**10,821,758**	**82%**	7,657,559	**78%**	**41%**	**31,029,887**	**80%**	20,623,096	**72%**	**50%**

	As at	
	September 30, 2023	December 31, 2022
	$	$
Deferred revenue	**22,544,629**	15,495,461
Cash balance	**29,794,692**	17,452,210

ABOUT VITALHUB

Software for Health and Human Services providers designed to simplify the user experience and optimize outcomes.

VitalHub Corp. (the “Company” or “VitalHub”) provides technology to Health and Human Services providers including Hospitals, Regional Health Authorities, Mental Health, Long Term Care, Home Health, Community and Social Services. VitalHub solutions span the categories of Electronic Health Record (EHR), Case Management, Care Coordination & Optimization, and Patient Flow & Operational Visibility solutions.

The Company has a robust two-pronged growth strategy, targeting organic growth opportunities within its product suite, and pursuing an aggressive merger and acquisition (“M&A”) plan. Currently VitalHub serves more than 1,000 clients across Canada, USA, UK, Australia, the Middle East, and Europe.

VitalHub is based in Toronto, Canada, with an offshore development hub in Sri Lanka. The VitalHub team comprises more than 350 team members globally. The Company is publicly traded on the Toronto Stock Exchange (TSX) under the symbol "VHI" and on the OTC Markets OTCQX Exchange under the symbol “VHIBF”.

CAUTIONARY STATEMENT

Certain statements contained in this news release may constitute "forward-looking information" or "financial outlook" within the meaning of applicable securities laws that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information or financial outlook. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "is expected", "expects", "scheduled", "intends", "contemplates", "anticipates", "believes", "proposes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Such statements are based on the current expectations of the management of each entity and are based on assumptions and subject to risks and uncertainties. Although the management of each entity believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. No forward-looking statement can be guaranteed. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

CONTACT INFORMATION

Dan Matlow
Chief Executive Officer, Director
(416) 727-9061
dan.matlow@Vitalhub.com