SOC Telemed Investor Relations

SOC Telemed Reports Fourth Quarter and Full-Year 2020 Results

Record Q4 bookings of $3.9 million, a 95% increase, year over year
Record Full-Year bookings of $12.2 million, a 100% increase, year over year
Provides initial 2021 Guidance after major acquisition

RESTON, Va., March 30, 2021 /PRNewswire/ -- SOC Telemed, Inc. (Nasdaq: TLMD), the largest national provider of acute care telemedicine, today announced a major acquisition and its results for the fourth quarter and full year ending December 31, 2020.

"SOC Telemed closed out a solid 2020, delivering record bookings which nearly doubled our bookings results from 2019. During the quarter, we furthered our commitment to enriching and enhancing our team with a number of key additions that bring depth and breadth of experience to the organization, and we continued our investments in our go-to-market capabilities to ensure we are well-positioned for success in 2021 and beyond," said John Kalix, CEO of SOC Telemed.

Mr. Kalix continued, "The long-term demand for acute telemedicine solutions has only become more evident amidst the ongoing pandemic and despite continued volatility in utilization and hospitals' near-term focus on the vaccine rollout, we remain encouraged by the elevated levels of interest and our growing pipeline."

"We also announced today the acquisition of Access Physicians, an experienced and growing multi-specialty acute telemedicine provider, which increases our clinical service lines, grows our physician network and expands the customer base we serve. As a combined company, we will be able to bring to market a comprehensive acute telemedicine offering, expanding our reach into the hospital beyond the emergency department and delivering the right solutions to meet our customers' needs."

Fourth Quarter Highlights
Financial performance for the three months ended December 31, 2020 compared to the three months ended December 31, 2019.

- Completed transaction with Healthcare Merger Corp. and commenced public trading on Nasdaq.
- Bookings of $3.9 million compared to $2.0 million, a 95% increase primarily driven by the increased interest in telemedicine and overall momentum in the business.
- Revenue was $14.5 million compared to $16.6 million, a 13% decrease due to lower utilization of core services resulting from a decrease in hospital visits tied to the COVID-19 pandemic.
- GAAP gross profit was $5.2 million compared to $6.6 million and adjusted gross profit (non-GAAP) was $6.3 million compared to $7.4 million.
- GAAP gross margin was 36% compared to 40% and adjusted gross margin (non-GAAP) was 44% compared to 45%. Despite the impact of the COVID-19 pandemic to revenue, the Company was able to partially offset adjusted gross margin pressure by reducing direct costs.
- Net loss of $(24.8) million compared to a loss of $(6.0) million, primarily due to stock-based compensation and transaction costs in connection with the merger transaction with Healthcare Merger Corp.
- Adjusted EBITDA was a loss of $(3.9) million compared to positive $0.2 million as we continued to invest in our go to market functions and begin to incur expenses related to being a public company.
- Total cash and cash equivalents were $38.8 million as of December 31, 2020.

Year-to-date Highlights
Performance for the year ended December 31, 2020 compared to the year ended December 31, 2019. Core consults are defined as consultations utilizing core services, including teleNeurology, telePsychiatry and teleICU solutions.

- Bookings of $12.2 million compared to $6.1 million, a 100% increase.
- Revenue per core consult of $430 compared to $395, a 9% increase.
- Core consults of 129,606 compared to 163,466, a 21% decrease.

2021 Outlook
For the full year 2021, SOC Telemed is providing the following guidance on a pro forma basis for the combined company inclusive of contribution from the acquisition of Access Physicians:

- Revenue is expected in the range of $107-$113 million, approximately 30-35% of which is expected to be contributed by Access Physicians
- Adjusted Gross Margin is expected to be in the range of 42% and 45%
- Adjusted EBITDA is expected to be in the range of $(15) million to $(19) million

Conference Call Details
The fourth quarter 2020 earnings conference call and webcast will be held March 30, 2021 at 5:00 p.m. ET. The conference call can be accessed by dialing (877) 870-4263 for U.S. participants, or (412) 317-6011 for international participants, and referencing the "SOC Telemed call"; or via a live audio webcast available on the Investor Relations section of the Company website at investors.soctelemed.com. A webcast replay will be available for on-demand listening shortly after the completion of the call at the same web link.

About SOC Telemed
SOC Telemed (SOC) is the leading national provider of acute telemedicine technology and solutions to hospitals, health systems, post-acute providers, physician networks, and value-based care organizations since 2004. Built on proven and scalable infrastructure as an enterprise-wide solution, SOC's technology platform, Telemed IQ, rapidly deploys and seamlessly optimizes telemedicine programs across the continuum of care. SOC provides a supportive and dedicated partner presence, virtually delivering patient care through teleNeurology, telePsychiatry, teleCritical Care, telePulmonology**,** teleCardiology, teleInfectious Disease, teleNephrology, teleMaternal-Fetal Medicine and other service lines, enabling healthcare organizations to build sustainable telemedicine programs across clinical specialties. SOC enables organizations to enrich their care models and touch more lives by supplying healthcare teams with industry-leading solutions that drive improved clinical care, patient outcomes, and organizational health. The company was the first provider of acute clinical telemedicine services to earn The Joint Commission's Gold Seal of Approval and has maintained that accreditation every year since inception. For more information, visit www.soctelemed.com.

Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. In some cases, you can identify these forward-looking statements by the use of terms such as "expect," "will," "continue," or similar expressions, and variations or negatives of these words, but the absence of these words does not mean that a statement is not forward-looking. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to: the statements under "2021 Outlook," including expectations relating to bookings and revenue; statements regarding relationships with customers and business momentum; statements regarding the expected benefits of the acquisition of Access Physicians (including anticipated synergies, projected financial information and future opportunities); and any other statements of expectation or belief. These statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from results expressed or implied in this press release. Such risk factors include, but are not limited to, those related to: the current and future impact of the COVID-19 pandemic on SOC Telemed's business and industry; the effects of competition on the future business of SOC Telemed; uncertainty regarding the demand for and market utilization of its solution; returns on investments in its business; the ability to maintain customer relationships; difficulties maintaining and expanding its network of qualified physicians and other provider specialists; disruptions in SOC Telemed's relationships with affiliated professional entities or third party suppliers or service providers; general business and economic conditions; the ability of SOC Telemed to successfully execute strategic plans; the timing and market acceptance of new solutions or success of new enhancements, features modifications to existing solutions and the degree to which they gain acceptance. Additional information concerning these and other risk factors is contained in the Risk Factors section of SOC's most recent report on Form 10-Q. SOC Telemed assumes no obligation, and does not intend, to update these forward-looking statements as a result of future events or developments.

Use of Non-GAAP Financial Information

We believe that, in addition to our financial results determined in accordance with GAAP, adjusted gross profit (non-GAAP), adjusted gross margin (non-GAAP), and adjusted EBITDA, all of which are non-GAAP financial measures, are useful in evaluating our business, results of operations, and financial condition. However, our use of the terms adjusted gross profit, adjusted gross margin and adjusted EBITDA may vary from that of others in our industry. Adjusted gross profit, adjusted gross margin and adjusted EBITDA should not be considered as an alternative to gross profit, net loss, net loss per share or any other performance measures derived in accordance with GAAP as measures of performance. Adjusted gross profit, Adjusted gross margin and adjusted EBITDA have important limitations as analytical tools and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- adjusted EBITDA does not reflect the significant interest expense on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted gross profit, adjusted gross margin and adjusted EBITDA do not reflect any expenditures for such replacements; and
- other companies in our industry may calculate these financial measures differently than we do, limiting their usefulness as comparative measures.

We compensate for these limitations by using these non-GAAP financial measures along with other comparative tools, together with GAAP measurements, to assist in the evaluation of operating performance. Such GAAP measurements include gross profit, net loss, net loss per share and other performance measures. In evaluating these financial measures, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation. Our presentation of non-GAAP financial measures should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. When evaluating our performance, you should consider these non-GAAP financial measures alongside other financial performance measures, including the most directly comparable GAAP measures set forth in the reconciliation tables below and our other GAAP results.

Our non-GAAP financial measures are described as follows:

Adjusted gross profit and adjusted gross margin. Adjusted gross profit is defined as revenues less cost of revenues plus depreciation and amortization plus equipment leasing costs. Adjusted gross margin is adjusted gross profit divided by revenues.

Adjusted EBITDA. Adjusted EBITDA is defined as net income (loss) before interest, taxes, depreciation and amortization, stock-based compensation, gain on contingent shares issuance liabilities, gain on puttable options, change in fair value of contingent consideration and integration, acquisition, transaction and executive severance costs.

Readers are encouraged to review the reconciliation of our non-GAAP financial measures to the comparable GAAP results, which is attached to this earnings release and which can be found on SOC Telemed's investor relations page of its website at: investors.soctelemed.com.

SOC Telemed, Inc. and Subsidiaries and Affiliates
CONSOLIDATED BALANCE SHEETS
(In thousands, except shares and per share amounts)

ASSETS	**December 31, 2020**	**December 31, 2019**
CURRENT ASSETS		
Cash and cash equivalents (from variable interest entities $1,942 and $3,509, respectively)	$ 38,754	$ 4,541
Accounts receivable, net of allowance for doubtful accounts of $447 and $538 (from variable interest entities, net of allowance $8,192 and $10,125, respectively)	8,721	10,545
Prepaid expenses and other current assets	1,609	843
Total current assets	49,084	15,929
Property and equipment, net	4,092	2,387
Capitalized software costs, net	8,935	7,647
Intangible assets, net	5,988	7,429
Goodwill	16,281	16,281
Deposits and other assets	559	321
Total assets	**$ 84,939**	**$ 49,994**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable (from variable interest entities $692 and $1,882, respectively)	$ 2,809	$ 3,435
Accrued expenses (from variable interest entities $1,349 and $1,226, respectively)	8,293	6,078
Deferred revenues	610	516
Capital lease obligations	-	48
Stock-based compensation liabilities	4,228	-
Total current liabilities	15,940	10,077
Puttable option liabilities	-	1
Deferred revenues	923	807
Long term debt, net of unamortized discount and debt issuance costs	-	77,140
Contingent shares issuance liabilities	12,450	-
Other long-term liabilities (from variable interest entities $157 and $0, respectively)	560	-
Total liabilities	$ 29,873	$ 88,025
COMMITMENTS AND CONTINGENCIES (Note 20)		
CONTINGENTLY REDEEMABLE PREFERRED STOCK		
Redeemable convertible preferred stock, $0.001 par value; 0 and 8,838,825 shares authorized as of December 31, 2020 and 2019, respectively; 0 and 8,838,825 shares issued and outstanding as of December 31, 2020 and 2019,		

respectively; aggregate liquidation preference of $0 and $62,466 as of December 31, 2020 and 2019, respectively.	-	61,907
STOCKHOLDERS' EQUITY (DEFICIT)		
Class A common stock, $0.0001 par value; 500,000,000 and 53,428,720 shares authorized as of December 31, 2020 and 2019; 74,898,380 and 34,140,909 shares issued and outstanding at December 31, 2020 and 2019, respectively.	8	3
Preferred stock, $0.0001 par value, 5,000,000 shares authorized; none issued and outstanding as of December 31, 2020 and 2019, respectively.	-	-
Treasury stock 0 and 223,157 shares, at cost, as of December 31, 2020 and 2019	-	(768)
Additional paid-in capital	291,277	87,199
Accumulated deficit	(236,219)	(186,372)
Total stockholders' equity (deficit)	55,066	(99,938)
Total liabilities, contingently redeemable preferred stock and stockholders' equity (deficit)	**$ 84,939**	**$ 49,994**

SOC Telemed, Inc. and Subsidiaries and Affiliates
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except shares and per share amounts)

	Three Months Ended December 31,		**Year Ended December 31,**	
	2020	2019	2020	2019
Revenues	$ 14,502	$ 16,585	$ 57,995	$ 66,200
Cost of revenues	9,265	9,962	38,542	40,213
Operating expenses				
Selling, general and administrative	31,013	10,126	61,280	35,931
Changes in fair value of contingent consideration	-	(143)	-	(1,855)
Total operating expenses	31,013	9,983	61,280	34,076
Loss from operations	(25,776)	(3,360)	(41,827)	(8,089)
Other income (expense)				
Gain on contingent shares issuance liabilities	4,237	-	4,237	-
Gain on puttable option liabilities	518	163	1	163
Interest expense	(3,737)	(2,813)	(12,227)	(10,308)
Total other income (expense)	1,018	(2,650)	(7,989)	(10,145)
Loss before income taxes	(24,758)	(6,010)	(49,816)	(18,234)
Income tax expense	(21)	(3)	(31)	(8)
Net loss and comprehensive loss	**$ (24,779)**	**$ (6,013)**	**$ (49,847)**	**$ (18,242)**
Accretion of redeemable convertible preferred stock	**(91,304)**	**(1,460)**	**(96,974)**	**(5,514)**
Net loss attributable to common stockholders	**$ (116,083)**	**$ (7,473)**	**$ (146,821)**	**$ (23,756)**
Net loss per share attributable to common stockholders				
Basic	**$(1.87)**	**$(0.22)**	**$(3.55)**	**$(0.69)**
Diluted	**$(1.87)**	**$(0.22)**	**$(3.55)**	**$(0.69)**
Weighted-average shares used to compute net loss per share attributable to common stockholders:				
Basic	**62,122,948**	**34,029,795**	**41,346,849**	**34,233,789**
Diluted	**62,122,948**	**34,029,795**	**41,346,849**	**34,233,789**

SOC Telemed, Inc. and Subsidiaries and Affiliates
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,	
Cash flows from operating activities:	**2020**	**2019**
Net loss	$ (49,847)	$ (18,242)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	5,503	4,311
Stock-based compensation	17,909	1,079
(Gain) on puttable option liabilities	(1)	(163)
Change in fair value of contingent consideration	-	(1,855)
(Gain) on contingent shares issuance liabilities	(4,237)	-
Bad debt expense	85	200
Paid-in kind interest on senior debt	2,577	2,815
Amortization of debt issuance costs and accretion of original issuance discount	2,668	1,273
Change in assets and liabilities, net of acquisitions		

Accounts receivable, net of allowance	1,739	(923)
Prepaid expense and other current assets	(395)	15
Deposits and other assets	(238)	43
Accounts payable	(1,062)	795
Accrued expenses and other liabilities	2,513	(9)
Deferred revenues	210	(105)
Net cash used in operating activities	(22,576)	(10,766)
Cash flows from investing activities:		
Capitalization of software development costs	(4,309)	(3,880)
Purchase of property and equipment	(2,221)	(1,353)
Net cash used in investing activities	(6,530)	(5,233)
Cash flows from financing activities:		
Principal payments under capital lease obligations	(75)	(134)
Proceeds from issuance of debt, net of discount	5,960	12,867
Repayment of long-term debt	(88,345)	-
Issuance of contingently redeemable preferred stock, net of offering costs	10,938	3,798
Exercise of stock options and warrants	98	20
Stock repurchases from employees for tax withholdings	(11,883)	-
Liquidation of preferred stocks (Series H, I and J)	(63,176)	-
Proceeds from merger and recapitalization, net of transaction costs	209,802	-
Net cash provided by financing activities	63,319	16,551
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,213	552
Cash and cash equivalents at beginning of the period	4,541	3,989
Cash and cash equivalents at end of the period	$ 38,754	$ 4,541

SOC Telemed, Inc. and Subsidiaries and Affiliates
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(In thousands, except per share data)

	Three Months Ended December 31,		**Year Ended December 31,**		**Three Months Ended December 31,**		**Year Enc Decembe**
	2020	**2019**	**2020**	**2019**			
					Change	**% Change**	**Change**
				(dollars in thousands)			
Revenues	$ 14,502	$ 16,585	$ 57,995	$ 66,200	$ (2,083)	(13) %	$ (8,205)
Cost of revenues	9,265	9,962	38,542	40,213	(697)	(7) %	(1,671)
Gross profit	5,237	6,623	19,453	25,987	(1,386)	(21) %	(6,534)
Add:							
Depreciation and amortization (a)	1,103	748	3,910	2,647	355	47 %	1,263
Equipment leasing costs (b)	9	36	66	244	(27)	(75) %	(178)
Adjusted gross profit	**$ 6,349**	**$ 7,407**	**$ 23,429**	**$ 28,878**	(1,058)	(14) %	(5,449)
Adjusted gross margin (as a percentage revenues)	44 %	45 %	40 %	44 %			

	Three Months Ended December 31,		**Year Ended December 31,**		**Three Months Ended December 31,**		**Year Dece**
	2020	**2019**	**2020**	**2019**			
					Change $	**Change %**	**Change $**
				(dollars in thousands)			
Net loss	$ (24,779)	$ (6,013)	$ (49,847)	$ (18,242)	$ (18,766)	312 %	$ (31,605)
Add:							
Interest expense (c)	3,737	2,812	12,227	10,308	925	33 %	1,919
Income tax expense (benefit) (d)	21	3	31	8	18	600 %	23
Depreciation and amortization (a)	1,495	1,161	5,503	4,311	334	29 %	1,192
Stock-based compensation (e)	16,630	(36)	17,909	1,079	16,666	*	16,830
Gain on contingent shares issuance liabilities (f)	(4,237)	-	(4,237)	-	(4,237)	*	(4,237)
Gain/on puttable option liabilities (g)	(518)	(163)	(1)	(163)	(355)	*	162
Change in fair value of contingent consideration (h)	-	(143)	-	(1,855)	143	*	1,855
Integration, acquisition, transaction, and executive severance costs (i)	3,781	2,537	7,304	3,587	1,244	49 %	3,717
Adjusted EBITDA	**$ (3,870)**	**$ 158**	**$ (11,111)**	**$ (967)**	(4,028)	(2,549) %	(10,144)

* *Percentage not meaningful*

	Three Months Ended December 31, 2020	2019	Change $	Change %
	(dollars in thousands)			
Selling, general and administrative expenses (1)	$ 31,013	$ 10,126	$ 20,887	206 %
Sales and marketing	2,526	1,288	1,238	96 %
Research and development	436	273	163	60 %
Operations	2,493	1,989	504	25 %
General and administrative	25,558	6,576	18,982	289 %
	$ 31,013	$ 10,126	$ 20,887	206 %

(1) Selling, general, and administrative expenses include the following expenses for the periods presented:

	Three Months Ended December 31, 2020			Three Months Ended December 31, 2019		
	Stock-Based Compensation	Depreciation and Amortization	Integration Costs	Stock-Based Compensation	Depreciation and Amortization	Integration Costs
	(dollars in thousands)					
Sales and marketing	$ 23	$ —	$ —	$ (102)	$ —	$ —
Research and development	94	—	—	8	—	—
Operations	69	—	—	7	—	—
General and administrative	16,445	392	3,781	50	413	2,537
	$ 16,631	$ 392	$ 3,781	$ (37)	$ 413	$ 2,537

	Three Months Ended December 31, 2020	2019	Change $	Change %
	(dollars in thousands)			
Selling, general and administrative expenses excluding stock-based compensation, depreciation and amortization and integration costs	$ 10,209	$ 7,213	$ 2,996	42 %
Sales and marketing	2,503	1,390	1,113	80 %
Research and development	342	265	77	29 %
Operations	2,424	1,982	442	22 %
General and administrative	4,940	3,576	1,364	38 %
	$ 10,209	$ 7,213	$ 3,039	42 %

	Years Ended December 31, 2020	2019	Change $	Change %
	(dollars in thousands)			
Selling, general and administrative expenses (1)	$ 61,280	$ 35,931	$ 25,349	71 %
Sales and marketing	7,446	6,410	1,036	16 %
Research and development	1,376	1,099	277	25 %
Operations	9,032	7,905	1,127	14 %
General and administrative	43,426	20,517	22,909	112 %
	$ 61,280	$ 35,931	$ 25,349	71 %

(1) Selling, general, and administrative expenses include the following expenses for the periods presented:

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Stock-Based Compensation	Depreciation and Amortization	Integration Costs	Stock-Based Compensation	Depreciation and Amortization	Integration Costs
	(dollars in thousands)					
Sales and marketing	$ 41	$ —	$ —	$ 570	$ —	$ —
Research and development	143	—	—	46	—	—
Operations	114	—	—	41	—	—
General and administrative	17,611	1,593	7,304	422	1,664	3,587
	$ 17,909	$ 1,593	$ 7,304	$ 1,079	$ 1,664	$ 3,587

	Year Ended December 31,			
	2020	2019	Change $	Change %
	(dollars in thousands)			
Selling, general and administrative expenses excluding stock-based compensation, depreciation and amortization and integration costs	$ 34,474	$ 29,601	$ 4,873	16 %
Sales and marketing	7,405	5,840	1,565	27 %
Research and development	1,233	1,053	180	17 %
Operations	8,918	7,864	1,054	13 %
General and administrative	16,918	14,844	2,074	14 %
	$ 34,474	$ 29,601	$ 4,873	16 %

Explanation of Non-GAAP Adjustments

(a) Depreciation and amortization consists primarily of depreciation of fixed assets, amortization of capitalized software development costs and amortization of acquisition-related intangible assets, such as customer relationships, non-compete agreements, and trade names acquired in connection with business combinations. While depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced or updated in the future, and these measures do not reflect any cash requirements for these replacements or updates. Additionally, we incur amortization of acquisition-related intangible assets based on the portion of the purchase price allocated to intangible assets and the estimated useful lives of such assets. However, the purchase price allocated to these assets is not necessarily reflective of the cost we would incur to internally develop the intangible asset and we do not believe these charges are reflective of our operating results in the period incurred. We eliminate these non-cash charges from our non-GAAP operating results to facilitate an understanding of our operating and financial performance from period-to-period.

(b) Equipment leasing costs consist of the cost of procuring telemedicine equipment through lease financing. We ceased this practice in the second quarter of 2017. We eliminate these charges from our non-GAAP operating results to facilitate an understanding of our operating and financial performance from period-to-period.

(c) Interest expense consists primarily of interest incurred on our outstanding indebtedness and non-cash interest related to the amortization of debt discount and issuance costs associated with our term loan agreement. We eliminate these cash and non-cash expenses from our non-GAAP operating results to facilitate an understanding of our operating and financial performance from period-to-period within our presentation of adjusted EBITDA. Adjusted EBITDA is widely used by investors to measure a company's operating performance without regard to items, such as interest benefit and expense, income tax benefit and expense, depreciation and amortization, stock-based compensation, and other charges and income. We believe adjusted EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry as this metric generally eliminates the effects of certain items that may vary from company to company for reasons unrelated to overall operating performance.

(d) We incur income tax expenses or benefits that are related to prior periods. We eliminate these expenses from our non-GAAP operating results to facilitate an understanding of our operating and financial performance from period-to-period within our presentation of adjusted EBITDA.

(e) Stock-based compensation expense consists of expenses for stock options and other stock based awards. Although stock-based compensation is a key incentive offered to our employees, we continue to evaluate our operating and financial performance excluding stock-based compensation expenses. Stock-based compensation expenses will recur in future periods. We evaluate our performance both with and without these measures because stock-based compensation is a non-cash expense and can vary significantly over time based on the timing, size, nature and design of the awards granted, and is influenced in part by certain factors that are generally beyond our control, such as the volatility of the market value of our common stock. In addition, we eliminate stock-based compensation expense from our non-GAAP operating results to facilitate an understanding of our operating and financial performance from period-to-period.

(f) Gain on contingent shares issuance liabilities consists of the change in the fair value of certain shares of our Class A common stock previously held by the sponsor of the pre-business combination Healthcare Merger Corp. which were modified and became subject to forfeiture in connection with the closing of the transaction, and private placement warrants granted to the sponsor as part of the transaction. We eliminate these non-cash expenses from our non-GAAP results to facilitate an understanding of our operating and financial performance from period-to-period.]

(g) Gain on puttable option liabilities consists of changes in the fair value of puttable option liabilities. We eliminate these non-cash expenses from our non-GAAP operating results to facilitate an understanding of our operating and financial performance from period-to-period.

(h) Changes in fair value of contingent consideration consists of the change in fair value of contingent consideration associated with a business combination in August 2018.

(i) Integration, acquisition, transaction and executive severance costs represent the transaction and business integration costs related to our recent business combination with Healthcare Merger Corp., as well as our business combination with JSA Health Corporation in 2018. These cost include incremental expenses incurred to affect business combinations such as advisory, legal, accounting, valuation, and other professional or consulting fees, as well as other related incremental executive severance costs. We exclude these costs from our non-GAAP results as they have no direct correlation to the operation of our business, and because we believe that the non-GAAP financial measures excluding these costs provide useful information about our spending trends to facilitate an understanding of our operating and financial performance from period-to-period.

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