SOC Telemed Reports Third Quarter 2021 Financial and Operating Results

Revenue of $26.7 million in the third quarter an increase of 76% year over year
Bookings of $9.0 million in the third quarter an increase of 247% year over year
Total system-wide consults of 140,743 during the third quarter an increase of 76% year over year
Total system-wide core consults of 75,865 during the third quarter an increase of 136% year over year
Announced organizational restructuring which is expected to result in $7 million to $9 million in annualized cost savings
Revising FY21 revenue guidance higher to reflect solid third quarter results

RESTON, Va., Nov. 12, 2021 /PRNewswire/ -- SOC Telemed, Inc., (NASDAQ: TLMD), the largest national provider of acute care telemedicine, today announced its financial and operating results for the third quarter ending September 30, 2021.

SOC Telemed Reports Third Quarter 2021 Financial and Operating Results

"We are proud of our third quarter results as the new organization came together with renewed focus resulting in the highest quarterly revenue and bookings in our company's history," said Dr. Chris Gallagher, Chief Executive Officer. "Upon joining the Company, my first task has been to launch an enterprise-wide transformation of the legacy businesses, align our business objectives, and drive greater efficiencies throughout the organization. Our recently announced restructuring helps position the Company to continue to lead the industry, effectively service our clients and grow in line with our sales momentum. The cost reductions recognized as part of the restructuring will allow us to invest in areas known to be important to our market position and growth. We are grateful for the contributions of all of our employees, including those affected by the restructuring."

Third Quarter and Recent Highlights

- SOC Telemed took steps to shore up its balance sheet, reaching an agreement with SLR Investment Corp. to allow the Company to accelerate the drawdown of an additional $12.5 million in term debt to bolster its cash position
- In October, the company completed an organizational review and announced an enterprise-wide restructuring plan, which is expected to result in $7 million to $9 million in annualized cost savings beginning in 2022. The resulting headcount reduction of roughly 12% of the Company's non-clinical staff and other actions are expected to result in up to $3 million in restructuring costs consisting of roughly $2 million in severance and termination benefits and $1 million for site closures and other exit and disposal costs
- In September, SOC Telemed and OB Hospitalist Group (OBHG) announced a collaboration combining OBHG's leading OB hospitalist programs with SOC Telemed's maternal-fetal medicine (MFM) experts. The first hospital partner, Hendrick Medical Center in Abilene, Texas, went live with the new service in August 2021. The combined hospitalist/teleMFM offering will expand to additional OBHG hospital sites nationwide
- In September, SOC Telemed announced the appointment of a new leadership team naming Dr. Chris Gallagher as CEO, David Mikula as COO, and Joe Greskoviak as Vice-Chairman. Additionally, the Company named David Fletcher as Interim CFO

Operating Metrics Summary

Operational performance metrics for the three months ended September 30, 2021, compared to the three months ended September 30, 2020. We present consults on a pro forma basis (i.e., giving retroactive effect to the Access Physicians acquisition to January 1, 2020) to provide investors with insight into how management views the performance of the combined business period over period.

- Total system-wide consults were 140,743 compared to 79,926, up 76% year over year, and up 32% year over year on a pro forma basis
- Stand-alone SOC core consults totaled 37,845 compared to 32,126, up 18% on a year over year basis. TelePsychiatry volumes recovered to pre-COVID levels faster than expected, and the teleNeurology service line experienced significant volume increases
- Access Physicians contributed 38,020 core consults, up 44% on a year over year basis
- System-wide revenue per core consult totaled $328 compared to $345, down 5%, primarily driven by the addition of Access Physicians, as revenue per core consult at Access Physicians is historically lower than revenue per core consult at legacy SOC. The average revenue per core consult is also impacted by duration of each consult, which varies widely between service lines
- Stand-alone SOC revenue per core consult was $428 versus $449, as the volume recovery in telePsychiatry and teleNeurology narrowed the gap associated with minimum consult thresholds in client contracts
- Access Physicians revenue per core consult was $229 versus $219, up 4% year over year, driven by service line volume mix
- Implementations totaled 66 compared to 55, with Access Physicians contributing 32 implementations
- Stand-alone SOC services per facility totaled 1.9, demonstrating the continued opportunity to expand across both service lines and sites with existing customers
- Total facilities serviced were 1,087 compared to 843 a year ago, up 29% on a year over year basis. The 1,087 facilities serviced includes 193 facilities serviced by Access Physicians

Financial Results Summary

Financial performance for the three months ended September 30, 2021, compared to the three months ended September 30, 2020.

- Revenue totaled $26.7 million compared to $15.1 million, up 76%
- Bookings totaled $9.0 million, up 247%
- Access Physicians contributed $9.7 million of revenue
- GAAP gross profit totaled $8.1 million compared to $5.6 million
- Adjusted gross profit (non-GAAP) totaled $9.5 million compared to $6.6 million
- GAAP gross margin was 30% compared to 37%
- Adjusted gross margin (non-GAAP) was 36% compared to 44%. Results were negatively impacted primarily by an increase in physician incentive payments related to the rapid increase and volatility of consult demand and the lack of availability of fully licensed and privileged physicians needed to conduct consults
- Net loss totaled $(10.6) million compared to a net loss of $(9.7) million
- Adjusted EBITDA loss (non-GAAP) totaled $(5.6) million compared to $(2.9) million

Balance Sheet

As of September 30, 2021, the Company had cash and cash equivalents of $37.7 million.

Subsequent to quarter end, the Company drew down an additional $12.5 million from its existing SLR term loan facility to further improve balance sheet liquidity.

Updated 2021 Financial Outlook

For the full year 2021, SOC Telemed is providing the following revised financial guidance:

- GAAP Revenue is expected to be in the range of $91.5 million to $93.5 million, with approximately 30% expected to be attributed to Access Physicians, an increase from the prior guidance range of $90 million to $92 million
- The upward guidance revision is the result of improved consultation volume and new implementations
- Adjusted EBITDA is expected to be in the range of $(21.5) million to $(22.5) million, and improvement from the prior guidance range of $(22.0) million to $(25.0) million

These statements are forward-looking and actual results may differ materially. Please refer to the Forward-Looking Statements safe harbor below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

SOC Telemed has not reconciled its expectations as to Adjusted EBITDA to the most comparable GAAP measure because certain items are out of its control or cannot be reasonably calculated or predicted at this time without unreasonable efforts. Accordingly, a reconciliation for forward-looking Adjusted EBITDA is not available without unreasonable effort.

Conference Call Details

The third quarter 2021 earnings conference call and webcast will be held on November 12, 2021, at 8:00 a.m. ET. The conference call can be accessed by dialing, either:

Domestic: (877) 292-0959

International: (412) 542-4143

Passcode: reference "SOC Telemed call"

A live audio webcast will be 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 (NASDAQ: TLMD, "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 "Updated 2021 Financial Outlook," including expectations relating to bookings and revenue; statements regarding the costs and anticipated benefits of the restructuring plan; statements regarding the statements regarding borrowings under the SLR term loan facility; 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; continued difficulties in the integration of Access Physicians; 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 Telemed's most recent annual report on Form 10-K. Additional information will be made available in SOC Telemed's quarterly report on Form 10-Q for the three months ended September 30, 2021, and other filings and reports that SOC Telemed may file from time to time with the SEC. 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 plus stock-based compensation. 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, loss on puttable option liabilities, gain on 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**.

Operating Metrics

Because our consultation fee revenue generally increases as the number of visits increase, we believe the number of consultations provides investors with useful information on period-to-period performance as evaluated by management and as a comparison to our past financial performance. We define core consultations as consultations utilizing our 11 core services. Telemed IQ / other consultations are defined as consultations performed by other physician networks utilizing our technology platform, Telemed IQ. Pro forma consultations represent the number of total consultations as if Access Physicians had been acquired as of January 1, 2020.

Number of Consults

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Core	36,347	30,213	32,126	30,920	31,447	37,817	37,845
Access Physicians	-	-	-	-	1,282	31,700	38,020
Telemed IQ / Other	30,649	35,477	47,800	57,292	62,636	60,697	64,878
Total Consults	**66,996**	**65,690**	**79,926**	**88,212**	**95,365**	**130,214**	**140,743**

Number of Pro Forma Consults

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Core	36,347	30,213	32,126	30,920	31,447	37,817	37,845
Access Physicians	20,067	21,577	26,357	30,925	33,399	31,700	38,020
Telemed IQ / Other	31,175	35,777	48,085	57,642	63,001	60,697	64,878
Total Consults	**87,589**	**87,567**	**106,568**	**119,487**	**127,847**	**130,214**	**140,743**

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

	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents (from variable interest entities $12,357 and $1,942, respectively)	$ 37,727	$ 38,754
Accounts receivable, net of allowance for doubtful accounts of $488 and $447 (from variable interest entities, net of allowance $12,650 and $8,192, respectively)	14,361	8,721
Inventory	1,303	-
Prepaid expenses and other current assets (from variable interest entities $15 and $0, respectively)	4,434	1,609
Total current assets	57,825	49,084
Property and equipment, net	3,855	4,092
Capitalized software costs, net	9,957	8,935
Intangible assets, net	45,081	5,988
Goodwill	155,099	16,281
Deposits and other assets	1,801	559
Total assets	**$ 273,618**	**$ 84,939**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable (from variable interest entities $3,100 and $692, respectively)	$ 5,387	$ 2,809
Accrued expenses (from variable interest entities $3,303 and $1,349, respectively)	11,163	8,293
Deferred revenues	520	610
Capital lease obligations	22	-
Other Current Liabilities	282	-
Stock-based compensation liabilities	-	4,228
Total current liabilities	17,374	15,940
Deferred revenues	960	923
Capital lease obligations	52	-
Long-term debt, net of unamortized discount and debt issuance costs	73,897	-
Contingent shares issuance liabilities	2,725	12,450
Other long-term liabilities (from variable interest entities $0 and $157, respectively)	403	560
Total liabilities	$ 95,411	$ 29,873
COMMITMENTS AND CONTINGENCIES (Note 16)		
STOCKHOLDERS' EQUITY		
Class A common stock, $0.0001 par value; 500,000,000 shares authorized as of September 30, 2021, and December 31, 2020; 98,853,186 and 74,898,380 shares issued and outstanding at September 30, 2021, and December 31, 2020, respectively.	10	8
Preferred stock, $0.0001 par value, 5,000,000 shares authorized; none issued and outstanding as of September 30, 2021, and December 31, 2020, respectively.	-	-
Additional paid-in capital	452,115	291,277
Accumulated deficit	(273,918)	(236,219)
Total stockholders' equity	178,207	55,066
Total liabilities and stockholders' equity	**$ 273,618**	**$ 84,939**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	$ 26,684	$ 15,132	$ 66,465	$ 43,493
Cost of revenues	18,561	9,534	45,265	29,277
Operating expenses				
Selling, general and administrative	21,247	11,993	64,987	30,267
Changes in fair value of contingent consideration	(318)	-	(3,265)	
Total operating expenses	20,929	11,993	61,722	30,267
Loss from operations	(12,806)	(6,395)	(40,522)	(16,051)
Other income (expense)				
Gain on contingent shares issuance liabilities	4,081	-	9,725	-
Loss on puttable option liabilities	-	(412)	-	(517)
Interest expense	(1,775)	(2,853)	(5,047)	(8,469)
Interest expense – Related party	-	(21)	(2,026)	(21)
Total other income (expense)	2,306	(3,286)	2,652	(9,007)
Loss before income taxes	(10,500)	(9,681)	(37,870)	(25,058)
Income tax benefit (expense)	(146)	(7)	171	(10)
Net loss and comprehensive loss	**$ (10,646)**	**$ (9,688)**	**$ (37,699)**	**$ (25,068)**
Accretion of contingently redeemable preferred stock	**-**	**(2,152)**	**-**	**(5,670)**
Net loss attributable to common stockholders	**$ (10,646)**	**$ (11,840)**	**$ (37,699)**	**$ (30,738)**
Net loss per share attributable to common stockholders				
Basic	**$ (0.11)**	**$ (0.34)**	**$ (0.43)**	**$ (0.89)**
Diluted	**$ (0.11)**	**$ (0.34)**	**$ (0.43)**	**$ (0.89)**

Weighted-average shares used to compute net loss per share attributable to common stockholders:				
Basic	**98,377,279**	**34,345,197**	**88,675,997**	**34,345,197**
Diluted	**98,377,279**	**34,345,197**	**88,675,997**	**34,345,197**

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

	Nine Months Ended September 30,	
	2021	**2020**
Cash flows from operating activities:		
Net loss	$ (37,699)	$ (25,068)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	6,723	4,008
Stock-based compensation	13,331	1,280
Change in fair value of contingent consideration	(3,265)	-
Loss on puttable option liabilities	-	517
(Gain) on contingent shares issuance liabilities	(9,725)	-
Bad debt expense	66	64
Accrued interest on convertible bridge debt (related party)	-	21
Paid-in kind interest on long-term debt	203	2,310
Amortization of debt issuance costs and issuance discount	3,737	1,073
Income tax benefit	(241)	-
Change in assets and liabilities, net of acquisitions		
Accounts receivable, net of allowance	(104)	1,661
Prepaid expense and other current assets	(2,189)	(599)
Inventory	79	-
Deposits and other non-current assets	(957)	32
Accounts payable	115	891
Accrued expenses and other liabilities	1,809	1,657
Deferred revenues	(53)	213
Net cash used in operating activities	(28,170)	(11,940)
Cash flows from investing activities:		
Capitalization of software development costs	(3,099)	(3,252)
Purchase of property and equipment	(989)	(1,724)
Acquisition of business, net of cash	(90,306)	-
Net cash used in investing activities	(94,394)	(4,976)
Cash flows from financing activities:		
Principal payments under capital lease obligations	(6)	(66)
Proceeds from long-term debt, net of discount	82,980	3,961
Proceeds from Related-party – Unsecured subordinated promissory note, net of unamortized discount	11,474	-
Repayment of long-term debt	(10,795)	-
Repayment of Related-party – Unsecured subordinated promissory note	(13,703)	-
Proceeds from exercise of stock options	42	-
Payment of deferred transaction related costs	-	(63)
Issuance of contingently redeemable preferred stock	-	10,938
Proceeds from issuance of Class A Common Stock, net of issuance costs	51,545	-
Net cash provided by financing activities	121,537	14,770
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,027)	(2,146)
Cash and cash equivalents at beginning of the period	38,754	4,541
Cash and cash equivalents at end of the period	$ 37,727	$ 2,395

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**	**2021 Change**	**2020 % Change**	**2021 Change**	**2020 % Change**
				(dollars in thousands)				
Revenues	$ 26,684	$ 15,132	$ 66,465	$ 43,493	$ 11,552	76 %	$ 22,972	53 %
Cost of revenues	18,561	9,534	45,265	29,277	9,027	95 %	15,988	55 %
Gross profit	8,123	5,598	21,200	14,216	2,525	45 %	6,984	49 %
Add:								
Depreciation and amortization (a)	1,322	1,004	3,766	2,807	318	32 %	959	34 %
Equipment leasing costs (b)	-	15	8	57	(15)	(100) %	(49)	(86) %
Stock-based compensation (e)	31	-	37	-	31	*	37	*
Adjusted gross profit	**$ 9,476**	**$ 6,617**	**$ 25,011**	**$ 17,080**	2,859	43 %	7,931	46 %
Adjusted gross margin (as a percentage of revenues)	36 %	44 %	38 %	39 %				

Three Months Ended September 30		Nine Months Ended September 30,		Three Months Ended September 30		Nine Months Ended September 30,	
2021	**2020**	**2021**	**2020**	**Change $**	**Change %**	**Change $**	**Change %**

				(dollars in thousands)				
Net loss	$ (10,646)	$ (9,688)	$ (37,699)	$ (25,068)	$ (958)	10 %	$ (12,631)	50 %
Add:								
Interest expense (c)	1,775	2,874	7,073	8,490	(1,099)	(38) %	(1,417)	(17) %
Income tax (benefit expense (d)	146	7	(171)	10	139	*	(181)	*
Depreciation and amortization (a)	2,618	1,401	6,759	4,008	1,217	87 %	2,751	69 %
Stock-based compensation (e)	2,686	1,033	13,330	1,280	1,653	160 %	12,050	941 %
Loss on puttable option liabilities (g)	-	412	-	517	(412)	(100) %	(517)	(100) %
Gain on contingent shares issuance liabilities (f)	(4,081)	-	(9,725)	-	(4,081)	*	(9,725)	*
Gain on change in fair value of contingent consideration (h)	(318)	-	(3,265)	-	(318)	*	(3,265)	*
Integration, acquisition, transaction, and executive severance costs (i)	2,228	1,018	8,137	3,521	1,210	119 %	4,616	131 %
Adjusted EBITDA	**$ (5,592)**	**$ (2,943)**	**$ (15,561)**	**$ (7,242)**	(2,649)	90 %	(8,319)	115 %

	Three Months Ended September 30,			
	2021	2020	Change	% Change
	(dollars in thousands)			
Selling, general and administrative expenses (1):				
Sales and marketing	$ 2,371	$ 1,936	$ 435	23 %
Research and development	637	398	239	60 %
Operations	2,656	2,357	299	13 %
General and administrative	15,583	7,302	8,281	113 %
Total	$ 21,247	$ 11,993	$ 9,254	77 %

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

	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Stock-Based Compensation	Depreciation and Amortization	Integration Costs	Stock-Based Compensation	Depreciation and Amortization	Integration Costs
	(dollars in thousands)					
Sales and marketing	$ 151	$ -	$ -	$ 3	$ -	$ -
Research and development	185	-	-	8	-	-
Operations	169	-	-	10	-	-
General and administrative	2,151	1,296	2,228	1,012	397	1,018
Total	$ 2,656	$ 1,296	$ 2,228	$ 1,033	$ 397	$ 1,018

	Three Months Ended September 30,			
	2021	2020	Change	% Change
	(dollars in thousands)			
Selling, general and administrative expenses excluding stock-based compensation, depreciation and amortization and integration costs:				
Sales and marketing	$ 2,220	$ 1,931	$ 289	15 %
Research and development	452	392	60	15 %
Operations	2,487	2,346	141	6 %
General and administrative	9,908	4,887	5,021	103 %
Total	$ 15,067	$ 9,556	$ 5,511	58 %

	Nine Months Ended September 30,			
	2021	2020	Change	% Change
	(dollars in thousands)			
Selling, general and administrative expenses (1):				
Sales and marketing	$ 7,358	$ 4,920	$ 2,438	50 %
Research and development	1,695	940	755	80 %
Operations	7,718	6,539	1,179	18 %
General and administrative	48,216	17,868	30,348	170 %
Total	$ 64,987	$ 30,267	$ 34,720	115 %

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

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Stock-Based Compensation	Depreciation and Amortization	Integration Costs	Stock-Based Compensation	Depreciation and Amortization	Integration Costs
	(dollars in thousands)					
Sales and marketing	$ 494	$ -	$ -	$ 18	$ -	$ -
Research and development	459	-	-	48	-	-
Operations	484	-	-	45	-	-

General and administrative	11,856	2,993	8,137	1,169	1,201	3,521
Total	$ 13,293	$ 2,993	$ 8,137	$ 1,280	$ 1,201	$ 3,521

	Nine Months Ended September 30, 2021	2020	Change	% Change
	(dollars in thousands)			
Selling, general and administrative expenses excluding stock-based compensation, depreciation and amortization and integration costs:				
Sales and marketing	$ 6,864	$ 4,902	$ 1,962	40 %
Research and development	1,236	892	344	39 %
Operations	7,234	6,494	740	11 %
General and administrative	25,230	11,977	13,253	111 %
Total	$ 40,564	$ 24,265	$ 16,299	67 %

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 share issuance liabilities consists of the change in fair value of 1,875,000 shares of our common stock held by HCMC's sponsor and subsequently distributed to permitted transferees and were modified and became subject to forfeiture in connection with the closing of our Merger Transaction, and 350,000 private placement warrants granted to HCMC's sponsor subsequently distributed to its permitted transferees as part of the Merger Transaction. The contingent shares issuance liabilities are revalued at their fair value every reporting period.

(g) Loss 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) Gain on change in fair value of contingent consideration is the change in fair value of the earnout contingent consideration and the deferred payment in connection with our acquisition of Access Physicians in Q1 2021. The contingent consideration is revalued every reporting period based on the estimation of the likelihood that such contingent consideration will be earned. We eliminate these non-cash activities from our non-GAAP operating results to facilitate an understanding of our operating and financial performance from period-to-period.

(i) Integration, acquisition, transaction and executive severance costs represent the transaction and business integration costs related to our business combination with Healthcare Merger Corp. in Q4 2020 and our acquisition of Access Physicians in Q1 2021. These costs 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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