

MEDICAL TRANSCRIPTION BILLING, CORP  
Form 10-Q  
August 12, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

**(Mark one)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the quarterly period ended June 30, 2015**

**or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**For the transition period from to**

**Commission File Number 333-192989**

**MEDICAL TRANSCRIPTION BILLING, CORP.**

*(Exact name of registrant as specified in its charter)*

**Delaware** **22-3832302**  
*(State or other jurisdiction of* *(I.R.S. Employer*

*incorporation or organization) Identification Number)*

**7 Clyde Road**

**08873**

**Somerset, New Jersey**

*(Address of principal executive offices) (Zip Code)*

**(732) 873-5133**

*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-Accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

At August 6, 2015, the registrant had 11,024,503 shares of common stock, par value \$0.001 per share, outstanding.

**INDEX**

	Page
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<u>Forward Looking Statements</u>	2
Item 1. <u>Condensed Consolidated Financial Statements (unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets at June 30, 2015 and December 31, 2014</u>	3
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2015 and 2014</u>	4
<u>Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2015 and 2014</u>	5
<u>Condensed Consolidated Statement of Shareholders' Equity for the six months ended June 30, 2015</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3. <u>Qualitative and Quantitative Disclosures About Market Risk</u>	30
Item 4. <u>Controls and Procedures</u>	31
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	32
Item 1A. <u>Risk Factors</u>	32
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	32
Item 3. <u>Defaults Upon Senior Securities</u>	32
Item 4. <u>Mine Safety Disclosures</u>	32
Item 5. <u>Other Information</u>	32
Item 6. <u>Exhibits</u>	33
<u>Signatures</u>	34

## Forward Looking Statements

*This Quarterly Report on Form 10-Q contains forward-looking statements. All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q are forward-looking statements. These statements relate to our business strategy, goals and expectations concerning our products, future operations, prospects, plans and objectives of management. In some cases, you can identify forward-looking statements by terminology such as "anticipate", "believe", "continue", "could", "estimate", "expect", "goals", "intend", "likely", "may", "plan", "potential", "predict", "project", "will" or the negative of these terms or other similar terms and phrases.*

*Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. Forward-looking statements in this Quarterly Report on Form 10-Q include, without limitation, statements reflecting management's expectations for future financial performance and operating expenditures, expected growth, profitability and business outlook, increased sales and marketing expenses, and the expected results from the integration of our acquisitions.*

*Forward-looking statements are only current predictions and are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from those anticipated by such statements. These factors include:*

*our ability to manage our growth, including acquiring and effectively integrating other businesses into our infrastructure;*

*our ability to retain our customers, including effectively migrating and keeping new customers acquired through business acquisitions;*

*our ability to attract and retain key officers and employees, including Mahmud Haq and personnel critical to the transitioning and integration of our newly acquired businesses;*

*our ability to raise capital and obtain financing on acceptable terms;*  
*our ability to compete with other companies developing products and selling services competitive with ours, and who may have greater resources and name recognition than we have;*

*our ability to maintain operations in Pakistan in a manner that continues to enable us to offer competitively priced products and services;*

*our ability to keep and increase market acceptance of our products and services;*

*our ability to keep pace with a changing healthcare industry and its rapidly evolving regulatory environment;*

*our ability to protect and enforce intellectual property rights; and*

*our ability to maintain and protect the privacy of customer and patient information.*

*The foregoing factors are in addition to the other risks described in this Quarterly Report on Form 10-Q, and in our other SEC filings.*

*Although we believe that the expectations reflected in the forward-looking statements contained in this Quarterly Report on Form 10-Q are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by law, we are under no duty to update or revise any of such forward-looking statements, whether as a result of new information, future events, or otherwise, after the date of this Quarterly Report on Form 10-Q.*

*All references to “MTBC,” “Medical Transcription Billing, Corp.,” “we,” “us,” “our” or the “Company” mean Medical Transcription Billing, Corp. and its subsidiaries, except where it is made clear that the term means only the parent company.*

**PART I. FINANCIAL INFORMATION***Item 1. Condensed Consolidated Financial Statements (unaudited)***MEDICAL TRANSCRIPTION BILLING, CORP.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2015 (Unaudited)	December 31, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$632,032	\$ 1,048,660
Accounts receivable - net of allowance for doubtful accounts of \$197,000 and \$165,000 at June 30, 2015 and December 31, 2014, respectively	2,636,879	3,007,314
Current assets - related party	24,284	24,284
Prepaid expenses	178,669	315,901
Other current assets	202,110	188,541
Total current assets	3,673,974	4,584,700
PROPERTY AND EQUIPMENT - Net	1,450,090	1,444,334
INTANGIBLE ASSETS - Net	6,289,676	8,377,837
GOODWILL	8,560,336	8,560,336
OTHER ASSETS	179,208	140,053
<b>TOTAL ASSETS</b>	<b>\$20,153,284</b>	<b>\$ 23,107,260</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$664,739	\$ 1,082,342
Accrued compensation	737,386	836,525
Accrued expenses	935,998	1,113,108
Deferred rent	22,309	12,683
Deferred revenue	24,201	37,508
Accrued liability to related party	38,170	153,931
Borrowings under line of credit	3,000,000	1,215,000
Note payable - related party (current portion)	-	470,089
Notes payable - other (current portion)	130,209	596,616
Contingent consideration	1,843,387	2,626,323
Total current liabilities	7,396,399	8,144,125
Note payable - related party	470,089	-
Notes payable - other	64,091	48,564
DEFERRED RENT	524,565	551,343
DEFERRED REVENUE	38,462	42,631
Total liabilities	8,493,606	8,786,663

COMMITMENTS AND CONTINGENCIES (Note 8)

SHAREHOLDERS' EQUITY:

Preferred stock, par value \$0.001 per share; authorized 1,000,000 shares; issued and outstanding none at June 30, 2015 and December 31, 2014	-	-
Common stock, \$0.001 par value - authorized, 19,000,000 shares; issued and outstanding, 9,721,974 and 9,711,604 shares at June 30, 2015 and December 31, 2014, respectively	9,722	9,712
Additional paid-in capital	19,059,830	18,979,976
Accumulated deficit	(7,113,417 )	(4,460,129 )
Accumulated other comprehensive loss	(296,457 )	(208,962 )
Total shareholders' equity	11,659,678	14,320,597
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$20,153,284</b>	<b>\$23,107,260</b>

See notes to condensed consolidated financial statements.

**MEDICAL TRANSCRIPTION BILLING, CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
NET REVENUE	\$5,966,204	\$2,612,202	\$12,104,063	\$5,185,679
OPERATING EXPENSES:				
Direct operating costs	2,913,470	1,111,691	6,459,678	2,264,326
Selling and marketing	97,002	44,837	217,433	114,858
General and administrative	3,176,712	1,447,083	6,319,384	2,733,359
Research and development	165,248	126,113	330,175	242,541
Change in contingent consideration	(87,054 )	-	(915,815 )	-
Depreciation and amortization	1,202,381	271,078	2,361,924	541,121
Total operating expenses	7,467,759	3,000,802	14,772,779	5,896,205
Operating loss	(1,501,555)	(388,600 )	(2,668,716 )	(710,526 )
OTHER:				
Interest income	7,073	4,116	13,986	7,105
Interest expense	(43,687 )	(51,448 )	(85,872 )	(104,161 )
Other income - net	57,213	17,731	103,359	(182,154 )
LOSS BEFORE INCOME TAXES	(1,480,956)	(418,201 )	(2,637,243 )	(989,736 )
INCOME TAX PROVISION (BENEFIT)	6,422	(128,800 )	16,045	(316,663 )
NET LOSS	\$(1,487,378)	\$(289,401 )	\$(2,653,288 )	\$(673,073 )
NET LOSS PER SHARE:				
Basic and diluted loss per share	\$(0.15 )	\$(0.06 )	\$(0.27 )	\$(0.13 )
Weighted-average basic and diluted shares outstanding	9,719,858	5,101,770	9,703,568	5,101,770

See notes to condensed consolidated financial statements.



**MEDICAL TRANSCRIPTION BILLING, CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
NET LOSS	\$(1,487,378)	(289,401)	(2,653,288)	(673,073)
OTHER COMPREHENSIVE LOSS, NET OF TAX				
Foreign currency translation adjustment (a)	267,811	(13,800 )	(87,495 )	117,029
COMPREHENSIVE LOSS	\$(1,219,567)	\$(303,201)	\$(2,740,783)	\$(556,044)

(a) Net of taxes of \$7,105 and \$60,288 for the three and six months ended June 30, 2014, respectively. No tax effect has been recorded in 2015 as the Company recorded a valuation allowance against the tax benefit from its foreign currency translation adjustment.

See notes to condensed consolidated financial statements.

**MEDICAL TRANSCRIPTION BILLING, CORP.  
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2015**

	Common Stock		Additional Paid- in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
Balance- January 1, 2015	9,711,604	\$9,712	\$ 18,979,976	\$(4,460,129 )	\$ (208,962 )	\$ 14,320,597
Net loss	-	-	-	(2,653,288 )	-	(2,653,288 )
Foreign currency translation adjustment	-	-	-	-	(87,495 )	(87,495 )
Forfeiture of shares issued to acquired businesses	(53,797 )	(54 )	(132,826 )	-	-	(132,880 )
Restrcted share units vested	64,167	64	(64 )	-	-	-
Stock-based compensation expense	-	-	212,744	-	-	212,744
Balance- June 30, 2015	9,721,974	\$9,722	\$ 19,059,830	\$(7,113,417 )	\$ (296,457 )	\$ 11,659,678

See notes to condensed consolidated financial statements.

**MEDICAL TRANSCRIPTION BILLING, CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014 (UNAUDITED)**

	2015	2014
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$(2,653,288)	\$(673,073 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,361,924	541,121
Deferred rent	(5,200 )	4,277
Deferred revenue	(17,476 )	(22,563 )
Deferred income taxes	-	(320,507 )
Provision for doubtful accounts	68,872	34,810
Foreign exchange (gain) loss	(86,446 )	221,554
Gain from reduction in referral fee	-	(105,523 )
Interest accretion on convertible promissory note	-	23,534
Stock-based compensation expense	324,258	62,154
Change in contingent consideration	(915,815 )	-
Accrued CastleRock settlement payment	(110,000 )	-
Other	-	1,921
Changes in operating assets and liabilities:		
Accounts receivable	301,567	185,442
Other assets	80,942	(60,233 )
Accounts payable and other liabilities	(802,063 )	208,949
Net cash (used in) provided by operating activities	(1,452,725)	101,863
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(201,945 )	(102,325 )
Acquisition of customer contracts and relationships	(59,358 )	-
Advances to majority shareholder	-	(2,522 )
Repayment of advances to majority shareholder	-	1,000
Net cash used in investing activities	(261,303 )	(103,847 )
<b>FINANCING ACTIVITIES:</b>		
Proceeds from note payable to majority shareholder	-	165,000
Repayments of note payable to majority shareholder	-	(115,000 )
Repayments of notes payable - other	(486,180 )	(600,246 )
Proceeds from line of credit	5,856,810	1,485,000
Repayments of line of credit	(4,071,810)	(1,285,000)
IPO-related costs	-	(96,542 )
Net cash provided by (used in) financing activities	1,298,820	(446,788 )
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,420 )	(16,651 )
NET DECREASE IN CASH	(416,628 )	(465,423 )
CASH - Beginning of the period	1,048,660	497,944
CASH - End of period	\$632,032	\$32,521
<b>SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Vehicle financing obtained	\$35,965	\$-
Purchase of prepaid insurance through assumption of note	\$-	\$36,640

Edgar Filing: MEDICAL TRANSCRIPTION BILLING, CORP - Form 10-Q

Accrued IPO-related costs	\$-	\$457,298
SUPPLEMENTAL INFORMATION - Cash paid during the period for:		
Income taxes	\$9,759	\$5,230
Interest	\$109,937	\$108,094

See notes to condensed consolidated financial statements.

## **Medical Transcription Billing, Corp.**

Notes to CONDENSED Consolidated Financial Statements

AS OF AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 and 2014 (UnaUDITED)

### **1. Organization and Business**

*General* – Medical Transcription Billing, Corp. (“MTBC” or the “Company”) is a healthcare information technology company that offers proprietary electronic health records and practice management solutions, together with related business services, to healthcare providers. The Company’s integrated services are designed to help customers increase revenues, streamline workflows and make better business and clinical decisions, while reducing administrative burdens and operating costs. The Company’s services include full-scale revenue cycle management, electronic health records, and other technology-driven practice management services to private and hospital-employed healthcare providers. MTBC has its corporate offices in Somerset, New Jersey and its main operating facilities in Islamabad, Pakistan and Bagh, Pakistan. The Company also has a wholly-owned subsidiary in Poland.

MTBC was founded in 1999 and incorporated under the laws of the State of Delaware in 2001. MTBC Private Limited (or “MTBC Pvt. Ltd.”) is a majority-owned subsidiary of MTBC based in Pakistan and was founded in 2004. MTBC owns 99.99% of the authorized outstanding shares of MTBC Pvt. Ltd. and the remaining 0.01% of the shares of MTBC Pvt. Ltd. is owned by the founder and chief executive officer of MTBC. MTBC-Europe Sp. z.o.o. (or “MTBC-Europe”) is a wholly-owned subsidiary of MTBC based in Poland and was founded in 2015.

### **2. BASIS OF PRESENTATION**

The Company has prepared its unaudited condensed consolidated financial statements under the assumption that it is a going concern. The Company’s ability to continue as a going concern is dependent on its ability to generate sufficient cash from operations to meet its future operational cash needs and reduce the cost of U.S.-based employees, subcontractors and certain general and administrative expenses. The Company’s ability to meet its contractual obligations and remit payment under its arrangements with its vendors depends on its ability to generate positive cash flow from operations in the future, and/or securing additional financing. The Company has not yet signed any agreement that would provide for additional financing. This condition, along with certain other factors, raises substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustment that might be necessary if the Company is unable to continue as a going concern.

The