



## **NIGHTINGALE REPORTS FISCAL 2011 FOURTH QUARTER AND YEAR END RESULTS**

- Increased gross profit by \$1.9 million to \$14.2 million –*
- Achieved EBITDA of \$1.9 million -*
- Generated a record \$3.1 million in cash from operations -*
- Increased deferred revenue \$2.3 million to \$7.5 million -*

**Markham, ON, July 21, 2011** – Nightingale Informatix Corporation (“Nightingale” or the “Company”) (TSX-V: NGH), an application service provider (ASP) of electronic medical record (EMR) software and related services, announces its financial results for the quarter and year ended March 31, 2011. All results are reported in Canadian dollars unless otherwise stated.

### **Fiscal 2011 Financial Summary**

- Revenue increased 5% to \$17.4 million from \$16.6 million in F2010, reflecting a \$2.7 million increase in software revenue (EMR and Practice Management), which was partially offset by an anticipated \$1.2 million reduction in transcription revenue. In addition, revenue was negatively impacted by \$0.7 million related to foreign exchange.
  - Total software revenue increased 22% to \$14.8 million from \$12.1 million in F2010, predominantly as a result of significant growth in the Company’s EMR customer base.
- Gross profit was \$14.2 million, or 82% of revenue, up from \$12.2 million, or 74% of revenue, in F2010, reflecting the Company’s success in generating a greater proportion of high-margin EMR software revenue.
- Expenses were \$14.5 million compared to \$13.7 million in F2010 as the Company increased investments in strategically important areas of the business.
- EBITDA<sup>1</sup> increased 54% to \$1.9 million from \$1.2 million in F2010.
- Net loss was \$1.0 million, a reduction of \$2.5 million compared to F2010.
- Cash from operations increased to \$3.1 million from \$(1.1) million in F2010.
- Cash and Cash equivalents grew 132% to \$4.2 million from \$1.8 million as at March 31, 2010.
- Total deferred revenue was \$7.5 million up from \$6.8 million at December 31, 2010 and \$5.2 million at March 31, 2010, reflecting the Company’s success in signing new EMR customers throughout F2011.
- Completed debt and private placement financings for aggregate gross proceeds of \$6.3 million, reducing total indebtedness and covenant based debt as well as increasing equity.
- Signed agreements with healthcare providers across Canada and the U.S. to deploy more than 850 EMR seats<sup>2</sup>, (including 200 seats in Q4 F2011) up 193% from 290 seats in F2010.
- Subsequent to year end, received U.S. certification for Nightingale On Demand V10.0 as a Complete EHR by the Certification Commission for Health Information Technology (CCHIT®) (as announced in a separate press release today).

#### **Q4 Fiscal 2011 Financial Summary**

- Revenue was \$4.4 million, up from \$4.2 million in Q4 F2010 as a result of an increase in software and related professional services revenue.
  - Total software revenue increased \$0.5 million, or 14%, to \$3.9 million from \$3.4 million in Q4 F2010.
- Gross profit was \$3.7 million, or 86% of revenue, up from \$3.2 million, or 76% of revenue, in Q4 F2010.
- Expenses were \$3.9 million compared to \$3.5 million in Q4 F2010.
- EBITDA was \$0.4 million compared to \$0.4 in Q4 F2010.
- Net loss was \$0.2 million, a reduction of \$1.3 million compared to Q4 F2010.
- Cash from operations increased to \$1.2 million from \$0.2 million in Q4 F2010.

“In fiscal 2011, we improved all of our important operating performance trends,” said Sam Chebib, President and CEO of Nightingale. “We grew our EMR customer base, resulting in improvements in revenue, gross margins and operating cash generation. In addition, we reduced the financial risk in our operations. We strengthened our balance sheet by completing a debt and private placement financing that enabled us to increase our cash balance and repay our subordinated debt, reducing our overall debt levels and interest expense. During the year, we successfully capitalized on the opportunities in the growing EMR market, and with our stronger results, investments in sales and marketing and research and development, increased financial flexibility and recent certification of our product in the U.S., we are in an even better position to continue doing so going forward.”

Mr. Chebib continued: “We have entered fiscal 2012 with a strong revenue backlog as we continue to work to implement many of the new EMR seats we signed in the latter part of fiscal 2011. We expect our EMR business to continue to be our primary growth driver in fiscal 2012 and plan to strategically invest in the business accordingly. However, the potential for quarterly fluctuations in our seat sales remains. As such, we will continue to carefully manage our expenses and cash, focusing on the significant long-term growth potential the North American EMR market presents.”

#### **Fiscal 2011 Year- End and Q4 Financial Review**

Revenue for fiscal 2011 was \$17.4 million, up 5% from \$16.6 million for fiscal 2010. The year-over-year improvement was the result of a \$2.7 million increase in revenue from the Company’s software business, which was partially offset by an anticipated decrease in lower-margin transcription revenue totaling \$1.2 million. In addition, total revenues were negatively impacted by \$0.7 million related to foreign exchange (the Company generated 52% of F2011 revenue in the US) which predominantly affected the Company’s recurring revenue results. Revenue for Q4 fiscal 2011 increased to \$4.4 million from \$4.2 million in Q4 F2010.

Recurring Revenue<sup>3</sup> for fiscal 2011 was \$10.7 million compared to \$13.1 million for fiscal 2010. The year-over-year decline is primarily a result of a reduction in transcription revenue (decreased to \$0.3 million from \$1.5 million in fiscal 2010) and the negative impact due to foreign exchange. Recurring Revenue for Q4 fiscal 2011 was \$2.5 million compared to \$2.9 million for Q4 fiscal 2010. Going forward, Nightingale does not expect transcription to represent a material component of its business.

Non-Recurring Revenue<sup>3</sup> for fiscal 2011 increased 92% to \$6.7 million from \$3.5 million for fiscal 2010 due to significantly higher EMR software licensing and related professional services revenue. Non-Recurring Revenue for Q4 fiscal 2011 increased 44% to \$1.9 million from \$1.3 million in Q4 fiscal 2010.

For fiscal 2011, gross profit was \$14.2 million, or 82% of revenue, up from \$12.2 million, or 74% of revenue, for the previous fiscal year, reflecting a greater proportion of higher margin EMR software sales in fiscal 2011. Gross profit for Q4 fiscal 2011 was \$3.7 million, or 86% of revenue, up from \$3.2 million, or 76% of revenue, in Q4 F2010.

Operating expenses for fiscal 2011 (excluding stock-based compensation and amortization) were \$12.3 million compared to \$11.0 million for fiscal 2010. The year-over-year change was a result of Nightingale's increased investments to support its long-term growth initiatives. In particular, the Company increased its investments in sales and marketing; research and development; as well as EMR implementation and customer training, as the Company continues to see greater buying activity in the North American EMR market. The increases in these expenses was partially offset by a decrease in costs related to the Company's transcription business in addition to a positive \$0.5 million foreign exchange impact, as the Company generated 43% of fiscal 2011 operating expenses in U.S. dollars. Operating expenses for Q4 fiscal 2011 were \$3.3 million compared to \$2.8 million for Q4 fiscal 2010.

As a result of the Company's success in growing its top-line results and delivering stronger gross margins, for fiscal 2011, Nightingale generated EBITDA of \$1.9 million, a 54% improvement over EBITDA of \$1.2 million in fiscal 2010. For Q4 fiscal 2011, the Company generated its ninth consecutive quarter of positive EBITDA, recording EBITDA of \$0.4 million compared to \$0.4 million in Q4 fiscal 2010.

For fiscal 2011, net loss was \$1.0 million, an improvement of \$2.5 million compared to net loss of \$3.4 million in fiscal 2010. Net loss for Q4 fiscal 2011 was \$0.2 million, a \$1.3 million reduction compared to net loss of \$1.5 million for Q4 F2010.

Cash and cash equivalents grew to \$4.2 million at March 31, 2011, up 132% from \$1.8 million at March 31, 2010. At March 31, 2011, total common shares issued and outstanding were 76,310,915.

The financial statements and MD&A will be available at [www.nightingalemd.com](http://www.nightingalemd.com) and filed on [www.sedar.com](http://www.sedar.com) on July 21, 2011. This press release should be read in conjunction with Nightingale's Consolidated Financial Statements for the year ended March 31, 2011 and the accompanying Management Discussion and Analysis.

#### **Notice of Conference Call**

Nightingale will host a conference call on Thursday, July 21, 2011, at 8:30 a.m. Eastern Standard Time. To access the conference call by telephone, dial (888) 231-8191 (or (647) 427-7450 for international). Please connect approximately fifteen minutes prior to the call, and reference conference ID 83125985 prior to the beginning of the call to ensure participation. The conference call will be archived for replay until Thursday, July 28, 2011. To access the archived conference call, dial 416-849-0833 or 1-855-859-2056 and enter reference 83125985 #. To listen to the conference call replay on the internet please visit the Nightingale website shortly after the call at [www.nightingalemd.com](http://www.nightingalemd.com).

## Non-GAAP Financial Measures

The Company internally measures its performance and results of initiatives through a number of measures that are not recognized under Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures used by other companies.

### 1. EBITDA

EBITDA is a non-GAAP measure that management believes is a useful measurement to evaluate the performance of the Company. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings as determined in accordance with GAAP. The Company's method of calculating EBITDA may differ from the methods used by other companies and, accordingly, it may not be comparable to similarly titled measures used by other companies.

EBITDA is defined as earnings before other loss (income), interest, income taxes, depreciation, amortization, and stock-based compensation. Management believes it is useful to exclude these items as they are either non-cash expenses, items that cannot be influenced by management in the short term, or items that do not impact core operating performance, and Management uses this information internally for forecasting and budgeting purposes.

The following provides a reconciliation of EBITDA to Loss and Comprehensive Loss:

Definition	Quarter Ended March 31, 2011	Quarter Ended March 31, 2010	Year Ended March 31, 2011	Year Ended March 31, 2010
Loss and Comprehensive Loss	\$ (218)	\$ (1,524)	\$ (962)	\$ (3,444)
<i>Adjustments for:</i>				
Current Tax Expense	\$ (12)	\$ 33	\$ (23)	\$ 40
Other Loss (Income)	(37)	(6)	(50)	(62)
Interest	132	1,191	696	2,011
Depreciation and Amortization	579	628	1,892	2,379
Stock-based Compensation	1	84	298	279
EBITDA	\$ 445	\$ 406	\$ 1,851	\$ 1,203

### 2. Seat Sale

"Seat" is defined as a paying healthcare provider using Nightingale's Electronic Medical Record.

### 3. Recurring and Non-Recurring Revenue

The Company has included recurring revenue and non-recurring revenue measurements since it believes that this information is useful to investors to evaluate its performance. Investors should be cautioned, however, that recurring revenue and non-recurring revenue should not be construed as an alternative to revenue as determined in accordance with GAAP. Recurring Revenue is comprised of utilization fees, hosting, support and maintenance revenue, data management and transcription services, billing and financial management services and transactional fees. Non-Recurring Revenue is comprised of revenues

generated from sales of software and systems and related training, data conversion and installation services.

The following provides a reconciliation of Recurring Revenue and Non-Recurring Revenue to Revenue:

Definition	Quarter Ended March 31, 2011	Quarter Ended March 31, 2010	Year Ended March 31, 2011	Year Ended March 31, 2010
Non-Recurring Revenue	\$ 1,901	\$ 1,324	\$ 6,695	\$ 3,485
Recurring Revenue	2,452	2,849	10,679	13,096
Revenue	\$ 4,353	\$ 4,173	\$ 17,374	\$ 16,581

### About Nightingale

Nightingale is one of the fastest growing health care service and software companies in North America and is recognized as an industry leader in Web-based clinician and community based electronic medical records (EMR) serving the needs of small primary care practices, multi-physician outpatient clinics, and large scale regional health organizations and networks. Coupled with integrated practice management, transcription and revenue cycle management, Nightingale's comprehensive service offering allows customers to enhance patient care, increase revenue opportunities and optimize operations. Nightingale is continuously innovating and enhancing its services to meet the needs of its growing and diverse customer base. Nightingale – Healthcare connected. [www.nightingalemd.com](http://www.nightingalemd.com)

### For further information, contact:

Michael Ford, CFO Nightingale Informatix Corporation Tel: 905-307-7870 <a href="mailto:mford@nightingalemd.com">mford@nightingalemd.com</a>	Kristen Dickson, Account Executive The Equicom Group Tel: 416-815-0700 ext. 273 <a href="mailto:kdickson@equicomgroup.com">kdickson@equicomgroup.com</a>
--	---

### Forward Looking Statement

*This press release contains "forward-looking statements" respecting the issuance and cancellation of securities of the Company within the meaning of applicable Canadian securities legislation. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or 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". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Nightingale to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the speculative nature of the medical software industry, which is affected by numerous factors beyond Nightingale's control; the ability of Nightingale to successfully integrate its acquisitions and any liabilities arising as a result of such acquisitions, access to capital and agreements with its Lenders; the existence of present and possible future government regulation; access to debt or equity financing and agreements with its Lenders; the significant and increasing competition that exists in the medical software industry; the early stage of Nightingale's business; and therefore it is subject to the risks associated with early stage companies, including uncertainty of revenues, markets*

*and profitability and the need to raise additional funding. All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends. Although management believes the assumptions used to make such statements are reasonable at this time, our assumptions may not to be as anticipated, estimated or intended. Certain material factors or assumptions applied by management in making forward-looking statements, include without limitation, factors and assumptions regarding Nightingale's continued ability to fund its business, rates of customer defaults, relationships with, and payments to, lenders, demand for Nightingale's products, as well as Nightingale's operating cost structure.*

*Although Nightingale has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Nightingale does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws. Further information on Nightingale Informatix Corporation is available at [www.sedar.com](http://www.sedar.com).*

**Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.**

**CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS  
FOR THE YEAR ENDED MARCH 31, 2011**

	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>Revenue</b>	\$ 17,374,095	\$16,580,622
<b>Cost of sales</b>	<u>3,212,174</u>	<u>4,342,634</u>
<b>Gross profit</b>	<u>14,161,921</u>	<u>12,237,988</u>
<b>Expenses</b>		
General and administration	3,211,825	2,934,844
Sales and marketing	2,359,392	1,499,425
Research and development	3,163,757	2,665,338
Client services	3,576,062	3,934,915
Stock based compensation	298,196	279,426
Amortization	<u>1,891,966</u>	<u>2,378,987</u>
	<u>14,501,198</u>	<u>13,692,935</u>
<b>Operating loss</b>	<u>(339,277)</u>	<u>(1,454,947)</u>
Interest	696,182	2,011,147
Foreign currency gain	<u>(50,060)</u>	<u>(62,653)</u>
Loss before tax	(985,399)	(3,403,441)
Current tax expense	<u>(23,408)</u>	<u>40,215</u>
<b>Loss and comprehensive loss</b>	<u>\$ (961,991)</u>	<u>\$ (3,443,656)</u>
<b>Basic and diluted loss per common share</b>		
Loss and comprehensive loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>
Weighted average number of common shares	<u>75,979,348</u>	<u>70,232,292</u>

**CONSOLIDATED BALANCE SHEET  
AS AT MARCH 31, 2011**

	March 31, 2011	March 31, 2010
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,165,406	\$ 1,798,247
Accounts receivable	3,006,073	2,626,757
Other receivables	66,868	134,459
Inventory	19,882	30,708
Prepaid expenses	418,072	454,070
	<u>7,676,301</u>	<u>5,044,241</u>
<b>Long-term assets</b>		
Deferred costs	198,401	83,385
Property and equipment	573,928	821,243
Intangible assets	3,220,105	4,010,143
Goodwill	4,692,399	4,692,399
	<u>8,684,833</u>	<u>9,607,170</u>
<b>Total assets</b>	<u>\$ 16,361,134</u>	<u>\$ 14,651,411</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Line of credit	\$ 950,000	\$ -
Accounts payable and accrued liabilities	2,323,880	2,549,237
Current portion of deferred revenue	4,778,811	3,488,382
Current portion of capital lease obligations	145,437	296,649
Current portion of term loan	800,000	-
	<u>8,998,128</u>	<u>6,334,268</u>
<b>Long term liabilities</b>		
Term loan	767,857	-
Convertible debentures	1,820,050	-
Subordinated debt	-	5,250,000
Deferred revenue	2,731,075	1,750,644
Capital lease obligations	128,130	211,578
Income taxes payable	667,708	705,940
	<u>6,114,820</u>	<u>7,918,162</u>
<b>Total liabilities</b>	<u>15,112,948</u>	<u>14,252,430</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	29,629,683	28,348,960
Contributed surplus	4,761,620	4,501,027
Equity portion of convertible debentures	269,880	-
Warrants	701,452	701,452
Deficit	(34,114,449)	(33,152,458)
	<u>1,248,186</u>	<u>398,981</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 16,361,134</u>	<u>\$ 14,651,411</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2011**

	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>Cash flow from operating activities</b>		
Loss from operations	\$ (961,991)	\$ (3,443,656)
Adjustments for:		
Depreciation and amortization	1,891,966	2,378,987
Amortization of transaction costs related to debt financing	40,516	177,745
Stock based compensation	298,196	279,426
Unrealized foreign exchange (gain) loss	92,438	(37,822)
Interest accretion	61,657	1,108,927
	<u>1,422,782</u>	<u>463,609</u>
<i>Changes in non-cash working capital balances</i>		
Accounts receivable	(374,344)	(610,371)
Prepaid expenses	35,998	(5,795)
Inventory	10,826	31,474
Deferred costs	(115,016)	45,719
Other receivables	72,982	(113,806)
Accounts payable and accrued liabilities	(230,832)	(660,330)
Income taxes payable	(38,232)	(242,761)
Deferred revenue	2,270,860	6,230
Cash flows provided by (used in) operating activities	<u>3,055,024</u>	<u>(1,086,031)</u>
<b>Cash flow from investing activities</b>		
Purchase of property and equipment	(168,772)	(111,001)
Acquisition of intangible assets	(584,656)	(81,000)
Cash flows used in investing activities	<u>(753,428)</u>	<u>(192,001)</u>
<b>Cash flow from financing activities</b>		
Proceeds from line of credit borrowing	950,000	-
Proceeds from issuance of common shares, net of costs	1,243,120	-
Proceeds from term loan, net of costs	1,871,575	-
Proceeds fro convertible debt financing, net of costs	2,017,372	-
Repayment of subordinated debt financing	(5,250,000)	-
Repayment of term loan	(333,333)	-
Repayment of capital lease obligations	(339,448)	(239,037)
Cash flows provided by (used in) financing activities	<u>159,286</u>	<u>(239,037)</u>
Foreign exchange losses on cash in foreign currency	(93,723)	(198,740)
Net increase (decrease) in cash	2,367,159	(1,715,809)
Cash and cash equivalents, beginning of period	<u>1,798,247</u>	<u>3,514,056</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 4,165,406</u>	<u>\$ 1,798,247</u>

## OVERALL PERFORMANCE, RESULTS OF OPERATIONS AND FINANCIAL CONDITION

### QUARTERLY DATA

	Fiscal Year Ended	Q1 Ended	Q2 Ended	Q3 Ended	Q4 Ended	Fiscal Year Ended	Q1 Ended	Q2 Ended	Q3 Ended	Q4 Ended	Fiscal Year Ended
In \$ 000's (Except per Share Amounts)	March 31, 2009	June 30, 2009	Sept 30, 2009	Dec 31, 2009	March 31, 2010	March 31, 2010	June 30, 2010	Sept 30, 2010	Dec 31, 2010	March 31, 2011	March 31, 2011
Recurring Revenue	\$14,531	\$3,564	\$3,341	\$3,342	\$2,849	\$13,096	\$2,843	\$2,723	\$2,661	\$2,452	\$10,679
Non-Recurring Revenue	3,934	566	585	1,010	1,324	3,485	1,559	1,491	1,744	1,901	6,695
Revenue	18,465	4,130	3,926	4,352	4,173	16,581	4,402	4,214	4,405	4,353	17,374
Gross Profit	13,410	2,937	2,818	3,314	3,169	12,238	3,533	3,327	3,565	3,737	14,162
Expenses	16,820	3,508	3,327	3,384	3,474	13,693	3,360	3,578	3,693	3,870	14,501
EBITDA (Loss) (non-GAAP measure)	(719)	24	180	593	406	1,203	616	386	404	445	1,851
Operating Loss for the Period	(3,410)	(570)	(509)	(70)	(306)	(1,455)	172	(251)	(127)	(133)	(339)
Loss and Comprehensive Loss	(4,632)	(843)	(727)	(350)	(1,524)	(3,444)	(9)	(468)	(267)	(218)	(962)
Loss and Comprehensive Loss per Common Share	\$(0.07)	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.02)	\$(0.05)	\$(0.00)	\$(0.01)	\$(0.00)	\$(0.00)	\$(0.01)
Weighted Avg. # of Common Shares	67,845	69,322	70,535	70,535	70,535	70,232	72,809	76,311	76,311	76,311	75,979
Total Assets	\$17,906	\$16,413	\$15,170	\$14,714	\$14,651	\$14,651	\$16,867	\$15,718	\$15,177	\$16,361	\$16,361
Total Long-Term Liabilities	\$7,466	\$7,184	\$6,558	\$7,062	\$7,918	\$7,918	\$7,229	\$5,185	\$5,337	\$6,115	\$6,115