

# Nightingale Reports Fiscal 2009 Third Quarter Results

February 27, 2009

Markham, ON, February 27, 2009 - Nightingale Informatix Corporation ("Nightingale" or the "Company") (TSX-V: NGH), an application service provider (ASP) of electronic medical record (EMR) software and related services with more than 5.3 million patient records under management, announces its financial results for the three and nine-month period ended December 31, 2008.

As a result of Nightingale's sale of Therapist Helper in Q4 fiscal 2008, all financial results for fiscal 2008 are reported on a continuing operations basis and are in Canadian dollars unless otherwise stated.

## **Q3 Fiscal 2009 Highlights**

- Revenue increased 7.3% from the previous quarter to \$4.6 million and increased 15.6% over revenue of \$3.9 million achieved in the same quarter last year. On a year-over-year basis revenue was 6.5% lower than revenue of \$14.7 million for the nine months ended December 31, 2007.
- Recurring revenue increased 17.9% from the previous quarter to \$4 million and increased approximately 25.3% over the same quarter last year. Year to date, recurring revenues increased 9.6% to \$10.8 million.
- Gross profit for Q3 was \$3.3 million representing a margin of 71.8%, an increase from the previous quarter's gross profit of \$3.2 million, but a decrease in margin compared to 74.5% achieved in Q2. Q3 gross profit margin was higher than the 67.5% achieved in the same quarter last year. Gross profit was \$10.1 million and a margin of 73.5% for the nine months ended December 31, 2008, slightly lower than gross profit of \$10.7 million, but representing a higher margin than 72.9% from the same period last year.
- Loss and comprehensive loss was approximately \$876,000, or 19.2% of revenue compared to a loss of \$1.5 million or 35.1% for the previous quarter. Year-to-date loss and comprehensive loss was \$3.6 million or 26.4% compared to \$6.9 million or 47.3% of revenue for the same period last year.
- During the quarter Nightingale closed an agreement to provide its OntarioMD Certified web-based Nightingale EMR solution to the three core urban Family Health Organizations (FHOs) in London, Ontario. These clinics are associated with London Health Sciences Centre and St. Joseph's Health Care in London, Ontario along with several of their community family practice partners. Nightingale's EMR will be accessed by over 125 users in these FHOs to provide care to tens of thousands of patients in the London area.
- Subsequent to quarter end, the Company was selected by the Saskatchewan Medical Association (SMA) as one of four preferred EMR vendors for the SMA EMR Program. The EMR Program will be made available to approximately 1,400 fee-for-service and contracted physicians within the province of Saskatchewan. Upon completion of further conformance testing and signing of an agreement between the SMA and Nightingale, physicians will have the option to choose Nightingale as one of four funding eligible EMR solutions under this program.

"Notwithstanding the overall positive impact from the strengthening of the US dollar relative to the Canadian dollar, our quarterly results demonstrate continued strength and growth in our Recurring Revenue base as well as continued reductions in our costs moving us closer to our goal of achieving profitability," said Sam Chebib, President and CEO of Nightingale. "Over the last four quarters we have worked diligently to improve operating efficiencies. While we are not satisfied that our efforts are complete, we are proud to report the progress that we have made to date."

Mr. Chebib continued: "Nightingale has been successful in gaining further product acceptance by physicians, academic teams and provincial ministries of health. We believe that our focus on our current customers, demonstrated by our recurring revenues, is an important driver of this recognition and ultimately our growth. I am confident that our ability to win the approval of stakeholders at all levels within

the healthcare system coupled with our sensible approach to management should serve us well in subsequent quarters.”

### **Q3 Fiscal 2009 Financial Review**

Revenue for Q3 fiscal 2009 was \$4.6 million, compared to revenue from continuing operations of \$3.9 million for Q3 fiscal 2008. The year-over-year increase is largely due to the positive impact of the US dollar exchange rate on the growing base of Recurring Revenues, offset partially by a decrease in Non-Recurring Revenue.

For the three months ended December 31, 2008, the Company generated 83% of its revenue from the US market. With the recent increase in the value of the US dollar relative to the Canadian dollar, the Company estimates that revenue was positively impacted by approximately \$700,000 during the current quarter compared to the same quarter of the previous fiscal year, approximately \$550,000 during the consecutive quarterly periods and approximately \$400,000 during the year to date periods. During the quarter ended December 31, 2008, Nightingale incurred approximately 52% of its expenses (including costs of goods sold) in the U.S., providing the Company with a natural hedge position. The Company continues to expect that a significant portion of its revenue and expenses will be generated from the U.S., as a result, Nightingale will remain susceptible to currency fluctuations.

Recurring revenue, consisting of support and maintenance, utilization and transaction fees, transcription and billing services was \$4.0 million, or 88.8% of total revenue, marking the fourth consecutive quarterly increase in recurring revenues. The increase from the quarter ended September 30, 2008 to the quarter ended December 31, 2008 was largely due to the impact of the improvement in the US dollar as well as an increase in revenue cycle management revenues.

As a result of the steps Nightingale has taken to control costs, total operating expenses were reduced. Total operating expenses for the three and nine months ended December 31, 2008, were \$4 million and \$12.9 million, respectively. This compares to \$5.2 million and \$15.2 million for the three and nine months ended December 31, 2007, representing a 23.1% and 15.1% decrease over these respective periods. These decreases in expenses were partially offset by one time expenses in the quarter related to severance and in lieu pay costs associated with the headcount reductions as well as increases in expense associated with the increase in the value of the US dollar.

Net loss was \$876,000, or \$(0.01) per share, in Q3 fiscal 2009, compared to a net loss from continuing operations of \$3.4 million, or \$(0.05) per share, in Q3 fiscal 2008. The year-over-year improvement is primarily due to a reduction in operating expenses as well as repayment of debt and subsequent interest expense reductions. The Company remains focused on achieving positive cash flow.

Cash and cash equivalents were \$3.1 million at December 31, 2008.

At December 31, 2008, total common shares issued and outstanding were 67,666,557.

The financial statements and Management's Discussion and Analysis will be available at <http://www.nightingale.md> and filed on [www.sedar.com](http://www.sedar.com) on February 27, 2009. This press release should be read in conjunction with Nightingale's Consolidated Financial Statements for the quarter ended December 31, 2008 and the accompanying Management Discussion and Analysis.

### **Notice of Conference Call and Webcast**

Nightingale will host a conference call on Friday, February 27, 2009 at 8:30 a.m. Eastern Standard Time. To access the conference call by telephone, dial 416-644-3424 or 1-800-590-1817. Please connect approximately fifteen minutes prior to the beginning of the call to ensure participation. The conference call will be archived for replay until Friday, March 6, 2009. To access the archived conference call, dial 416-640-1917 or 1-877-289-8525 and enter reference 21299200#. A live audio webcast of the call will be available at [www.newswire.ca](http://www.newswire.ca) and <http://www.nightingale.md>. Please connect to the website at least 15

minutes prior to the conference call to ensure adequate time for any software download that may be necessary. The webcast will be archived for 365 days.

## **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. 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.

### **2. 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:

<b>In \$000's Definition</b>	<b>Fiscal Quarter Ended December 31, 2008</b>	<b>Fiscal Quarter Ended December 31, 2007</b>	<b>Nine Months Ended December 31, 2008</b>	<b>Nine Months Ended December 31, 2007</b>
Loss and Comprehensive Loss	\$ (876)	\$ (3,431)	\$ (3,628)	\$ (6,947)
Adjustments for:				
Other Loss	(202)	17	(174)	170
Interest	328	854	1,049	2,288
Depreciation and Amortization	690	521	1,935	1,640
Stock-based Compensation	26	241	91	512
EBITDA (Loss)				
	\$ (34)	\$ (1,798)	\$ (727)	\$ (2,337)

### **About Nightingale**

Nightingale is one of the fastest growing health care service and software companies in North America with over 5.3 million patient records under management in a hosted (ASP) environment. Nightingale 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.nightingale.md](http://www.nightingale.md)

**For further information, contact:**

Michael Ford, CFO  
Nightingale Informatix Corporation  
Tel: 905-307-7870  
[mford@nightingale.md](mailto:mford@nightingale.md)

**Forward Looking Statement**

*This press release contains “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and 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 Company’s ability to succeed in the US market, a new market for the Company; the existence of present and possible future government regulation; Nightingale’s ability to continue to service its debt obligations and to comply with the related covenants and conditions; Nightingale’s ability to successfully integrate its acquisitions and any liabilities arising as a result of such acquisitions; the significant and increasing competition that exists in the medical software industry; and the early stage of Nightingale’s business. The Company is subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability and the ability to access debt or equity financing, as necessary. 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. 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, including their knowledge of the current sales trends, spending on healthcare and general economic conditions affecting Nightingale and the Canadian and US economies. Although Nightingale believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents 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. Certain material factors or assumptions are applied by the Company in making forward-looking statements, including without limitation, factors and assumptions regarding, acceptance of its products in the marketplace, as well as its operating cost structure and current and future trends in healthcare spending. 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).*

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

**INTERIM CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS  
FOR THE THREE AND NINE MONTH PERIODS ENDED DECEMBER 31, 2008**

	3 months ending December 31, 2008	3 months ended December 31, 2007	9 months ending December 31, 2008	9 months ended December 31, 2007
<b>Revenue</b>	\$ 4,556,485	\$ 3,942,345	\$ 13,748,385	\$ 14,697,495
<b>Cost of sales</b>				
Hardware, software and services	1,234,833	1,153,171	3,456,645	\$ 3,539,111
Sales commissions	49,316	129,397	187,093	430,633
	<u>1,284,149</u>	<u>1,282,568</u>	<u>3,643,738</u>	<u>3,969,744</u>
<b>Gross profit</b>	<u>3,272,336</u>	<u>2,659,777</u>	<u>10,104,647</u>	<u>10,727,751</u>
<b>Expenses</b>				
General and administration	801,924	950,125	2,485,633	2,753,691
Sales and marketing	621,682	859,277	1,969,147	2,494,365
Research and development	780,782	1,221,594	2,765,729	3,584,011
Client services	1,102,187	1,427,293	3,612,134	4,233,159
Stock based compensation	25,544	241,111	90,549	512,078
Depreciation and amortization	689,845	520,991	1,934,718	1,639,906
	<u>4,021,964</u>	<u>5,220,391</u>	<u>12,857,910</u>	<u>15,217,210</u>
<b>Operating loss</b>	<u>(749,628)</u>	<u>(2,560,614)</u>	<u>(2,753,263)</u>	<u>(4,489,459)</u>
Interest	328,135	853,669	1,048,521	2,288,096
Other loss (income)	<u>(201,671)</u>	<u>16,646</u>	<u>(174,151)</u>	<u>169,649</u>
Loss from continuing operations	(876,092)	(3,430,929)	(3,627,633)	(6,947,204)
Earnings from discontinued operations	<u>-</u>	<u>107,320</u>	<u>-</u>	<u>408,763</u>
<b>Loss and comprehensive loss</b>	<u>\$ (876,092)</u>	<u>\$(3,323,609)</u>	<u>\$(3,627,633)</u>	<u>\$(6,538,441)</u>
<b>Basic and diluted (loss per common share)</b>				
Loss from continuing operations	\$ (0.01)	\$ (0.05)	\$ (0.05)	\$ (0.11)
Earnings from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.01</u>
Loss and comprehensive per common share	<u>\$ (0.01)</u>	<u>\$(0.05)</u>	<u>\$ (0.05)</u>	<u>\$ (0.10)</u>
Weighted average number of common shares	67,772,826	66,914,490	67,827,225	65,733,398

**INTERIM CONSOLIDATED BALANCE SHEET  
AS AT DECEMBER 31, 2008**

	<b>As at December 31, 2008</b>	<b>As at March 31, 2008</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,062,852	\$ 5,033,746
Accounts receivable	3,531,857	3,151,582
Other receivables	510,113	1,034,721
Inventory	67,158	168,948
Prepaid expenses	687,556	649,207
	<u>7,859,536</u>	<u>10,038,204</u>
<b>Long-term assets</b>		
Deferred costs	194,509	201,940
Property and equipment	1,367,499	1,722,276
Intangible assets	5,963,951	7,336,804
Goodwill	4,692,399	4,692,399
	<u>12,218,358</u>	<u>13,953,419</u>
<b>Total assets</b>	<u>\$ 20,077,894</u>	<u>\$ 23,991,623</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowing under line of credit	\$ 1,200,000	\$ -
Accounts payable and accrued liabilities	3,512,479	4,048,260
Income taxes payable	1,591,980	1,336,270
Current portion of deferred revenue	3,696,484	4,199,690
Current portion of capital lease obligations	199,441	278,658
	<u>10,200,384</u>	<u>9,862,878</u>
<b>Long term liabilities</b>		
Subordinated debt	4,754,281	5,295,648
Deferred revenue	1,144,212	1,214,110
Capital lease obligations	335,797	438,682
	<u>6,234,290</u>	<u>6,948,440</u>
<b>Total liabilities</b>	<u>16,434,674</u>	<u>16,811,318</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock,	27,596,692	27,521,485
Contributed surplus	3,282,175	1,459,085
Warrants	1,469,262	3,277,011
Deficit	(28,704,909)	(25,077,276)
	<u>3,643,220</u>	<u>7,180,305</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 20,077,894</u>	<u>\$ 23,991,623</u>

Approved on behalf of the Board of Directors:

\_\_\_\_\_  
"Samer Chebib" Director

\_\_\_\_\_  
"David Atkins" Director

**INTERIM CONSOLIDATED STATEMENT OF DEFICIT  
FOR THE THREE AND NINE MONTH PERIODS ENDED DECEMBER 31, 2008**

	<b>3 months ending December 31, 2008</b>	<b>3 months ended December 31 2007</b>	<b>9 months ending December 31, 2008</b>	<b>9 months ended December 31, 2007</b>
Deficit, beginning of the period	\$ (27,828,817)	\$ (15,480,681)	\$ (25,077,276)	\$ (12,265,849)
Loss and comprehensive loss	<u>(876,092)</u>	<u>(3,323,609)</u>	<u>(3,627,633)</u>	<u>(6,538,441)</u>
Deficit, end of the period	<u>\$ (28,704,909)</u>	<u>\$ (18,804,290)</u>	<u>\$ (28,704,909)</u>	<u>\$ (18,804,290)</u>

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE AND NINE MONTH PERIODS ENDED DECEMBER 31, 2008**

	3 months ending December 31, 2008	3 months ended December 31, 2007	9 months ending December 31, 2008	9 months ended December 31, 2007
<b>Cash Flow from Operating Activities</b>				
Loss from continuing operations	(876,092)	(3,430,929)	(3,627,633)	(6,947,204)
<i>Adjustments for:</i>				
Depreciation and amortization	689,931	515,011	1,951,351	1,633,926
Amortization of transaction costs related to debt financing	33,525	134,099	100,574	419,709
Gain on Sale of Asset	-	(22,130)	-	(22,130)
Unrealized foreign exchange loss (gain)	255,125	(14,009)	329,489	(82,450)
Stock based compensation	25,544	241,100	90,549	512,067
Interest accretion	101,821	222,899	358,059	616,612
	<u>229,854</u>	<u>(2,353,959)</u>	<u>(797,611)</u>	<u>(3,869,470)</u>
<i>Changes in non-cash working capital balances</i>				
Accounts receivable	(554,722)	1,549,183	(100,008)	551,228
Prepaid expenses	(82,576)	57,282	(38,349)	(250,924)
Inventory	10,974	33,174	100,772	(45,893)
Deferred costs	(14,263)	21,707	7,431	425,218
Other receivables	25,414	-	595,256	79,689
Accounts payable and accrued liabilities	(234,765)	(624,719)	(937,084)	(1,230,711)
Deferred revenue	293,730	(23,379)	(573,105)	108,570
Cash flows used in operating activities	<u>(326,354)</u>	<u>(1,340,711)</u>	<u>(1,742,698)</u>	<u>(4,232,293)</u>
<b>Cash flow from investing activities</b>				
Purchase of property and equipment	(47,042)	(74,106)	(166,742)	(529,752)
Proceeds from sale of property and equipment	-	258,065	-	258,065
VantageMed acquisition	-	-	-	(13,533,087)
Cash flows used in investing activities	<u>(47,042)</u>	<u>183,959</u>	<u>(166,742)</u>	<u>(13,804,774)</u>
<b>Cash flow from financing activities</b>				
Increase in capital stock	-	-	-	8,741,932
Proceeds from subordinated debt financing	-	-	-	11,089,812
Repayment of subordinated debt financing	(500,000)	-	(1,000,000)	-
Repayment of capital lease obligations	(84,991)	(64,500)	(261,454)	(215,532)
Borrowing (repayment) under line of credit	450,000	1,000,000	1,200,000	(541,733)
Cash flows from (used in) financing activities	<u>(134,991)</u>	<u>935,500</u>	<u>(61,454)</u>	<u>19,074,479</u>
Foreign exchange gains(losses) on cash held in foreign currency	456,796	(30,655)	503,640	(252,099)
Net increase (decrease) in cash from continuing operations	(965,183)	(190,597)	(2,474,534)	1,289,511
Net increase in cash from discontinued operations	-	312,991	-	964,450
Net Increase (decrease) in cash during the period	(508,387)	91,739	(1,970,894)	2,001,862
Cash and cash equivalents, beginning of period	<u>3,571,239</u>	<u>3,657,783</u>	<u>5,033,746</u>	<u>1,747,660</u>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 3,062,852</u></b>	<b><u>\$ 3,749,522</u></b>	<b><u>\$3,062,852</u></b>	<b><u>\$3,749,522</u></b>
Non-cash investing and financing activities:				
Acquisition of property and equipment under capital lease	\$ -	\$ 258,065	\$ 56,265	\$ 258,065
Supplemental cash flow information:				
Interest paid	\$ 231,110	\$655,998	\$735,696	\$1,775,908