MTBC

Fourth Quarter 2017 Earnings

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CORPORATE PARTICIPANTS

Shruti Patel - *General Counsel*

Stephen Snyder – *Chief Executive Officer*

A. Hadi Chaudhry – *President*

Bill Korn – *Chief Financial Officer*

Mahmud Haq – *Founder and Executive Chairman*

PRESENTATION

Operator
Good day, and welcome to the MTBC Fourth Quarter 2017 Earnings conference call and webcast. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, press star and then one on your touchtone phone. To withdraw your question, please press star then two. Please note today's event is being recorded.

I would now like to turn the conference call over to Shruti Patel, General Counsel. Please go ahead.

Shruti Patel
Good morning, thank you. Good morning, everyone. Welcome to the MTBC 2017 Fourth Quarter conference call. On today's call are Mahmud Haq, our Founder and Executive Chairman; Stephen Snyder, our Chief Executive Officer and a Director; A. Hadi Chaudhry, our President; and Bill Korn, our Chief Financial Officer.

Before we begin, I would like to remind you that certain statements made during this conference call are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact, made during this conference call are forward-looking statements, including, without limitation, statements regarding our expectations and guidance for future financial and operational performance, expected growth and business outlook.

Forward-looking statements may sometimes be identified with words such as "will," "may," "expect," "plan," "anticipate," "upcoming," "believe," "estimate," or similar terminology, and the negative of these terms. Forward-looking statements are not promises or guarantees of future performance and are subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those contemplated in these forward-looking statements.

These statements reflect our opinions only as of the date of this presentation, and we undertake no obligation to revise these forward-looking statements in light of new information or future events. Please refer to our press release and our reports filed with the Securities and Exchange Commission, where you will find a more comprehensive discussion of our performance and factors that could cause actual results to differ materially from these forward-looking statements.

Finally, on today's call we may refer to certain non-GAAP financial measures. Please refer to today's press release announcing our fourth quarter and full year 2017 results and for a reconciliation of these non-GAAP performance measures to our GAAP financial results.

With that said, I'll now turn the call over to the Chief Executive Officer of MTBC, Stephen Snyder. Steve?

Stephen Snyder
Thank you, Shruti. Thank you, everyone, for joining us on our Fourth Quarter 2017 Earnings call. 2017 was a landmark year for MTBC on all fronts. I'm very pleased to report a strong finish to the year, with revenue of $31.8 million, representing growth of 30% over full year 2016. We are also reporting record adjusted EBITDA for the fourth quarter of $1.5 million, with total adjusted EBITDA for full year 2017 of $2.3 million. We achieved the high end of our guidance range for both revenue and adjusted EBITDA. In addition to significant revenue growth and profit improvement, we are generating positive cash from operations and ended the year with our strongest balance sheet ever.

During 2017, we fully repaid our $10 million credit facility with Opus Bank, two years ahead of schedule, while also paying the entire $5 million balance of the consideration for our MediGain transaction. We ended 2017 with $4.4 million of cash and a completely untapped $5 million credit facility with Silicon Valley Bank, positioning us for another strong year of growth during this year.

Our growth and improved profitability were driven by the success of our organic growth strategy, together with the integration of operations from our last major acquisition, which allowed us to dramatically reduce costs and begin generating positive cash flow. While our financial metrics are continuing to demonstrate proof of concept, our deepest enthusiasm actually centers around the significant business opportunities that we see for the year ahead and our belief that we are properly positioned to succeed as we pursue these opportunities.

First, the newest additions to our software-as-a-service offering are continuing to gain traction. As you may recall, we launched two major new products during 2017: Enrollment*Plus* and talkEHR. I'll first talk about Enrollment*Plus*.

Enrollment*Plus* is a software-as-a-service electronic data interchange product that streamlines the process of enrolling employees through benefit administrators into group insurance plans. With Enrollment*Plus* we are working to disrupt the conventional electronic data interchange process status quo in the employer group insurance enrollment space. We are doing so by borrowing from the claim adjudication model, which is known as healthcare clearinghouse, that took root in the healthcare industry decades ago.

We have believed in this model since we started our development work in earnest during 2017, but at that time it was untested in this space. During our last earnings call, we were pleased to report that one of the nation's top insurers embraced our concept and agreed to move forward and try Enrollment*Plus*. Today we're pleased to report that our testing has demonstrated the strength of Enrollment*Plus*, and our first customer has now completed testing and is live in production. We've also signed a second customer, albeit smaller than our first, and we are in active conversations today with other large insurance carriers who are giving Enrollment*Plus* serious consideration.

The second key software-as-a-service solution that we launched during last year was talkEHR. Our vision with talkEHR is to harness the latest in voice recognition technology and artificial intelligence to deliver an easy to use, yet robust, solution for small to medium sized practices. During 2017, we completed the first phase of our talkEHR development and launch to a group of early users. Our talkEHR team has been working closely with these users to incorporate their feedback as we prepare for a product update and full launch during the next few months.

Our go-to-market strategy involves offering talkEHR, together with full data migration and support, completely free of cost, based upon our belief that a segment of the talkEHR user base will decide to use our fee-based revenue cycle management solution. Today there is only one other viable, stage 3 certified product in the free EHR segment of the market, which purportedly represents tens of thousands of users, and this competitor has just announced its intention to abandon its free model and begin charging providers starting in June of this year. As we release our updated free EHR, we believe that the narrowed playing field is likely to cause providers searching for a free or low-cost EHR solution to take a very serious look at talkEHR.

Second, in addition to our newest products, we see significant opportunities for growth by continuing to mature existing partnerships and develop new relationships with industry vendors. During last year we closed approximately $3 of new business, on an annualized basis, for every $1 invested in sales and marketing. This strong return on our investment was largely the result of our strategy to build lead-generating partnerships. We believe that these types of partnerships are the most direct and cost efficient way to identify and close larger practices, such as the 1,000 provider group that we signed during late 2017.

Two months ago we launched our most comprehensive new partnership outreach to date, focused largely on EHR vendors that lack the integrated revenue cycle management service that we believe is required to remain a viable EHR vendor in the new healthcare paradigm, which increasingly ties insurance reimbursement levels to the reporting of clinical outcomes. By partnering with MTBC, a standalone EHR vendor is able to round out its offering, and our integrated practice management system and technology-driven revenue cycle management allow the vendor to generate referral revenue from MTBC while further differentiating the standalone EHR, now part of our integrated solution, from other standalone EHRs.

While we are early in our discussions with various potential EHR partners, we are encouraged by the response we've received so far, and optimistic that our broader focus on building industry partnerships will help us grow the medium to large group segment of our client base during 2018.

In addition to organic growth, we are continuing to work on identifying the best acquisition targets. We do business in a highly fragmented market, and believe that our team has closed and integrated more acquisitions in the revenue cycle management segment of our market than any other company. The MediGain acquisition provides a vivid picture of the power of our model in the context of these acquisitions, and we are actively looking for the next acquisition target. We will continue to ensure that we methodically select the best targets and negotiate the optimal terms.

I'll now turn the floor over to our President, A. Hadi Chaudhry. Hadi?

A. Hadi Chaudhry
Thank you, Steve, and thank you, everyone, for joining us on our Fourth Quarter 2017 call. As Steve mentioned, we're excited about the progress we're making on talkEHR. Our experience tells us that small physician practices need an easy to use, cost efficient, clinical solution that is fully integrated with the revenue cycle and practice management solution; talkEHR will address this need in the market. And while building and refining a leading EHR of course takes a great deal work and time, we believe that we're right on track to deliver a top tier product in time for a late second quarter full launch of talkEHR.

From a broader product development perspective, our team of more than 200 developers and technologists will continue to lead the way during 2018. In addition to talkEHR advancements, our team is leveraging blockchain technology to develop the next generation of solutions to support health information exchange between our provider clients and their colleagues and patients. We believe that our blockchain solution will allow physicians to share protected health information in a highly efficient and secure manner. We also intend to further build out our national network of direct connections with payers and interfaces with other leading software solutions, while launching enhanced versions of our mobile apps and cloud-based practice management system.

On an operational front, I'm pleased to report that we have recently achieved various important operational milestones. First, we have completed the integration phase of our MediGain business unit, having rationalized costs and retained revenues in accordance with our plan. Second, we are now handling the entire contracted universe of claims for our new 1,000 provider group and have already been able to help them increase collections. We have also integrated key components of our platform into their workflow and are ahead of schedule in developing customized solutions to support their unique workflow. We believe that our proof of concept with this client will support the signing of additional large groups.

I will now turn the floor over to our Chief Financial Officer, Bill Korn. Bill?

Bill Korn
Thank you, Hadi. Let's start with our full year results. You'll be pleased to hear that we achieved everything we set out to do at the start of the year. As Stephen mentioned, in 2017 we generated our highest revenues ever. Revenues for the full year were $31.8 million, an increase of 30% compared to $24.5 million last year. The increase was primarily due to the MediGain transaction. Revenue exceeded the midpoint of our upward adjusted guidance, which was a range of $31 million to $32 million. Our guidance at the start of the year was a range of $30 to $31 million.

For the year, our GAAP net loss was $5.6 million, which was largely a result of non-cash amortization and depreciation expense of $4.3 million. This was an improvement of $3.2 million compared to the prior year. We saw a steady improvement in our GAAP net loss during each of the last four quarters, as we reduced expenses which arose from our acquisition of the assets of MediGain in October 2016. The significant cost savings we have achieved included reducing reliance on subcontractors, reducing fees paid to third party software vendors, reducing U.S. facilities and personnel costs, closing offices in Poland and Bangalore, India, and improving operating efficiencies. The GAAP net loss for 2017 was $0.69 per share, calculated using the net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the year.

Adjusted EBITDA for the full year of 2017 was $2.3 million, or 7.2% of revenue, an improvement of $2.9 million compared to adjusted EBITDA of ($605,000) in 2016. Adjusted EBITDA exceeded the midpoint of our guidance, which was a range of $2.0 to $2.5 million, and represents the highest adjusted EBITDA MTBC has achieved in its 15-year history. Our business now has a scale higher than we did during any prior year, so we are able to spread our fixed expenses over a larger revenue base and generate larger adjusted EBITDA than we have ever done before.

The difference of $7.9 million between adjusted EBITDA and the GAAP net loss in 2017 reflects $4.3 million of non-cash amortization and depreciation expense, $1.3 million of net interest expense, $1.5 million of stock-based compensation, $791,000 of integration, transaction and restructuring costs related to recent acquisitions, and a $68,000 provision for income taxes.

Our non-GAAP adjusted net income for 2017 was $36,000, which represents $0.00 per share, an improvement of $2.0 million compared to last year. Non-GAAP adjusted net income per share is calculated using the end-of-period common shares outstanding. Non-GAAP adjusted net income excludes $3.4 million of non-cash amortization of purchased intangible assets, $1.5 million of cash-based compensation, $791,000 of integration, transaction and restructuring costs and $249,000 of foreign exchange gains.

The 2017 GAAP operating loss was $4.5 million, which represents an improvement of $3.4 million or 43% from the operating loss in 2016. GAAP operating loss excludes the provision for income taxes, net interest expense and other income and expenses, which are included in the GAAP net loss.

Non-GAAP adjusted operating income was $1.3 million, or 4.1% of revenue, which represents an improvement of $2.6 million from 2016. This is our third consecutive quarter of positive non-GAAP adjusted operating income, which excludes non-cash expenses such as $3.4 million of purchased intangible assets, $1.5 million of stock-based compensation and $791,000 of integration, transaction and restructuring costs.

While 2017 was the year we achieved our best annual results ever, our fourth quarter 2017 illustrates the transition that occurred throughout the year, as we integrated the business from MediGain and achieved economies of scale. Revenues for fourth quarter 2017 were $8.3 million, compared to $8.8 million in the same period last year. Fourth quarter 2016 revenue included residual revenue from certain MediGain clients who we knew had decided not to continue prior to the closing of our transaction in October 2016. As these clients completed their transition, we recognized some one-time revenues in 2016.

We were able to turn around MediGain's largest client, who prior to our acquisition had given indication that they were prepared to terminate services. Hadi spent considerable time in Kentucky helping them improve processes to increase their insurance reimbursements. They are very pleased with our performance and were our largest revenue-generating client in 2017.

The fourth quarter 2017 GAAP net loss was $184,000, or 2.2% of revenue, an improvement of $3.8 million compared to a net loss of $4.0 million in fourth quarter of 2016. This dramatic reduction in our GAAP net loss was due to a $2.0 million or 33% reduction in direct operating costs, a $781,000 or 18% reduction in general & administrative expense, and a $908,000 reduction in depreciation & amortization expenses compared with fourth quarter 2016.

The GAAP net loss for fourth quarter 2017 was $0.08 per share, calculated using the net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the quarter.

Adjusted EBITDA for fourth quarter 2017 was $1.5 million, or 18% of revenue, compared to adjusted EBITDA of ($814,000), or (9.2%) of revenue, in the same period last year. The fourth quarter 2017 adjusted EBITDA represents an improvement of $2.3 million from the same period last year, reflecting the significant cost savings we have achieved.

The difference of $1.7 million between adjusted EBITDA and the GAAP net loss in the fourth quarter of 2017 reflects $663,000 of non-cash amortization and depreciation expense, $78,000 of net interest expense, $1.2 million of stock-based compensation, $155,000 of integration and transaction costs, and $124,000 of benefit for income taxes.

Non-GAAP adjusted net income for fourth quarter 2017 was $1.3 million, or $0.13 per share, compared to the adjusted net income of ($1.3 million) in the same period last year. Non-GAAP adjusted net income per share is calculated using the end-of-period common shares outstanding. This is the Company's best quarter of adjusted net income in our history.

The fourth quarter 2017 GAAP operating loss was $454,000, which represents an improvement of $3.3 million from fourth quarter of 2016.

Non-GAAP adjusted operating income for fourth quarter 2017 was $1.4 million, or 16% of revenue. The fourth quarter 2017 adjusted operating income represents an improvement of $1.0 million from the adjusted operating income in the third quarter 2017 and an improvement of $2.4 million from fourth quarter 2016. This is our third consecutive quarter of positive non-GAAP adjusted operating income, and reflects the fact that our business is now at a scale where our revenues are consistently exceeding our cash operating expenses quarter after quarter.

In fourth quarter 2017, cash flow from operations was $1.6 million, which was similar to adjusted EBITDA, and for the full year, cash flow from operations was $282,000.

MTBC started 2017 with $3.5 million of cash, owing $9.3 million to Opus Bank and $5 million to Prudential, for MediGain. As of December 31, 2017, the Company had $4.4 million in cash, virtually no debt, and positive working capital of approximately $4.6 million, a $12.0 million improvement from the working capital deficiency at the end of the year 2016.

The Company raised net proceeds of $16.5 million from the sale of approximately 765,000 additional shares of its non-convertible Series A Preferred Stock via six small public offerings from June through December of 2017, as well as net proceeds of $2 million from a registered direct sale of 1 million shares of common stock in May 2017. The preferred shares trade on the NASDAQ Capital Market under the ticker MTBCP, and pay monthly cash dividends at the rate of 11% per year. This allowed us to repay our debts with minimal dilution to our shareholders.

The cash cost of our dividends on our preferred stock is far less than what most businesses pay for term debt, which is typically repaid over three or four years. Typically 25% or 33% of the value of debt is spent annually to repay principal on top of the interest rate. Our Series A Preferred Stock is perpetual, and has no mandatory redemption and is not convertible, and although the Company can choose to redeem shares at $25 per share starting in November 2020, we have no obligation to do so. So, our 11% cost is lower than the typical cash outlay, which could be 30% per year or more.

The Company used a portion of the net proceeds of these preferred stock offerings to repay in full its term loans and line of credit with Opus, which totaled approximately $9.3 million as of December 31, 2016. In addition, we paid Prudential approximately $5.3 million, which covered the remainder of the purchase price related to the MediGain transaction, plus interest.

During early October the Company entered into a new revolving credit facility with Silicon Valley Bank and repaid and terminated its previous credit facility with Opus. The SVB credit facility is a $5 million secured revolving line of credit where borrowings are based on a formula of 200% of repeatable revenue adjusted by the annualized attrition rate as defined in the agreement. While there was nothing drawn on the SVB credit facility at year-end 2017, and nothing as of today, the SVB line can be used for future growth initiatives, including acquisitions with SVB's approval.

Based on MTBC's financial position at the end of fourth quarter 2017, with net losses significantly lower than last year, adjusted net income and adjusted EBITDA that are positive, and cash flow from operations that is positive, we were able to remove the "going concern" disclosure included in last year's 10-K. We now have a rock solid financial foundation, which leaves the Company well-positioned for growth. We have more capital available now than at any time in the Company's history, and see exciting opportunities to profit from the continued consolidation of the industry.

In 2018, we have three paths for continued growth, including organic growth, partnership opportunities, and the potential for an accretive acquisition which might be material. We are pursuing all three of these in parallel. Unlike past years, today we can point to our recent results rather than simply giving expectations for the future. We anticipate spending more on sales and marketing in 2018 than the 3.5% of revenue we spent in 2017, but we are confident that we will be able to report significant growth in our adjusted EBITDA in 2018. Other metrics may change, and the exact revenue and the quarterly numbers will depend on the actual opportunities we close and the timing. As a result, the Company has decided not to provide detailed forward-looking guidance at this time.

I'll now turn the floor over to Mahmud Haq, our Executive Chairman, for his concluding comments.

Mahmud Haq
Thank you, Bill. 2017 was a record year for us and leaves us well positioned to build on our success as we begin 2018 on a strong footing. We look forward to giving you future updates on our progress as we move forward. We appreciate the support of our shareholders and extend our thanks to all of our team members for their hard work and great results. Finally, we thank our healthcare provider customers for

trusting us to help manage their practices.

We will now open the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question-and-answer-session. To ask a question you may press star then one on your touchtone phone. If you're using a speakerphone we ask you to please pick up your handset before pressing the keys. If at any time your question has been addressed and you'd like to withdraw your question, please press star then two. At this time we'll pause momentarily to assemble our roster

And today's first question comes from Kevin Dede of HC Wainwright. Please go ahead.

Kevin Dede
Good morning, gentlemen and congratulations on the nice results. Steve, I think everybody touched on partnerships as a leg for growth, but it's not crystal clear for me how you see that progressing. So, if you wouldn't mind, could you talk a little bit about the different dimensions of the partnerships you seek to pursue and maybe give us a couple of examples of ones that you forged?

Stephen Snyder
Sure. I'd be happy to, Kevin. I think as we look at it and we step back for a minute, we believe that 2017 was truly a watershed year for us in which we transitioned to the second phase of our growth as a public company. We've now built out the team, the proprietary platform, and the processes that allow us to effectively and efficiently both achieve organic growth, and also to identify, acquire and integrate a company's competitors in our space, in this highly fragmented market.

And again as we look at 2017 we think the 30% revenue growth, turning cash flow positive and the significant EBITDA growth and margin growth demonstrates proof-of-concept. And to your point, as we continue to move forward from an organic growth perspective we believe much of the organic growth during this year and future years will continue to come through partnerships.

With regard to the existing partnerships, today we have partnerships with groups like the Healthcare Compliance Network, Maybrie Healthcare, and some smaller EHRs, and when we look at and reflect on the 2017 organic growth, the majority of our organic growth came from those partnerships. They are other players in our industry who are focused on the same target market, but the opportunity for MTBC to really add value to those relationships that they have is by helping to increase collections of those practices and also to provide a technology platform that rounds out those relationships.

So, we continue to actively move forward with those partnerships from a cross referral perspective and are even developing some integrated solutions with those partners. And we're also working on developing additional partnerships. Four of our team members are spending this week, just as an example, out at the top industry conference of the year, HIMSS, and we're spending all day, each day meeting with potential channel partners and in some cases existing channel partners with an eye towards developing some of those additional partnerships.

I'll use one other example — and the more robust focus on this particular type of partnership is a bit newer for us — but we see significant partnership opportunities with other EHRs. From the perspective of the EHR industry, the meaningful use incentives that drove significant growth over last five years have subsided. Their business is unlike MTBC's — of course our model is based upon an integrated solution, revenue cycle management, electronic health records and practice management as an integrated solution and a pricing that's a bundled pricing, that's typically based upon the collections of a practice, as a percentage of collections of practice — unlike that model, many other EHR players in the marketplace have had a more traditional model where they're simply charging a monthly fee, or charging an upfront license fee and then ongoing maintenance and support for an EHR solution.

The industry is moving in such a way that a standalone EHR, in our estimation, is not a viable solution to go to market with today. Whether it's Medicare or Medicaid or the commercial payers, they're increasingly requiring providers, in the context of the claim submission and revenue cycle management process, to be providing integrated clinical details to support the quality of outcomes in order to achieve the optimal reimbursements. So, because the integrated solution is more or less required from a revenue cycle management perspective, one, and, secondly, because EHRs are looking for other ways to now monetize their base, we think that there is a significant opportunity to partner with other EHRs to help round out their offering to help them find a new revenue stream by giving them a percentage of our revenue. And this should also make them a more viable player as they are competing for new business in this space.

Kevin Dede
Well, yes, thank you for touching on that topic of EHR and RCM integration. I appreciate that. But maybe there's a flip side opportunity too, as these EHRs find that their business model might be compressed or not viable, is there a chance that they go into the M&A pipeline? Could you talk to that a little bit?

Stephen Snyder
The answer to that is absolutely, yes. And from the perspective of the EHRs that again no longer have, in our estimation at least in the long-term, a viable business model since they are simply providing an EHR solution, we do believe that some of those EHRs could very well be good acquisition targets as we move forward.

Our primary focus right now continues to be on revenue cycle management solutions, but we are also actively looking at the possibility of some acquisitions in the EHR space, where the strategy there is really to acquire that customer relationship, because we have already built out our technology. And then when we have acquired the EHR, depending upon the quality and the strength of that EHR we'd either leverage our 200 plus IT and R&D team members to take that acquired product and to help it reach new heights, or depending upon the strength of that product, perhaps migrate those customers to our EHR.

Again that's down the road, we're not announcing any of those acquisitions today, but for sure as we think about acquisition opportunities that certainly is one of the areas that we're focused in on.

Kevin Dede
Okay. So, congrats too on the Enrollment*Plus* progress. You spoke to your first main customer as being fully ramped up. I'm wondering if you can speak to the revenue trajectory there, and then maybe a little bit more insight on where your second customer is. I think on the third quarter conference call, you spoke to perhaps a longer sales cycle for that solution, and it seems, the color that you have offered thus far seems to offer the impression that things are moving perhaps a little bit quicker than you had expected.

Stephen Snyder
Thanks, Kevin. In terms of Enrollment*Plus*, as we think about the revenue for this year, we still believe that Enrollment*Plus* as a percentage of our overall revenue will still be less than 10%. So in terms of the overall revenue mix, even for this year we still think it will represent a minority of the overall revenue.

We think it's, however, an example of the opportunity that's there, an innovative approach that we're taking where we are taking the expertise that we've developed in the healthcare IT space and with regard to our clearinghouse, and repurposing that same approach in a different part of the insurance industry. So, as we move forward, we still continue to see that revenue this year being less than 10%, the smaller group that signed is very similar to the first, albeit much smaller. The other opportunities that we are pursuing are larger opportunities that are more similar to the first client that we signed, the top ten insurer that we signed during the last year.

So I would say, we are right on track with regard to our belief in terms of how EnrollmentPlus will grow.

Kevin Dede
Okay, fair enough. Thanks for that. Just switching gears a little housekeeping items. Bill, I think D&A for the quarter was just about $700,000, as you spoke to, stock comp, I get my numbers work to $1.15 million, I think you rounded to $1.2 million, fair enough. I'm wondering how you think we should look at those figures going forward, given double declining balance and the MediGain acquisition being amortized more fully.

Bill Korn
Thanks, Kevin. So, I'm happy to give you a little bit of view there. First, in terms of the depreciation and amortization, you're right that it's down significantly. And, yes, we do use double declining balance, which means that in general you'll see some small reductions in depreciation and amortization.

In large part, MediGain crossed the point in the amortization where you're always taking double amortization and then you switch to straight line for the remaining term. So, you won't see as big a decrease in the future, and a lot of the decrease that you saw in the middle of 2017 was the amortization from the three companies we bought on the day of the IPO. At that time we were using straight line. So, those three continued to straight-line, and now they're fully amortized.

So, you should expect to see depreciation and amortization slowly go down until or unless we do a major acquisition. Obviously when we buy companies, what happens is you really are buying assets. But there are not a lot of tangible assets, we're not buying brick and mortar, we're not buying factory and land and inventory, so, therefore it pretty much all gets attributed to intangibles which we then amortize quickly. So, until we do some major transaction, I wouldn't expect to see any increase in the amortization expense.

In terms of stock-based comp, in some respects it's a little bit harder to predict, because the amount that you're taking as stock-based comp is based on the value of our common stock on the day that the stock is granted. There are restricted stock units that were granted some time ago to management, key employees, board members, those vest on particular dates. If the stock is at $4 on a day that they are granted, you book a $4 expense on the days it vests. So, it's hard for us to predict exactly what that number is going to look like.

Again, from my perspective as the CFO, that's an accounting entry, but is not a cash entry, I'm not writing a check. So, it may affect my GAAP reported numbers, but we remove it from our non-GAAP metrics.

Kevin Dede
Okay. Last question for me, just based on my rough numbers, I'm looking at general and administration costs in the quarter of about $3.5 million, was that about right?

Bill Korn
I think that's exactly on the money.

Kevin Dede

Yes, okay. The question I have is how do you see that, given that it was up almost $1 million sequentially? I'm just curious on how you might suggest we think about that one going through the balance of this year.

Bill Korn
Sure, the previous quarter was just a little under $2.5 million. In Q4, there was $1.1 million of stock-based compensation expense that hit G&A. So, with that $1.1 million the total was $3.5 million. From a cash perspective, the number would have been more like $2.4 million.

Kevin Dede
Okay, fair enough. All right, that makes sense. Thanks, Bill. Thanks very much, gentlemen for handling my questions. Appreciate it. Congrats on the results.

Stephen Snyder
Thank you.

Bill Korn
Thank you, Kevin and thanks for visiting our facility overseas. Everybody out there was really excited to see you, and the questions you asked illustrated that you really had done a lot of homework on the company and the industry. So, thanks for doing that.

Operator
Ladies and gentlemen, if you'd like to ask a question, please press star then one. Once again, that's star then one if you have a question.

Showing no further questions, I'd like to turn the conference back over to the management team for any final remarks.

CONCLUSION

Mahmud Haq
Thank you. This is Mahmud. I just want to touch on the last point that Kevin raised, guys, that the reason that we are not giving guidance for 2018 is because we see amazing things happening in 2018. This is the first time as a company that we have this much cash available. Whether it is acquisition, whether it is organic growth, or channel partnerships, we see significant improvement in our numbers.

So, the guidance, at this point all we can say is that our 2018 numbers will be significantly better than 2017. As we go through the year, we'll be giving you updated information on our progress. Shruti?

Shruti Patel
Great. We thank everybody for joining, and at this time we'll adjourn our call. Thanks, everybody.

Stephen Snyder
Thank you, everyone.

Operator
Today's conference has now concluded. We thank you all for attending today's presentation. You may now disconnect your lines, and have a wonderful day.