

as a result of the impact of a number of factors, many of which are discussed in more detail in our reports filed with the Securities and Exchange Commission.

NantHealth, Inc.

Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)

	December 31,	
	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 61,660	\$ 157,573
Accounts receivable, net	11,491	11,673
Inventories	839	1,685
Deferred implementation costs	1,960	606
Related party receivables, net	585	693
Prepaid expenses and other current assets	5,358	3,356
Current assets of discontinued operations	-	9,992
Total current assets	<u>81,893</u>	<u>185,578</u>
Property, plant, and equipment, net	18,517	20,129
Deferred implementation costs, net of current	3,951	3,201
Goodwill	114,625	114,625
Intangible assets, net	69,424	78,812
Investment in related party	156,863	207,197
Related party receivable, net of current	1,727	1,971
Other assets	2,195	2,195
Noncurrent assets of discontinued operations	-	70,683
Total assets	<u>\$ 449,195</u>	<u>\$ 684,391</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 3,164	\$ 6,039
Accrued and other current liabilities	18,134	20,032
Deferred revenue	10,057	9,600

Related party payables, net	4,504	8,082
Current liabilities of discontinued operations	-	13,496
Total current liabilities	35,859	57,249
Deferred revenue, net of current	7,126	11,127
Related party liabilities	11,500	5,612
Related party promissory note	112,666	112,666
Related party convertible note, net	7,947	7,564
Convertible notes, net	74,845	70,810
Other liabilities	5,950	820
Noncurrent liabilities of discontinued operations	-	6,949
Total liabilities	255,893	272,797

Stockholders' equity

Common stock, \$0.0001 par value per share, 750,000,000 shares authorized; 108,383,602 and 121,250,437 shares issued and outstanding at December 31, 2017 (including 3,490 shares of restricted stock) and 2016 (including 6,976 shares of restricted stock), respectively

	10	12
Additional paid-in capital	886,669	886,334
Accumulated deficit	(693,233)	(475,273)
Accumulated other comprehensive (loss) income	(144)	521
Total stockholders' equity	193,302	411,594
Total liabilities and stockholders' equity	\$ 449,195	\$ 684,391

NantHealth, Inc.

Consolidated and Combined Statements of Operations

(Dollars in thousands, except per share amounts)

Three Months Ended			
December 31,		Year Ended December 31,	
2017	2016	2017	2016

	(Unaudited)			
Total net revenue	\$ 22,298	\$ 17,846	\$ 86,676	\$ 80,404
Total cost of revenue	8,880	10,893	41,522	44,107
Gross profit	<u>13,418</u>	<u>6,953</u>	<u>45,154</u>	<u>36,297</u>
Operating Expenses:				
Selling, general and administrative	20,795	16,398	74,976	105,258
Research and development	8,811	10,792	33,862	47,310
Amortization of acquisition-related assets	1,054	1,055	4,216	4,217
Total operating expenses	<u>30,660</u>	<u>28,245</u>	<u>113,054</u>	<u>156,785</u>
Loss from operations	(17,242)	(21,292)	(67,900)	(120,488)
Interest expense, net	(4,119)	(1,669)	(16,168)	(6,429)
Other income, net	492	3,052	800	3,593
Loss from related party equity method investment including impairment loss	(3,981)	(33,101)	(50,334)	(40,994)
Loss from continuing operations before income taxes	(24,850)	(53,010)	(133,602)	(164,318)
Provision for (benefit from) income taxes	(2,288)	(4,594)	(2,203)	(23,797)
Net loss from continuing operations	(22,562)	(48,416)	(131,399)	(140,521)
Loss from discontinued operations, net of tax	928	(11,535)	(43,812)	(43,581)
Net loss	<u>\$ (21,634)</u>	<u>\$ (59,951)</u>	<u>\$ (175,211)</u>	<u>\$ (184,102)</u>
Basic and diluted net income (loss) per share ⁽¹⁾ :				
Continued operations - common stock	\$ (0.21)	\$ (0.40)	\$ (1.12)	\$ (1.30)
Discontinued operations - common stock	\$ 0.01	\$ (0.09)	\$ (0.37)	\$ (0.39)
Total net loss per common stock	<u>\$ (0.20)</u>	<u>\$ (0.49)</u>	<u>\$ (1.49)</u>	<u>\$ (1.69)</u>
Basic and diluted net income per redeemable common stock	N/A	N/A	N/A	\$ 0.99
Weighted average shares outstanding ⁽¹⁾ :				
Basic and diluted - common stock	107,810,546	121,242,627	116,737,860	111,600,650
Basic and diluted - redeemable common stock	N/A	N/A	N/A	5,005,855

(1)

The net income (loss) per share and weighted average shares outstanding have been computed to give effect to the LLC conversion that occurred on June 1, 2016, prior to the Company's initial public offering ("IPO"). In conjunction with the LLC conversion, (a) all of the Company's outstanding members' units automatically converted into shares of common stock, based on the relative rights of the Company's pre-IPO equity holders as set forth in the Company's limited liability company agreement and (b) the Company adopted and filed a certificate of incorporation with the Secretary of State of the state of Delaware and adopted bylaws. The Company adopted and filed an amendment to its certificate of incorporation with the Secretary of State of the state of Delaware to effect a 1-for-5.5 reverse stock split of its common stock on June 1, 2016.

The net loss per common share for the years ended December 31, 2016 reflects \$4,958 in accretion value allocated to the redeemable common stock. The redeemable common stock contained a put right, which expired unexercised on June 20, 2016. As a result of and as of that date, the shares were no longer redeemable and were included in common stock.

NantHealth, Inc.
Supplemental Revenue Schedule

(Dollars in thousands)

	Three Months Ended			
	December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	(Unaudited)			
Revenue:				
Software-as-a-service	\$ 15,844	\$ 14,401	\$ 60,707	\$ 56,210
Software and hardware	1,685	673	6,093	6,750
	17,529	15,074	66,800	62,960
Total software-related revenue				
Maintenance	2,239	2,110	10,421	9,089
Sequencing and molecular analysis	569	482	2,554	604
Other services	1,961	180	6,901	7,751
Total net revenue	<u>\$ 22,298</u>	<u>\$ 17,846</u>	<u>\$ 86,676</u>	<u>\$ 80,404</u>

Cost of Revenue:

Software-as-a-service	\$ 4,652	\$ 5,092	\$ 21,795	\$ 19,883
Software and hardware	64	148	660	816
Total software-related cost of revenue	4,716	5,240	22,455	20,699
Maintenance	185	177	748	798
Sequencing and molecular analysis	1,222	1,058	6,029	1,987
Other services	1,614	2,822	7,118	12,131
Amortization of developed technologies	1,143	1,596	5,172	8,492
Total cost of revenue	\$ 8,880	\$ 10,893	\$ 41,522	\$ 44,107

NantHealth, Inc.**Non-GAAP Net Loss and Non-GAAP Net Loss Per Share**

(Dollars in thousands, except per share amounts)

	Three Months Ended			
	December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Net loss from continuing operations	\$ (22,562)	\$ (48,416)	\$ (131,399)	\$ (140,521)
Adjustments to GAAP net loss:				
Corporate restructuring from continuing operations (3)	17	246	2,422	2,544
Acquisition related compensation expense	-	-	-	4,814
Acquisition related sales incentive	671	939	2,732	2,966
Intangible amortization from continuing operations	2,197	2,651	9,388	12,709
Loss from related party equity method investment including impairment loss	3,981	33,101	50,334	40,994
Non-cash interest expense related to convertible notes	1,157	108	4,417	108
Change in fair value of derivatives liability	(19)	(1,228)	(264)	(1,228)
Stock-based compensation expense from continuing operations	8,586	3,599	8,102	44,048
BP settlement	-	(842)	-	(842)

Securities litigation costs	92	-	777	-
The impact of intangible amortization, impact of the "Tax Act" of 2017, and the conversion from a limited liability company to a corporation on provision for (benefit from) income taxes	(1,909)	(4,509)	(1,796)	(23,797)
Total adjustments to GAAP net loss from continuing operations	14,773	34,065	76,112	82,316
Net loss - Non-GAAP from continuing operations	\$ (7,789)	\$ (14,351)	\$ (55,287)	\$ (58,205)
Weighted average shares outstanding ⁽¹⁾	107,810,546	121,242,627	116,737,860	111,600,650
Weighted average Series F/redeemable stock ^{(1) (2)}	-	-	-	5,005,855
Shares outstanding - Non-GAAP ⁽¹⁾	107,810,546	121,242,627	116,737,860	116,606,505
Net loss per share from continuing operations - Non-GAAP ⁽¹⁾	\$ (0.07)	\$ (0.12)	\$ (0.47)	\$ (0.50)

Reconciliation of Net Loss per Common Share to Net Loss per Common Share - Non-GAAP:

	Three Months Ended			
	December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Net loss per common share from continuing operations - GAAP	\$ (0.21)	\$ (0.40)	\$ (1.12)	\$ (1.30)
Adjustments to GAAP net loss per common share from continuing operations:				
Corporate restructuring from continuing operations ⁽³⁾	-	-	0.02	0.02
Acquisition related compensation expense	-	-	-	0.04
Acquisition related sales incentive	0.01	0.01	0.02	0.03
Intangible amortization from continuing operations	0.02	0.03	0.08	0.12

Loss from related party equity method investment including impairment loss	0.04	0.27	0.43	0.37
Non-cash interest expense related to convertible notes	0.01	—	0.04	—
Change in fair value of derivatives liability	—	(0.01)	—	(0.01)
Stock-based compensation expense from continuing operations	0.08	0.03	0.07	0.39
BP settlement	—	(0.01)	—	(0.01)
Securities litigation costs	—	—	0.01	—
The impact of intangible amortization, impact of the "Tax Act" of 2017, and the conversion from a limited liability company to a corporation on provision for (benefit from) income taxes	(0.02)	(0.04)	(0.02)	(0.21)
Accretion to redemption value of Series F/redeemable common stock	—	—	—	0.04
Dilution from Series F/redeemable common stock	—	—	—	0.02
Total adjustments to GAAP net loss per common share from continuing operations	0.14	0.28	0.65	0.80
Net loss per common share from continuing operations - Non-GAAP ⁽¹⁾	\$ (0.07)	\$ (0.12)	\$ (0.47)	\$ (0.50)

(1) The net loss per common share from continuing operations - non-GAAP, weighted-average shares outstanding, weighted average Series F units/redeemable stock and shares outstanding - non-GAAP, have been computed to give effect to the LLC conversion that occurred June 1, 2016 prior to our initial public offering. In conjunction with the LLC Conversion, (a) all of our outstanding units automatically converted into shares of common stock, based on the relative rights of our pre-IPO equityholders as set forth in the limited liability company agreement and (b) we adopted and filed a certificate of incorporation with the Secretary of State of the state of Delaware and adopted bylaws. We filed an amended certificate of incorporation to effect a 1-for-5.5 reverse stock split of our common stock on June 1, 2016.

(2) The weighted-average shares outstanding have been further adjusted to account for the redeemable Series F units (converted to common stock in conjunction with the LLC conversion), whose put right expired on June 20, 2016. Prior to June 20, 2016, these units/shares of common stock were classified as redeemable members'/stockholders' equity in the balance sheet, and as such, were not included in the weighted-average shares outstanding prior to June 20, 2016. The put right expired June 20, 2016, and the shares were no longer redeemable and are included in shareholders' equity as of December 31, 2016. The weighted-average shares are adjusted to include the redeemable common stock in the weighted-average shares outstanding for the entire period.

- (3) Corporate restructuring includes accrued bonus reversal of \$0.5 million for the year ended December 31, 2017.

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