

MEDICAL TRANSCRIPTION BILLING, CORP
Form S-1/A
April 02, 2018

As filed with the Securities and Exchange Commission on April 2, 2018.

Registration No. 333- 223886

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 TO FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

MEDICAL TRANSCRIPTION BILLING, CORP.

(Exact name of registrant as specified in its charter)

Delaware **7389** **22-3832302**
(State or other jurisdiction of *(Primary Standard Industrial* *(I.R.S. Employer*

incorporation or organization) *Classification Code Number)* *Identification Number)*

7 Clyde Road

Somerset, New Jersey 08873

(732) 873-5133

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Stephen Snyder
Chief Executive Officer**

7 Clyde Road

Somerset, New Jersey 08873

(732) 873-5133

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. []

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer []	Accelerated filer []
Non-Accelerated filer [] (Do not check if a smaller reporting company)	Smaller reporting company [X]
	Emerging growth company [X]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act. [X]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share	Estimated Proposed Maximum Aggregate Offering Price	Amount of Registration Fee ⁽²⁾
Series A Preferred Stock, \$0.001 par value per share	400,000	\$ 25.00	\$ 10,000,000 ⁽¹⁾	\$ 1,245.00 ⁽³⁾

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.

(2) Calculated pursuant to Rule 457(a) based on an estimate of the proposed maximum aggregate offering price.

(3) A registration fee of \$1,245.00 was previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 2 , 2018

**Filed pursuant to Rule 424(b)(3)
PROSPECTUS Registration No. 333- 223886**

Medical Transcription Billing, Corp.

400,000 Shares of 11% Series A Cumulative Redeemable Perpetual Preferred Stock

\$25.00 per Share

Liquidation Preference \$25.00 per Share

We are offering 400,000 shares of our 11% Series A Cumulative Redeemable Perpetual Preferred Stock, which we refer to as the Series A Preferred Stock.

Dividends on the Series A Preferred Stock offered hereby are cumulative from the first day of the calendar month in which they are issued, and will be payable on the fifteenth day of each calendar month, when, as and if declared by our board of directors. Dividends will be payable out of amounts legally available therefor at a rate equal to 11% per annum per \$25.00 of stated liquidation preference per share, or \$2.75 per share of Series A Preferred Stock per year.

Commencing on November 4, 2020, we may redeem, at our option, the Series A Preferred Stock, in whole or in part, at a cash redemption price of \$25.00 per share, plus all accrued and unpaid dividends to, but not including, the redemption date. The Series A Preferred Stock has no stated maturity, will not be subject to any sinking fund or other mandatory redemption, and will not be convertible into or exchangeable for any of our other securities.

Holders of the Series A Preferred Stock generally will have no voting rights except for limited voting rights if dividends payable on the outstanding Series A Preferred Stock are in arrears for eighteen or more consecutive or non-consecutive monthly dividend periods.

Our Series A Preferred Stock currently trades on the Nasdaq Capital Market, with the trading symbol "MTBCP." The last reported sale price of our Series A Preferred Stock on April 2, 2018 was \$25.55 per share.

We have retained H.C. Wainwright & Co., LLC, as our exclusive lead placement agent and Boenning & Scattergood, Inc. as co-placement agent to use their reasonable best efforts to solicit offers to purchase the securities in this offering. The placement agents have no obligation to buy any of the securities from us or to arrange for the purchase or sale of any specific number or dollar amount of the securities. If we sell all 400,000 shares of Series A Preferred Stock we are offering pursuant to this prospectus, at the offering price of \$25.00 per share, we will receive approximately \$10 million in gross proceeds and approximately \$8.9 million in net proceeds, after deducting the placement agent fee and estimated offering expenses payable by us. If we sold 67% or 33% of the maximum amount offered, our net proceeds would be approximately \$5.9 million or \$2.9 million, respectively. Because there is no minimum offering amount required as a condition to closing in this offering, the actual public offering amount, placement agent fees and proceeds to us, if any, are not presently determinable and may be substantially less than the total maximum offering amounts set forth above. Although the amount of our working capital would be less, we do not believe our inability to raise any minimum amount in this offering will have a material impact on us.

This offering may be closed without further notice to you. We have not arranged to place the funds from investors in an escrow, trust or similar account.

Investing in our Series A Preferred Stock involves significant risks. You should carefully consider the risk factors beginning on page 9 of this prospectus and the risk factors incorporated by reference into this prospectus before purchasing any of the Series A Preferred Stock offered by this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Per
Share

Public offering price	\$25.00
Placement agent fees (1)	\$2.50
Proceeds, before expenses, to MTBC	\$22.50

(1) See “Plan of Distribution” for a description of the compensation payable to the placement agents; including reimbursable expenses.

The Company expects to deliver the shares against payment in New York, New York on or about _____, 2018.

CONCURRENT OFFERING

On May 9, 2016, our Registration Statement on Form S-3 (File No. 333-210391) was declared effective under the Securities Act of 1933, as amended, with respect to the primary sale, in one or more offerings, of any combination of our preferred stock and common stock having an aggregate initial offering price of up to \$20,000,000. We have sold 230,635 shares of our Series A Preferred Stock and 1,000,000 shares of common stock pursuant to such registration statement, and distributed 5,104 shares of common stock at no charge to clients via our Client Loyalty Program, also pursuant to such registration statement. The resale of such publicly tradable shares of our preferred stock and common stock, or the potential for such sales, could have an adverse effect on the market price of our Series A Preferred Stock.

We are subject to limitations under General Instruction I.B.6 of Form S-3, and due to this limitation we have a restriction on the value of any new securities we can issue under that registration statement as of the date of the filing.

Lead Placement Agent

H.C. Wainwright & Co.

Co-Placement Agent

Boenning & Scattergood, Inc.

The date of this prospectus is _____, 2018

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You should rely only on the information contained or incorporated into this prospectus. Neither we nor the placement agents have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date. You should also read this prospectus together with the additional information described under “Where You Can Find More Information” and “Incorporation of Information by Reference.”

Unless the context otherwise requires, we use the terms “MTBC,” “we,” “us,” “the Company” and “our” to refer to Medical Transcription Billing, Corp. and its consolidated subsidiaries.

Special Note Regarding Forward-Looking Statements

This prospectus, including the sections entitled “Prospectus Summary,” “Risk Factors” and “Use of Proceeds,” as well as the information we incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2017 and other documents, contain forward-looking statements within the meaning of the federal securities laws. These statements relate to anticipated future events, future results of operations or future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “will,” “should,” “intends,” “expects,” “plans,” “goals,” “projects,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative terms or other comparable terminology.

These forward-looking statements are only predictions, are uncertain and involve substantial known and unknown risks, uncertainties and other factors which may cause our (or our industry’s) actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. The “Risk Factors” section of this prospectus sets forth detailed risks, uncertainties and cautionary statements regarding our business and these forward-looking statements. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all of the risks and uncertainties that could have an impact on the forward-looking statements, including without limitation, risks and uncertainties relating to:

our ability to manage our growth, including acquiring, partnering with, and effectively integrating acquired businesses into our infrastructure;

our ability to retain our clients and revenue levels, including effectively migrating new clients and maintaining or growing the revenue levels of our new and existing clients;

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

our ability to keep pace with a rapidly changing healthcare industry;

our ability to consistently achieve and maintain compliance with a myriad of federal, state, foreign, local, payor and industry requirements, regulations, rules, laws and contracts;

our ability to maintain and protect the privacy of confidential and protected Company, client and patient information;

our ability to protect and enforce intellectual property rights;

our ability to attract and retain key officers and employees, and the continued involvement of Mahmud Haq as executive chairman, all of which are critical to growing our business and integrating of our newly acquired businesses;

our ability to comply with covenants contained in our credit agreement with our senior secured lender, Silicon Valley Bank and other future debt facilities;

our ability to compete with other companies developing products and selling services competitive with ours, and who may have greater resources and name recognition than we have; and

our ability to keep and increase market acceptance of our products and services.

We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the U.S., we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or other investments or strategic transactions we may engage in.

Prospectus Summary

The following summary highlights selected information contained in this prospectus. This summary does not contain all the information that may be important to you. You should read the more detailed information contained in this prospectus, including but not limited to, the risk factors beginning on page 9.

Medical Transcription Billing, Corp., together with its consolidated subsidiaries (the “Company”), is a healthcare information technology company that provides a fully integrated suite of proprietary web-based solutions, together with related business services, to healthcare providers. Our integrated Software-as-a-Service (or SaaS) platform is designed to help our clients increase revenues, streamline workflows and make better business and clinical decisions, while reducing administrative burdens and operating costs. We employ a highly educated workforce of more than 1,600 people in Pakistan and Sri Lanka, where we believe labor costs are approximately one-half the cost of comparable India-based employees and one-tenth the cost of comparable U.S. employees, thus enabling us to deliver our solutions at competitive prices.

Our flagship offering, PracticePro™, empowers healthcare practices with the core software and business services they need to address industry challenges on one unified SaaS platform. We deliver powerful, integrated and easy-to-use solutions to health care practices, which enable them to efficiently operate their businesses, manage clinical workflows and receive timely payment for their services. PracticePro consists of:

Practice management software and related tools, which facilitate the day-to-day operation of a medical practice;

Electronic health records (“EHR”), which are easy to use, highly ranked, and allow our clients to reduce paperwork and qualify for government incentives;

Revenue cycle management (“RCM”) services, which include end-to-end medical billing, analytics, and related services; and

Mobile Health (“mHealth”) solutions, including smartphone applications that assist patients and healthcare providers in the provision of healthcare services.

While many of our clients leverage our full PracticePro suite, we also have a number of clients who utilize other popular EHR software, and for which we provide RCM services, including medical billing, analytics, and related

services.

Adoption of our solutions requires little or no upfront expenditure by a practice. Additionally, our financial performance is linked directly to the financial performance of our clients because the vast majority of our revenues is based on a percentage of our clients' collections. The standard fee for our complete, integrated, end-to-end solution is among the lowest in the industry.

As of December 31, 2017, we served approximately 980 customers, of which 230 utilized our clearinghouse and Electronic Data Interchange ("EDI") services and 40 are using talkEHR™, a new platform we launched in mid-2017. We provided medical billing to approximately 750 medical practices representing approximately 3,500 providers, (which we define as physicians, nurses, nurse practitioners, physician assistants and other clinical staff that render bills for their services) practicing in 68 specialties and subspecialties, in 43 states. Approximately 96% of the practices we serve consist of one to ten providers, with the majority of the practices we serve being primary care providers. However, our solutions are scalable and are appropriate for larger healthcare practices across a wide range of specialty areas. In fact, our customer with the largest revenue and number of providers is a 950 clinician practice that provides physical, occupational and speech therapy services to patients in multiple states.

As of January 2018, we employed approximately 1,700 people worldwide on a full-time basis, of which 1,600 are employed at our wholly-owned subsidiaries in Pakistan and Sri Lanka. We also use the services of a small number of part time employees. Our offshore operations in Pakistan and Sri Lanka accounted for approximately 29% of total expenses during 2017. Personnel-related costs for comparably educated employees are significantly lower in Pakistan and Sri Lanka than in the U.S. and many other offshore locations, therefore our Pakistan and Sri Lanka operations give us a competitive advantage over many industry participants. We are able to achieve significant cost reductions as we leverage technology to reduce manual work and strategically transition a portion of the remaining manual tasks to our highly-specialized, cost-efficient team in the U.S., Pakistan and Sri Lanka.

Our principal executive offices are located at 7 Clyde Road, Somerset, New Jersey, 08873, and our main telephone number is (732) 873-5133.

Our Growth Strategy

Our growth strategy involves two primary approaches: acquiring smaller RCM companies and then migrating the clients of those companies to our solutions, as well as growing organically through referrals from industry partners and our clients. The RCM service industry is highly fragmented, with many local and regional RCM companies serving small medical practices. We believe that the industry is ripe for consolidation and that we can achieve significant growth through acquisitions. We further believe that it is becoming increasingly difficult for traditional RCM companies to meet the growing technology and business service needs of healthcare providers without a significant investment in information technology infrastructure. Since the Company went public in July 2014, we have acquired substantially all of the assets of 10 RCM companies. Although the specific arrangements have varied with each transaction, typical arrangements include a deeply-discounted price, consideration which is tied to revenues from customer relationships acquired, and structuring the acquisition as an asset purchase so as to limit our liability. We typically use our technology and our cost-effective offshore team to reduce costs promptly after the transaction closes, although there will be initial costs associated with the integration of the new businesses with our existing operations.

We believe we will also be able to further accelerate organic growth by partnering with industry participants, obtaining referrals and utilizing them as channel partners to offer integrated solutions to their clients. We have entered into arrangements with industry participants from which we began to derive revenue starting in mid-2014, including emerging EHR providers and other healthcare vendors that lack a full suite of solutions. We have developed application interfaces with numerous EHR systems, together with device and lab integration.

Summary Financial Information

The historical consolidated statement of operations data for MTBC presented below for the years ended December 31, 2016 and 2017 have been derived from our audited financial statements which are incorporated herein by reference. Our historical results are not necessarily indicative of the results that may be expected in the future.

The financial information set forth below are only a summary, and should be read in conjunction with the audited consolidated historical financial statements and the notes thereto for MTBC, which are incorporated herein by reference.

Consolidated Statements of Operations Data

	Year ended December 31,	
	2016	2017
	(in thousands, except per share data)	
Net revenue	\$24,493	\$31,811
Operating expenses:		
Direct operating costs	13,417	17,679
Selling and marketing	1,224	1,107
General and administrative	12,459	11,738
Research and development	902	1,082
Change in contingent consideration	(716)	151
Depreciation and amortization	5,108	4,300
Restructuring charges	-	276
Total operating expenses	32,394	36,333
Operating loss	(7,901)	(4,522)
Interest expense - net	646	1,307
Other (expense) income - net	(53)	332
Loss before income taxes	(8,600)	(5,497)
Income tax provision	197	68
Net loss	\$(8,797)	\$(5,565)
Preferred stock dividend	752	2,030
Net loss attributable to common shareholders	\$ (9,549)	