

MEDICAL TRANSCRIPTION BILLING, CORP
Form S-1/A
July 07, 2017

As filed with the Securities and Exchange Commission on July 7 , 2017.

Registration No. 333-219122

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

(State or other jurisdiction of

incorporation or organization)

7389

(Primary Standard Industrial Classification Code Number)

22-3832302

(I.R.S. Employer

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)

**Mahmud Haq
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)

Copies of communications to:

David S. Song, Esq.

Mazzeo Song P.C.

444 Madison Avenue, 4th Floor

New York, New York 10022

(212) 599-0700

Approximate date of commencement of proposed sale to the public: From time to time 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
Emerging growth company

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.

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered (1)(2)	Proposed maximum offering price per share (3)	Proposed maximum offering price	Amount of registration fee (4)
Common Stock, \$0.001 par value per share issuable upon exercise of warrants	2,000,000	\$ 5.00	\$10,000,000	\$ 1,159
Total			\$10,000,000	\$ 1,159

Pursuant to Rule 416 under the Securities Act of 1933, as amended (the "Securities Act"), this registration statement (1) also covers such additional shares as may hereafter be offered or issued to prevent dilution resulting from stock splits, stock dividends, recapitalizations or certain other capital adjustments.

(2) Represents shares of common stock issuable upon exercise of a warrant issued May 15, 2017 in a private placement.

(3) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(g) of the Securities Act based on the per share exercise price of the warrants, which is \$5.00.

(4) A registration fee of \$1,159 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 JULY 7, 2017

PROSPECTUS Registration No. 333- 219122

Medical Transcription Billing, Corp.

2,000,000 Shares of Common Stock

Issuable upon Exercise of Outstanding Warrants

This prospectus relates to the resale, from time to time, of up to 2,000,000 shares of our common stock, par value \$0.001 per share, issuable upon exercise of certain outstanding common stock purchase warrants, by the selling stockholder described herein. The price at which the selling stockholder may sell the shares will be determined by the prevailing market price for the shares.

Our common stock is listed on the NASDAQ Capital Market under the symbol "MTBC." The last reported sale price of our common stock on July 6 , 2017 was \$1.41 per share.

All of the shares of common stock offered hereby are issuable with respect to a warrant to purchase up to 2,000,000 shares of common stock issued by us in connection with a private placement consummated on May 15, 2017 (the "Warrant"). We will not receive any proceeds from the sale or distribution of the common stock by the selling stockholder. The registration of the shares covered by this prospectus does not necessarily mean that any of the shares will be offered or sold by the selling stockholder. The timing and amount of any sale is within the respective selling stockholder's sole discretion, subject to certain restrictions. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution" in this prospectus. The shares offered by this prospectus and

any prospectus supplement may be offered by the selling stockholder directly to investors or to or through underwriters, dealers, or other agents. If any underwriters or agents are involved in the sale of any shares with respect to which this prospectus is being delivered, the names of such underwriters or agents and any applicable commissions or discounts and over-allotment options will be set forth in a prospectus supplement.

We are not selling any shares of common stock under this prospectus and will not receive any proceeds from the sale of shares of common stock by the selling stockholder. We will receive proceeds from cash exercise of the warrants which, if exercised in cash with respect to all of the 2,000,000 shares of common stock, would result in gross proceeds of \$10,000,000 to us.

Investing in our common stock involves significant risks. You should carefully consider the risk factors beginning on page 6 of this prospectus and the risk factors incorporated by reference into this prospectus for more information on these risks.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION 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.

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 63,040 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 common 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.

The date of this prospectus is July __ , 2017

TABLE OF CONTENTS

	Page
<u>Important Notice About Information in This Prospectus</u>	ii
<u>Special Note Regarding Forward-Looking Statements</u>	iii
<u>Prospectus Summary</u>	1
<u>The Offering</u>	5
<u>Risk Factors</u>	6
<u>Use of Proceeds</u>	8
<u>Dilution</u>	9
<u>Selling Stockholder</u>	10
<u>Capitalization</u>	11
<u>Unaudited Pro Forma Condensed Combined Financial Information</u>	12
<u>Description of our Capital Stock</u>	17
<u>Price Range of the Common Stock</u>	20
<u>Plan of Distribution</u>	21
<u>Legal Matters</u>	22
<u>Experts</u>	22
<u>Where You Can Find More Information</u>	22
<u>Incorporation of Certain Information by Reference</u>	23
<u>Disclosure of Commission Position on Indemnification for Securities Act Liabilities</u>	23

Important Notice About Information in This Prospectus

This prospectus relates to shares of our common stock which the selling stockholder named in this prospectus may sell from time to time. We will not receive any of the proceeds from these sales. We have agreed to pay the expenses incurred in registering these shares, including legal and accounting fees.

You should rely only on the information contained in, or incorporated by reference into, this prospectus. Neither we, any selling stockholder, nor any agent has authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we, any selling stockholder, nor any agent is making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information in this prospectus or any other offering materials are accurate as of any date other than the date on the front of each document, regardless of the time of delivery of this prospectus or any sale of securities. Our business, financial condition, results of operations and prospects may have changed since then.

This prospectus is not an offer or solicitation in respect to these securities in any jurisdiction in which such offer or solicitation would be unlawful. This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the "SEC"). The registration statement that contains this prospectus (including the exhibits to the registration statement) contains additional information about our company and the securities offered under this prospectus. That registration statement can be read at the SEC website or at the SEC's offices listed under the heading "Where You Can Find More Information."

Except as otherwise indicated or unless the context requires, as used in this prospectus, references to "MTBC," "we," "us" and "our" 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, 2016 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 the recent MediGain acquisition and other acquired businesses into our infrastructure;

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

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

our ability to attract and retain key officers and employees, including Mahmud Haq and other personnel critical to growing our business and integrating of our newly acquired businesses;

our ability to raise capital and obtain and maintain financing on acceptable terms;

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;

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 and increase market acceptance of our 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 and laws;

our ability to protect and enforce intellectual property rights;

our ability to maintain and protect the privacy of client and patient information; and

our ability to repay the outstanding purchase price we owe for the MediGain acquisition.

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 6.

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 1,700 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 ‘big practice solutions’ to small and medium 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 (or EHR), which are easy to use, highly ranked, and allow our clients to reduce paperwork and qualify for government incentives;
- Revenue cycle management (or RCM) services, which include end-to-end medical billing, analytics, and related services; and
- Mobile Health (or mHealth) solutions, including smartphone applications that assist patients and healthcare providers in the provision of healthcare services.

Adoption of our solutions requires little or no upfront expenditure by a provider. 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.

Our offshore operations in Pakistan and Sri Lanka accounted for approximately 25% of total expenses for the three months ended March 31, 2017. A significant portion of those expenses were personnel-related costs (approximately

80% of expenses for the three months ended March 31, 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. Most of the medical billing companies that we have acquired use domestic labor or subcontractors from higher cost locations to provide all or a substantial portion of their services. 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 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.

We believe we will also be able to further accelerate organic growth by partnering with industry participants, 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 several EHR systems, as well as providers of paper-based clinical forms to create integrated offerings, together with device and lab integration.

MediGain Acquisition

On October 3, 2016, MTBC Acquisition, Corp., our wholly-owned subsidiary (“MAC”), acquired substantially all of the assets of MediGain, LLC, a Texas-based medical billing company, and its subsidiary, Millennium Practice Management Associates, LLC, a New Jersey-based medical billing company (together, “MediGain”).

Prior to MAC’s acquisition of MediGain, MediGain was experiencing client attrition and revenues were declining. We believe that the annualized revenue from MediGain clients in good standing at the time of the acquisition was at least \$10 million; however, there can be no assurance that this estimate is accurate or that revenue will not continue to decline. At the time of acquisition, MediGain employed approximately 150 U.S.-based employees, approximately 200 offshore employees in India and Sri Lanka, as well as several hundred employees of India-based subcontractors.

The Company has reduced MediGain’s expenses, through a combination of eliminating third-party subcontractors, reducing personnel expenses by leveraging technology and the Company’s specialized global team, reducing the size and cost of facilities in the U.S., reducing the need for third-party software by leveraging MTBC’s technology platform, and eliminating the need for separate administrative overhead expenses.

The total purchase price for MediGain was \$7 million, which was payable to Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company (together, “Prudential”). MTBC made an initial \$2 million payment to Prudential at closing, and, pursuant to an amendment to the acquisition documents, the parties agreed that the remaining \$5 million would be payable in two installments: \$3 million by March 9, 2017 and \$2 million by May 15, 2017. Commencing January 3, 2017, interest began to accrue on the \$2 million portion of the remaining purchase price at a rate of 18% until paid in full; however, our agreement with Prudential does not provide for any interest on the remaining \$3 million. Our payment obligation to Prudential is neither secured by collateral, nor otherwise supported by a guarantee.

We have not yet repaid the remaining \$5 million plus accrued interest owed to Prudential, and as a result, our payment obligations to Prudential are past due. Our inability to repay the remaining purchase price is due to a lack of funds. Our existing credit agreement with Opus Bank requires us to obtain the bank’s consent prior to making any payment to Prudential. We are engaged in continuing dialogue with both Opus Bank and Prudential, and we believe that once we have raised sufficient capital, the parties will likely reach a mutually satisfactory agreement on the terms by which we would be permitted to satisfy our obligations to Prudential. Since we do not have complete control over this process, we are unable to guarantee that the parties will reach a mutually satisfactory agreement on terms, nor can we predict with certainty the modified payment terms (including the amount and timing of payments) as well as other amendments that would be acceptable to both Prudential and Opus Bank. We do believe, however, that the more capital we raise, the sooner we will be able to satisfy our obligations to Prudential on terms acceptable to us.

On March 29, 2017, Prudential sent a written notice to us demanding payment. If we are unable to pay the balance of the consideration due to Prudential in the MediGain acquisition, Prudential may seek all possible monetary and/or equitable remedies. Our inability to make the remaining payments due in the MediGain acquisition or renegotiate these payments would have a material adverse effect on our business. See “Risk Factors – Risks Related to Our Acquisition Strategy” on page 7.

Summary Financial Information

The historical consolidated statement of operations data for MTBC presented below for the years ended December 31, 2015 and 2016 have been derived from our audited financial statements which are incorporated herein by reference. Our historic condensed consolidated statements of operations data for MTBC for the three-month periods ended March 31, 2016 and 2017 are derived from our unaudited condensed consolidated financial statements which are incorporated herein by reference. Our unaudited condensed consolidated financial statements were prepared on a basis consistent with our audited financial statements and include, in our opinion, all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical and pro forma results are not necessarily indicative of the results that may be expected in the future, and our interim results are not necessarily indicative of the results that may be expected for the full year or any other period.

We derived the summary unaudited pro forma condensed combined financial data for MTBC for the year ended December 31, 2016 from the unaudited pro forma condensed combined financial statements incorporated herein by reference. These pro forma financial data reflect the acquisition of the assets of MediGain and its subsidiaries, WFS Services, Inc. (“WFS”), Renaissance Medical Billing, LLC (“Renaissance”) and Gulf Coast Billing, Inc. (“Gulf Coast”) (collectively, the ‘Transactions’).

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2016 gives effect to the Transactions as if each of them had occurred on January 1, 2016. You should read this data in conjunction with the information set forth in the Company’s Current Report on Form 8-K, filed on December 1, 2016, which describes the Transactions and the related adjustments in greater detail.

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

Consolidated Statements of Operations Data	Historical MTBC				Pro Forma MTBC ⁽¹⁾
	Year ended December 31,		Quarter ended March 31,		Year ended December 31,
	2015	2016	2016	2017	2016
	(in thousands, except per share data)				
Net revenue	\$23,080	\$24,493	\$5,110	\$8,220	\$40,825
Operating expenses:					
Direct operating costs	11,630	13,417	2,301	5,223	26,587
Selling and marketing	467	1,224	344	356	2,210
General and administrative	11,969	12,459	2,909	2,987	17,711
Research and development	659	901	191	281	901
Change in contingent consideration	(1,786)	(715)	(45)	(13)	(715)
Depreciation and amortization	4,599	5,108	1,214	1,520	6,403
Restructuring charges	-	-	-	-	-