



## Research Solutions Reports Fiscal First Quarter 2018 Financial Results

**ENCINO, Calif. – November 14, 2017** – Research Solutions, Inc. (OTCQB: RSSS), a pioneer in providing cloud-based solutions for scientific research, reported financial results for its fiscal first quarter ended September 30, 2017.

The Reprints and ePrints business was sold on June 30, 2017 and is classified as a discontinued operation.

### Fiscal First Quarter 2018 Summary vs. Year-Ago Quarter

- Total revenue increased 9% to \$6.7 million.
- Platform revenue up 126% to \$388,000, with a 115% increase in total Platform deployments to 161. Annual recurring revenue was up 112% to \$1.6 million.
- Transaction revenue up 6% to \$6.4 million, with customer count up 9% to 1,022. Transaction count up 7% to 205,066.
- Total gross margin up 270 basis points to 25.9%.
- Net loss from continuing operations was \$0.8 million, or \$(0.04) per share, compared to a net loss of \$0.5 million, or \$(0.02) per share.

### Management Commentary

“The momentum of fiscal 2017 has continued into our first quarter, with continued strong growth in Platforms supported by a Transactions business that has responded to our margin-enhancing initiatives,” said Peter Derycz, president and CEO of Research Solutions. “We look forward to carrying this momentum into the launch of version 2.0 of our Article Galaxy Platform, which goes live in December.

“2.0 will feature a more robust back end system and quite a few user interface enhancements, new administration functionality, as well as a host of new Gadgets. This update should help convert a strong pipeline of potential business that we expect will drive another successful year in our transformation to the research intelligence SaaS solution for science and technology.”

### Fiscal First Quarter 2018 Financial Results

Total revenue increased 9% to \$6.7 million compared to \$6.2 million in the same year-ago quarter.

Platform subscription revenue increased 126% to \$388,000 compared to \$172,000 in the year-ago quarter. The increase was due to a 115% increase in the total number of paid Platform deployments to 161. The quarter ended with annual recurring revenue up 112% to \$1.6 million (see the company's definition of annual recurring revenue below).

Transaction revenue increased 6% to \$6.4 million compared to \$6.0 million in the same year-ago quarter. Total active customers increased 9% from 936 to 1,022, and transaction count increased 7% from 191,000 to 205,000 (see the company's definition of active customer accounts and transactions below).

Total gross margin increased 270 basis points to 25.9% from 23.2% in the same year-ago quarter. The increase was driven by margin growth in the Transactions business and a revenue mix shift to the higher-margin Platforms business.

Total operating expenses increased to \$2.6 million compared to \$1.9 million in the year-ago quarter, driven primarily by the company's investment in sales, marketing and technology personnel to support increased Platform sales and deployments.

Net loss from continuing operations was \$0.8 million, or \$(0.04) per share, compared to a net loss of \$0.5 million, or \$(0.02) per share, in the year-ago quarter. Adjusted EBITDA totaled \$(0.5) million compared to \$(0.4) million in the year-ago quarter (see definition and further discussion about the presentation of Adjusted EBITDA, a non-GAAP term, below). Both the net loss and Adjusted EBITDA reflect the company's investment in its Platform business.

Cash and cash equivalents at September 30, 2017 were \$4.5 million compared to \$5.8 million at June 30, 2017. There were no outstanding borrowings under the company's revolving line of credit, which matured on October 31, 2017. The company is attempting to extend the maturity date of the line of credit to October 31, 2019, and the material terms and financial and performance covenants of the line of credit are expected to change. Apart from a \$300,000 office lease liability due to new accounting guidance for leases, the company had no long-term liabilities or other debt.

Further details about these results are available in the company's quarterly report on Form 10-Q, which is available in the investor relations section of the company's website at [www.researchsolutions.com](http://www.researchsolutions.com).

### **Conference Call**

Research Solutions President and CEO Peter Derycz and CFO Alan Urban will host an investor conference call to discuss these results and the company's outlook, followed by a question and answer period.

Date: Tuesday, November 14, 2017

Time: 5:00 p.m. Eastern time (2:00 p.m. Pacific time)

Toll-free dial-in number: 1-855-327-6837

International dial-in number: 1-631-891-4304

Conference ID: 10003701

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios Group at 1-949-574-3860.

The conference call will be broadcast live and available for replay [here](#) and via the investor relations section of the company's website at [www.researchsolutions.com](http://www.researchsolutions.com).

A replay of the conference call will be available after 8:00 p.m. Eastern time on the same day through November 28, 2017.

Toll-free replay number: 1-844-512-2921

International replay number: 1-412-317-6671

Replay ID: 10003701

## Fiscal First Quarter 2018 Financial and Operational Summary Tables vs. Year-Ago Quarter

	Quarter Ended September 30,			
	2017	2016	Change	% Change
Revenue:				
Platforms	\$ 387,945	\$ 172,072	\$ 215,873	125.5%
Transactions	6,359,895	6,006,399	353,496	5.9%
<b>Total Revenue</b>	<b>6,747,840</b>	<b>6,178,471</b>	<b>569,369</b>	<b>9.2%</b>
Gross Profit:				
Platforms	303,958	142,108	161,850	113.9%
Transactions	1,445,481	1,291,400	154,081	11.9%
<b>Total Gross Profit</b>	<b>1,749,439</b>	<b>1,433,508</b>	<b>315,931</b>	<b>22.0%</b>
Gross profit as a % of revenue:				
Platforms	78.4%	82.6%	-4.2%	
Transactions	22.7%	21.5%	1.2%	
<b>Total Gross Profit</b>	<b>25.9%</b>	<b>23.2%</b>	<b>2.7%</b>	
Operating Expenses:				
Sales and marketing	899,695	580,778	318,917	54.9%
General and administrative	1,363,486	1,211,008	152,478	12.6%
Depreciation and amortization	40,568	30,469	10,099	33.1%
Stock-based compensation	286,242	102,589	183,653	179.0%
Foreign currency translation loss	(12,387)	3,324	(15,711)	-472.7%
<b>Total Operating Expenses</b>	<b>2,577,604</b>	<b>1,928,168</b>	<b>649,436</b>	<b>33.7%</b>
<b>Income (loss) from operations</b>	<b>(828,165)</b>	<b>(494,660)</b>	<b>(333,505)</b>	<b>67.4%</b>
Other Income (Expenses):				
Interest expense	(3,000)	(3,000)	-	0.0%
Other income (expense)	12,802	4,710	8,092	171.8%
Provision for income taxes	(11,751)	(13,605)	1,854	13.6%
Income from discontinued operations	-	95,889	(95,889)	-100.0%
Gain on sale of discontinued operations	57,149	-	57,149	
<b>Total Other Income (Expenses):</b>	<b>55,200</b>	<b>83,994</b>	<b>(28,794)</b>	<b>-34.3%</b>
<b>Net income (loss)</b>	<b>\$ (772,965)</b>	<b>\$ (410,666)</b>	<b>\$ (362,299)</b>	<b>-88.2%</b>
<b>Adjusted EBITDA</b>	<b>\$ (513,742)</b>	<b>\$ (358,278)</b>	<b>\$ (155,464)</b>	<b>-43.4%</b>
Platforms:				
ARR (Annual recurring revenue)	\$ 1,590,830	\$ 751,489	\$ 839,341	111.7%
Deployments	161	75	86	114.7%
ASP (Average sales price)	\$ 9,881	\$ 10,020	\$ (139)	-1.4%
Transactions:				
Transaction count	205,066	191,380	13,686	7.2%
Corporate customers	806	763	43	5.6%
Academic customers	216	173	43	24.9%
Total customers	1,022	936	86	9.1%

## Active Customer Accounts, Transactions and Annual Recurring Revenue

The company defines active customer accounts as the sum of the total quantity of customers per month for each month in the period divided by the respective number of months in the period. The quantity of customers per month is defined as customers with at least one transaction during the month.

A transaction is an order for a unit of copyrighted content fulfilled or managed in the Platform.

The company defines annual recurring revenue as the value of contracted Platform subscription recurring revenue normalized to a one-year period.

## Use of Non-GAAP Measure – Adjusted EBITDA

Research Solutions' management evaluates and makes operating decisions using various financial metrics. In addition to the company's GAAP results, management also considers the non-GAAP measure of Adjusted EBITDA. Management believes that this non-GAAP measure provides useful information about the company's operating results.

The tables below provide a reconciliation of this non-GAAP financial measure with the most directly comparable GAAP financial measure. Adjusted EBITDA is defined as net income (loss), plus interest expense, other income (expense), foreign currency transaction loss, provision for income taxes, depreciation and amortization, stock-based compensation, income from discontinued operations, gain on sale of discontinued operations, and other potential adjustments that may arise.

Set forth below is a reconciliation of Adjusted EBITDA to net income (loss):

	Quarter Ended September 30,		
	2017	2016	Change
<b>Net Income (loss)</b>	\$ (772,965)	\$ (410,666)	\$ (362,299)
Add (deduct):			
Interest expense	3,000	3,000	-
Other income (expense)	(12,802)	(4,710)	(8,092)
Foreign currency translation loss	(12,387)	3,324	(15,711)
Provision for income taxes	11,751	13,605	(1,854)
Depreciation and amortization	40,568	30,469	10,099
Stock-based compensation	286,242	102,589	183,653
Income from discontinued operations	-	(95,889)	95,889
Gain on sale of discontinued operations	(57,149)	-	(57,149)
Adjusted EBITDA	\$ (513,742)	\$ (358,278)	\$ (155,464)

## About Research Solutions

Research Solutions, Inc. (OTCQB: RSSS) is a pioneer in cloud-based research intelligence and retrieval solutions for R&D-driven organizations. More than 70 percent of the top 25 pharmaceutical companies in the world rely on services delivered by Research Solutions' wholly owned subsidiary Reprints Desk. The company's Software-as-a-Service (SaaS) Platform provides customers with on-demand access to, and augmented data from, tens of millions of scientific, medical, and technical (STM) documents, helping them to accelerate acquisition at the point of discovery, save time and money, and remain copyright-compliant. For more information, visit [www.researchsolutions.com](http://www.researchsolutions.com).

### **Important Cautions Regarding Forward-Looking Statements**

Certain matters discussed in this press release may be forward-looking statements. Such matters involve risks and uncertainties that may cause actual results to differ materially, including the following: changes in economic conditions; general competitive factors; acceptance of the company's products in the market; the company's success in obtaining new customers and new Platform deployments; the company's success in technology and product development; the company's ability to execute its business model and strategic plans; the company's success in integrating acquired entities and assets, and all the risks and related information described from time to time in the company's filings with the Securities and Exchange Commission ("SEC"), including the financial statements and related information contained in the company's Securities and Exchange Commission Annual Report on Form 10-K and interim Quarterly Reports on Form 10-Q. The company assumes no obligation to update the cautionary information in this release.

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**Research Solutions, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

	<b>September 30, 2017</b>	<b>June 30, 2017</b>
	<u>(unaudited)</u>	<u>                    </u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,542,485	\$ 5,773,950
Accounts receivable, net of allowance of \$119,546 and \$119,536, respectively	4,307,776	5,465,299
Prepaid expenses and other current assets	218,893	196,820
Prepaid royalties	657,434	566,282
Total current assets	<u>9,726,588</u>	<u>12,002,351</u>
<b>Other assets:</b>		
Property and equipment, net of accumulated depreciation of \$715,221 and \$699,421, respectively	92,508	85,737
Intangible assets, net of accumulated amortization of \$648,212 and \$623,714, respectively	31,624	41,870
Deposits and other assets	14,455	14,466
Right of use asset, net of accumulated amortization of \$72,353 and \$45,105, respectively	390,669	417,917
<b>Total assets</b>	<u><u>\$ 10,255,844</u></u>	<u><u>\$ 12,562,341</u></u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 4,677,299	\$ 6,443,056
Deferred revenue	1,356,950	1,335,475
Lease liability, current portion	113,065	110,888
Total current liabilities	<u>6,147,314</u>	<u>7,889,419</u>
<b>Long-term liabilities:</b>		
Lease liability, long-term portion	<u>299,253</u>	<u>328,299</u>
<b>Total liabilities</b>	<u><u>6,446,567</u></u>	<u><u>8,217,718</u></u>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred stock; \$0.001 par value; 20,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock; \$0.001 par value; 100,000,000 shares authorized; 24,134,992 and 23,883,145 shares issued and outstanding, respectively	24,135	23,883
Additional paid-in capital	22,513,645	22,267,327
Accumulated deficit	(18,648,823)	(17,875,858)
Accumulated other comprehensive loss	(79,680)	(70,729)
Total stockholders' equity	<u>3,809,277</u>	<u>4,344,623</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 10,255,844</u></u>	<u><u>\$ 12,562,341</u></u>

**Research Solutions, Inc. and Subsidiaries**  
**Consolidated Statements of Operations and Other Comprehensive Loss**

	<b>Three Month Ended</b>	
	<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>
Revenue:		
Platforms	\$ 387,945	\$ 172,072
Transactions	6,359,895	6,006,399
Total revenue	<u>6,747,840</u>	<u>6,178,471</u>
Cost of revenue:		
Platforms	83,987	29,964
Transactions	4,914,414	4,714,999
Total cost of revenue	<u>4,998,401</u>	<u>4,744,963</u>
Gross profit	<u>1,749,439</u>	<u>1,433,508</u>
<b>Operating expenses:</b>		
Selling, general and administrative	2,537,036	1,897,699
Depreciation and amortization	40,568	30,469
Total operating expenses	<u>2,577,604</u>	<u>1,928,168</u>
Loss from operations	<u>(828,165)</u>	<u>(494,660)</u>
<b>Other income (expenses):</b>		
Interest expense	(3,000)	(3,000)
Other income	12,802	4,710
Total other income	<u>9,802</u>	<u>1,710</u>
Loss from continuing operations before provision for income taxes	(818,363)	(492,950)
Provision for income taxes	<u>(11,751)</u>	<u>(13,605)</u>
Loss from continuing operations	<u>(830,114)</u>	<u>(506,555)</u>
Discontinued operations:		
Income from discontinued operations	-	95,889
Gain from sale of discontinued operations	57,149	-
Income from discontinued operations	<u>57,149</u>	<u>95,889</u>
Net loss	(772,965)	(410,666)
<b>Other comprehensive loss:</b>		
Foreign currency translation	(8,951)	(3,283)
Comprehensive loss	<u>\$ (781,916)</u>	<u>\$ (413,949)</u>
Loss per common share:		
Loss per share from continuing operations, basic and diluted	\$ (0.04)	\$ (0.02)
Income per share from discontinued operations, basic and diluted	\$ -	\$ -
Net loss per share, basic and diluted	\$ (0.04)	\$ (0.02)
Weighted average common shares outstanding, basic and diluted	23,380,437	23,131,570