

Reports Fourth Quarter and Full Year 2012 Financial Results

The Associated Press

NASHUA, N.H.--(BUSINESS WIRE)--Feb 19, 2013--iCAD (Nasdaq: ICAD), an industry-leading provider of advanced image analysis, workflow solutions and radiation therapy for the early identification and treatment of cancer, today reported financial results for the three and twelve months ended December 31, 2012.

"During the fourth quarter we posted strong revenue growth, maintained adjusted EBITDA profitability and generated positive cash flow," said Ken Ferry, President and CEO of iCAD. "This considerable progress can be attributed to continued strong growth of our therapy solutions, a much stronger quarter in cancer detection coupled with on-going disciplined expense management. For the full year, therapy revenue was particularly strong as we more than doubled new systems and applicator sales compared with 2011." "We were pleased that the U.S. Centers for Medicare & Medicaid Services (CMS) issued an improved payment policy for the delivery of Intraoperative Radiation Therapy (IORT). The payment value assigned to IORT in the CMS Final Rule, announced in November 2012, was more than twice the value included in the Proposed Rule released by CMS in July 2012. We believe this favorable reimbursement policy, together with a growing body of clinical data, will accelerate the adoption of our technology by breast surgeons and radiation oncologists." "Over the course of 2012, we made good progress transforming our Cancer Detection business model to a mix of new and recurring revenue products. At the same time, we reduced operating expenses significantly year over year while continuing to invest in key product programs for mammography and MRI," concluded Mr. Ferry.

Fourth Quarter Financial Results Revenue: Total revenue for the fourth quarter of 2012 increased 18% to \$7.8 million from \$6.6 million for the fourth quarter of 2011, driven by a 94% increase in Therapy revenue offset by a 6% decrease in Cancer Detection product revenue.

Therapy revenue includes Xofigo Axxent Electronic Brachytherapy product sales, as well as associated service and supply revenue. Cancer Detection revenue includes film, digital mammography, MRI and CT CAD platforms, as well as service and supply revenue from these products.

Gross Margin: Gross profit for the fourth quarter of 2012 was \$5.6 million, or 71.0% of revenue, compared with gross profit for the fourth quarter of 2011 of \$4.5 million, or 68.1% of revenue.

Operating Expenses: Total operating expenses for the fourth quarter of 2012 declined to \$6.3 million from \$6.7 million for the fourth quarter of 2011, primarily the result of cost-control measures implemented in the fourth quarter of 2011.

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Non-GAAP Adjusted EBITDA: Non-GAAP adjusted EBITDA, a non-GAAP financial measure as defined below, was income of \$102,000 for the fourth quarter of 2012, compared with a loss of \$1.2 million for the fourth quarter of 2011.

Net Loss: The net loss for the fourth quarter of 2012 was \$2.7 million, or \$0.25 per share, compared with a net loss for the fourth quarter of 2011 of \$2.2 million, or \$0.20 per share.

Non-GAAP Adjusted Net Loss: The Company posted a non-GAAP adjusted net loss, as defined below, for the fourth quarter of 2012 of \$1.7 million, or \$0.15 per share, compared with a non-GAAP adjusted net loss for the fourth quarter of 2011 of \$2.3 million, or \$0.21 per share.

Full Year Financial Results Revenue: Total revenue for 2012 was \$28.3 million, a decrease of 1%, compared with total revenue for 2011 of \$28.7 million. The Xoft Axxent Electronic Brachytherapy system contributed approximately \$11.0 million to 2012 revenue, an increase of \$5.1 million or 87% compared with 2011. Therapy revenue consisted of approximately \$8.1 million in product sales and \$2.9 million in service and supply revenue.

Gross Margin: Gross profit for 2012 was \$20.0 million, or 70.8% of revenue, compared with gross profit for 2011 of \$20.0 million, or 69.9% of revenue.

Net Loss: The Company posted a net loss for 2012 of \$9.4 million, or \$0.87 per share, compared with a net loss for 2011 of \$37.6 million, or \$3.45 per share.

Non-GAAP Adjusted EBITDA: Non-GAAP adjusted EBITDA for 2012 was a loss of \$1.5 million, compared with a loss for 2011 of \$7.9 million.

Non-GAAP Adjusted Net Loss: The Company posted a non-GAAP adjusted net loss for 2012 of \$8.8 million, or \$0.81 per share, compared with a non-GAAP adjusted net loss for 2011 of \$12.4 million, or \$1.14 per share.

Cash and Cash Flow: As of December 31, 2012, the Company had cash and cash equivalents of \$13.9 million, compared with \$13.8 million as of September 30, 2012 and \$4.6 million as of December 31, 2011. Net cash used by operations during 2012 was \$4.2 million. In January 2012 the Company entered into a five-year, \$15 million debt facility agreement with Deerfield Management Company LP, a leading healthcare investment fund. Under the terms of the agreement, the Company issued a \$15 million principal amount of senior secured notes, which included a revenue purchase agreement and warrants.

Use of Non-GAAP Financial Measures In its quarterly news releases, conference calls, slide presentations or webcasts, the Company may use or discuss non-GAAP financial measures as defined by SEC Regulation G. The GAAP financial measures most directly comparable to each non-GAAP financial measure used or discussed, and a reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure, are included in this press release after

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the condensed consolidated financial statements. When analyzing the Company's operating performance, investors should not consider these non-GAAP measures as a substitute for the comparable financial measures prepared in accordance with GAAP. The Company's quarterly news releases containing such non-GAAP reconciliations can be found on the Investors section of the Company's website at www.icadmed.com.

Conference Call iCAD management will host an investment community conference call on Wednesday, February 20, 2013 beginning at 10:00 a.m. Eastern time to discuss these results and answer questions. Shareholders and other interested parties may participate in the conference call by dialing 800-591-6930 (domestic) or 617-614-4908 (international) and entering passcode 60116734. The call also will be broadcast live on the Internet at www.streetevents.com, www.earnings.com and www.icadmed.com.

A replay of the conference call will be accessible two hours after its completion through February 27, 2013 by dialing 888-286-8010 (domestic) or 617-801-6888 (international) and entering passcode 71898017. The call will also be archived for 90 days at www.streetevents.com, www.earnings.com and www.icadmed.com.

About iCAD, Inc.

iCAD is an industry-leading provider of advanced image analysis, workflow solutions and radiation therapies for the early identification and treatment of common cancers. iCAD's Xoft System, offers radiation treatment for early-stage breast cancer that can be administered in the form of intraoperative radiation therapy or accelerated partial breast irradiation. The Xoft System is also cleared for the treatment of non-melanoma skin cancer and endometrial cancer. iCAD offers a comprehensive range of high-performance, upgradeable CAD solutions for mammography and advanced image analysis and workflow solutions for Magnetic Resonance Imaging, for breast and prostate cancers and Computed Tomography for colorectal cancer. For more information, call 877-iCADnow, or visit www.icadmed.com.

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