

SWK Holdings Corporation Announces 2017 Second Quarter Financial Results

Total revenues of approximately \$6.1 million for the second quarter of 2017 compared to \$8.6 million for the second quarter of 2016.

Net income attributable to SWK Shareholders of \$3.4 million, or \$0.26 per share, and non-GAAP Adjusted net income of \$5.0 million, or \$0.38 per share for the second quarter of 2017.

Post quarter's end, closed two financings deploying \$17.2 million with additional \$6.6 million deployed through existing portfolio company milestones and add-ons.

Book value of \$16.47 per share as of June 30, 2017 vs. \$15.67 per share as of December 31, 2016.

Dallas, TX, August 10, 2017 – SWK Holdings Corporation (SWKH.OB) (“SWK” or the “Company”), a life science focused specialty finance company, announced its second quarter 2017 financial results.

Second Quarter 2017 Highlights:

- Reported total revenues of approximately \$6.1 million for the quarter, compared to \$8.6 million for the second quarter of 2016.
- Reported adjusted net income of approximately \$5.0 million, or \$0.38 per diluted share, for the quarter, as compared to (\$0.6) million, or (\$0.04) per diluted share, for the second quarter of 2016.
- Total income producing assets (defined as finance receivables, marketable securities and investment in unconsolidated subsidiaries less non-controlling interests) were approximately \$143.4 million as of June 30, 2017, compared to \$132.2 million as of December 31, 2016.

“We continue to execute on our business plan of deploying our balance sheet capital into attractive, risk-adjusted financings,” stated Winston Black, Chief Executive Officer of SWK. “Taking into account for capital deployed after June 30, 2017, our income producing assets have increased more than 20% year-to-date. While we are cognizant of the increasingly competitive nature of the overall lending market, we continue to find niche opportunities to deploy capital at attractive yields. Given our year-to-date capital deployment, we are evaluating means of raising additional, non-dilutive balance sheet capital.”

Note:

- All references to growth rate percentages and shares compare the results of the period to those of the prior year comparable period.
- The Company reports its financial results in accordance with Generally Accepted Accounting Principles in the U.S. (“GAAP”). However, management believes that certain non-GAAP financial measures provide users with additional meaningful financial information that should be considered when assessing the Company’s ongoing performance. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company’s reported results prepared in accordance with GAAP. The Company’s non-GAAP financial information does not represent a comprehensive basis of accounting. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company’s performance.
- Non-GAAP Adjusted net income and its components and Non-GAAP Adjusted basic and diluted EPS are not, and should not be viewed as, substitutes for GAAP net income and its components and basic and diluted EPS. Despite the importance of these measures to management in goal setting and performance measurement, we stress that these are Non-GAAP financial measures that have no standardized meaning prescribed by U.S. GAAP and, therefore, have limits in their usefulness to investors. Because of the non-standardized definitions, Non-GAAP Adjusted net income and its components (unlike U.S. GAAP net income and its components) may not be comparable to the calculation of similar measures of other companies.

Portfolio Overview

As of June 30, 2017, the Company’s total income producing assets were approximately \$143.4 million as compared to \$132.2 million as of December 31, 2016.

(in thousands)	June 30, 2017		December 31, 2016	
Finance receivables	\$	139,210	\$	126,366
Marketable investments		4,177		2,621
Investment in unconsolidated entity		–		6,985
Less non-controlling interest				(2,756)

Less non-controlling interest	-	(5,750)
Total income producing assets	\$ 143,387	\$ 132,216

After quarter's close, the Company deployed \$17.2 million into two new term loan financings. One of the Company's existing royalty transactions achieved a revenue-based milestone, triggering a \$3.75 million payment of the contingent purchase amount. SWK also supported existing portfolio companies working capital needs through aggregate \$2.8 million add-on term loan funding.

As of August 10, 2017, the Company and its partners have executed transactions with 26 different parties under its specialty finance strategy, funding \$371 million in various financial products across the life science sector. At the end of the second quarter, the weighted average projected effective yield of the finance receivables portfolio was 14.1%. The projected effective yield is the rate at which income is expected to be recognized pursuant to the Company's revenue recognition policies, if all payments are received pursuant to the terms of the finance receivables.

Results of Operations

Revenues

SWK generated revenues of \$6.1 million for the three months ended June 30, 2017, driven primarily by \$5.7 million in interest and fees earned on our finance receivables. SWK generated revenues of \$8.6 million for the three months ended June 30, 2016, driven primarily by \$6.5 million in interest and fees earned on our finance receivables, and \$2.1 million in income related to our investment in an unconsolidated partnership. The primary reason for the decrease in revenue is related to our investment in an unconsolidated entity, which on February 23, 2017 sold its U.S. marketing rights to its underlying intellectual property. The slight decrease in interest and fees earned on our finance receivables was primarily due to the payoff of two loans during the three months ended June 30, 2016, which was offset by interest and fees earned on subsequent new financings.

Provision for Credit losses and Impairment Expense

SWK did not recognize any provision for credit losses or security impairment expenses during the three months ended June 30, 2017. SWK recognized security impairment expense during the three months ended June 30, 2016 on debt and equity securities of \$0.7 million and \$0.6 million, respectively, to reflect the securities at their fair market values as of June 30, 2016. Also, during the three months ended June 30, 2016, SWK recognized an allowance for credit loss on a royalty purchase and impairment expense for a loan write off of \$1.7 million and \$5.3 million, respectively.

General and Administrative

General and administrative expenses consist primarily of compensation, stock-based compensation and related costs for management, staff, Board of Directors, legal and audit expenses, and corporate governance. General and administrative expenses increased to \$0.9 million for the three months ended June 30, 2017 from \$0.8 million for the three months ended June 30, 2016, which was due to an increase in compensation related expenses for additional employees hired in 2017.

Other Income (Expense)

Other income (expense), net for the three months ended June 30, 2017 reflected a net fair market value loss of \$0.1 million on our warrant derivatives. Other expense for the three months ended June 30, 2016, reflected a net fair market value gain of \$0.5 million on our warrant derivatives.

Income Tax Expense

SWK recognized \$1.4 million of deferred income tax expense for the three months ended June 30, 2017. No income tax expense was recognized for the three months ended June 30, 2016.

Liquidity and Capital Resources

As of June 30, 2017, SWK had \$36.4 million in cash and cash equivalents, compared to \$32.2 million in cash and cash equivalents as of December 31, 2016. The primary driver of the net increase in our cash balance was the net proceeds of \$8.6 million received related to our investment in an unconsolidated entity and cash generated by our operations, partially offset by our investments in our partner companies.

As of June 30, 2017, we had \$8.6 million of unfunded commitments outstanding. After quarter's end, \$3.8 million of this total was funded, \$0.5 million expired, while an additional \$5.0 million of unfunded commitments was added. Pro forma for these transactions, unfunded commitments totaled \$9.3 million.

Adjusted Net Income

Net income in accordance with GAAP for the three month period ending June 30, 2017 was \$3.6 million, and net income attributable to SWK Stockholders in accordance with GAAP for the three month period ending June 30, 2017, was \$3.4 million, or \$0.26 per diluted share. The table below eliminates provisions for income taxes, non-cash mark-to-market changes on warrant assets and SWK's warrant liability. The following tables provide a reconciliation of SWK's reported (GAAP) income before provision for income tax to SWK's adjusted net income attributable to SWK Holdings Corporation stockholders (Non-GAAP) for the three months ended June 30, 2017 and ended June 30, 2016:

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Consolidated net income	\$ 3,580	\$ 44	\$ 13,849	\$ 3,982
Plus: income tax expense	1,400	-	5,106	-
Plus: loss (gain) on fair market value of warrants	143	(471)	614	(441)
Plus: gain on realized value of warrants	-	931	-	931
Adjusted income before provision for income tax	5,123	504	19,569	4,472
Adjusted provision for income tax	-	-	-	-
Non-GAAP consolidated net income	5,123	504	19,569	4,472
Non-GAAP adjusted net income attributable to non-controlling interest	171	1,090	5,204	1,931
Non-GAAP adjusted net income (loss) attributable to SWK Holdings Corporation Stockholders	\$ 4,952	\$ (586)	\$ 14,365	\$ 2,541
Non-GAAP adjusted basic income (loss) per share	\$ 0.38	\$ (0.04)	\$ 1.10	\$ 0.19
Non-GAAP adjusted diluted income (loss) per share	\$ 0.38	\$ (0.04)	\$ 1.10	\$ 0.19

In the presentation above, management has eliminated the following non-cash items: (i) fair-market value of warrants as mark to market changes are non-cash, and (ii) income taxes as the Company has substantial net operating losses to offset against future income.

About SWK Holdings Corporation

SWK Holdings Corporation is a specialized finance company with a focus on the global healthcare sector. SWK partners with ethical product marketers and royalty holders to provide flexible financing solutions at an attractive cost of capital to create long-term value for both SWK's business partners and its investors. SWK believes its financing structures achieve an optimal partnership for companies, institutions and inventors seeking capital for expansion or capital and estate planning by allowing its partners to monetize future cash flow with minimal dilution to their equity stakes. Additional information on the life science finance market is available on the Company's website at www.swkhold.com.

Safe Harbor Statement

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements including words such as "believes," "expects," "anticipates," "intends," "estimates," "plan," "will," "may," "look forward," "intend," "guidance," "future" or similar expressions are forward-looking statements. Because these statements reflect SWK's current views, expectations and beliefs concerning future events, these forward-looking statements involve risks and uncertainties. Investors should note that many factors, as more fully described under the caption "Risk Factors" in SWK's Form 10-K, Form 10-Q and Form 8-K filings with the Securities and Exchange Commission and as otherwise enumerated herein or therein, could affect the Company's future financial results and could cause actual results to differ materially from those expressed in such forward-looking statements. The forward-looking statements in this press release are qualified by these risk factors. These are factors that, individually or in the aggregate, could cause the Company's actual results to differ materially from expected and historical results. You should not place undue reliance on any forward-looking statements, which speak only as of the date they are made. We assume no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise.

SWK HOLDINGS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value and share data)
 Derived from unaudited financial statements

December
June 30,

	2017	31, 2016
ASSETS		
Cash and cash equivalents	\$ 36,435	\$ 32,182
Accounts receivable	1,370	1,054
Finance receivables, net	139,210	126,366
Marketable investments	4,177	2,621
Investment in unconsolidated entity	—	6,985
Deferred tax asset	33,365	38,471
Warrant assets	841	1,013
Other assets	212	240
Total assets	\$ 215,610	\$ 208,932
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	\$ 591	\$ 682
Warrant liability	201	189
Total liabilities	792	871
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	—	—
Common stock, \$0.001 par value; 250,000,000 shares authorized; 13,043,381 and 13,114,292 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	13	13
Treasury stock, \$0.001 par value; 112,553 and 53 shares held at June 30, 2017 and December 31, 2016, respectively	—	—
Additional paid-in capital	4,433,446	4,433,289
Accumulated deficit	(4,220,265)	(4,228,910)
Accumulated other comprehensive income (loss)	1,624	(87)
Total SWK Holdings Corporation stockholders' equity	214,818	204,305
Non-controlling interests in consolidated entities	—	3,756
Total stockholders' equity	214,818	208,061
Total liabilities and stockholders' equity	\$ 215,610	\$ 208,932

SWK HOLDINGS CORPORATION CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands, except per share data)

Derived from unaudited financial statements

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues				
Finance receivable interest income, including fees	\$ 5,734	\$ 6,457	\$ 10,390	\$ 9,927
Marketable investments interest income	—	—	—	92
Income related to investments in unconsolidated entity	335	2,143	10,539	3,802
Other	5	11	9	26
Total revenues	6,074	8,611	20,938	13,847
Costs and expenses:				
Provision for loan credit losses	—	1,659	—	1,659
Impairment expense	—	6,590	—	6,929
General and administrative	951	789	1,612	1,718
Total costs and expenses	951	9,038	1,612	10,306
Other income (expense), net				
Unrealized net gain (loss) on derivatives	(143)	471	(614)	441
Gain on sale of marketable securities	—	—	243	—
Income before provision for income taxes	4,980	44	18,955	3,982
Provision for income taxes	1,400	—	5,106	—
Consolidated net income	3,580	44	13,849	3,982
Net income attributable to non-controlling interests	171	1,090	5,204	1,931
Net income (loss) attributable to SWK Holdings Corporation	\$	\$	\$	\$

Net income (loss) per share attributable to SWK Holdings Corporation Stockholders:	3,409	(1,046)	8,645	2,051
Basic	\$ 0.26	\$ (0.08)	\$ 0.66	\$ 0.16
Diluted	\$ 0.26	\$ (0.08)	\$ 0.66	\$ 0.16
Weighted Average Shares:				
Basic	13,038	13,126	13,035	13,123
Diluted	13,042	13,126	13,038	13,126

SWK HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands, except per share data)
Derived from unaudited financial statements

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Consolidated net income	13,849	3,982
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from investments in unconsolidated entity	(10,539)	(3,802)
Provision for loan credit losses	-	1,659
Impairment expense	-	6,929
Change in fair value of warrants	614	(441)
Gain on sale of marketable securities	(243)	-
Deferred income tax	5,106	-
Loan discount amortization and fee accretion	(1,622)	(2,038)
Interest paid-in-kind	(807)	-
Stock-based compensation	157	205
Other	9	9
Changes in operating assets and liabilities:		
Accounts receivable	(316)	(237)
Other assets	(65)	(347)
Accounts payable and other liabilities	(91)	(131)
Net cash provided by operating activities	6,052	5,788
Cash flows from investing activities:		
Cash distributions from investments in unconsolidated entity	17,524	4,304
Cash received for settlement of warrants	-	1,014
Proceeds from sale of available-for-sale marketable securities	345	-
Investment in finance receivables	(11,012)	(23,047)
Repayment of finance receivables	261	43,477
Marketable investment principal payment	54	-
Other	(11)	(4)
Net cash provided by investing activities	7,161	25,744
Cash flows from financing activities:		
Distribution to non-controlling interests	(8,960)	(2,202)
Net cash used in financing activities	(8,960)	(2,202)
Net increase in cash and cash equivalents	4,253	29,330
Cash and cash equivalents at beginning of period	32,182	47,287

Cash and cash equivalents at end of period	36,435	76,617
--	--------	--------

CONTACT: SWK Investor Relations at (972) 687-7250 or investor.relations@swkhold.com.

<https://swkhold.investorroom.com/2017-08-14-SWK-Holdings-Corporation-Announces-2017-Second-Quarter-Financial-Results>