

The KonLin Letter TKL

FEATURED STOCK OF THE MONTH

December 28, 2015

FIRST CHOICE HEALTHCARE SOLUTIONS, INC.

OTCQB: FCHS-0.84

FCHS entered into an acceleration trend that has generated record increases in revenues and operating cash flows during Q3. Headquartered in Melbourne, Florida, FCHS is implementing a defined growth strategy aimed at building a national collection of world class medical centers of excellence in key expansion markets throughout the U.S. with concentration in neurology, orthopedics, spine surgery and interventional pain medicine, as well as related ancillary care services. Serving Florida's Space Coast, the company's flagship regional network currently administers over 100,000 patient visits each year and is comprised of First Choice Medical Group, The B.A.C.K. Center and Crane Creek Surgery Center.

FCHS' cutting-edge systems of operation are designed to unburden its physicians from the drudgery of productivity-driven assembly line medicine, and to materially diminish the cognitive overload and exhaustion that makes medical care anything but caring or patient-centered. The requirements for running the day-to-day business functions of their centers are the sole responsibility of the management team and not the physicians.

FCHS' approach to developing profitable Centers of Excellence involves the integration of both complementary medical specialties and diagnostic services. While one specialty may have high reimbursements for professional service but insufficient volume to profitably support the necessary diagnostic equipment, another medical specialty may have a lower professional service reimbursement but high volume diagnostic equipment use. Operating independently, each specialty group would face retreating profit margins and confront significant challenges to maintaining high service levels with adequate equipment and current technologies. However, operating together, they create the optimal mix of professional service fee income and diagnostic equipment procedure income. Since the combination is more profitable than either of its components, there is a favorable opportunity to sustain profit margins that will allow each of their centers to maintain clinically superior, patient-centric service levels supported by top rated physicians and care and state-of-the-art equipment and technologies.

For FY'14, revenues climbed to a record \$8.1 mil. (increasing 32%), with the net loss improving 47%, or (0.14) per share vs. (0.35) for the prior year. Revenues for Q3'15 vaulted 233% to \$6.3 mil., with net income of 0.03 per share vs. a net loss of



(0.02) per share for the same period in the prior year. For the 1st 9 mos. of FY'15, revenues surged 111% to \$13.1 mil., with net income increasing to 0.01 per share vs. a net loss of (0.05) per share for the same period in the prior year. The company maintains a healthy balance sheet with cash/restricted cash totaling \$1.15 mil. ending Sept.'15. Of the 22,867,626 shares outstanding, about 50% are held by insiders. The stock bounced off of the 0.70-0.75 support area making higher lows on the pullback, but needs to close above 1.00 for the start of its next up-leg to our 1st target of 2.25-2.50. We would Add/Buy as the positive trends that FCHS has experienced for the past several quarters of generating record increases in revenues and operating cash flow during Q3 should continue going forward. Several factors are driving FCHS' strong performance, including an astute management team, but the single most significant are the investments being made in expanding their regional network of medical centers of excellence in Florida.

With the addition of The B.A.C.K. Center this past May, coupled with Crane Creek Surgery Center, a state-of-the-art facility for spine, orthopedic, interventional pain and general surgical procedures joining its network as of Oct. 1, '15, FCHS is effectively demonstrating that its business-building platform is gaining meaningful momentum and winning First Choice recognition as a proven business partner obtaining results. We would Add/Buy on pullbacks as the FCHS model for developing and operating medical centers of excellence is strictly defined to ensure the highest standard for patient care can be fostered and preserved, and profitability can be obtained as management persists in expanding FCHS nationally, increasing shareholder value. Ultimate target 4.00-4.50.