



NEWS RELEASE

Safeguard Scientifics Announces First Quarter 2019 Financial Results

5/2/2019

Conference call and webcast today at 9:00 a.m. ET

RADNOR, Pa., May 2, 2019 /PRNewswire/ -- **Safeguard Scientifics, Inc.** (NYSE: SFE) ("Safeguard" or the "Company") today announced financial results for the three months ended March 31, 2019, "Safeguard continues to make significant progress in our ongoing efforts to support the growth and to monetize our portfolio of partner companies," said Brian J. Sisko, Safeguard President and CEO. "We are pleased with our accomplishments. Since we announced our strategy, Safeguard has realized over \$120 million in cash proceeds related to monetizations of our partner company interests. The Safeguard team remains committed to rewarding our shareholders by maximizing the overall value of our partner company holdings."

For the three months ended March 31, 2019, Safeguard's net income was \$21.7 million, or \$1.05 per share on a basic and fully diluted basis, as compared with net loss of \$6.2 million, or \$0.30 per share, for the same period in 2018.

Highlights

- Safeguard announced the engagement of Evercore as its financial advisor as it continues to execute its strategy to maximize the return of value to shareholders.
- The Company appointed new independent director, Joseph M. Manko Jr., to the Safeguard Board of Directors.
- The Company realized \$41.5 million in cash proceeds from the sale of partner company Propeller. The transaction represented an approximate 3x cash-on-cash return and 34% IRR.
- Safeguard continues to prudently manage follow-on deployments to its partner companies. Follow-on fundings totaled \$3.9 million for the quarter.

- At March 31, 2019, the Company's balance of cash, cash equivalents, restricted cash and marketable securities was \$78.0 million.
- On April 15, 2019 the Company made a principal and interest payment of \$27.4 million on its credit facility, which reduced the principal amount outstanding under the facility to \$44.5 million.
- Safeguard has entered into subleases regarding its current offices and for a new smaller office space which will reduce our net lease payments by \$3.5 million from the original term of the current office lease.
- Corporate expenses totaled \$2.1 million for the quarter ended March 31, 2019 reflecting the Company's reduced cost structure.

OUTLOOK

"We are pleased with the continued and substantial reduction of the Company's debt balance, resulting from what we have accomplished so far in 2019. Our aggregate cash and marketable securities now exceed our debt," said Mark A. Herndon, Safeguard's Senior Vice President and Chief Financial Officer. "Further, we continue to be optimistic about the overall health of our partner companies as revenues continue to increase in the aggregate and several are nearing cash flow breakeven." We expect corporate costs for the year ended December 31, 2019 to be less than \$8.0 million.

AGGREGATE PARTNER COMPANY REVENUE

Aggregate partner company revenue for Safeguard's 19 remaining companies is projected to be between \$420 million and \$450 million for 2019. Aggregate revenue for the same partner companies was \$379 million for 2018, which indicates revenue growth between 11% and 19% for the group.

PARTNER COMPANY HOLDINGS AT MARCH 31, 2019

Partner Company Revenue Stages			
Initial Revenue Stage • Up to \$1M in revenue	Expansion Stage • \$1M to \$5M in revenue	Traction Stage • \$5M to \$10M in revenue	High Traction Stage • \$10M+ in revenue

Partner Companies	Stage	Category	Acquisition Year	Primary Ownership%	Carrying Value (in millions)	Cost (in millions)
Aktana+	High Traction	Healthcare	2016	19%	\$ 4.5	\$ 10.2
Clutch Holdings	High Traction	Digital Media	2013	41%	6.8	16.6
Flashtalking	High Traction	Digital Media	2018	10%	11.0	19.2
Hoopla Software	Expansion	Digital Media	2011	26%	0.1	5.1
InfoBionic	Expansion	Healthcare	2014	25%	-	22.0
Lumesis	Traction	Financial Services	2012	44%	1.4	6.3
MediaMath	High Traction	Digital Media	2009	13%	-	15.5
meQuilibrium+	Traction	Healthcare	2015	33%	4.0	11.5
Moxe Health	Initial Revenue	Healthcare	2016	32%	3.5	5.5
NovaSom	High Traction	Healthcare	2011	32%	2.4	27.0
Prognos (fka Medivo)	High Traction	Healthcare	2011	29%	6.3	12.6
QuanticMind	Traction	Digital Media	2015	24%	5.2	12.9
Sonobi	Traction	Digital Media	2015	22%	8.4	13.4
Syapse	High Traction	Healthcare	2014	20%	1.0	15.6
T-REX Group	Initial Revenue	Financial Services	2016	18%	4.0	6.0
Transactis	High Traction	Financial Services	2014	24%	7.1	14.5
Trice Medical	Expansion	Healthcare	2014	17%	3.2	10.2
WebLinc	High Traction	Digital Media	2014	39%	6.0	15.9
Zipnosis	Expansion	Healthcare	2015	35%	2.6	8.5
TOTAL:					\$ 77.5	\$248.5

+ Partner company progressed into higher revenue stage

CONFERENCE CALL AND WEBCAST DETAILS

Please call 10-15 minutes prior to the call to register.

Date: Thursday, May 2, 2019

Time: 9:00am ET

Webcast: www.safeguard.com/results

Live Number: 833-236-5756 // (International) 647-689-4184

Replay Number: 800-585-8367 // (International) 416-621-4642

Access Code: 6399803

Speakers: President and Chief Executive Officer, Brian J. Sisko; and Senior Vice President and Chief Financial Officer, Mark A. Herndon

Format: Discussion of first quarter 2019 financial results followed by Q&A

Replay will be available through June 2, 2019 at 11:59pm ET. For more information please contact IR@safeguard.com.

About Safeguard Scientifics

Historically, Safeguard Scientifics (NYSE: SFE) has provided capital and relevant expertise to fuel the growth of technology-driven businesses. Safeguard has a distinguished track record of fostering innovation and building market leaders that spans more than six decades. For more information, please visit www.safeguard.com.

Forward-looking Statements

Except for the historical information and discussions contained herein, statements contained in this release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements are subject to risks and uncertainties. Forward-looking statements include, but are not limited to, statements regarding Safeguard's efforts to execute on and implement its strategy of maximizing and monetizing the overall value of its partner company holdings and returning the proceeds to shareholders as soon as possible. Such forward-looking statements are not guarantees of future operational or financial performance and are based on current expectations that involve a number of uncertainties, risks and assumptions that are difficult to predict. Therefore, actual outcomes and/or results may differ materially from those expressed or implied by such forward-looking statements. The risks and uncertainties that could cause actual results to differ

materially include, among others, our ability to make good decisions about the monetization of our partner companies for maximum value or at all and to return capital to our shareholders, the fact that our partner companies may vary from period to period, challenges to achieving liquidity from our partner company holdings, fluctuations in the market prices of our publicly traded partner company holdings, competition, our inability to obtain maximum value for our partner company holdings, our ability to attract and retain qualified employees, market valuations in sectors in which our partner companies operate, our inability to control our partner companies, our need to manage our assets to avoid registration under the Investment Company Act of 1940, risks, disruption, costs and uncertainty caused by or related to the actions of activist shareholders, including that if individuals are elected to our Board with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create value for our shareholders and perceived uncertainties as to our future direction as a result of potential changes to the composition of our Board may lead to the perception of a change in the direction of our business, instability or a lack of continuity that may adversely affect our business, and risks associated with our partner companies, including the fact that most of our partner companies have a limited operating history and a history of operating losses, face intense competition and may never be profitable, the effect of economic conditions in the business sectors in which Safeguard's partner companies operate, and other uncertainties described in our filings with the Securities and Exchange Commission. Many of these factors are beyond the Company's ability to predict or control. As a result of these and other factors, the Company's past operational and financial performance should not be relied on as an indication of future performance. The Company does not assume any obligation to update any forward-looking statements or other information contained in this press release.

SAFEGUARD CONTACT:

John E. Shave III, IRC

Senior Vice President, Investor Relations and Corporate Communications

(610) 975-4952

jshave@safeguard.com

Safeguard Scientifics, Inc.
Condensed Consolidated Balance Sheets
(in thousands)

March 31, 2019

December 31, 2018

Assets		
Cash, cash equivalents, restricted cash and marketable securities	\$ 78,022	\$ 46,158
Other current assets	3,686	2,669
Total current assets	<u>81,708</u>	<u>48,827</u>
Ownership interests in and advances to partner companies	85,603	95,585
Other assets	3,142	1,325
Total Assets	<u>\$ 170,453</u>	<u>\$ 145,737</u>
Liabilities and Equity		
Other current liabilities	\$ 4,182	\$ 5,780
Credit facility - current	65,687	22,100
Credit facility repayment feature	7,069	5,060
Total current liabilities	<u>76,938</u>	<u>32,940</u>
Credit facility - non-current	—	43,014
Lease liability - non-current	2,597	—
Other long-term liabilities	2,039	2,804
Total equity	88,879	66,979
Total Liabilities and Equity	<u>\$ 170,453</u>	<u>\$ 145,737</u>

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2019	2018
Operating expenses	\$ 3,057	\$ 5,589
Operating loss	(3,057)	(5,589)
Other loss, net	(1,885)	(1,435)
Interest, net	(1,662)	(1,892)
Equity income, net	28,267	2,746
Net income (loss) before income taxes	21,663	(6,170)
Income tax benefit (expense)	—	—
Net income (loss)	\$ 21,663	\$ (6,170)
Net income (loss) per share:		
Basic	\$ 1.05	\$ (0.30)
Diluted	\$ 1.05	\$ (0.30)
Weighted average shares used in computing income (loss) per share:		
Basic	20,585	20,506
Diluted	20,585	20,506

(in thousands)

Additional Financial Information

To assist investors in understanding Safeguard and our 19 partner companies as of March 31, 2019, we are providing additional financial information on our partner companies, including the aggregate cost and carrying value for all of our partner companies and other holdings. Carrying value of an equity method partner company represents the original acquisition cost and any follow-on funding, plus or minus our share of the earnings or losses of each company, reduced by any impairment charges. The carrying value and cost data reflect our percentage holdings in the partner companies and reflect both equity ownership interests in and advances to those partner companies.

	March 31, 2019	
	Carrying Value	Cost (including transaction costs)
Safeguard Carrying Value and Cost		
Equity method partner companies	\$ 66,429	\$ 213,862
Other partner company	10,956	34,703
Other holdings	8,218	42,029
	<u>\$ 85,603</u>	<u>\$ 290,594</u>

Corporate cost reconciliation:

	Three Months Ended March 31,	
	2019	2018
Corporate costs	\$ 2,131	\$ 3,368
Depreciation	485	78
Stock based compensation	417	277
Severance	24	1,104
Non-recurring items, principally professional fees	—	762
General and administrative costs	<u>\$ 3,057</u>	<u>\$ 5,589</u>

Non-GAAP Measures

In discussing financial results and guidance, the Company refers to the measure "corporate costs" which is not in accordance with Generally

Accepted Accounting Principles (GAAP). We use this non-GAAP financial measures internally to make operating and strategic decisions, including evaluating our overall performance and as a factor in determining compensation for certain employees. We believe presenting this non-GAAP financial measures provides additional information to facilitate comparison of our historical operating costs and their trends, and provides additional transparency on how we evaluate our cost structure. We also believe presenting this measure allows investors to view our performance using the same measure that we use in evaluating our performance and trends.

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