PERFORMANT

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Performant Financial Corporation Announces Termination of Student Loan Recovery Contract

LIVERMORE, Calif., June 19, 2017 (GLOBE NEWSWIRE) -- Performant Financial Corporation (Nasdaq:PFMT) ("the Company"), a leading provider of technology-enabled recovery and related analytics services in the United States, today announced that one of the Company's principal customers, Great Lakes Higher Education Guaranty Corporation ("GLHE"), notified the Company that it is terminating the Company's student loan recovery contract.

On June 15, 2017, GLHE, which recently acquired the student loan portfolio of USA Funds, advised the Company that GLHE has decided to bundle all of its outsourced student loan servicing and student loan recovery work with a single third party vendor. The Company does not provide student loan servicing. The Company has been told that it will have the opportunity to continue to provide some student loan recovery services to GLHE on a subcontracting basis, although the terms and scope of any such arrangement are uncertain.

Richard George, CEO of Great Lakes, said, "Performant has been a critically important and valued vendor partner for 17 years; and they have master serviced our outsourced default portfolio since 2009. Performant's success was reflected in their exceptional recovery performance which was specifically tailored to Great Lakes requirements, compliance, customer—centric culture and values. If the decision on the current MSA placement were purely one of ongoing portfolio management, Performant would no doubt have continued as our MSA partner; however, the decision to terminate our contract with Performant is in major part attributable to interrelated MSA and technology support negotiations with this student loan servicer which Great Lakes believes will produce material near term cost benefits. We anticipate that Performant will continue to play a significant role in respect to our default portfolio as a subcontractor going forward."

The Company's contract with GLHE will terminate thirty days after the Company's receipt of the termination notice. However, the Company does not expect that termination of the GLHE contract will have an adverse effect on its near-term revenues or net income as the Company will retain all accounts in payment and associated fees and the Company will be able to reduce future expenses associated with performing under this contract. Most of the Company's revenues from the GLHE contract are generated from rehabilitation of student loans and there is typically at least a nine month lag between defaulted student loans that the Company has successfully placed in a rehabilitation plan and revenues associated with successful completion of the rehabilitation process. The Company expects that its revenues from termination of the GLHE contract will begin to decrease in the second half of 2018 and be wound down almost entirely in 2019.

Revenues from GLHE were approximately $33.2 million and $8.6 million in 2016 and the first quarter of 2017, representing approximately 24% and 26% of the Company's revenues, respectively. The Company has provided notice of this event to the agent under its credit agreement and will engage in discussions to further amend or restructure its credit agreement, under which approximately $38 million (net of restricted cash) is outstanding with a maturity date of June 19, 2018. The Company is currently seeking to refinance its credit agreement through new debt or equity financing. Furthermore, the Company has also initiated an exploration of other strategic alternatives if such new debt or equity financing cannot be obtained.

Forward Looking Statements

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the Company's outlook for revenues, net income and adjusted EBITDA in 2017, the expected financial effects of termination of the GLHE contract, future student loan recovery subcontracting opportunities with respect to GLHE and the Company's intention to refinance or amend its credit agreement or effect other strategic alternatives. These forward-looking statements are based on current expectations, estimates, assumptions and projections that are subject to change and actual results may differ materially from the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, that we have significant indebtedness maturing in 2018 that we will need to refinance and refinancing may not be available to us on reasonable terms or at all, that we may not be able to avoid a breach of the covenants and other provisions of our credit agreement which would cause us to be in default, that we may not be successful in refinancing or amending our credit agreement or effecting other strategic alternatives, that we depend on the revenues of a limited number of clients, that the contracts with our large clients may be changed or terminated unilaterally and on short notice, that we did not receive a new student loan recovery contract award from the Department of Education, our longstanding and significant client, and that while our protest of this decision was upheld, there is no assurance that we will receive a contract award in the future, that continuing limitations on the scope of our audit activity under our RAC contracts have significantly reduced our revenue opportunities with this client, that the amount of commissions we are required to return to CMS due to successful appeals by providers could exceed our estimated appeals reserve, that the Company faces significant competition in all of its markets, that the U.S. federal government accounts for a significant portion of the Company's revenues, that future legislative and regulatory changes may have significant effects on the Company's business, that failure of the Company's or third parties' operating systems and technology infrastructure could disrupt the operation of the Company's business and the threat of breach of the Company's security measures or failure or unauthorized access to confidential data that the Company possesses. More information on potential factors that could affect the Company's financial condition and operating results is included from time to time in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Company's quarterly report on Form 10-Q for the quarter ended March 31 2017. The forward-looking statements are made as of the date of this press release and the Company does not undertake to update any forward-looking statements to conform these statements to actual results or revised expectations.

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