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Augmedix Inc.

2021 Fourth Quarter Earnings Conference Call

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CONFERENCE CALL PARTICIPANTS

Jared Haase, *William Blair*

Marc Wiesenberger, *B. Riley*

Allen Klee, *Maxim Group*

Brooks O'Neil, *Lake Street Capital Markets*

PRESENTATION

Operator

Greetings. Welcome to the Augmedix Inc. 2021 Fourth Quarter Earnings Conference Call.

Please note that this conference is being recorded.

I'll now turn the conference over to Caroline Paul, Investor Relations. Thank you. You may begin.

Caroline Paul

Thank you. And thank you all for participating in today's call.

Joining me are Manny Krakaris, Chief Executive Officer, and Paul Ginocchio, Chief Financial Officer.

Earlier today, Augmedix released financial results for the quarter ended December 31, 2021. A copy of the press release is available on the Company's website.

Before we begin, I'd like to remind you that management will make statements during this call that include forward-looking statements within the meaning of federal securities laws, which are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Any statements contained in this call that relate to expectations or predictions of future events, results or performance are forward-looking statements. These forward-looking statements are based upon our current estimates and various assumptions, and involve material risks and uncertainties that could cause actual results or events to

materially defer from those anticipated or implied by these forward-looking statements. Accordingly, you should not place undue reliance on these statements.

For a list and description of the risks and uncertainties associated with our business, please refer to the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in our most recent Form 10-K and Form 10-Q filed with the Securities and Exchange Commission, and similar disclosures and subsequent reports filed with the SEC.

This conference call contains time-sensitive information and is accurate only as of the live broadcast today, March 21, 2022. Augmedix disclaims any intention or obligation except as required by law to update or revise any financial projections or forward-looking statements, whether because of new information, future events, or otherwise.

With that, I'll turn the call over to Manny.

Manny Krakaris

Thanks, Caroline. Good afternoon, everyone, and thank you for joining us.

For those new to Augmedix, we offer technology and services that reduce the medical note documentation burden for doctors and save them two to three hours a day. Feedback from our clinician customers is that our product is life-changing and brings back the joy of being a doctor again, lost after years of grinding out notes behind a keyboard. We have a real-time synchronous offering, which we call Live, and an asynchronous offering, which we call Notes. Both solutions allow doctors to have natural conversations with their patients with no change to their normal workflows.

For the health enterprise, Augmedix doctors have higher job satisfaction and can see more patients, which usually generates additional revenue. We deliver our service using the Augmedix Ambient Automation platform, which leverages our proprietary Notebuilder technology stack along with a team of medical data specialists who oversee the process and deliver ancillary services.

Our Notebuilder technology is a centerpiece of our technology stack and creates structured data from a completely natural conversation between a physician and a patient. These are complex, nonlinear and usually multi-condition discussions. During the process of classifying and decompiling relevant elements of the unstructured doctor-patient conversation into granular, structured, medically-relevant data, Notebuilder generates vitally important metadata.

The metadata generated from over 40,000 patient visits per week that flow through our system helps to continuously train and improve the more than 500 templates that we have thus far created for the most frequent patient conditions. Each time we use a template during a patient visit, our artificial intelligence software makes the template smarter, which in turn improves our efficiency and enables us to deliver a more tailored medical note.

We are continuing to add to our inventory of medical condition templates with the goal of being able to cover approximately 80% of patient visits within the next 12 months. Using our AI platform to generate medical notes will lead to higher levels of automation, which should materially improve our productivity and financial performance metrics in the future.

Our Live and Notes offerings cater to two distinct price segments of the overall $6 billion addressable market. Live ARPU is about $2,500, while that of Notes is about a $1,000. Our product roadmap includes development of additional offerings at price points in the sub-$400 level. Importantly, these new offerings

will not require any human intervention on our part; as such they will be highly accretive to our gross margins.

When we look at the biggest themes across healthcare, we see an increasing need for our products. Doctor retention and burnout continue to be a major problem in the U.S., costing an estimated $4.6 billion every year. These challenges have even led to some systems offering documentation services as a key benefit in their recruiting of new doctors. Relatedly, we believe that there is also a large and growing need for healthcare organizations to invest in digital solutions to improve physician workflows, enable increased capacity and reduce cost of scale. The COVID pandemic has heightened and highlighted these gaps across our industry and served as a catalyst in driving remote solutions, such as Augmedix.

Importantly, we believe that these market drivers provide a tailwind to our growth trajectory. Our healthcare enterprise clients are actively seeking documentation solutions and look to us because of our variety of services and applicability in multiple healthcare settings. We continue to see strong demand from both, new and existing customers. Our existing customers are buying at an accelerated rate, demonstrated by our high net revenue retention rate, and we have seen a pickup in new logo wins as well.

We recently signed an emergency room program with a major health enterprise and landed a major regional health system in one of the largest cities in the country. We are only scratching the surface of the $6 billion market opportunity where healthcare organizations already under contract with Augmedix represent an aggregate annual revenue opportunity of over $1 billion. Recall, we also count four of the top 10 and six of the top 20 U.S. healthcare enterprises as customers, and we realized meaningful growth within these accounts in 2021.

Now, let's review 2021. We are pleased with how the year concluded. We capped the year by delivering our strongest quarter, highlighted by the continued execution of our growth strategy, further progress along our path to maximize automation of the note creation process, accelerated revenue growth, and gross margin expansion. For the full year, we reported total revenue of $22.2 million, growing 34% year over year. User growth was up by 35% year over year.

Fourth quarter's total revenue was $6.6 million, representing a 45% year-over-year increase. This is slightly better than our pre-announced range of 43% to 44% year-over-year revenue growth for Q4 and a significant acceleration from the 33% year-over-year revenue increase we delivered in the third quarter of 2021.

In 2021, our team made meaningful progress across a number of key strategic growth initiatives while continuing to drive operational efficiencies. Here are some of the highlights.

We had numerous releases to our Notebuilder technology that materially reduced the time to complete a medical note and allowed us to capture more structured data. Our Notes product, which was released in 2020, became a more meaningful part of our quarterly bookings and has demonstrated strong ROI for our new and existing enterprise customers. Our Notes product is a relatively high gross margin offering. So, as a percentage of our total revenue accounted for by our Notes product increase, our overall gross margin improved. Finally, we delivered a number of partnership agreements in 2021 to extend our market reach and accelerate our growth trajectory. Partner generated leads became an increasing part of our sales pipeline as 2021 progressed.

Looking ahead into 2022 and beyond, we are confident that we can build upon our strong momentum to drive additional growth and gross margin expansion. Aside from continuing to develop our technology platform, as I just outlined, our team is focused on landing and expanding with large healthcare enterprises and physician practice groups. To that end, we have segregated our sales team into distinct

groups to align with the areas from where we generate growth. Approximately one third of our sales team is focused on landing new logos, while the remaining two thirds are focused on expansion opportunities within existing enterprise accounts.

As it relates to the expand end part of our strategy, our dedicated client success managers have two primary levers. First, we continue to use data sharing to find those clinicians at large systems that will benefit the most from our service. Within these large systems, we are able to identify each individual clinician who can achieve productivity improvements that correspond to a payback period of 12 months or less if they adopt our service. At most large healthcare enterprises, this sweet spot covers about 25% to 40% of their entire clinician population. This targeted sales approach with health system driven ROI data has proven to be a successful expansion tool.

Second, the addition of the Notes product with its substantially lower price point has increased the addressable market within health systems, which we believe will accelerate penetration. The target productivity improvement for notes is lower than that for Live, thereby expanding number of potential candidates for this service to a much larger pool.

Overall, we are very pleased with the progress we made in 2021. Our strong finish at the end of the year is a testament to our team's efforts to deliver superior service to our providers and extend our track record of achievements. Our superior positioning, where we offer the broadest suite of services that accommodate the widest range of clinician workflows and care settings in our industry, will enable us to capture more than our fair share of this rapidly growing market. Adding new products to our existing suite will serve to further strengthen our positioning. We are enthusiastic about 2022 and the years ahead.

With that, I'll now turn the call over to Paul Ginocchio, our Chief Financial Officer, then will return with closing comments.

Paul.

Paul Ginocchio

Thank you, Manny.

As stated, revenue for the three months ended December 31, 2021, was $6.6 million, a 45% increase from the $4.5 million in the same period from a year ago. Growth was driven by existing client expansion, new clients, and strong growth in our Notes offering.

Dollar-based net revenue retention in the fourth quarter of 2021 was 135% for our health enterprise customers compared to 122% in the third quarter of 2021 and 108% in the fourth quarter of 2020. As many of you know, net revenue retention measures what a dollar of revenue that our existing clients a year ago grew into in this most recent quarter. It includes up-sells, expansion, and churn, but excludes revenue from any new logos that were added in the last 12 months. NRR improved in 4Q as a couple of our health systems returned to growth post-COVID, and another, with whom we have a data-sharing agreement, accelerated sharply.

Average clinicians in service in the fourth quarter of 2021 rose 49%, as compared to the fourth of 2020 and accelerated from 42% year on year in the third quarter of 2021. We define a clinician in service as an individual doctor, nurse practitioner, or other healthcare professional using either our Live or Notes service. We believe growth in the number of clinicians in service is an indicator of the performance of our business, as it demonstrates our ability to penetrate the market and grow our business.

As the mix of Notes clinicians to total clinicians in service continues to grow, since its launch in 2020, our overall ARPU will decline. In the fourth quarter of 2021, the rising mix of Notes impacted overall ARPU by approximately 6% year on year.

Looking at each product individually, Live ARPU increased approximately 3% year on year in the fourth quarter and Notes ARPU increased year on year more than Live.

The gross margin in the fourth quarter of 2021 was 45%, as compared to 44% in the corresponding prior year period and compares to 45% in the third quarter of 2021. The year-on-year improvement in gross margin is from operational improvements and an increase in the Notes gross margin as it scales.

Total operating expenses for the fourth quarter of 2021 were $7.8 million versus $5.6 million in the fourth quarter of 2020. Operating expenses increased due to investments in the sales and the customer success team as we scale; investment in the engineering team as we enhance our technology; investment in marketing as we build our pipeline; increased commissions due to higher bookings; a one-time catch-up accrual for an employee savings plan; and increased G&A cost due to being a public company. As a reminder, we expect revenue growth to outpace operating expense growth over the course of 2022.

Adjusted EBITDA, which we calculate by adding back depreciation, amortization, taxes, interest, transaction expenses, one-time items, and stock-based compensation to net loss, was a loss of $3.8 million in the fourth quarter of 2021 compared to a loss of $2.8 million in the fourth quarter of 2020. We ended the fourth quarter of 2021 with $41.6 million of cash and restricted cash. In light of our $40 million public offering in October, we have significant operating runway to execute our strategy.

Now, turning to our outlook for the first quarter of 2022. Given the strength of our bookings quarter to date and the health of our backlog, we expect revenue growth in the first quarter of 2022 to be in the 44% to 45% range year over year, or approximately $6.9 million.

Regarding gross margin, we expect it to be in the range of 44% to 46%. Recall, at scale, we have indicated that we expect Live gross margins to range from 50% to 55% and Notes gross margins to range from 55% to 60%.

At this point, I'd like to turn the call back to Manny for closing comments.

Manny Krakaris

Thank you, Paul.

In summary, I'm encouraged by our strong finish to 2021, which is indicative of our team's strong commitment to our mission. Our highly differentiated approach to the medical note creation process has positioned us well to capitalize on the large market opportunity ahead.

A special thank you to our investors who supported us as we listed on NASDAQ in October, 2021, and for those investors who have backed us before this milestone. Thank you for your continued support.

I would also like to welcome Laurie McGraw to the Augmedix Board of Directors. Her industry knowledge, extensive network, and particular experience in the EMR space make her a great addition to our Board. I, and the rest of the Board, are truly excited to work with Laurie as we continue to build on Augmedix's leadership position. We are proud of our achievements this past year, how we are positioned for the opportunity ahead of us, and I look forward to updating you on our progress in this coming year.

With that, we'll open it up to questions, Operator.

Operator

Thank you.

Our first question comes from the line of Ryan Daniels with William Blair. Please proceed with your question.

Jared Haase

Yes. Hi, guys. Good afternoon. This is Jared Haase in for Ryan. Thanks for taking the questions, and congrats on a solid quarter here, solid close to 2021.

I wanted to ask one, and this is somewhat following up to a comment in the prepared remarks. But I think I heard correctly and just want to confirm that the ARPU increased, that is the individual product level, both for Live and Notes, and that Notes increased more, but that the consolidated ARPU is coming down as Notes increases as an overall percentage of the mix.

I guess, number one, I just want to make sure that I have those dynamics correct. And then, number two, as the ARPU increases at the individual level, can you remind us what the driver of that increase is? Is that purely a function of increasing sort of the service levels of the patient volume that you're generating, the number of Notes, if you will, for a physician, or are there any sort of built-in price escalators of the contracts that would be increasing ARPU?

Paul Ginocchio

Manny, I'll take that one.

Yes, Jared, you got that right. Notes was up more than Live, and Live in the fourth quarter average ARPU was up 3%. We just want to call out that obviously Notes is a newer product and it's becoming increasing part of the mix. So, we just want to call out that dynamic, overall. The increase in price is an increase, largely doctors using this, using more service per month. So, we have different tiers based on how much time the doctor is in the clinic. We're seeing an uptick in the subscription tier.

Jared Haase

Got it. Yes. That makes perfect sense.

Then, are you able to share—I understand Notes is becoming a greater portion overall. Are you able to share either what percentage of revenue came from Notes, or what percentage of doctors are Notes doctors versus Live doctors?

Paul Ginocchio

Manny talked about the ARPU of Notes and Live. Overall, in the fourth quarter Notes revenue is still less than 10% of overall revenue.

Jared Haase

Got it. Less than 10%. Okay, makes sense.

Then, I just have one more, and this kind of circles back to a comment that Manny made in the prepared marks. But, the channel partnerships relative to the sort of broader go-to-market strategy, I think we wanted to just get an update there. Sort of how you're thinking about channel partnerships in the context of your broader approach to the TAM here. I think this has been a key theme we've heard in last few months from you guys. I know you've announced the partnership with Google, and I think there was a recent press release with a GPO in the rheumatology space as well.

Curious if there's any more color you can add around how you're pursuing those channel partnerships, and if there's any data points that you can share in terms of how that's either impacting the pipeline or maybe sales generation.

Manny Krakaris

Yes. Sure. Let me take that.

I'll just give you a list of the partnerships we have. So, at the top, of course, is Google; then ARN, which you referred to earlier, American Rheumatology Network; NCHN, which is a rural cooperative, health cooperative; Medical Advantage; Athenahealth; and Modernizing Medicine. Those are our publicized, or the partnerships that we made public. There are two others that we have not announced yet to add to that list, and that list is growing.

Just to follow-up on that question, we do expect channel partners to provide an increasing percentage of lead generation than they have in the past.

Jared Haase

Okay, great. I appreciate the color there. I'll go ahead and leave it there and hop back in the queue.

Manny Krakaris

Sure.

Operator

Thank you.

Our next question comes from the line of Marc Wiesenberger with B Riley. You may proceed with your question.

Marc Wiesenberger

Yes. Thanks. Good afternoon. I appreciate taking the questions.

Paul, I think in the past, you've kind of provided annual growth in the 30% to 45% range. And with the first quarter being towards that upper end in the 40% to 45% growth, how should we think about the cadence throughout the rest of the year? Obviously, is there opportunities to exceed some of those growth targets you've previously talked about?

Paul Ginocchio

Hi, Marc. Thanks for the questions.

We had a great fourth quarter. Our guidance is for the first quarter of 44% to 45%. So, we're happy with our growth rate and we're always working hard to be at the top end of the range, or hopefully exceed it. I think it's too early to kind of revisit that target. But, when we're ready to revisit it, we will. I think the only thing, we haven't provided '22 revenue guidance, just the first quarter. But just remember we tend to grow Q-on-Q revenue. So, that maybe helps you a little bit as well.

Marc Wiesenberger

Yes, helpful.

Manny, turning to partnerships, you have in the past, and just on the last question you talked about Google. They recently announced their integration of Care Studio into the Meditech EHR platform. Could you comment on any potential direct impact to Augmedix from that and, more broadly, the opportunities related to your partnership with Google?

Manny Krakaris

Well, on the Meditech press release, I can't really comment more than what's been announced publicly on that. We obviously are aware of it. We are in touch with both firms. I'll just leave it at that. I think it's an interesting partnership and one that hopefully will bear fruit for those two organizations. Hopefully we'll be able to fit within that arrangement.

Marc Wiesenberger

Got it. Okay.

Then, underlying the platform, you do really have some cutting-edge technology in terms of your automated speech recognition, your NLP, and machine learning. Remind us how much of the current process is driven purely by automation versus human involvement. How should we think about that evolving overtime? Then, going back to all that technology you have, where else can that be applied to create a similar value proposition? I mean, could that tech be used to maybe digitize patient intake forms, for example?

Manny Krakaris

That's a great question. In terms of what percentage of Notes are automated, I can tell you that nobody in the industry has fully automated the entire process from intake to final note. Nobody has gotten there. It's going to be a while before anybody gets there, us or any of our competitors. We are automating steps within the process that go from intake to final product, and we keep making progress on each one of those steps. We will continue to automate more and more of it. Today, if you just look at the actual words that appear in a note, less than 50% of those are fully automated end to end. That percentage will increase with time.

But what's more important really are the processes, the steps within that entire process that get automated. We've automated the conversion of the audio to text. We have broken down what follows by identifying key elements within that transcription that is generated by the ASR. That's fully automated through our proprietary NLP. There are following steps after that where Notebuilder, our proprietary tool, looks at each one of those elements, decompiles it, each one of them, into very granular metadata that we use in our auto sentence generator to generate notes within a note that are medically accurate and relevant. Each one of those steps keeps getting updated and refined and increasing the amount of content that's in the transcript that can be completely automated.

Marc Wiesenberger

Got it, very helpful. Last one from me.

Paul, with an LTV to CAC of around six times, I think that's what you guys talk about. A lot of people would look at that and say that support definitely increased investments to support growth. How are you thinking about those investments, and how should we really be thinking about modeling OpEx and the respective line items? I know you said it's going to grow slower than the top line, but any more detail around those line items would be helpful. Thank you.

Paul Ginocchio

Sure, Marc.

You're right. We continue to invest significantly in sales and marketing. While we are going to show operating leverage, sales and marketing will be one of the most closely correlated to revenue growth. I think that's probably as far as we want to go. G&A would be the least correlated with revenue growth, and then that leaves R&D in the middle. So, we like the returns we're getting on our investments in sales and marketing, and we will continue to make those so we can penetrate the market quicker.

Manny Krakaris

Yes. Just one thing to add to that, Marc, is that with any investment, there will be a little bit of a lag between the times that you spend or make the investment in sales and marketing, and the time you see the impact on your top line. So, as long as that ratio, that LTV to CAC ratio, is above three, which it is today, significantly above three, we'll continue to make aggressive investments in that area.

Marc Wiesenberger

Appreciate that. Thank you.

Paul Ginocchio

Thanks, Marc.

Operator

Our next question comes from the line of Allen Klee with Maxim Group. You may proceed with your question.

Allen Klee

Yes. Hi. I heard you talk about some new add-ons that I think you said could add around sub-$400. Could you give some examples of what that is, what they are?

Manny Krakaris

We haven't announced the actual products that we're developing that would fall in that category. So, I really don't want to give you any more detail. It's a great answer, Allen, but I wish I could give you more detail. But we are developing those products. They are going to be standalone products. In other words, physicians can subscribe to those products without having to subscribe to the more expensive Notes offerings or Live offerings that we have today. The purpose of that of course is to provide a broader

beachhead within large enterprises from which to upsell, but also to establish more points of contact with the point of care, because those communication channels that we have with the point of care, they're a unique and very valuable asset to us, and potentially to other parties in the healthcare industry.

Allen Klee

Great. In the past, you've said that as your people who work offshore, as they go back to the office, that could have 150 basis-point roughly impact on margins. How do you think about where that stands? Or is that expected happen in 2022 but it can be offset by just all the other things that you're talking about, or how do we think about that?

Paul Ginocchio

Yes. Allen, it's Paul.

At some point it's going to happen, whether it happens in one quarter, or over the course of a couple quarters. Obviously, the recent surge pushed that out a little bit. But I think the way you've just described, it's not a bad way to think about it. There is going to be some headwind when we finally go fully back to the office. But we're continuing to make efficiencies as we scale, as we drive efficiency through Notebuilder, and as we have the mix of Notes goes higher.

All of those things, whether it happens perfectly offsetting, or we get the back office earlier, that's hard to say. But that's not a bad way to think about it overall over the course of the year.

Allen Klee

Great. Last question, could you tell us what the diluted shares outstanding were for 4Q '21, and maybe what it is as of today?

Paul Ginocchio

Our common shares outstanding are 37.3. We haven't done—we don't have the diluted, we haven't done the diluted calculation because we're in a loss-making situation. We can follow up with you afterwards, Allen, if you need something.

Allen Klee

Okay, fantastic. Thank you so much. Bye.

Operator

Our next question comes from the line of Brooks O'Neil with Lake Street Capital Markets. You may proceed with your question.

Brooks O'Neil

Hi, guys.

I'm curious, obviously not a lot of questions or comments so far about Omicron or COVID. Can you just characterize how the environment is in the United States and, maybe more of interest, the environment overseas?

Manny Krakaris

Hi, Brooks. Manny here.

Good question. So far, if we just look at the first quarter of this year and compare it to the first quarter of last year when we had a surge as well, healthcare enterprise is much better prepared to weather the surge this quarter. That's been reflected in our interactions with existing customers and with prospects.

Overseas, the situation is still mixed, depending on what country you're looking at. But, in India, for example, they're still bracing or working through the Omicron surge. So, that's requiring our folks to continue to work from home as they're following shelter-in-place rules. Bangladesh is in a little bit better position right now. But they typically lag India by about three weeks in terms of the progression of the pandemic. So, we expect there to be an upswing in caseloads in Bangladesh in the next couple weeks. Sri Lanka follows closely with India.

Brooks O'Neil

Do you think that'll have a big impact on your business, or have you been pretty effective in managing your way through that?

Manny Krakaris

Well, we have been managing our way through it, Brooks. It obviously impacts operations. But we've figured out a way to work with it, with the constraints that the pandemic has imposed on us, from a recruiting, training, and operational perspective. So, we'll continue to do what we have done. We've gone through the drill now for almost two years. We've been successful at it, as evidenced by our continuing growth in our gross margins. So you never know, but I don't envision any kind of material impact to gross margin because of some new surge in India or Bangladesh or Sri Lanka.

Brooks O'Neil

Right. Then, I'll just ask you one more. Obviously, two fairly high-profile mergers: one complete, one pending in the industry. Could you characterize, broad reaction in the industry, as you talk to customers, as you think about the outlook, how do you react to those two big mergers?

Manny Krakaris

Well, they are big. So, Microsoft completed its acquisition of Nuance earlier this month, and that's been in the works for almost a year now. It took quite a long time to get that completed. We actually look forward to continued competition with Nuance. We think it's a good thing that Microsoft has entered into the market. It's brought a lot more visibility into the space and how important it is to the healthcare industry. So, it's brought the space into sharp focus, not just for the healthcare industry, but also external constituencies, such as institutional investors, for example.

Oracle decided to jump in aggressively with its pending acquisition of Cerner. That's an interesting transaction. Despite what they stated in their various press releases regarding the rationale, it seems to me, this is my opinion, that Oracle is simply looking at the space and not wanting to be locked out because Microsoft is going to dominate the cloud business in that sector. So, they want to have access to it. Cerner owns about 25% market share of the EMR space. So, that's a good starting point for Oracle.

Nuance is out of the picture because they are aligned with Microsoft. So, they are looking at what is left on the table, and there aren't very many players left who are relevant. The ones that they're looking at are

obviously the big EMR companies. There is not many left to acquire. But then beyond that, they are looking at who can generate data for them. That's where we feel like we are in a pretty advantageous position, because we cater to the major healthcare enterprises in the industry, very few players in our sector do. So, it gives us an opportunity to kind of have a seat at the table, if you will, should these companies, big companies, become more aggressive in how they get into the space.

Brooks O'Neil

It's such a fascinating area. So, you mentioned one thing. I'll just ask you one more question. So, the cloud strikes me as a very unique element in the mix related to medical records, the data aggregation that you mentioned. Do you have any thoughts on how you see that evolving over the next, let's say, couple of years? I'm just looking for kind of your big-picture thoughts on how you see medical records evolving in the cloud and who pays for them, how they get used, that kind of stuff.

Manny Krakaris

Well, that's a big question.

Brooks O'Neil

Sorry.

Manny Krakaris

No. It's very thoughtful question, but look, it seems to me that the big tech companies really want to own that space. Microsoft started to push, but Amazon's been there, but Microsoft's being very aggressive, and don't forget Google. Google is a very, very big player, in the background, I might add, but they're looking at it very closely, and now Oracle's come into it. There may be one or two other big tech companies that want to get in that space. It's not going to be dominated by one company. I don't think so. But there will be formation of an oligopoly that essentially controls the cloud for healthcare. It's obviously the largest industry in the U.S., and dividing it up amongst four or five players is what's likely to happen. They're all jockeying for position right now, some more aggressively than others.

But my opinion is that they will all get in, the four or five big players. They're going to start—they're not just going to stay at the cloud. I think that's too passive a strategy, as demonstrated by Microsoft and Oracle. I think they're going to start going deeper into the data generation, the source of the data, and have more control over the source of the data, because like with any pipeline, and think of the cloud as a pipeline, the end of a pipeline, if your pipeline originates with a very small pool of data, then there's only so much you're going to have at the other end of that pipeline.

The strategy, I think, amongst these various big players is, yes, let's get into the cloud, let's control as much as cloud as possible. But then, the next step is let's make sure we've got data to flow into that cloud so that we can figure out how commercialize it.

Brooks O'Neil

Very fascinating. I really appreciate your thoughtful answers. Thanks a lot, Manny.

Manny Krakaris

Sure, Brooks.

Operator

Thank you.

At this time, we have reached the end of the question-and-answer session, and I will now turn the call back over to Manny for any closing remarks.

Manny Krakaris

Great. Well, look, thanks, everybody, for attending this quarter's earnings call. We'll keep you updated on our progress throughout the year. We do these every quarter, as you know, but there will be, I suspect, other announcements along the way.

With that, I'll conclude it and thank everybody for attending the earnings call today. Bye, bye.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation, and have a great day.