# MTBC

## Fourth Quarter 2019 Earnings

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**CORPORATE PARTICIPANTS**

**Kim Grant** – *General Counsel*

**Stephen Snyder** – *CEO and Director*

**Hadi Chaudhry** – *President and Director*

**Bill Korn** – *CFO*

**Mahmud Haq** – *Founder and Executive Chairman*

## PRESENTATION

**Operator**
Good day, and welcome to the MTBC Fourth Quarter 2019 Earnings Conference Call and Webcast. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on a touchtone phone. To withdraw your question, please press star then two. Please note, this event is being recorded.

I would now like to turn the conference over to Kim Grant, General Counsel. Please go ahead.

**Kim Grant**
Thank you. Good morning, everyone and welcome to the MTBC 2019 Fourth Quarter conference call. On today's call are Mahmud Haq, our Founder and Executive Chairman; Stephen Snyder, our Chief Executive Officer and a Director; A. Hadi Chaudhry, our President and a Director; and Bill Korn, our Chief Financial Officer.

Before we begin, I would like to remind you that certain statements made during this conference call are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. All statements other than statements of historical fact made during this conference call are forward-looking statements, including, without limitation, statements regarding our expectations and guidance for future financial and operational performance, expected growth, business outlook and potential organic growth and acquisitions.

Forward-looking statements may sometimes be identified with words such as will, may, expect, plan, anticipate, upcoming, believe, estimate or similar terminology and the negative of these terms. Forward-looking statements are not promises or guarantees of future performance and are subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those contemplated in these forward-looking statements.

These statements reflect our opinions only as of the date of this presentation, and we undertake no obligation to revise these forward-looking statements in light of new information or future events. Please refer to our press release and our reports filed with the Securities and Exchange Commission, where you will find a more comprehensive discussion of our performance and factors that could cause actual results to differ materially from these forward-looking statements.

Any assessment of offerings by our competitors is an opinion based on management’s objectives, beliefs and assumptions and on information currently available to our management which we believe to be reliable but in no way is warranted by us as to accuracy or completeness. We caution investors not to rely unduly on this assessment and urge investors to perform their own research, consult with their own advisors and make their own assessment before making any investment decisions. We assume no obligation and disclaim any duty to update or revise such assessment in the event it later turns out to be inaccurate whether as a result of new information, future events or otherwise.

For anyone who dialed into the call by telephone, you may want to download our fourth quarter 2019 earnings presentation. Please visit our Investor Relations site ir.mtbc.com, click on events and download the earnings presentation.

Finally on today's call, we may refer to certain non-GAAP financial measures. Please refer to today's press release announcing our fourth quarter 2019 results for a reconciliation of these non-GAAP performance measures to our GAAP financial results.

With that said, I'll now turn the call over to our Chief Executive Officer of MTBC, Stephen Snyder. Steve?

**Stephen Snyder**
Thank you, Kim. And thank you everyone for joining us on our fourth quarter 2019 earnings call. As Kim mentioned, I'm joined on today's call by Mahmud Haq, Bill Korn, Hadi Chaudhry and Kim Grant. I'm also pleased to introduce you to some additional team members including Shruti Patel, the President of our new Telehealth Division; Al Nardi, our Senior Vice President of Strategic Initiatives; and Juan Molina, the President of our new CareCloud Division. Shruti, Al and Juan are a few of the many rising stars in our leadership team and will be available for questions during the second half of today's call.

Today, I'm thrilled to report record revenue for the full year 2019 of $64.4 million, together with record adjusted EBITDA of $8.1 million. This represents year-over-year increases of 27% and 69% respectively.

For the fourth quarter, we're pleased to report revenue of $15.8 million, together with record fourth quarter adjusted EBITDA of $2.8 million, which represents year-over-year adjusted EBITDA growth for the quarter of 98%.

We expect 2020 to be another record year as we reaffirm our revenue and adjusted EBITDA guidance. During 2020, we expect to grow our revenue by 55% to 58% with guidance of $100 million to $102 million. We expect to generate between $12 million and $13 million of adjusted EBITDA, which will represent growth of 48% to 60% year-over-year.

We expect this growth to come across several growth vectors. This growth will be driven by our recent CareCloud acquisition, our newly scaled organic growth engine, partnerships and new business line opportunities. While our exceptional rate of revenue growth is a strong differentiator in this market, we believe that the combination of this growth, coupled with consistent and accelerating adjusted EBITDA, makes us one of the diamonds in the rough among companies of our size.

We believe that our integrated solution is the most comprehensive end-to-end ambulatory offering available to US healthcare providers today. Our robust scalable, SaaS platform and service offerings allow us to serve a broad spectrum of practice sizes, and specialties.

From a one-doctor medical practice, to a 100-provider hospital based group, or an 1,800-clinician independent group, our unique approach and solutions give us a strong competitive advantage across a wide variety of practice types and sizes. Today, we work with providers practicing in more than 70 unique specialties and subspecialties across the country.

More than 15,000 providers rely on one or more of our solutions to enable the delivery of care to more than 10 million patients a year. Small independent practices across the country have embraced our intuitive, easy-to-use cloud based solution, talkEHR. Likewise, with the acquisition of CareCloud, we now offer providers one of the top rated SaaS platforms in our space, which supports small, medium and large groups.

In addition to our clinical solutions, we offer integrated practice management, revenue cycle management, and a wide range of critical back office services. Our competitive advantage has enabled our strong consistent growth. Our 2020 growth strategy has three main prongs; organic growth, partnerships, and acquisitions.

While we continue to view acquisitions as the most cost efficient and highest velocity means of growth, the strong execution against our unique business model has driven margin expansion, which has enabled

us to increase our investment in organic growth.

In fact, we have grown the size of our sales and marketing team by more than five times as compared to six months ago, and we are getting traction on a wide variety of fronts. One example that we're incredibly excited about, is the opportunity to expand our cross-selling and up-selling initiatives across the CareCloud SaaS base. We expect this newfound reality to up-sell RCM and related services to be a key driver of our growth during this year and beyond.

Likewise, additional synergies between MTBC and our CareCloud teams will help us further accelerate growth. We expect additional growth during 2020, to be driven by referral partnerships as well, together with other lead generating relationships that include billing in EHR clients, referrals from existing customers and our digital marketing programs.

As to acquisitive growth opportunities, we continue to believe that the healthcare IT and revenue cycle markets are highly fragmented, and ripe for consolidation. Since our IPO, we have acquired the customer portfolios of more than a dozen competitors, and we've developed what we believe to be a well-honed, technology driven repeatable model for integrating acquired businesses and customers.

While the next few quarters will likely be devoted primarily to integrating CareCloud and expanding our organic growth initiatives, as an executive team, we would like to be able to identify and close a target company or group of target companies, representing an additional $100 million in revenues over the next year or so. As always, we will continue to employ a disciplined and patient approach to ensure we find the right strategic fits at optimal valuations and only time will tell if we are able to achieve our aspirational goal.

As I previously mentioned, acquisitive growth in 2020 is off to a great start, with the acquisition of CareCloud last month. Over the last 10 years, CareCloud raised an estimated $130 million from some of the most respected investors in Silicon Valley, and they invested much of this capital in developing one of the top ranked cloud-based platforms for ambulatory care in the U.S.

As a combined team, we believe that we can help add value and build on their success including further strengthening the platform and implementing a more disciplined approach around financial, operational, information technology and compliance structures as we've done with other companies we've acquired.

Through the acquisition of CareCloud, we acquired leading technology solutions, a broad base of customers generating approximately $30 million in annual recurring revenues, an incredible brand and a highly talented team. CareCloud represents our largest acquisition to date, and we believe we're making great strides with the integration.

I'll now turn the floor over to our President, Hadi. Hadi?

**Hadi Chaudhry**
Thank you, Steve. And thank you everyone for joining us on our fourth quarter 2019 earnings call. As Steve mentioned, we are making great strides in the integration. The integration efforts are on track, and this has been facilitated by our repeatable integration capabilities, coupled with the talented team at CareCloud. We have already begun seeing the benefits of this integration by, among other things, reducing the costs and reliance on third parties, some of which include CareCloud's current offshore revenue cycle BPO, and both onshore and offshore product and engineering contractors. As the integration progresses, our combined teams will enable us to enhance the quality outcomes of our revenue cycle management customers and accelerate development capabilities and timelines.

We would like to take a few moments to discuss our existing new telehealth initiative. As many of you know, the telehealth industry is taking off and predicted to be the total addressable market of $35 billion according to Statista Analytics. We believe this is the perfect time to expand our portfolio and be part of this exciting movement.

As you may recall, in quarter four of 2019, we announced the release of our integrated telehealth solution. This solution focused on integrating our telehealth software to our talkEHR product allowing providers and patients to conduct virtual patient encounters from the comfort of their own home or virtually anywhere.

Following the initial success of our pilot, we are focused on taking telehealth to the next level. To accomplish this, last week, we announced the creation of a separate division focused solely on telehealth, led by an experienced team to drive growth. We are thrilled to have a dynamic leader, focused on this latest opportunity for us. Shruti Patel has been a valuable member of the MTBC team for more than five years and has worked on some of our most strategic initiatives.

She recently served as MTBC's General Counsel and has now been promoted to President of our Telehealth Business Division. In the quarters ahead, we intend to expand our telehealth offering from a SaaS-only offering, to one that includes the provision of virtual care to a management services agreement with a physician-owned partner entity.

We are bullish about our newest phase in our telehealth solution, and the go-to-market opportunities that exist with the software offering, especially as we begin to work to enable these capabilities across our more than 15,000 providers within our base and other partners, we plan on bringing onboard. We expect general availability of this new telehealth offering within the next 90 days. We look forward to continuing to provide updates on our journey as we progress through 2020.

I will now turn the floor over to our Chief Financial Officer Bill Korn. Bill?

**Bill Korn**
Thank you, Hadi. As Stephen and Hadi said, 2019 was a great year. Our revenue for the full year was a record $64.4 million; an increase of 27% compared to $50.5 million in 2018 and was in the upper end of our guidance range of $63 million to $65 million.

2019 was one of our best years ever for organic sales, with 9% revenue growth from a combination of new organic customers and growth in revenue from existing customers. Our revenue has grown at a compound annual rate of 35% per year since MTBC's IPO at a $10 million revenue run rate in July 2014.

Our GAAP operating income was $67,000, an improvement of $2.6 million compared to 2018. This is the first full year that MTBC reported positive GAAP operating income since going public.

Non-GAAP adjusted operating income was $6.8 million or 11% of revenue, which represents an improvement of $3.1 million from 2018, and a new record. For the full year 2019, our GAAP net loss was $872,000 or $0.60 per share, which included $3.2 million in stock-based compensation expense, and $3 million in non-cash depreciation, and amortization expense.

This reflects an improvement of $1.3 million compared to 2018. Non-GAAP adjusted net income for 2019 was $6.7 million or $0.55 per share, an improvement of $3.2 million compared to last year, and a new record.

Adjusted EBITDA for the full year of 2019 increased 69% to a record $8.1 million as compared to $4.8

million in 2018. Adjusted EBITDA was within our $8 million to $10 million guidance range.

During 2019, MTBC generated a record $7.6 million in cash from operations. As we continue to scale our business through both organic and strategic means such as the CareCloud acquisition, we are able to spread our fixed expenses over a larger revenue base and generate larger adjusted EBITDA, larger adjusted operating income, and larger adjusted net income than we have ever before.

Since the companies that we've acquired do not have significant net tangible assets, a large portion of the purchase price is attributed to intangible assets, most of which are amortized over the first few years after each acquisition. While this reduces our GAAP operating income and GAAP net income, it does not impact our cash flow, and is excluded from our non-GAAP financial measures.

We expect to report a GAAP operating loss and a GAAP net loss for the next few quarters, as we amortize the intangible assets from CareCloud. However, as we reduced our cash-based expenses, these will turn to GAAP operating profits and GAAP net profits over the next few quarters.

Turning to the fourth quarter, our revenue for the fourth quarter of 2019 was $15.8 million. Our fourth quarter 2019 GAAP operating income was $864,000, another new record for MTBC. This $1.7 million improvement in operating income reflects our successful integration of Orion and Etransmedia, systematically reducing operating costs.

After our last three acquisitions, MTBC has been able to reduce operating expenses by an average of 35% after one quarter, 53% after two quarters and 63% after three quarters. This explains the dramatic improvement in our operating income during the second half of 2019 and sets the stage for our integration of CareCloud during the first three quarters of 2020.

Non-GAAP adjusted operating income for fourth quarter of 2019 was $2.5 million or 16% of revenue, which was also a new record for MTBC. Our fourth quarter 2019 GAAP net income was $332,000, yet another new record for MTBC.

Non-GAAP adjusted net income for fourth quarter of 2019 was $2.4 million or $0.20 per share, one more new record and adjusted EBITDA for fourth quarter of 2019 was $2.8 million or 18% of revenue, and our final record for the quarter.

In fourth quarter of 2019, cash flow provided by operations was $2.9 million. As of December 31, 2019, the company had approximately $20 million of cash and positive working capital of approximately $19.8 million.

During 2019, the company raised net proceeds of $9.6 million by issuing 373,000 of its non-convertible Series A Preferred Stock through an at-the-market offering. The Series A Preferred Stock is perpetual. Trades on the NASDAQ Global Market under the ticker MTBCP, pays monthly cash dividends at the rate of 11% per annum and could be redeemed at the company's option at $25 per share starting in November 2020.

I'd like to close by elaborating on our 2020 guidance. Our 2020 revenue will be in the range of $100 million to $102 million, which represents growth of 55% to 58% over 2019 revenue. The combination of additional sales and marketing resources and the increase in cross-selling opportunities means that we anticipate stronger organic growth than in the past.

During 2020, we anticipate the value of new recurring contracts signed will be significantly higher than our previous trend of single digit organic growth. We anticipate adjusted EBITDA of $12 million to $13

million for full year 2020, growth of 48% to 60% over our 2019 adjusted EBITDA as the Company integrates the CareCloud acquisition. We plan to exit 2020 with CareCloud positioned to contribute significantly to our growth and profitability in future years.

I'll now turn the floor over to our chairman Mahmud for his concluding comments.

**Mahmud Haq**
Thank you, Bill. 2020 will be another year of record breaking growth and increasing profitability. We thank our investors, customers, and employees for their support. We will now open the call to questions. Operator?

**QUESTIONS AND ANSWERS**

**Operator**
We will now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If, at any time, your question has been addressed and you would like to withdraw your question, please press star then two. As a courtesy, we ask that you limit yourselves to no more than two questions at a time. If you have further questions, you may re-enter the question queue. We will pause momentarily to assemble our roster. The first question today comes from Gene Mannheimer of Dougherty & Company. Please go ahead.

**Gene Mannheimer**
Good morning, thanks for taking the question and congrats on a strong finish to the year. Guys, as with most acquisitions MTBC has done, there's often some disruption with the customer base post deal. Is there any early read from your family of customers on CareCloud and so far as their retention expectations there? Thank you.

**Juan Molina**
Hi, Gene. How are you? This is Juan Molina, and for those of you that don't know me, President of CareCloud. Gene, great question. We're not seeing any impact whatsoever from the recent acquisition and we're not expecting to see any churn associated with that. In fact, what we've been able to do is because of the expanded value proposition, opportunities that we have with MTBC including different product lines and service offerings, we’ve been able to very quickly start injecting that into our customer base, and the customer base is actually very excited to see those new opportunities available to them.

**Gene Mannheimer**
That's terrific. Thanks and welcome, Juan.

**Juan Molina**
Thanks.

**Gene Mannheimer**
And one for you, Bill. Can you just share with us what are the primary factors that led you to hit the low end of your EBITDA range for 2019 versus the upper band and if you could also talk for 2020 about how the cadence of expenses may look with the CareCloud business folded in? Thank you.

**Bill Korn**
Sure. Thanks, Gene. As we were starting fourth quarter of 2019, we had CareCloud on the radar screen, and we thought about being able to integrate CareCloud quickly. We started ramping up resources in our team overseas, knowing that once we closed the acquisition, we would want people on the ground

that were ready to pick up the work. We did this proactively knowing that it was a good bet to make. As I think about 2020, what you'll see is somewhat consistent with other acquisitions.

I think that during first quarter of 2020, you'll have CareCloud, which was spending a lot more than its revenue in the past. Even as we're reducing expenses, you'll see it being a little bit of a drag on our on our Q1 EBITDA. And that's okay. We factored that into our plan. By Q2, we expect that CareCloud will be essentially neutral on EBITDA, we will have brought the CareCloud-specific expenses down to the level of CareCloud's revenue, which frankly, is something that they tried to do for many years. With our resources, with our team, with our technology, and our resources integrated with theirs we're able to achieve this.

In Q3 and Q4, you'll see CareCloud actually contributing to our overall EBITDA. As you think about the $12 million to $13 million of EBITDA, that will be back-end loaded. And again, you'll see us by the end of the year running at a significantly higher annual run rate of EBITDA and cash flow.

**Gene Mannheimer**
Very helpful. Thank you, Bill. Congrats again.

**Bill Korn**
Thanks Gene.

**Operator**
The next question comes from Marc Wiesenberger of B. Riley FBR. Please go ahead.

**Marc Wiesenberger**
Yes, thank you. Do you anticipate, I know you talked about the overall magnitude of new deals, but specifically individual deal sizes, do you anticipate those going up after the CareCloud deal? And if so, does that potentially impact the timing and cadence of signing on these new deals?

**Stephen Snyder**
That's a great question. Thanks for the question, Marc. As we look at the trend in terms of the overall signings relative to the size of the practices over the last few years, the overall practice size has consistently grown over time, and we would envision that same trend continuing as we move forward with CareCloud. The CareCloud offering allows us to extend the reach of our overall solution set across a broader variety of practice sizes, and even though we work with many large groups today, from a clinical perspective, the CareCloud platform really helps to strengthen our overall offering from a clinical perspective to really meet the needs of those larger practices in particular.

**Marc Wiesenberger**
That's great. Thanks. And similar point, can you talk about the interoperability of the legacy and MTBC platform, and the CareCloud experience, and how in practice will build and navigate between them?

**Stephen Snyder**
For sure, we'd be very happy to do that. And one thing I'd say at the outset is, with the transaction just having recently been closed, from the perspective of the overall integration when it comes to things like the information technology, our team is still working on finalizing the roadmap relative to that. But at least at the onset, what we can say for sure is that as we think about CareCloud's ecosystem of applications and solutions, from a technology perspective, the EHR, the PM, the patient-focused applications and the like, in many respects it's similar to what we provide to our existing base. The main differentiators relate to the broader solution set, the full service revenue cycle management, credentialing, the coding and a whole variety of these other value-added services, which we'll be working overtime in terms of being able

to deploy them and being able to incorporate those same solutions into the CareCloud solution set.

I think that it will be at least initially one of the key things that we do. Over time we continue to, at least at this point in time, believe that we'll maintain two different applications: the MTBC application being a lighter application that, in particular, is a phenomenal solution from a clinical perspective for the smaller practices, the one-to-five doctor groups; and the CareCloud solution from a clinical perspective being particularly well-equipped to meet the needs of those medium and larger groups. From an interoperability perspective, is there anything, Hadi or Juan, you'd like to add?

**Juan Molina**
Yes, this is Juan, and that's a great point, Steve. And it's a great question as well. We've already begun. As Steve mentioned, we're still rationalizing what the overall product strategy is and specifically, I think Steve is right on that we're looking at having these two separate products and continuing to serve our customers with the respective products. However, a good example of how some of this interoperability is actually working, CareCloud has been able to, over the last several years, externalize some of our internal Web services and open up our APIs to the broader market, and to developers across the country.

One of the things that we've been able to do very quickly with MTBC is allow them to leverage our open API infrastructure, and we've been plugging in their automated appointment confirmation and calling tools. That's just one example. There are many examples that we're working through as we rationalize all of these different integration points.

As you've heard today, there's also some existing, some exciting opportunities on the telemedicine side. As we think about our Breeze solution, telemedicine is a natural product synergy that could exist. There's a lot more to come on this and we're excited to see what the next several quarters hold as we launch new products into the market or new integrations into the market.

**Marc Wiesenberger**
Great. Thank you very much.

**Operator**
The next question today comes from Matthew Galinko of National Securities. Please go ahead.

**Matthew Galinko**
Hi, thanks for taking my question. I guess firstly, Steve, you touched on I think an aspirational goal to drive $100 million, if I heard that right, in revenue growth tied to additional M&A over the next year or two. Can you touch on just briefly, A, what the pipeline looks like to get you there, and B, how you think about funding it particularly with respect to the Series A Preferred, that's, I think, nearing an optional redemption later this year? Thanks.

**Stephen Snyder**
Sure. I'll be very happy to it. Great question. There are two aspects to your question that we'll do our best job to address. First is, in terms of our overall vision with regard to this aspiration of some very large, either one large target company that we acquire or a group of target companies we acquire that are in roughly the $100 million revenue range over the next year or so to your point.

The second part of that is funding. And I think from a funding perspective, I would put that in the category of items we can speak a little bit to today, but I think more so we'd cross that bridge as we get there at that point in time, based upon the overall equity valuations and based upon options with regard to debt and the like. We would continue to ensure that, in the most cost-efficient way from a cost of capital perspective, we're moving forward in a way that gives us both the flexibility operationally to be able to

acquire companies that need work, but that can be purchased at very attractive valuations, but also at a reasonable cost of capital. And I'll let Bill jump in, in just a moment on that if he has anything else to add.

I think in terms of the overall aspiration that we have in terms of these larger acquisitions, there are a more limited number of companies that are in, strictly speaking, the RCM alone space, companies that are solely focused on RCM that rise to that level. There's a relatively small universe of those companies, to the extent that we were able to accomplish this objective with only RCM companies, more likely than not it would be a combination of two or three of these companies together that we would acquire.

Do we have those companies in the pipeline from an RCM perspective? We do, and we talked about that some during the last call. But candidly, our suspicion is that by the time we get to the point where we're ready to move forward on acquisitions like this, there'll be candidly a new crop of target companies that will be there. I'll be hard-pressed to say that those companies would necessarily come from the existing pipeline, because really our focus today and really for the next six months or so will really be just doing an excellent job when it comes to integrating CareCloud and also focusing on really ramping up, continuing to ramp up the acquisitive growth.

In addition to the RCM companies, our focus increasingly has been on other companies, for instance healthcare IT companies that are focused on EHR, practice management and analytics, they are helping with value-based care. At some point in time when the valuations perhaps become more attractive, perhaps distressed telehealth companies, smaller telehealth players, and a whole variety of more of companies that fall more within the healthcare IT segment of the overall market.

That's the overall aspiration, and if we think back over the last five or six years in terms of the aspirations that we've expressed on these calls, I think often times the initial reception was a little bit of a skepticism, candidly, in terms of “is this something we can accomplish?” But I think if we look over the last five or six years, I think that most folks will say that we've really been able over time, when we put our team to work, we've been able to really accomplish some pretty significant things in terms of acquisitive growth and also organic growth. We're hopeful we'll be able to do the same thing here.

And I don't know, Bill, if there's anything else that you'd like to add from a financing perspective.

**Bill Korn**
Sure. You mentioned the Series A Preferred Stock where we have the right, if we wanted, starting in November, to redeem the shares. But again, it's only if we want to and we have the cash to do so without impacting other priorities. And clearly, we'll wait till that time to make a decision. From one perspective, our monthly cash flow from operations is typically greater than our dividend. For example, last year the cash flow was 1.25 times our dividend. We expect it to be similar this year. And what we've found is that with no penalties, no covenants, a lot of flexibility, the ability to raise money easily, the Preferred Stock has been a great financing instrument for us in a way that doesn't dilute our shareholders.

And as long as we could use proceeds wisely, as we have for accretive acquisitions, for example, like CareCloud, like Orion, we feel confident we could generate incremental returns that are far in excess of the dividend rate. We'll see down the road as we see the next opportunities, what’s the right way to finance them. It's great to be a $100 million company with many different financing options and the flexibility that whichever way the markets go, we know we can raise capital and do so on good terms.

**Matthew Galinko**
Great. Thanks. I'll jump back in the queue.

**Operator**

The next question today comes from Kevin Dede of H.C. Wainwright. Please go ahead.

**Kevin Dede**
Good morning, gentlemen. Thanks for taking my question. Steve, you touched on this for a bit already with regard to the $100 million that you mentioned in pipeline that you'd like to address. I scratch my head a little bit. I'm wondering if you could dive in a little on valuations per se. Historically you've paid a fraction of sales, and that changed with regard to CareCloud. I'm just wondering how you're going to look at that going forward, and what we should expect as you pull the trigger on other deals going forward.

**Stephen Snyder**
Thanks, Kevin. Great question. To your point, Kevin, historically when we look at RCM companies, struggling, distressed RCM companies where we're only buying the customer relationships and where there's a high historical rate of churn, when we look at those companies we've oftentimes been able to buy them opportunistically somewhere in the range of 0.3 and 0.5 or 0.6 times annualized revenues. I think when we look at other transactions that occur in the space, oftentimes for RCM companies that are healthier from a balance sheet perspective and in terms of retention, oftentimes those companies, in our experience, when they're $10 million plus in revenue are nevertheless trading at or selling at one times or so revenues. But for the distressed companies, agreed, we've really been very fortunate to be able to identify and to acquire companies that have been accretive and have helped us grow at very attractive valuations.

When we looked at CareCloud, there are a couple additional elements that to us really made CareCloud an exciting opportunity for us. CareCloud has a customer base that, standing alone, is generating $30 million plus in annualized revenues. But in addition to that, unlike the other companies we've purchased, CareCloud also has significant brand equity around the CareCloud name and the company they've been able to build, have a phenomenal team that's drawn from some of the leading companies in our space from Allscripts and from Athenahealth and from many of the other leaders in our space. We have individuals who have significant industry and domain knowledge who, we believe, will really be critical to us as we continue to execute against our business plan and focus in on growth.

And then in addition to that, from a technology perspective, they've utilized a significant amount of the $100 million plus that they've raised over the last decade. They've invested that in research and development, in building a first class platform that's used by existing clients, together with making a lot of progress towards yet another new generation product, and we really see an opportunity to be able to not only pick up a client base, pick up an exceptional brand, pick up and be able to onboard an excellent team, but also to be able to step into and to help bring their information technology platform to the next level. They've done a phenomenal job building the SaaS platform and that's another element in terms of the overall valuation when we looked at CareCloud that we thought was really important to add to the mix.

Now transitioning for a moment to the other companies that we'll look at, we'll continue of course to view each company separately based upon the assets that we are able to acquire through that acquisition. To the extent that it's a customer base alone, without the brand equity and without that technology, we would believe that the valuation would be more likely than not, all things being equal, closer to the historical non- CareCloud valuations. To the extent that there's brand equity, to the extent that there's a technology platform, there's a leading technology platform, there are other assets that fall into that category, I think the valuations would tend to be probably closer to the CareCloud valuation. But when all is said and done in terms of the overall approach, we'll continue to employ the same disciplined approach. We'll continue to be highly focused on making sure that from a valuation perspective we're at a valuation that we feel very comfortable with and we think is a very solid valuation for this transaction.

Without getting into too much of the overall back and forth in terms of CareCloud, I think CareCloud is a good example, we've talked about this in the past, that for many of the companies we acquired, we've stepped away from the discussions because the valuation, we thought, was not a reasonable valuation from our estimation, only to acquire that company in the future, one or two or four years down the road, at a much lower valuation. And while that exact thing didn't happen here with that same gap of time in CareCloud, one thing I can tell you is that in terms of the overall negotiation of the structure and the valuation of CareCloud, at multiple points in time we stepped away from that negotiating table only to come back when we felt more comfortable that the overall structure and the valuation was consistent with what we believed to be the right valuation for that company. And when all was said and done, the final valuation we arrived at, Kevin, we couldn't be more pleased with.

**Kevin Dede**
Okay. Thanks for the deep dive, Steve. I really appreciate it. Another question that's looming I think is the brand and marketing strategy. I know that both you and Juan touched on this a little bit, and clearly there are two elements of MTBC now that you can market; one for a high-end prime, larger practice and one for a smaller. I'm wondering how you intend to rationalize, or at least help us rationalize, your desire to grow organic sales, build a sales force and somehow manage two platforms. If you could just dive in a little bit on how you'd like us to think about your brand and equity charter going forward, I think it would be really helpful.

**Stephen Snyder**
Absolutely. I'd be very happy to. I think in terms of being able to provide the best answer, what we'll do is, have Al Nardi answer, Al is our Senior Vice President of Strategic Initiatives, has played a key role over the last number of years from a sales and overall business development perspective. Al, if you can help us first of all talk some about the opportunities that you see in terms of the combined company from a sales and marketing perspective. And then Kevin, right after that then we'll address that other part of the question that you had with regard to the overall IT platform.

**Al Nardi**
Thank you, Steve. Yes. As far as organic growth I can outline a little bit of the strategy for you and what we're doing and what we see the opportunity to be. We see an opportunity to upsell and cross-sell into a much larger combined client base now. That's in addition to the expanding GPO. The GPO has grown approximately 10% in the last 90 days and 20% over the last 18 months. We also, with this combined team of 20 are coordinating on marketing through multiple campaigns for sales and organic growth. There's also a large opportunity to re-engage lost opportunities with expanded services from a combined pipeline.

For example, for clients who may not have closed on the CareCloud platform, but were looking for services, we've already reached out to ten lost opportunities and had four respond, that are now in discussion with us for services. I think that's something that helps us also define why the opportunity is so great. Though I can't quantify in the market how all competitors operate, what we've found is that most of them require you to be on their software in order to provide revenue cycle services, whereas MTBC has the ability and does build on multiple platforms in addition to our own. We've been able to seize new opportunities from the CareCloud base and opportunities that were lost because they weren't choosing that specific platform.

We also have an additional avenue for sales that we're currently working with partnerships to other billing companies and EHRs and other software for back office support on an FTE model. This effort is being led by our SVP of Partnerships and helps these partners expand while reducing costs. We have two of these partnerships already in contract and another two that are in negotiations out of a large pipeline of potential partners.

**Stephen Snyder**
Perfect. Thanks, Al. And Hadi, you can jump in and help us think through and talk a little bit about the two platforms.

**Hadi Chaudhry**
Right. Thank you, Steve. And thanks, Kevin, for the question. As Steve mentioned and as Juan has also mentioned, there are two separate independent key platforms. We still continue to primarily focus on one to five provider groups or practices, and when it comes to the much larger client base, we will continue to try to use the CareCloud platform. But in addition to that, as Juan mentioned previously, there are a lot of different APIs that are available and we already have started to work on, first of all identifying the right mix where the two integrations can happen, such as there's reminder call service for example. There's an integration from the Breeze perspective we have started working on.

And in the same way, we are focused on our proprietary rule based system and the scrubbing system that we are working on, and integrating that into the CareCloud platform. I think we will continue to work on the roadmap, but from the focusing perspective in addition to the integration, how the two systems will be operating together, we will continue to sell and reach out to the different sites of the client base for either the MTBC or CareCloud platform.

**Stephen Snyder**
And, Kevin, just to use as just one example, we think about the CareCloud base, virtually 100% of the CareCloud base is leveraging their practice management system. A smaller subset are leveraging the EHR, and then the smallest subset of that client base of roughly 4,500 providers is leveraging revenue cycle management. Roughly 30% of their base in terms of number of providers, is leveraging revenue cycle management. We think we have a significant opportunity that we can leverage to up-sell the remainder of that base, the other 70% on the possibility of leveraging revenue cycle management.

And if you think about this in terms of “it's a marketer's dream” or a “salesperson’s dream” in some respects, because they're leveraging the platform, we have complete visibility in terms of the key performance indicators regarding their existing operations from a revenue cycle management perspective, what's working well, what's not working well, where we can add value. We have the ability in a very informed way to be able to provide additional visibility with regard to their existing workflows and their existing KPIs. We can add value in that context even if they don't leverage RCM, but we can also specifically tailor our RCM offering on a client level in a way that specifically addresses the needs that they have in their day to day practices. That data allows us in a very targeted way to be able to make sure that we're providing the best and most compelling offering to those CareCloud customers.

**Kevin Dede**
Okay. Just a follow up, so I have it sorted out in my little head, Steve. Does that mean that you'll continue to market two brands? I was wondering if you've made progress on or decided at all to consolidate the entire marketing effort under one brand or perhaps continue to push two?

**Stephen Snyder**
Absolutely. Good question. For the time being we'll continue to promote two brands. We'll continue to really strengthen the overall CareCloud offering with our back office solutions and by integrating our technology and the like. We'll continue to manage two brands for the time being, but that's one of the discussions, that's one of the items that's under discussion and we're analyzing with regard to the overall integration roadmap. Certainly more to come on that. And your idea for sure is a good idea in terms of what the possibilities could be, in terms of being able to leverage our brand equity more broadly across the whole organization, but that's still something that we're internally analyzing.

**Kevin Dede**
Very good. Thank you so much for indulging me, Steve. I'll hop back in the queue.

**Stephen Snyder**
Thank you, Kevin.

**Operator**
The next question today comes from Michael Galantino of Chapin Davis. Please go ahead.

**Michael Galantino**
Thank you. Congratulations guys. Great quarter. You guys have under-promised and over-delivered as usual. Terrific acquisition of CareCloud. I have a two-part question if I may. First for Hadi, could you talk a little bit about the synergies and expense savings you have implemented in the few months since the acquisition of CareCloud? And also I have a quick question for Shruti in terms of the telehealth division. How do you plan on differentiating the telemedicine service, Telehealth service out of MTBC from the likes of the Teledocs of the world?

**Hadi Chaudhry**
Thank you, Michael and thanks for the question. From the integration perspective in terms of the numbers, we are already on track to reduce the expenses when it comes to the BPO and the development contractors by roughly about 85% sometime in the mid of the second quarter. And as Bill has mentioned that the way this whole transition is happening right now, we expect the second quarter to be EBITDA neutral for the CareCloud. In terms of how much we have accomplished so far, I think we're probably at around halfway through in terms of to that 85% reduction in those expenses. And, as you understand, that's the initial transition from the third-party vendors and the contractors to MTBC's own onshore employees. That process is taking place.

**Michael Galantino**
Thank you.

**Shruti Patel**
Perfect. And thanks for the question. I'm still here.

**Michael Galantino**
Okay, good. Go ahead.

**Shruti Patel**
To address your question, how do we see ourselves different from competitors? In terms of competitors we see two major categories of competitors in the market. The first is we see standalone telehealth companies such as Teladoc, MDLive and Doctors on Demand, just to name a few. But then we also see a category of competitors that are offering more of a standalone application that only offer software and not a full suite of telehealth services, for example, like a Kyron. What we're trying to do is, we are now focusing on our efforts to go to market by combining both. We are looking to do a standalone business unit that will provide not only software but will also provide services as well. And another advantage and differentiation from the competitors is that we have a group of existing providers, of over 50,000 providers, in our GPO members that we could even leverage and use as our go-to-market approach.

**Michael Galantino**
Okay. That's the sexy part of the story now. It's a great story. Thank you.

**Shruti Patel**
Thanks, Mike.

**CONCLUSION**

**Operator**
That concludes our question and answer session. I would like to turn the conference back over to Kim Grant for any closing remarks.

**Kim Grant**
Thank you. And we would like to thank everyone for joining today and for all of your continued support. We look forward to speaking to you again in the near future. Thank you all and have a great day.

**Operator**
The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.