

November 4, 2021



# CareCloud Reports Record Third Quarter Revenue and Net Income

**SOMERSET, N.J., Nov. 04, 2021 (GLOBE NEWSWIRE)** -- [CareCloud, Inc.](#) (the “Company” or “CareCloud”) (Nasdaq: MTBC) (Nasdaq: MTBCP), a leader in healthcare technology solutions for medical practices and health systems nationwide, today announced financial and operational results for the third quarter ended September 30, 2021. The Company’s management will conduct a conference call with related slides today at 8:30 a.m. Eastern Time to discuss these results and management’s outlook for the year.

## Third Quarter 2021 Highlights

- Record revenue of \$38.3 million, 21% growth over Q3 2020
- Record GAAP net income of \$1.5 million, compared to a net loss of \$1.7 million in Q3 2020
- Record adjusted net income of \$6.1 million, or \$0.41 per share, growth of 72% over Q3 2020
- Record adjusted EBITDA of \$6.7 million, an increase of \$2.5 million compared to \$4.2 million in Q3 2020

## Year-to-date 2021 Highlights

- Revenue of \$102.1 million, a 40% increase from YTD 2020
- GAAP net loss declined to \$686,000, compared to a net loss of \$9.0 million in the same period last year
- Adjusted net income of \$13.5 million or \$0.91 per share, compared to \$3.5 million in the same period last year
- Adjusted EBITDA of \$16.0 million, an increase of \$10.8 million from \$5.2 million in the same period last year

“We are excited to report record revenue of \$38.3 million in the third quarter, a \$6.7 million year-over-year increase,” said A. Hadi Chaudhry, CareCloud’s Chief Executive Officer and President. “We are on track to achieve another year with 30% or more year-over-year revenue growth while we more than double our adjusted EBITDA. That would make 2021 our fifth consecutive year with over 25% annual revenue growth. We achieved these record results through a combination of organic growth and our acquisition of medSR on June 1, 2021, as well as our relentless focus on reducing costs in our acquired companies to improve our operating efficiencies.”

“We are very proud to report positive GAAP net income of \$1.5 million this quarter, in addition to a record \$6.7 million in adjusted EBITDA, representing our eighteenth consecutive quarter of positive adjusted EBITDA,” continued Hadi Chaudhry. “We are

pleased to give investors the opportunity to invest in a company achieving both rapid growth and profitability.”

### **Third Quarter 2021 Financial Results**

Revenue for the third quarter 2021 was a record \$38.3 million, an increase of \$6.7 million or 21% from the third quarter of 2020.

Bill Korn, Chief Financial Officer, commented “Revenue was a new record for the Company, 12% above our previous all-time high, set last quarter. Our annualized revenue run rate is now \$150 million, which is 43% above our 2020 revenue and 133% above our 2019 revenue. This is proof that our strategy of growing through a combination of organic and strategic growth continues to allow us to grow revenue significantly faster than the industry.”

Third quarter 2021 GAAP net income was \$1.5 million, as compared to a net loss of \$1.7 million in the same period last year and a net loss of \$227,000 in second quarter 2021. “While the management team looks at adjusted EBITDA and cash flow from operations as the primary indicators of whether our business is growing in a sustainable way, achieving positive GAAP profitability of well over \$1 million this quarter is a great milestone showing our progress,” remarked Bill Korn.

GAAP net loss was \$0.15 per share, based on the net loss attributable to common shareholders, which takes into account the preferred stock dividends declared during the quarter.

Non-GAAP adjusted net income for third quarter 2021 was \$6.1 million, or \$0.41 per share, and is calculated using the end-of-period common shares outstanding. “Non-GAAP adjusted net income exceeds the quarterly dividend paid to preferred shareholders, which is a metric investors often pay attention to,” Bill Korn noted. “Since non-GAAP adjusted net income excludes non-cash expenses like depreciation and amortization, it is a good indicator that our steady-state operating cash flow exceeds our dividend.”

Adjusted EBITDA for third quarter 2021 was \$6.7 million, or 17% of revenue, compared to \$4.2 million in the same period last year. CareCloud’s adjusted EBITDA increased by approximately \$2.5 million from Q3 2020, in large part due to the cost savings resulting from integrating the businesses the Company acquired during 2020. “Adjusted EBITDA set a new record, growing by 58% from third quarter last year, 18% from our last quarter and 17% from our previous record,” stated Bill Korn.

### **Nine Month 2021 Financial Results**

Revenue for the first nine months of 2021 was \$102.1 million, an increase of 40% compared to \$73.1 million in the first nine months of 2020. Revenue for nine months of 2021 was just \$3.0 million less than full-year revenue for all of 2020, and was \$37.7 million greater than full-year revenue for 2019.

Bill Korn remarked, “Approximately 82% of our year-to-date revenue involved the use of our technology, including clients using our core technology suite (approximately 50% of our revenue), clients using one or more components of our technology (approximately 22% of revenue), or clients where we are providing IT services utilizing our technology processes

and know-how (approximately 10% of our revenue). Another 7% of revenue came from clients where we are providing solely revenue cycle management services, 9% of revenue is from clients where we are managing their entire medical practice, and approximately 2% of revenue comes from other services.”

For the first nine months of 2021, the Company’s GAAP net loss was \$686,000, compared to a GAAP net loss of \$9.0 million in the first nine months of 2020. GAAP net loss per share was \$0.77, based on the net loss attributable to common shareholders.

Non-GAAP adjusted net income for the first nine months of 2021 was \$13.5 million or \$0.91 per share, an increase of \$10.0 million over adjusted net income of \$3.5 million in the first nine months of 2020.

During this period, our adjusted EBITDA was \$16.0 million, an increase of \$10.8 million or 210% from \$5.2 million in the same period last year. Adjusted EBITDA for nine months for 2021 is \$5.1 million greater than full-year 2020 and \$7.9 million greater than full year 2019, reflecting the cost savings from previous acquisitions.

### ***Cash Balances and Capital***

As of September 30, 2021, the Company had approximately \$9.3 million of cash, including restricted cash. During the third quarter 2021, cash flow from operations was approximately \$5.1 million. Our net working capital on September 30, 2021 was approximately \$9.9 million.

On September 30, 2021, the Company had approximately 5,295,000 shares of non-convertible Series A Preferred Stock outstanding. These shares pay monthly cash dividends of approximately \$0.23 per share, but they are fully redeemable at any time the Company chooses. Bill Korn commented “Our Preferred Stock has been a great way to finance our rapid growth without restrictive covenants. Now that it is redeemable, management is evaluating several options to start redeeming the Preferred in ways that are accretive to common stockholders and prepare us for the next stage of our growth.”

### **Conference Call Information**

CareCloud management will host a conference call today at 8:30 a.m. Eastern Time to discuss the third quarter 2021 results. The live webcast of the conference call **and related presentation slides** can be accessed under Events & Presentations at [ir.carecloud.com/events/](https://ir.carecloud.com/events/). An audio-only option is available by dialing 786-204-3966 and referencing “CareCloud Third Quarter 2021 Earnings Call.” Investors who opt for audio only will need to download the related slides at [ir.carecloud.com/events/](https://ir.carecloud.com/events/).

A replay of the conference call with slides will be available approximately one hour after conclusion of the call at the same [link](#). An audio replay can also be accessed by dialing 412-317-6671 and providing access code 6554517.

### **About CareCloud**

CareCloud (Nasdaq: MTBC) (Nasdaq: MTBCP) brings disciplined innovation to the business of healthcare. Our suite of technology-enabled solutions helps clients increase financial and operational performance, streamline clinical workflows and improve the patient experience. More than 40,000 providers count on CareCloud to help them improve patient care while

reducing administrative burdens and operating costs. Learn more about our products and services including practice management (PM), electronic health records (EHR), business intelligence, telehealth, revenue cycle management (RCM), Medical office practice management and patient experience management (PXM) at [www.carecloud.com](http://www.carecloud.com).

Follow CareCloud on [LinkedIn](#), [Twitter](#) and [Facebook](#).

For additional information, please visit our website at [www.carecloud.com](http://www.carecloud.com). To view CareCloud's latest investor presentations, read recent press releases, and listen to interviews with management, please visit [ir.carecloud.com](http://ir.carecloud.com).

## **Use of Non-GAAP Financial Measures**

In our earnings releases, prepared remarks, conference calls, slide presentations, and webcasts, we use and discuss non-GAAP financial measures, as defined by SEC Regulation G. The GAAP financial measure most directly comparable to each non-GAAP financial measure used or discussed, and a reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure, are included in this press release after the condensed consolidated financial statements. Our earnings press releases containing such non-GAAP reconciliations can be found in the Investor Relations section of our web site at [ir.carecloud.com](http://ir.carecloud.com).

## **Forward-Looking Statements**

This press release contains various forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements relate to anticipated future events, future results of operations or future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “will,” “should,” “intends,” “expects,” “plans,” “goals,” “projects,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these terms or other comparable terminology.

Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. Forward-looking statements in this press release include, without limitation, statements reflecting management's expectations for future financial performance and operating expenditures, expected growth, profitability and business outlook, the impact of the Covid-19 pandemic on our financial performance and business activities, and the expected results from the integration of our acquisitions.

These forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are only predictions, are uncertain and involve substantial known and unknown risks, uncertainties and other factors which may cause our (or our industry's) actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all of the risks and uncertainties that could have an impact on the forward-looking statements, including without limitation, risks and uncertainties relating to the Company's ability to manage growth, migrate newly acquired customers and retain new and

existing customers, maintain cost-effective global operations, increase operational efficiency and reduce operating costs, predict and properly adjust to changes in reimbursement and other industry regulations and trends, retain the services of key personnel, develop new technologies, upgrade and adapt legacy and acquired technologies to work with evolving industry standards, compete with other companies products and services competitive with ours, and other important risks and uncertainties referenced and discussed under the heading titled “Risk Factors” in the Company’s filings with the Securities and Exchange Commission. In addition, there is uncertainty about the spread of the Covid-19 virus and the impact it may have on the Company’s operations, the demand for the Company’s services, and economic activity in general.

The statements in this press release are made as of the date of this press release, even if subsequently made available by the Company on its website or otherwise. The Company does not assume any obligations to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

SOURCE CareCloud

**Company Contact:**

Bill Korn  
Chief Financial Officer  
CareCloud, Inc.  
[bkorn@carecloud.com](mailto:bkorn@carecloud.com)

**Investor Contact:**

Matt Kreps, Managing Director  
Darrow Associates Investor Relations  
[mkreps@darrowir.com](mailto:mkreps@darrowir.com)  
(214) 597-8200

**CARECLOUD, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(\$ in thousands, except share and per share amounts)

|  | <b>September<br/>30,<br/>2021</b> | <b>December<br/>31,<br/>2020</b> |
|--|-----------------------------------|----------------------------------|
|  | <b>(Unaudited)</b>                |                                  |
| <b>ASSETS</b>  |                                   |                                  |
| Current assets:  |                                   |                                  |
| Cash   | \$ 8,313                          | \$ 20,925                        |
| Restricted cash  | 1,000                             | -                                |
| Accounts receivable - net, of allowance for doubtful accounts<br>of \$369 and \$522 at September 30, 2021 and December 31,<br>2020, respectively | 18,094                            | 12,089                           |
| Contract asset   | 4,661                             | 4,105                            |
| Inventory  | 500                               | 399                              |
| Current assets - related party   | 13                                | 13                               |

|   |                   |                   |
|---|-------------------|-------------------|
| Prepaid expenses and other current assets | 3,817             | 7,288             |
| Total current assets                      | 36,398            | 44,819            |
| Property and equipment - net              | 5,108             | 4,921             |
| Operating lease right-of-use assets       | 7,108             | 7,743             |
| Intangible assets - net                   | 32,143            | 29,978            |
| Goodwill                                  | 60,661            | 49,291            |
| Other assets                              | 1,091             | 1,247             |
| <b>TOTAL ASSETS</b>                       | <b>\$ 142,509</b> | <b>\$ 137,999</b> |

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Current liabilities:

|   |          |          |
|---|----------|----------|
| Accounts payable                            | \$ 5,803 | \$ 6,461 |
| Accrued compensation                        | 3,390    | 2,590    |
| Accrued expenses                            | 5,894    | 8,501    |
| Operating lease liability (current portion) | 3,929    | 4,729    |
| Deferred revenue (current portion)          | 1,089    | 1,173    |
| Accrued liability to related party          | -        | 1        |
| Deferred payroll taxes                      | 927      | 927      |
| Notes payable (current portion)             | 590      | 401      |
| Dividend payable                            | 3,843    | 4,241    |
| Consideration payable                       | 1,000    | -        |
| Total current liabilities                   | 26,465   | 29,024   |
| Notes payable                               | 24       | 41       |
| Contingent consideration                    | 6,500    | -        |
| Borrowings under line of credit             | 6,000    | -        |
| Deferred payroll taxes                      | 927      | 927      |
| Operating lease liability                   | 5,026    | 6,297    |
| Deferred revenue                            | 216      | 305      |
| Deferred tax liability                      | 300      | 160      |
| Total liabilities                           | 45,458   | 36,754   |

#### COMMITMENTS AND CONTINGENCIES

##### SHAREHOLDERS' EQUITY:

Preferred stock, \$0.001 par value - authorized 7,000,000 shares at September 30, 2021 and December 31, 2020; issued and outstanding 5,295,414 and 5,475,279 shares at September 30, 2021 and December 31, 2020, respectively

5 5

Common stock, \$0.001 par value - authorized 29,000,000 shares at September 30, 2021 and December 31, 2020; issued 15,614,210 and 14,121,044 shares at September 30, 2021 and December 31, 2020, respectively; 14,873,411 and 13,380,245 shares outstanding at September 30, 2021 and December 31, 2020, respectively

16 14

Additional paid-in capital

133,806 136,781

Accumulated deficit

(34,575) (33,889)

Accumulated other comprehensive loss

(1,539) (1,004)

|  |                   |                   |
|--|-------------------|-------------------|
| Less: 740,799 common shares held in treasury, at cost at<br>September 30, 2021 and December 31, 2020 | (662)             | (662)             |
| Total shareholders' equity   | 97,051            | 101,245           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <b>\$ 142,509</b> | <b>\$ 137,999</b> |

**CARECLOUD, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(\$ in thousands, except share and per share amounts)

|   | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2021</b>                                 | <b>2020</b> | <b>2021</b>                                | <b>2020</b> |
| NET REVENUE   | \$ 38,304                                   | \$ 31,639   | \$ 102,137                                 | \$ 73,085   |
| OPERATING EXPENSES:   |   |             |  |             |
| Direct operating costs  | 24,124                                      | 19,718      | 62,719                                     | 45,842      |
| Selling and marketing   | 2,375                                       | 1,571       | 6,469                                      | 4,778       |
| General and administrative  | 5,921                                       | 6,191       | 17,814                                     | 17,176      |
| Research and development  | 488   | 2,367       | 4,328                                      | 6,846       |
| Change in contingent<br>consideration   | -   | (500)       | -  | (500)       |
| Depreciation and amortization   | 3,547                                       | 3,206       | 9,505                                      | 6,944       |
| Loss on lease termination,<br>impairment and unoccupied<br>lease charges              | 424   | 321         | 1,664                                      | 681         |
| Total operating expenses  | 36,879                                      | 32,874      | 102,499                                    | 81,767      |
| OPERATING INCOME (LOSS)   | 1,425                                       | (1,235)     | (362)                                      | (8,682)     |
| OTHER:  |   |             |  |             |
| Interest income   | 4   | 2           | 10   | 44          |
| Interest expense  | (91)  | (132)       | (274)                                      | (396)       |
| Other (expense) income - net  | (65)  | (246)       | (80)                                       | 84          |
| INCOME (LOSS) BEFORE<br>PROVISION FOR INCOME<br>TAXES                                 | 1,273                                       | (1,611)     | (706)                                      | (8,950)     |
| Income tax (benefit) provision  | (232)                                       | 62          | (20)                                       | 18          |
| NET INCOME (LOSS)   | \$ 1,505                                    | \$ (1,673)  | \$ (686)                                   | \$ (8,968)  |
| Preferred stock dividend  | 3,642                                       | 4,230       | 10,408                                     | 10,150      |
| NET LOSS ATTRIBUTABLE TO<br>COMMON SHAREHOLDERS                                       | \$ (2,137)                                  | \$ (5,903)  | \$ (11,094)                                | \$ (19,118) |
| Net loss per common share:<br>basic and diluted                                       | \$ (0.15)                                   | \$ (0.46)   | \$ (0.77)                                  | \$ (1.53)   |
| Weighted-average common<br>shares used to compute basic<br>and diluted loss per share | 14,737,103                                  | 12,771,307  | 14,419,968                                 | 12,493,458  |

**CARECLOUD, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
(\$ in thousands)

|   | <u>2021</u>     | <u>2020</u>     |
|---|-----------------|-----------------|
| <b>OPERATING ACTIVITIES:</b>  |                 |                 |
| Net loss  | \$ (686)        | \$ (8,968)      |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                 |                 |
| Depreciation and amortization   | 9,853           | 6,816           |
| Lease amortization  | 2,191           | 2,134           |
| Deferred revenue  | (193)           | 160             |
| Provision for doubtful accounts   | 465             | 296             |
| Provision (benefit) for deferred income taxes   | 140             | (93)            |
| Foreign exchange gain   | (87)            | (63)            |
| Interest accretion  | 599             | 511             |
| Gain on sale of assets  | -               | (2)             |
| Stock-based compensation expense  | 4,006           | 4,951           |
| Change in contingent consideration  | -               | (500)           |
| Adjustment of goodwill  | 36              | -               |
| Changes in operating assets and liabilities, net of businesses acquired:                  |                 |                 |
| Accounts receivable   | (1,363)         | (1,209)         |
| Contract asset  | (556)           | (274)           |
| Inventory   | (101)           | 186             |
| Other assets  | (135)           | 106             |
| Accounts payable and other liabilities  | (6,959)         | (8,384)         |
| Net cash provided by (used in) operating activities                                       | <u>7,210</u>    | <u>(4,333)</u>  |
| <b>INVESTING ACTIVITIES:</b>  |                 |                 |
| Purchase of property and equipment  | (1,992)         | (1,289)         |
| Capitalized software  | (5,277)         | (3,767)         |
| Cash paid for acquisitions (net)  | (12,582)        | (23,716)        |
| Net cash used in investing activities   | <u>(19,851)</u> | <u>(28,772)</u> |
| <b>FINANCING ACTIVITIES:</b>  |                 |                 |
| Preferred stock dividends paid  | (10,806)        | (7,798)         |
| Settlement of tax withholding obligations on stock issued to employees                    | (2,096)         | (1,847)         |
| Repayments of notes payable, net  | (745)           | (430)           |
| Proceeds from exercise of warrants  | 6,391           | 2,995           |
| Proceeds from issuance of common stock, net of expenses                                   | 2,528           | -               |
| Proceeds from line of credit  | 11,000          | 19,500          |
| Repayment from line of credit   | (5,000)         | (19,500)        |
| Settlement of contingent obligation   | -               | (1,325)         |
| Net proceeds from issuance of preferred stock   | <u>-</u>        | <u>44,544</u>   |



|  |            |           |
|--|------------|-----------|
| Net cash provided by financing activities                            | 1,272      | 36,139    |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH                              | (243)      | (188)     |
| NET (DECREASE) INCREASE IN CASH                                      | (11,612)   | 2,846     |
| CASH - beginning of the period                                       | 20,925     | 19,994    |
| CASH AND RESTRICTED CASH - end of the period                         | \$ 9,313   | \$ 22,840 |
| SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES:             |            |           |
| Preferred stock (cancelled) issued in connection with an acquisition | \$ (4,000) | \$ 24,000 |
| Contingent consideration   | \$ 6,500   | \$ -      |
| Vehicle financing obtained   | \$ -       | \$ 28     |
| Dividends declared, not paid   | \$ 3,843   | \$ 4,097  |
| Purchase of prepaid insurance with assumption of note                | \$ 967     | \$ 668    |
| Warrants issued  | \$ -       | \$ 5,070  |
| SUPPLEMENTAL INFORMATION - Cash paid during the period for:          |            |           |
| Income taxes   | \$ 237     | \$ 64     |
| Interest   | \$ 55      | \$ 150    |

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO COMPARABLE GAAP MEASURES (UNAUDITED)

The following is a reconciliation of the non-GAAP financial measures used by us to describe our financial results determined in accordance with accounting principles generally accepted in the United States of America ("GAAP"). An explanation of these measures is also included below under the heading "Explanation of Non-GAAP Financial Measures."

While management believes that these non-GAAP financial measures provide useful supplemental information to investors regarding the underlying performance of our business operations, investors are reminded to consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures prepared in accordance with GAAP. In addition, it should be noted that these non-GAAP financial measures may be different from non-GAAP measures used by other companies, and management may utilize other measures to illustrate performance in the future. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP.

### Adjusted EBITDA to GAAP Net Loss

Set forth below is a reconciliation of our "adjusted EBITDA" to our GAAP net loss.

|             | Three Months Ended<br>September 30, |           | Nine Months<br>Ended<br>September 30, |           |
|-------------|-------------------------------------|-----------|---------------------------------------|-----------|
|             | 2021                                | 2020      | 2021                                  | 2020      |
|             | (\$ in thousands)                   |           |                                       |           |
| Net revenue | \$ 38,304                           | \$ 31,639 | \$ 102,137                            | \$ 73,085 |

|  |                 |                 |                  |                 |
|--|-----------------|-----------------|------------------|-----------------|
| GAAP net income (loss)   | 1,505           | (1,673)         | (686)            | (8,968)         |
| (Benefit) provision for income taxes                               | (232)           | 62              | (20)             | 18              |
| Net interest expense   | 87              | 130             | 264              | 352             |
| Foreign exchange loss / other expense                              | 70              | 296             | 167              | (17)            |
| Stock-based compensation expense                                   | 1,004           | 1,763           | 4,006            | 4,951           |
| Depreciation and amortization                                      | 3,547           | 3,206           | 9,505            | 6,944           |
| Transaction and integration costs                                  | 269             | 609             | 1,118            | 1,709           |
| Loss on lease termination, impairment and unoccupied lease charges | 424             | 321             | 1,664            | 681             |
| Change in contingent consideration                                 | -               | (500)           | -                | (500)           |
| Adjusted EBITDA  | <b>\$ 6,674</b> | <b>\$ 4,214</b> | <b>\$ 16,018</b> | <b>\$ 5,170</b> |

### Non-GAAP Adjusted Operating Income to GAAP Operating Loss

Set forth below is a reconciliation of our non-GAAP “adjusted operating income” and non-GAAP “adjusted operating margin” to our GAAP operating loss and GAAP operating margin.

|  | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                 |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
|  | 2021                                | 2020            | 2021                               | 2020            |
|  | (\$ in thousands)                   |                 |                                    |                 |
| Net revenue  | \$ 38,304                           | \$ 31,639       | \$ 102,137                         | \$ 73,085       |
| GAAP net income (loss)   | 1,505                               | (1,673)         | (686)                              | (8,968)         |
| (Benefit) provision for income taxes                               | (232)                               | 62              | (20)                               | 18              |
| Net interest expense   | 87                                  | 130             | 264                                | 352             |
| Other expense (income) - net                                       | 65                                  | 246             | 80                                 | (84)            |
| GAAP operating income (loss)                                       | 1,425                               | (1,235)         | (362)                              | (8,682)         |
| GAAP operating margin  | 3.7 %                               | (3.9) %         | (0.4) %                            | (11.9) %        |
| Stock-based compensation expense                                   | 1,004                               | 1,763           | 4,006                              | 4,951           |
| Amortization of purchased intangible assets                        | 2,768                               | 2,690           | 7,079                              | 5,751           |
| Transaction and integration costs                                  | 269                                 | 609             | 1,118                              | 1,709           |
| Loss on lease termination, impairment and unoccupied lease charges | 424                                 | 321             | 1,664                              | 681             |
| Change in contingent consideration                                 | -                                   | (500)           | -                                  | (500)           |
| Non-GAAP adjusted operating income                                 | <b>\$ 5,890</b>                     | <b>\$ 3,648</b> | <b>\$ 13,505</b>                   | <b>\$ 3,910</b> |

|                                    |        |        |        |       |
|------------------------------------|--------|--------|--------|-------|
| Non-GAAP adjusted operating margin | 15.4 % | 11.5 % | 13.2 % | 5.3 % |
|------------------------------------|--------|--------|--------|-------|

### Non-GAAP Adjusted Net Income to GAAP Net Loss

Set forth below is a reconciliation of our non-GAAP “adjusted net income” and non-GAAP “adjusted net income per share” to our GAAP net loss and GAAP net loss per share.

|  | Three Months Ended<br>September 30, |                 | Nine Months Ended<br>September 30, |                 |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
|  | 2021                                | 2020            | 2021                               | 2020            |
|  | (\$ in thousands)                   |                 |                                    |                 |
| GAAP net income (loss)   | \$ 1,505                            | \$ (1,673)      | \$ (686)                           | \$ (8,968)      |
| Foreign exchange loss / other expense                              | 70                                  | 296             | 167                                | (17)            |
| Stock-based compensation expense                                   | 1,004                               | 1,763           | 4,006                              | 4,951           |
| Amortization of purchased intangible assets                        | 2,768                               | 2,690           | 7,079                              | 5,751           |
| Transaction and integration costs                                  | 269                                 | 609             | 1,118                              | 1,709           |
| Loss on lease termination, impairment and unoccupied lease charges | 424                                 | 321             | 1,664                              | 681             |
| Change in contingent consideration                                 | -                                   | (500)           | -                                  | (500)           |
| Income tax expense (benefit) related to goodwill                   | 13                                  | 7               | 140                                | (93)            |
| Non-GAAP adjusted net income                                       | <b>\$ 6,053</b>                     | <b>\$ 3,513</b> | <b>\$ 13,488</b>                   | <b>\$ 3,514</b> |
| End-of-period shares   | 14,873,411                          | 13,136,088      | 14,873,411                         | 13,136,088      |
| Non-GAAP adjusted net income per share                             | <b>\$ 0.41</b>                      | <b>\$ 0.27</b>  | <b>\$ 0.91</b>                     | <b>\$ 0.27</b>  |

For purposes of determining non-GAAP adjusted net income per share, we used the number of common shares outstanding as of September 30, 2021 and 2020.

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2021                                | 2020      | 2021                               | 2020      |
| GAAP net loss attributable to common shareholders, per share | \$ (0.15)                           | \$ (0.46) | \$ (0.77)                          | \$ (1.53) |

|  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| Impact of preferred stock dividend                                 | <u>0.25</u>      | <u>0.33</u>      | <u>0.72</u>      | <u>0.85</u>      |
| Net income (loss) per end-of-period share                          | 0.10             | (0.13)           | (0.05)           | (0.68)           |
| Foreign exchange loss / other expense                              | 0.00             | 0.02             | 0.01             | 0.00             |
| Stock-based compensation expense                                   | 0.07             | 0.14             | 0.27             | 0.38             |
| Amortization of purchased intangible assets                        | 0.19             | 0.20             | 0.48             | 0.44             |
| Transaction and integration costs                                  | 0.02             | 0.06             | 0.08             | 0.13             |
| Loss on lease termination, impairment and unoccupied lease charges | 0.03             | 0.02             | 0.11             | 0.05             |
| Change in contingent consideration                                 | 0.00             | (0.04)           | 0.00             | (0.04)           |
| Income tax expense (benefit) related to goodwill                   | <u>0.00</u>      | <u>0.00</u>      | <u>0.01</u>      | <u>(0.01)</u>    |
| Non-GAAP adjusted earnings per share                               | <b>\$ 0.41</b>   | <b>\$ 0.27</b>   | <b>\$ 0.91</b>   | <b>\$ 0.27</b>   |
| End-of-period common shares  | 14,873,411       | 13,136,088       | 14,873,411       | 13,136,088       |
| In-the-money warrants and outstanding unvested RSUs                | <u>2,432,636</u> | <u>4,910,423</u> | <u>2,432,636</u> | <u>4,910,423</u> |
| Total fully diluted shares   | 17,306,047       | 18,046,511       | 17,306,047       | 18,046,511       |
| Non-GAAP adjusted diluted earnings per share                       | <b>\$ 0.35</b>   | <b>\$ 0.19</b>   | <b>\$ 0.78</b>   | <b>\$ 0.19</b>   |

## Explanation of Non-GAAP Financial Measures

We report our financial results in accordance with accounting principles generally accepted in the United States of America, or GAAP. However, management believes that, in order to properly understand our short-term and long-term financial and operational trends, investors may wish to consider the impact of certain non-cash or non-recurring items, when used as a supplement to financial performance measures in accordance with GAAP. These items result from facts and circumstances that vary in frequency and impact on continuing operations. Management also uses results of operations before such items to evaluate the operating performance of CareCloud and compare it against past periods, make operating decisions, and serve as a basis for strategic planning. These non-GAAP financial measures provide management with additional means to understand and evaluate the operating results and trends in our ongoing business by eliminating certain non-cash expenses and other items that management believes might otherwise make comparisons of our ongoing business with prior periods more difficult, obscure trends in ongoing operations, or reduce management's ability to make useful forecasts. Management believes that these non-GAAP

financial measures provide additional means of evaluating period-over-period operating performance. In addition, management understands that some investors and financial analysts find this information helpful in analyzing our financial and operational performance and comparing this performance to our peers and competitors.

Management uses adjusted EBITDA, adjusted operating income, adjusted operating margin, and non-GAAP adjusted net income to provide an understanding of aspects of operating results before the impact of investing and financing charges and income taxes. Adjusted EBITDA may be useful to an investor in evaluating our operating performance and liquidity because this measure excludes non-cash expenses as well as expenses pertaining to investing or financing transactions. Management defines “adjusted EBITDA” as the sum of GAAP net income (loss) before provision for (benefit from) income taxes, net interest expense, other (income) expense, stock-based compensation expense, depreciation and amortization, integration costs, transaction costs, impairment charges and changes in contingent consideration.

Management defines “non-GAAP adjusted operating income” as the sum of GAAP operating income (loss) before stock-based compensation expense, amortization of purchased intangible assets, integration costs, transaction costs, impairment charges and changes in contingent consideration, and “non-GAAP adjusted operating margin” as non-GAAP adjusted operating income divided by net revenue.

Management defines “non-GAAP adjusted net income” as the sum of GAAP net income (loss) before stock-based compensation expense, amortization of purchased intangible assets, other (income) expense, integration costs, transaction costs, impairment charges changes in contingent consideration, any tax impact related to these preceding items and income tax expense related to goodwill, and “non-GAAP adjusted net income per share” as non-GAAP adjusted net income divided by common shares outstanding at the end of the period, including the shares which were issued but are subject to forfeiture and considered contingent consideration.

Management considers all of these non-GAAP financial measures to be important indicators of our operational strength and performance of our business and a good measure of our historical operating trends, in particular the extent to which ongoing operations impact our overall financial performance.

In addition to items routinely excluded from non-GAAP EBITDA, management excludes or adjusts each of the items identified below from the applicable non-GAAP financial measure referenced above for the reasons set forth with respect to that excluded item:

*Foreign exchange / other expense* Other expense is excluded because foreign currency gains and losses and other non-operating expenses are expenditures that management does not consider part of ongoing operating results when assessing the performance of our business, and also because the total amount of the expense is partially outside of our control. Foreign currency gains and losses are based on global market factors which are unrelated to our performance during the period in which the gains and losses are recorded.

*Stock-based compensation expense.* Stock-based compensation expense is excluded because this is primarily a non-cash expenditure that management does not consider part of ongoing operating results when assessing the performance of our business, and also

because the total amount of the expenditure is partially outside of our control because it is based on factors such as stock price, volatility, and interest rates, which may be unrelated to our performance during the period in which the expenses are incurred. Stock-based compensation expense includes cash-settled awards based on changes in the stock price.

*Amortization of purchased intangible assets.* Purchased intangible assets are amortized over their estimated useful lives and generally cannot be changed or influenced by management after the acquisition. Accordingly, this item is not considered by management in making operating decisions. Management does not believe such charges accurately reflect the performance of our ongoing operations for the period in which such charges are recorded.

*Transaction costs.* Transaction costs are upfront costs related to acquisitions and related transactions, such as brokerage fees, pre-acquisition accounting costs and legal fees, and other upfront costs related to specific transactions. Management believes that such expenses do not have a direct correlation to future business operations, and therefore, these costs are not considered by management in making operating decisions. Management does not believe such charges accurately reflect the performance of our ongoing operations for the period in which such charges are incurred.

*Integration costs.* Integration costs are severance payments for certain employees relating to our acquisitions and exit costs related to terminating leases and other contractual agreements. Accordingly, management believes that such expenses do not have a direct correlation to future business operations, and therefore, these costs are not considered by management in making operating decisions. Management does not believe such charges accurately reflect the performance of our ongoing operations for the period in which such charges are incurred.

*Loss on lease termination, impairment and unoccupied lease charges.* Loss on lease termination represents the write-off of leasehold improvements as a result of an early lease termination. Impairment charges primarily represent remaining lease and termination fees associated with discontinued facilities and a non-cancellable vendor contract where the services are no longer being used. Unoccupied lease charges represent the portion of lease and related costs for vacant space not being utilized by the Company. Accordingly, management believes that such expenses do not have a direct correlation to future business operations, and therefore, these costs are not considered by management in making operating decisions. Management does not believe such charges accurately reflect the performance of our ongoing operations for the period in which such charges are incurred.

*Income tax expense (benefit) related to goodwill.* Income tax expense (benefit) resulting from the amortization of goodwill related to our acquisitions represents a charge (benefit) to record the tax effect resulting from amortizing goodwill over 15 years for tax purposes. Goodwill is not amortized for GAAP reporting. This expense is not anticipated to result in a cash payment.

Source: CareCloud, Inc