



Augmedix Inc.

Second Quarter 2022 Earnings Conference Call

August 8, 2022

CORPORATE PARTICIPANTS

Caroline Paul, *Investor Relations*

Manny Krakaris, *Chief Executive Officer*

Paul Ginocchio, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Ryan Daniels, *William Blair*

Marc Weisenberger, *B Riley Securities*

Allen Klee, *Maxim Group*

Brooks O'Neill, *Lake Street Capital Markets*

PRESENTATION

Operator

Greetings, and welcome to the Augmedix Inc. Second Quarter 2022 Earnings Call.

At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation.

As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Caroline Paul, Investor Relations. Thank you. You may begin.

Caroline Paul

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

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

Earlier today Augmedix released financial results for the quarter ended June 30, 2022. A copy of the press release is available on the Company's website.

Before we begin, I'd like to remind you that Management will make statements during this call that include forward-looking statements within the meaning of federal securities laws, which are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Any statements contained

in this call that relate to expectations or predictions of future events, results or performance are forward-looking statements. These forward-looking statements are based upon our current estimates and various assumptions, and involve material risks and uncertainties that could cause actual results or events to materially differ from those anticipated or implied by these forward-looking statements.

Accordingly, you should not place undue reliance on these statements. For a list and description of the risks and uncertainties associated with our business, please refer to the risk factors and Management's discussion and analysis of financial condition and results of operations in our most recent form 10-K and form 10-Q filed with the Securities and Exchange Commission, and similar disclosures in subsequent reports filed with the SEC.

This conference call contains time sensitive information and is accurate only as of the live broadcast today, August 8, 2020. Augmedix disclaims any intention or obligation, except as required by law, to update or revise any financial projections or forward-looking statements, whether because of new information, future events, or otherwise.

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

Manny Krakaris

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

Before we dive into the second quarter results, I want to describe the problem we are addressing and what we are doing to help solve that problem. There are now numerous demands competing for a physician's attention at the point of care. Chief among those is electronic documentation. Too much of the patient visit is consumed by completing EHR checkboxes, entering orders, manually preparing prior authorization requests, and managing inbox messages. The result is a virtual wall between the patient and the physician, which has led to a significant reduction in productivity for the industry, and unprecedented levels of physician burnout and patient dissatisfaction.

For those who are not familiar with our Company, Augmedix is leading a fundamental shift at the point of care by automatically and accurately generating digital documentation of physician patient interaction unobtrusively, thereby reducing physicians' administrative burden and freeing them to practice at the top of their license. We help physicians see the patients, not the technology, thereby minimizing distractions and enabling physicians and patients to truly connect at the point of care. We currently do this through two offerings. Our live product, a synchronous real-time medical note documentation solution, and our notes product, our asynchronous documentation solution.

Our performance so far this year reflects our focus on driving enterprise customer expansion, differentiating our AI-driven core platform, and flexible product solutions, and scaling our business model. These initiatives have helped drive operating leverage, which we expect will result in a reduction in our cash burn going forward. Importantly, we have over two years of operating runway, enough runway to execute our growth strategy regardless of any volatility in the equity capital markets. Paul will expand on this topic during his discussion of our financial results and outlook.

Turning to our recent financial performance, revenue for the second quarter of 2022 was \$7.3 million, representing a 42% year-over-year growth rate. This is our third quarter near the top of our 30% to 45% multi-year revenue growth target, and it's a testament to our products, team, and the massive and expanding TAM in front of us.

Our pipeline has been bolstered by healthcare organizations across the U.S., who are concerned about physician retention and staffing shortages. As a result, we've had our best bookings month ever in June, and have a sizable pipeline to keep that trend going into this quarter and beyond. In the second quarter, we added several enterprise customers, which speaks to our ability to execute on converting our pipeline

of new enterprise customers, and we observed a substantial reduction in our sales cycle for not only expansion within existing enterprises, but also for new customer acquisitions.

We're pleased to announce we have partnered with Adventist Health, a nonprofit Integrated Health System serving communities in the Western United States and Hawaii. This partnership is part of a scalable strategy for Adventist that will enable its clinicians to automate the process of medical documentation and live clinical services. This relationship has grown based on the satisfaction of its clinicians and the positive impact on their productivity to include eight specialties across 14 markets in California, Oregon, and Hawaii.

We continue to broaden utilization and deepen penetration among other enterprise customers as well. For example, this past quarter, one of our enterprise customers doubled their number of clinicians in service. This is consistent with our land and expand strategy, where over 90% of initial deployments have led to expansion.

In the second quarter, our existing strategic partnerships contributed to some of our growth, and we established new relationships that build upon our successful channel strategy. While we have had a long-standing technology partnership with Google, particularly around automatic speech recognition, AI, and hardware such as Google Glass, we have now deepened and expanded that relationship. Google was already providing strategic introductions to some of its largest healthcare clients. We recently executed a formal partnership agreement that includes a systematized go-to-market collaboration which harnesses the power of the roughly 1,000 rep strong enterprise and cloud sales team, and provides a deeper integration with the Google Cloud platform.

Another new partnership we would like to highlight is with Trio Health, a real-world data company, and the Consortium of Independent Immunology Clinics or CIIC. Through this innovative partnership, in addition to relieving documentation burdens for CIIC physicians, our technology is instantaneously augmenting the real-world data insights that Trio is offering to them, as our note builder technology and its associated metadata enhance the value of each visit by providing incremental insights that were not possible previously. We're excited to be making these combined offerings available to members of the CIIC organization.

Finally, we continue to make meaningful progress on several of our product development efforts. The commercial release of our pre-charting solution has just begun, and we are in the initial stages of the selling process. This new addition to the Augmedix product portfolio addresses another distinct administrative workflow challenge for clinicians, the time invested before a patient encounter begins, and will help relieve one of the health systems biggest issues, staffing shortages. We believe Augmedix prep can save clinicians about one-and-a-half hours of the administrative burden each day. We are confident that the charts we prepare will be more comprehensive than the current standard.

We are also in development of a self-serve product to address another distinct and very large segment of the medical documentation market. Like Augmedix prep, this product will be fully automated and pure software with no human intervention on our part. We anticipate commercial release of this product sometime next year.

Additionally, we remain on track with the release of our coding solution, as we've expanded the cohort of doctors and beta testing based upon the successful experience with the initial cohort, where we have achieved a 97% accuracy rate. Coding remains a critical focus of our documentation services, as this fully automated solution allows the clinical services performed on patients to be accurately logged, thereby optimizing reimbursement.

We're also pleased to have completed a full commercial rollout of a client device iOS to complement our existing Android client device operating system. This enables clinicians to personally select their preferred operating system for our client application. This development allows us to expand our network's reach and cater to all clinicians and healthcare enterprises, regardless of which operating system they use.

Lastly, we are highly focused on the goal of enabling fully automated medical notes. We are pleased to share that we have seen continued meaningful progress on that front via our proprietary ambient automation platform and note builder technology. The percentage of notes that are being automated today continues to steadily increase as we realize the benefits from our ML, leveraging the massive amounts of data that we process every week. As we add new products to our portfolio of solutions, we can expect a boost to our overall gross margin, given that these new products are pure software solutions with commensurate SaaS gross margins.

In summary, we continue to drive high growth while focusing on profitably scaling our business. Our suite of services offered is the broadest in the industry, and it continues to be a differentiator in our conversations with healthcare organizations. With the industry's growing need for our services and products, we are confident in Augmedix's growth opportunity, our pathway towards long-term success, and in delivering meaningful value to our customers and shareholders.

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

Paul Ginocchio

Thank you, Manny.

As stated, revenue for the three months ended June 30, 2022 was \$7.3 million, a 42% increase from the \$5.2 million in the same period a year ago. Growth was again driven by existing client expansion, new clients, and strong growth in our notes offering. Dollar-based net revenue retention for the second quarter of 2022 was 131% for our health enterprise customers, compared to 129% in the second quarter of 2021. As many of you know, that revenue retention measures what a \$1 of revenue at our existing clients a year ago, grew into in this most recent quarter. It includes upsells, expansion, and churn that excludes revenue from any new logos that were added during the last 12 months.

Average clinicians in service in the second quarter of 2022 rose 49%, as compared to the second quarter of 2021, building upon the 53% year-on-year growth in the first quarter of 2022. We define a clinician in service as an individual doctor, nurse practitioner, or other health care professional using either our live or notes service. We believe the growth in the number of clinicians in service is an indicator of our performance of our business, as it demonstrates our ability to penetrate the market and grow our business.

Adjusted gross margin for the second quarter of 2022 was 44% as compared to 45% in the corresponding prior year period. It compares to 45% in the first quarter of 2022. The change in gross margin is due to the higher exposure to U.S. supporting clinicians and higher cloud hosting and technology costs. This technology investment will have a payoff in our gross margin in the coming years, as it will enable increased automation, thereby decreasing the labor component of cost of revenue.

Second, we have a strong track record of migrating U.S. supported customers to outside the U.S. over time. This provides gross margin upside when it occurs and we continue to feel very confident in our gross margin targets.

Total operating expenses for the second quarter of 2022 were \$9.3 million. Non-GAAP operating expenses, which excludes one-time items and stock-based compensation, grew 33% compared to the second quarter of 2021.

Operating expenses increased year-on-year due to annual salary increases, incremental investments in sales and marketing, as we expand our commercial team and extend our marketing reach, investment in the engineering team, as we further enhance our technology platform and note automation capabilities, and increased G&A cost due to being a NASDAQ listed company.

As a reminder, we expect revenue growth to outpace operating expense growth during the course of 2022 and beyond. We also expect the sequential growth rate of operating expenses to moderate in the back half of the year as compared to the first. In particular, during the first half of the year, we incurred over half a million of expenses that we do not expect to recur in the back half of the year.

Adjusted EBITDA, which we calculate by adding back depreciation, amortization taxes, interest transaction expenses, one-time items, and stock-based compensation to net loss, was a loss of \$5.3 million in the second quarter of 2022 compared to a loss of \$4 million in the second quarter of 2021.

We ended the second quarter of 2022 with \$31 million of cash and restricted cash. Additionally, as a result of the debt refinancing we previously highlighted, we have access to an additional \$10 million of liquidity via an AR line of credit and another term loan tranche upon the achievement of certain milestones.

It is also important to note that operating expenses include several line items that are essentially fixed costs. Due to the inherent operating leverage in our business, we anticipate cash burn to decline as gross profit outpaces operating expense growth. (Audio interference) the result, our cash burn is not static and we expect cash burn to decline year-over-year in 2023. We remain focused on growing while tightly managing expenses to maximize our operating runway. We have at least two years of operating runway and options to extend our runway even further without issuing additional equity.

Now, turning to our outlook for the third quarter of 2022. Given the strength of our recent bookings and the health of our current backlog, we expect revenue growth in the third quarter of 2022 to be in the 37% to 39% range year-over-year, or approximately \$7.7 million to \$7.8 million. Our revenue guidance implies acceleration of our sequential growth rate. Regarding gross margin for the third quarter of 2022, we expect it to be in the range of 42.5% to 44.5%. Recall, at scale, we have indicated that we expect live gross margins to be in the range of 50% to 55%, and notes gross margins to be in the range of 55% to 60%.

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

Manny Krakaris

Thank you, Paul.

I'm encouraged by our continued progress on our strategic initiatives, enterprise customer expansion, and new logo wins. We continue to win business in a rapidly growing market, and our strong and differentiated product offering will enable us to build upon our leadership position. We are pleased with what we have already accomplished year-to-date, and are optimistic about the opportunities in store for the remainder of 2022 and beyond.

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

Operator.

Operator

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

Ryan Daniels

Thank you, guys. Congrats on the strong quarter. Thanks for taking the questions. Can you go into a bit more detail on the Adventist relationship, just helping us understand on a go-forward basis, how you'll comb through the information to identify the providers that are most appropriate for your solutions?

Then number two, how much do you think this could expedite deployment?

Number three, how many total providers do you think this could potentially be applicable for based on some of your early analysis? Thanks.

Manny Krakaris

Thanks, Ryan.

With respect to the Adventist relationship, we look at two pieces of information that we feel are indicative of the ideal profile of a candidate physician or clinician for our services. The first is the WRVU, or work relative value unit, which is the standard unit of measure for physician productivity. The other is the average amount of time a physician spends in the EHR per visit. We plot everybody against that matrix with those two axes, and not surprisingly, the physicians that fall within the middle quadrants happen to fall within the area of the regression line that we've developed over time based on empirical data we collected from our other customers. That is the steepest part of the curve, meaning that they achieve or experience the fastest rate of growth and improvement, the biggest improvement, relative to the other doctors.

Those are the ones that we first identify as being in the sweet spot. We use that as the basis for going in and establishing a cohort or several cohorts of doctors from within that sweet spot that we think would be ideal candidates. In the case of Adventist, we did that. We started back in April 2019. We waited a year for the data to come in from the initial cohort and then based on those results, Adventist started adding additional cohorts at a fairly healthy clip to the point where today, we are almost 10 times—we have penetration that's almost 10 times as large as the initial deployment at Adventist.

In terms of what to expect overall in the market, as you may know, because you've attended some of our investor presentations, we envision a TAM of about \$6 billion, and within the existing enterprises that we have today, in excess of 57,000 physicians, representing a TAM well over a billion dollars. Now that TAM is based on our assessment of those doctors that fall within that sweet spot that I described, the middle quadrants of physicians that would benefit the most from our service.

Ryan Daniels

Okay, that's very helpful. Then maybe one for Paul. Can you give us any idea on the magnitude of the bookings in June? I know you mentioned it was a record quarter. Can you put any color around that? It's an interesting data point. I think we've heard from other HCIT providers in the market that some of their hospital clients are elongating the cycle or making decisions less frequently, just given the pressures they're seeing, but for you guys, maybe those pressures are actually amplifying the need for your services. I would love to get some color there.

Paul Ginocchio

Sure, Ryan. I think you got it there at the end that we're certainly—we saw a shortening of the sales cycle as Manny called out in the opening remarks. We're seeing momentum build. Again, June was the best month we ever had and we showed really good growth in the second quarter overall. We're feeling good about the momentum as we go into the back half of the year.

Ryan Daniels

Great. Remind us how long does it take for those bookings to come in to the income statement as revenue? A June booking (multiple speakers) will come in Q3 or Q4?

Paul Ginocchio

Come in during Q3.

Ryan Daniels

Okay. Perfect. I'll hop back in the queue. Thanks, guys. Congrats again.

Manny Krakaris

Thank you, Ryan.

Operator

Thank you. Our next question comes from line of Marc Weisenberger with B Riley Securities. Please proceed with your question.

Marc Weisenberger

Yes. Thank you. Good afternoon. Appreciate you taking the questions. Could you talk about the proportion of new clinicians that are leveraging live versus notes? Are you seeing your relatively recent introduction of notes providing a meaningful way to accelerate that adoption? Then we'd love to hear about maybe experience that has resulted in an upsell or conversion from a notes to a live customer?

Manny Krakaris

Well, okay, so do we—I'm not sure if we talked about the distinction or the split between live and notes revenue. I will say that notes, the percentage of total revenue is expanding. It's still not the majority of our total revenue. We expect it, again, to continue to outpace the growth of live and at some point, they may have equal shares of our revenue. But we're not certain when that will be.

Marc Weisenberger

Got it. Understood. Okay. Could you talk about the internal sales team clinician additions versus partner channels and how should we think about those growth rates going forward?

Manny Krakaris

Sure. The internal sales team, we've not changed it much in the last quarter in terms of the number of people engaged in direct selling. But we have added—and most recently, have added the full force and power of the Google Cloud sales team, which is about 1,000 sales reps. We expect that will yield additional benefit to our overall sales effort. I really can't speak to what that'll turn out to precisely but it certainly can't hurt. It will expose us to opportunities that we probably would not have had an opportunity to be exposed to if we tried to directly. They've already demonstrated their ability to open doors to some very large healthcare enterprises that would have been difficult for us to get access to.

Marc Weisenberger

Right, very helpful. Then just two more for me. The first one being, we have heard about the physician burnout before the pandemic, during and after, but there's a continual stress beyond just the physicians and the clinicians into the nurses and auxiliary staff. Is there any opportunity to expand your target

cohorts to include nurses and other types of support staff that could relieve some of the stresses in the system?

Manny Krakaris

Great question, Marc. Absolutely. We have recently had a deployment that addresses nurses in a particular healthcare facility. The need for relief there is quite acute. We're definitely excited about being able to deliver a solution that caters to the nursing segment of the market in addition to the physician segment of the market. We think that, that has substantial upside for us. It's one that's not very heavily penetrated to-date by anybody. We're pretty excited about being in the lead there.

Marc Weisenberger

Excellent. Look forward to hearing about more about that in the future. Then just a final one. The metadata that you have, it would seem extremely valuable and it really provides information into the physician workflow. Can you talk about your thoughts about opening up those insights into a wider audience and potential monetization opportunities? How do you think about concurrently adding new functionality to the current customer base while also positioning for those additional opportunities? Thank you.

Manny Krakaris

Another good question. The metadata is—just to help folks understand what it is—It's really a lot of contextual granular information that occurs, that we glean during the encounter between a doctor and a patient. It doesn't show up necessarily in the completed medical note, but is really valuable for things like coding, for example, that you really, without that contextual information, you have gaps in the information that the medical note has, and have to guess if you're trying to provide coding services to your customers.

Now beyond that, in terms of commercializing that metadata, we had a press release this morning, about our relationship with Trio and ClIC, and that relationship is predicated upon our ability to deliver metadata to Trio so that it, in turn, can deliver real-time insights and analyses to its customers within the ClIC organization. It's already happening indirectly, but it is definitely happening. We expect that will become an increasingly important part of the healthcare environment or ecosystem in general, and we feel like we are ideally positioned to take full advantage of it.

Now, finally, the metadata that we generate is also helpful in our note automation process, the technology that we use to automate medical notes, because it provides us with really important contextual information that occurs during a conversation between two people that is difficult to ascertain with a simple monolithic algorithm. When you have that contextual data, you can develop multiple models that build off of the contextual information, that metadata, to provide more accurate output at the back end of that process.

Marc Weisenberger

Great. Thank you very much.

Manny Krakaris

Sure.

Operator

Thank you. Our next question comes from line of Allen Klee with Maxim Group. Please proceed with your question.

Allen Klee

Yes, hi. For the Trio partnership, could you just explain a little more of what's the (audio interference) potential for you?

Manny Krakaris

Sorry, Allen, you broke up a little bit. I didn't quite hear everything that you asked.

Allen Klee

For the—I'm sorry—for the Trio Health Partnership, can you explain a little bit more of what the size of that potential could be?

Manny Krakaris

Well, the CIIC has about 100 group health practices among its membership. It's not a massive organization, but it's a meaningful one. It provides an example of what could be done with the use of the combination metadata and powerful analytical tools, such as those that have been developed by Trio. The potential for us to generate additional revenue from the CIIC Trio partnership be limited to that size of the number of group practices that CIIC has. But the potential to do more with Trio and other organizations like Trio beyond the CIIC is quite large.

Allen Klee

So I understand, with CIIC, with the partner with Trio, are you guaranteed to have the business with (audio interference) or is this a hunting license (audio interference)?

Manny Krakaris

Yes, it's a good question. It's more of a hunting license, Allen. But we've already realized some benefit from that. We've already won some deals based on that hunting license. What happens is—I suspect what will happen is that when they realize the benefits of getting those insights, because this is—they wanted to enter into this relationship because of the analysis and insights that they're going to be getting from Trio. Once they see those, I think that will accelerate our ability to leverage the initial relationships we've had within that organization and expand upon them.

Allen Klee

Great. My other question is, you talked about how you expect expenses to grow slower than revenues. Can you add a little more to that, like going through—basically, what I'm trying to understand is to what extent that you pre-funded an expense structure to be able to deliver as a much larger company, so that (audio interference) basically try to understand that. I think that's important for investors to understand to the extent that there's operating leverage that reduce the losses, and then your profitability. Thank you. Right.

Manny Krakaris

Good question. I'll start and then, Paul, if you have any comments to add to that, feel free. Businesses such as ours, which have a recurring revenue source, subscription-based business, have certain operating expenses that you need to incur in order to deliver that service, above and beyond the cost of service itself, those direct variable costs. Within that group of operating expenses, there are some expenses that are essentially fixed, or they're step costs that grow in increments after you reach certain volume levels. If you just look at some numbers, historical numbers, and you compare the rate of growth of operating expense to revenue, you'll see that operating expenses have been growing at a slower rate

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than revenue. In fact, they've been growing at a slower rate than gross profit. If you continue to do that and benefit from a group of operating expenses that are fixed, as your volume improves, your gross margin will grow, yet your operating expenses will grow at a much slower and an increasingly slower rate than your gross profit. That, of course, then reduces burn, which eventually goes away and turns into profit.

Allen Klee

Thank you very much. (Multiple speakers)

Paul Ginocchio

The only thing I would add is that we did say that sequential Opex growth in the back half of the year will be less than the first half. There were some one-off costs in the first half of the year that we called out, more than half a million. Remember that the step up between last year and this year, some of that is due to incremental costs associated being a NASDAQ company that won't repeat. Again, as you look out into 2023, certainly, we're not going to have the step up in G&A like we had at the beginning of this year.

Allen Klee

Great, great, thank you.

Manny Krakaris

You're welcome.

Operator

Thank you. Our next question comes from line of Brooks O'Neill with Lake Street Capital Markets. Please proceed with your question.

Brooks O'Neill

Good afternoon, guys. I'm curious if there has been any meaningful change in your marketplace since the Oracle Cerner deal closed or anything you're seeing related to Microsoft Nuance?

Manny Krakaris

Thanks, Brooks, for that question. We really haven't seen anything yet from either of those developments. Obviously, Microsoft Nuances have been at it for a while. They're continuing to address the market that we are. One of the limitations that they have that has enabled us to win some business in head-to-head competitions against them is that they only offer an asynchronous solution. That solution is somewhat rigid relative to what we can offer. We offer both an asynchronous and a synchronous solution in a variety of care settings, not just clinical or ambulatory, but also acute care, and emergency department. That gives us an advantage when we go and speak to enterprises who are looking for a versatile solution to accommodate the most types of doctors or physicians within their organization. They're not looking—in particular, the ones that we talk to at least, aren't looking for one solution companies, they're looking for something that—for vendors who can provide a comprehensive suite of solutions and that's where we excel.

Brooks O'Neill

Great. Can you just refresh my memory on whether your friends at Google have any meaningful financial skin in the game or whether you see—I know the size of your organization and the size of their

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organization are quite different. What's significant to you might not be significant to them, but do you see any meaningful financial leverage for them relative to selling your solution into the marketplace?

Manny Krakaris

Right. Well, we're not at liberty to disclose all the details of our relationship with Google other than what we've already talked about, which is that we entered into a commercial agreement with that company, very recently, that provides a systematized approach to selling the Augmedix solution portfolio to their customer base. That customer base is fairly significant. The systematized approach that I'm referring to includes training, collateral, collaborative sales efforts between our sales force and theirs, among other things. We feel pretty good about how this relationship is progressing from an informal ad hoc start to where we are today. We'll see what happens from here.

Brooks O'Neill

Great. Can you talk to us a little bit about the timing of the old iOS launch? Is that in the marketplace now or will that be sometime this year?

Manny Krakaris

It's already happening. We've released it. Several doctors are using it. We're pretty excited about that. It was pretty seamless and pretty quick, in fact, to develop it. It's already out there, Brooks.

Brooks O'Neill

Great. My sense is a significant number of U.S. health systems have Apple as a primary IT supplier, is that right?

Manny Krakaris

It's quite possible. We have not encountered many opportunities where the Android system was not accepted. There have been a couple within some very large enterprises where that was the case. That is no longer a blocker for us. But where iOS I think is going to really have an impact for us, is with our self-serve product, where the physician can simply download the app on their personal iPhone and access this particular product to generate medical notes for them. That's where the iOS really can play a big factor for us.

Brooks O'Neill

Great. Then my last question is, can you just talk a little bit about whether currency fluctuations affect your business and indoor weather of the labor environment is a challenge for you now?

Manny Krakaris

That's a great question. Very insightful because as you probably know, the U.S. dollar has gained in strength recently with the recent hikes in interest rates by the Fed. That has caused it to depreciate in relation to other currencies where we happen to have operations in, primarily India and Bangladesh, that have not had commensurate increases in their rates. That gives us more buying power and that certainly helps. We don't go into active hedging. It just hasn't been worthwhile. Sure, and perhaps at one point, if our operations are of such a scale where we do have some meaningful exposure to currency risk, we'll consider that but at this point, considering the level of activity in both of those countries, we don't think it's necessary. The currency shift has been in our favor since, well, for the last three years, quite frankly.

Paul Ginocchio

Brooks, (multiple speakers) as you know 100% of our revenue is in USD.

Brooks O'Neill

Yes, thank you.

Operator

Thank you. Our next question is a follow-up from the line of Marc Weisenberger with B Riley Securities. Please proceed with your question.

Marc Weisenberger

Yes, thank you. Appreciate you letting me sneak one more in. In the prepared remarks, you did talk about having over two years of cash. I'm wondering if you'd like to put out there, help investors think about maybe at what levels the Company turns—break cash flow breakeven, or on a timetable, or just anything around that. Appreciate that. Thank you.

Paul Ginocchio

Hey, Marc, this is Paul. I think for now, the over two years of operating run way gives you a pretty good sense that we have a significant operating (inaudible) execute our strategy. Beyond that, I think we're comfortable with where we are. As we look into the marketplace, and we look at our growth rates, we feel it's relatively—without us specifically speaking to, it's relatively easy to look at where that's going to be. Certainly, it's within what I think what the market would expect, it's within that range.

Marc Weisenberger

Got it. Okay. Thank you.

Operator

Thank you. Our next question is a follow-up from the line of Allen Klee with Maxim Group. Please proceed with your question.

Allen Klee

Hi. You mentioned that your gross margins were negatively impacted by more business handled in the U.S., but you did say that you believe that, that business could be (audio interference) internationally over time. Could you explain why you believe that, how that works? Thank you.

Manny Krakaris

Sure. We're just basing it off of experience. At one point, we were 100% U.S.-based and we transitioned our customers, once they became comfortable with our data security and compliance standards that were very rigorous, they felt comfortable enough for us to service those particular accounts or physicians from outside the United States. We've heard from one of our larger U.S.-based customers, in fact, I think it's our largest, that they would be prepared to transition out upon integration into their EHR, and we're working very hard to make that happen as soon as possible because we obviously have an economic incentive to do that.

Allen Klee

What's your sense of the timing of that?

Manny Krakaris

Well, part of it is beyond our control in terms of the integration of the EHR, because we need to get some of the—we need some cooperation from the customers' IT department to assist with that and also the EHR itself, and we're in process—in discussions with both of those constituents to ensure that it happens as quickly as possible.

Allen Klee

Okay, that's very helpful. Thank you so much.

Manny Krakaris

Sure.

Operator

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Mr. Krakaris for any final comments.

Manny Krakaris

Well, I just wanted to thank everyone for joining us on this call. Hopefully you got a sense that the Company is doing well, and we are very, very encouraged with what we see down the road. We look forward to providing you continued updates as we progress along this journey. Thank you very much. We'll talk to you soon.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.