



MTBC, Inc.

Third Quarter 2020 Results Conference Call

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PRESENTATION

Operator

Greetings, and welcome to the MTBC Inc. Third Quarter 2020 Results Conference Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Kim Blanche, General Counsel. Thank you. You may begin.

Kim Blanche

Thank you, and good morning, everyone. Welcome to the MTBC third quarter 2020 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'd 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. For anyone who dialed into the call by telephone, you may want to download our third quarter 2020 earnings presentation. Please visit our Investor Relations site, ir.mtbc.com, click on Events and download the earnings presentation.

And finally, on today's call, we may refer to certain non-GAAP financial measures. Please refer to today's press release announcing our third quarter 2020 results for a reconciliation of these non-GAAP performance measures to our GAAP financial results.

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

Steve Snyder

Thank you, Kim, and thank you, everyone, for joining us on our third quarter 2020 earnings call.

It's our privilege today to review MTBC's year-to-date financial and business performance, and to have an opportunity to discuss our full-year outlook. We are very pleased to report another record-breaking quarter. We have continued to accelerate our growth as we've remained focused on empowering healthcare providers and health systems with our tech-enabled solutions.

For the third quarter, we are pleased to report revenue of \$31.6 million. This is a new record and represents an increase of 88% over the third quarter of last year. As we have continued to accelerate the velocity of our revenue growth, we have also increased our quarterly Adjusted EBITDA to a record of \$4.2 million, 68% higher than last year. Likewise, MTBC's adjusted net income for the third quarter was a record \$3.5 million, a year-over-year increase of 58%.

Turning to our performance for the first nine months of 2020, MTBC's revenue was a record \$73.1 million compared to \$48.7 million in the first nine months of 2019. We expect to ultimately exit the year with annualized revenues of more than \$130 million. Our Adjusted EBITDA for the first three quarters of this year was \$5.2 million in total. We expect the fourth quarter alone to handily exceed our entire year-to-date Adjusted EBITDA, resulting in another new record high.

Before turning our focus back to our year-to-date business performance, I'd be remiss if I didn't again express our sincerest appreciation to our clients for their exceptionally heroic efforts during the last nine months.

More than 1,000 frontline U.S. health care workers have lost their lives to COVID-19, not to mention the many others serving in health care, administrative, and executive support roles who have made the same sacrifice. And beyond the ultimate sacrifice, virtually every health care provider serving on the front lines of this pandemic has risked his or her life while investing more time and more energy than ever before to serve his or her patients. We've seen these sacrifices made by health care providers firsthand within our own client base. We truly feel privileged to be able to provide some very small measure of support to the heroic professionals who were serving during this crisis.

As we've previously mentioned, whether it's providing our cloud-based clinical tools, empowering patients with seamless, touchless scheduling, check-in and access to clinical charts, enabling telehealth and ensuring it is appropriately reimbursed, providing revenue cycle and analytics support, or anyone of the other many ways that we support our customers, we are truly energized by our mission of enabling physicians to devote the entirety of their focus to care delivery during this pressing time while trusting us to support the day-to-day needs of their practices.

As healthcare providers are being called upon to support our nation through this wave of COVID infections, we believe that we have never been better positioned from an operational, tech and financial perspective to support them as they serve on the front lines. Truly, each of these health care providers deserves our most sincere appreciation, and we are grateful for the privilege of supporting their very meaningful work.

Now let's turn our discussion for a few minutes to the segment of our growth that involves our wholesale customer acquisition strategy, which focuses on acquiring synergistic businesses with exceptional teams and great customers.

During the first quarter, you may recall we acquired CareCloud, which we described at the time as our largest acquisition to date. During the second quarter, we were pleased to announce an even larger acquisition, that of Meridian Medical Management and its affiliated entities. We believe that we have acquired more businesses in our space than any other company, and our experience has enabled us to hone a successful model that yields strong and increasingly predictable outcomes. To move forward with an acquisition, we need to have a compelling case to support a one plus one equals three thesis. And we believe that both CareCloud and Meridian exemplify this principle.

Both acquisitions have enabled us to add strong digital assets, including highly scalable electronic health records, timely patient experience management solutions, enterprise-level business analytics, and robotic process automation, or RPA.

As a result of these transactions, we have also onboarded some additional team members who are passionate, experienced, and talented, really great folks. Many of these new individuals are contributing to our growth as they play important roles in operations, R&D, organic growth, patient support, customer success, and countless other areas. They've helped make us even stronger and even more capable of achieving our objectives. Hadi will provide a more detailed update shortly about our team's work on executing against our integration playbook and strategy.

I'm pleased to say that you can already begin to see the proof of success in our numbers reported today. And as we report the fourth quarter, we believe it will become even more profound and compelling.

Let's now turn to organic growth. As we discussed during our last earnings call, we have significantly increased the size and the scope of our sales and marketing team as we've continued to invest in organic

growth. Year-to-date, we've already closed more than twice as much new organic business as compared to all of 2019. And you may recall that 2019 was one of our strongest years. Additionally, our bookings are more diversified today, and our approach is more systematic, more repeatable, and more scalable. Our expanded solution set has allowed us to offer compelling tech-enabled solutions to a wider variety of practices than ever before.

Moreover, our business model allows us to do far more for far less, positioning us to better meet the needs of our existing and prospective clients with a high degree of solution optionality and pricing flexibility. As we continue to increase our investment in organic growth, we are managing to an internal target of an average customer acquisition cost, or CAC, of 50% or less of anticipated annual recurring revenues. As we continue to scale our sales and marketing organizations during the year ahead, we believe that we will be able to continue to accelerate the velocity of our growth in the context of a low CAC environment that is enabled by our unique global team model and tech-centered approach to organic growth. Just as we've made strides in our organic and acquisitive growth during 2020, so too our platform has evolved in significant ways.

As Hadi will describe shortly in more detail, our solution set is broader and more capable today than ever before. Components of our platform are supporting tens of thousands of health care providers across the country. It's helping drive clinical excellence while facilitating patient-centric relationships and ensuring that our clients receive appropriate reimbursement for their services.

As we turn to discuss our outlook for 2020, we continue to believe that we are positioned to grow revenues by greater than 60% year-over-year. While at the same time, increasing our Adjusted EBITDA by nearly 50% or more year-over-year. We expect to exit 2020 at a historic annualized revenue run rate of \$130 million or greater, together with a run-rate Adjusted EBITDA of more than \$24 million. We expect that 2021 will be another exciting year of record growth and margin expansion.

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

Hadi Chaudhry

Thank you, Steve, and thank you, everyone, for joining us on our third quarter 2020 earnings call.

I wish to echo Steve's sentiments. We do indeed continue to be encouraged with our performance so far this year. Following up on Steve's comment, we believe that through disciplined innovation and our robust acquisition strategy we, now more than ever, have what we believe to be one of the industry's most comprehensive suite of cloud-based solutions and business services.

Today, we now go to market with our practice management systems, electronic medical record solutions, our patient experience management platform, and our revenue cycle management offerings. It isn't only these core cloud-based software and services that make us unique, but it's the depth and the breadth of the underlying apps we have in our product portfolio, such as our deep analytics capabilities with Precision BI and our robotic process automation bots that drive a highly competitive value proposition for the market. These aggregated technologies, coupled with our expansive additional business services, we believe, set us up for continued success.

Our solutions today are providing us with success and strongly contributing to our record year of growth. Many folks have asked us how our product and solutions portfolio map across the different segments we serve. While we won't get into specific detail here, we wanted give you a flavor of our expansive offering.

At a high level, our products and services to date serve complementary go-to markets, while others are more suited to different segments and specialties in both the ambulatory and health system space. For example, our talkEHR solution is mostly geared towards the small medical practice provider, while our

CareCloud products can serve larger market segments across multiple specialties. And our VertexDr software solution is more suitable to handle single specialties such as anesthesia. Breeze, our patient experience management platform, spans across market segments. And we are excited about the future road map for this product, something I will discuss in a minute. This segmentation view allows us to synthesize our product and services portfolio and build the appropriate sales and marketing messaging for each segment, and ultimately, provides a greater level of flexibility for our customers and meet their needs where they are.

As I discussed last quarter, in addition to our core software and technology-enabled services, Meridian Medical Management has expanded the specialties and markets we can now serve. We continue to be excited about the opportunities we now have with our enterprise-grade business intelligence platform, Precision BI. We will discuss in just a few moments, the work we have been performing to bring this to the market more broadly and integrate this tool to our solutions.

Additionally, we continue to believe there is an opportunity to enable our current customer base with this tool, potentially upsell this product within our installed base, and effectively go-to-market to the larger enterprise accounts. With the addition of our Microbots, our robotic process automation bots, we have been actively working on integrating this into our systems and leverage these capabilities to drive additional gains in efficiency and productivity while reducing our overall costs.

Over the past couple of quarters, our product and engineering teams globally have been hard at work across the myriad of different exciting initiatives. We have been focused extending or integrating our technologies to drive additional customer stickiness, cross-sell opportunities, and new sales pipeline. We have been hard at work integrating Precision BI to our internal systems that will provide even more visibility for us operationally while also taking core components of Precision BI and leveraging that within our talkEHR platform. This has already proven incredibly valuable, and as an example, one of our largest customers is currently testing Precision BI and is elated with its capabilities.

Along the same thread, we are working to deploy additional RPA Microbots with our internal systems as well, with the thesis that this will also drive incremental operational efficiencies and scale.

We are also in early stages of extending our award-winning patient experience management platform Breeze to our talkEHR users and working on unifying all of our patient experience apps under this one solution. This lays the groundwork for a broader Breeze strategy into the future.

There is still more work to be done here, but we are excited about the early trends. We continue to be excited about our products and service portfolio and our continued innovation on behalf of our customers. We look forward to keeping you updated on our progress and sharing with you some exciting innovations we have on the horizon, and providing specific details about our overall product strategy during the months ahead.

Now, shifting gears, we wanted to provide you a transition update on our latest acquisitions. We continue to be excited by the continued expansion of our products and services portfolio and are delighted with the incredibly talented team members across the Company. We continue to see huge gains in how our unified teams are working closely together across functional areas like operations, client success, professional services, and R&D. We look forward to seeing how this will continue to strengthen our overall corporate footprint as we continue to scale into the future.

As to our most recent acquisitions, CareCloud and Meridian Medical Management, we continue to make great progress at executing on our proven integration strategy. With regards to CareCloud, we have already reduced operating costs by more than 46%, and it is now accretive. In terms of Meridian, we have virtually completed our transition off of third-party offshore business process outsourcers onto the MTBC's large-

scale operations team. This shift will continue to help us expand margins in accordance with our plan. As such, we have reduced Meridian's operating expenses by 16% from pre-acquisition levels one year ago. I'm excited to share that Meridian is already accretive to earnings during its first full quarter as part of MTBC.

While our Company integration work is continuing and going well, our efforts in risk-mitigating issues related to COVID-19 has also proven successful. Aside from the fact that our volumes are mostly back to pre-COVID levels, we have worked even further in ensuring that our competitive advantage to be able to strategically deploy our global workforce, both here in the U.S. to work remotely as needed and overseas across our various campuses, is even further strengthened.

We believe that our global distributed workforce allowed us to mitigate many strong headwinds produced by this pandemic. This strategic advantage allowed us to continue operationally without the level of disruption we have heard that was experienced by many industry peers that were heavily reliant on third-party vendors to manage their back office. I would like to again personally thank our employees worldwide for dedication and smart work.

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

Bill Korn

Thank you, Hadi.

Revenue for the first nine months of 2020 was \$73.1 million, an increase of 50%, as compared to \$48.7 million in the first nine months of 2019. This is an exciting new record for us. Our revenues during the first nine months of this year exceeded any full year of revenues in MTBC's history. The three drivers of our growth were the acquisitions of CareCloud and Meridian, our two largest deals ever, and the increased velocity of organic growth. Our additional investment in sales and marketing, which grew from 2.2% of revenue during the first nine months of 2019 to 6.5% of revenue during the first nine months of 2020, is paying off!

Revenue for the third quarter of 2020 was \$31.6 million, an increase of \$14.8 million or 88%, from the third quarter of 2019. This sets a new record for MTBC.

Our third quarter 2020 GAAP net loss was \$1.7 million as compared to a net loss of \$138,000 in the same period last year. The GAAP net loss reflects \$3.2 million of non-cash depreciation and amortization expenses, \$1.8 million of stock-based compensation, and \$609,000 of integration and transaction costs related to recent acquisitions. Our GAAP net loss was \$0.46 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 2020 was a record \$3.5 million, an increase of \$1.3 million or 58%, compared to adjusted net income of \$2.2 million in the same period last year. Non-GAAP adjusted earnings per share was \$0.27 per share, an increase of \$0.09 compared to \$0.18 per share during the third quarter of 2019. Our non-GAAP adjusted diluted earnings per share was \$0.19.

Adjusted earnings per share are computed using the end-of-period shares outstanding, and adjusted diluted earnings per share also includes common shares issuable upon the exercise of in-the-money warrants investing of outstanding restricted stock units. We now have a significant number of outstanding stock warrants, which are exercisable and in the money but are excluded under GAAP from earnings per share calculations, as the shares are considered anti-dilutive. To assist in evaluating the effect of these prospective shares, we have introduced a new non-GAAP measure, adjusted diluted earnings per share.

The sellers at Meridian and CareCloud were granted a total of 4.25 million warrants to purchase shares of MTBC's common stock at prices between \$7.50 and \$10 per share, with a two-year life for the \$7.50 warrants and a three-year life for the \$10 warrants. If all of these warrants were exercised, we would receive approximately \$34 million of cash proceeds, approximately equal to the total cash we paid for these two acquisitions.

Adjusted EBITDA for the third quarter of 2020 was \$4.2 million, a new record, which was an increase of 62% and represents 13% of revenue compared to \$2.6 million in the same period last year. This was our fourteenth consecutive quarter of positive adjusted EBITDA. The increase in our adjusted EBITDA to record levels during the first full quarter after a major acquisition is a huge accomplishment. It reflects the combined cost savings from CareCloud, which was purchased in January, and Meridian, which was purchased in June, as well as the return of patient visits to near pre-COVID-19 levels.

I'd like to give you an update on our cost reductions after our two most recent acquisitions. Veteran MTBC followers know that we follow a standard methodology, which is proceeding nicely for both CareCloud and Meridian. We replaced offshore subcontractors and some onshore employees with MTBC's global team, used MTBC's technology to streamline workflows, and reduced the administrative burden of the U.S. team so they can focus on the client experience.

Adherence to our normal routine is what allowed us to go from essentially breakeven adjusted EBITDA during the second quarter to record adjusted EBITDA and adjusted net income during the third quarter. It also allowed us to reduce our GAAP operating loss by 73% from second quarter to third quarter, a sign that the positive GAAP operating income that we reported in the third and fourth quarters of 2019 may be returning to us in the not-too-distant future.

In the first half of 2020, we wound down the subcontractors CareCloud used for both revenue cycle management and product development, transitioning the work to our own offshore employees. During the third quarter, we did the same for Meridian as we wound down most of their contractors. With the actions we've already taken, CareCloud was accretive to earnings during the third quarter and so was Meridian. This may be the first time that a major acquisition was accretive during the first full quarter after our purchase.

The fact that you see a smaller percent decrease in Meridian's expenses after one quarter reflects the fact that they started in a position which was closer to breakeven than our other recent acquisitions. For the purpose of this slide, we're measuring from Meridian's expense structure one year ago before they began cost reductions.

During fourth quarter, we are looking at ways to deploy additional experienced, global MTBC employees who can help us add even more value to our relationships and achieve our margin goals. As we continue to reduce expenses, gain the benefit of a full quarter of the reductions which occurred in July, August, and September, you should expect to see another significant increase in our adjusted EBITDA during the fourth quarter.

Investors often ask me what type of margins they should expect MTBC to generate. Looking at our annual results isn't very helpful because we regularly buy additional businesses, and these businesses typically depress profits for up to four quarters. The better way is to look at our quarterly results and to look in the Segment note of our 10-K or 10-Q so you can focus on the Healthcare IT segment, which excludes our \$12 million to \$13 million practice management business.

You'll see that we have reported gross margins of up to 50% several times, but each time we do a major acquisition, our margins take a hit until we wring out duplicative and unnecessary costs. But you should expect to see our gross margins return to 45% to 50% over the next few quarters, unless we consummate

another large acquisition. That's because more than half of our revenue is either pure Software as a Service or a bundled fee, including SaaS as well as revenue cycle management.

Our adjusted EBITDA margin is a good estimate of our overall profitability. Adjusted EBITDA for our Healthcare IT business was 25% in Q4 of 2019, before our acquisitions of CareCloud and Meridian this year. You'll see that it returned to 17% during Q3. And as I previously mentioned, we've already taken many steps which will increase our margins in Q4 and 2021. So from my perspective, returning to 25% or more during 2021 is very realistic.

As of September 30, 2020, we had approximately \$22.8 million of cash with nothing drawn on our Silicon Valley Bank line of credit.

In addition to our common stock, we also have a Series A Preferred Stock, which trades on the NASDAQ Global Market under the ticker MTBCP. Our preferred stock pays monthly cash dividends at the rate of 11% per year. And while it is perpetual, it could be redeemed at our option at \$25 per share. We have now paid 60 consecutive monthly dividends.

I'd like to close by reaffirming our forward-looking guidance for the fiscal year ending December 31, 2020.

In July, we raised our guidance for full-year 2020 revenue to \$105 million to \$107 million, which represents year-over-year growth of approximately 65%. With \$73 million of revenue year-to-date and \$31.8 million of revenue in Q3, we are comfortable that we will achieve our \$105 million to \$107 million guidance. Even our most conservative assumption calls for revenue growth of at least 63% this year. This leaves us running at a \$130 million, \$135 million run-rate going into 2020.

We expect our Adjusted EBITDA to be \$12 million to \$13 million for full-year 2020, representing growth of 48% to 60% over 2019 Adjusted EBITDA as we integrate the Meridian and CareCloud acquisitions. Our Adjusted EBITDA grew by \$4 million from Q2 to Q3, and we anticipate additional margin expansion as we continue integrating Meridian. We will end the year with Adjusted EBITDA running at an annual rate of \$24 million or more. Of course, if we complete another major acquisition next year, it would most likely reduce our Adjusted EBITDA temporarily, but we would be benefiting from our increasing scale, so investors should continue to expect increasing margins along with revenue growth.

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

Mahmud Haq

Thank you, Bill.

While 2020 has been a challenging year for the world, we are fortunate to be in a very strong position as we generate another year of record-breaking growth and increasing profitability. We thank our investors, customers, and employees for their continued support.

We will now open the call to questions. Operator?

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. We

ask that you please limit yourself to one question and one follow-up question. One moment, please while we poll for your question.

Our first questions come from the line of Jeffrey Cohen with Ladenburg. Please proceed with your questions.

Jeffrey Cohen

Morning, gentlemen. How are you?

Steve Snyder

Good morning, Jeff. Doing well. How are you?

Jeffrey Cohen

Just fine.

I guess, I wanted to drill into a little bit on the guidance and the top-line. Steve, you've made some commentary earlier in the call talking about some 60% year-over-year, assuming that's somewhat of an aspirational number. But when we look at the top-line, so firstly, I guess for the year in the midpoint of your guidance, you've got a relatively flat, call it, plus 4.1% for Q4 which gets you to the 106.

But as we're looking out to 2021 and our estimate of call it \$145 million that assumes a top-line growth of about 37.4%. Did you intend to talk about top line of going up 60%? And if that were to be the case on an annualized run rate, that would be about \$42.5 million for fourth quarter next year, which would be a good portion higher than what we currently have. So any commentary there and any flavor or thoughts for us?

Steve Snyder

For sure. Yes, good question and good clarification.

As we're talking about the year-over-year revenue growth, we're talking about 2020 as compared to 2019. With regard to 2021, we look forward to providing guidance for the full year of 2021 sometime during Q1 of next year, prior to our next earnings call.

Bill, maybe if you want to just provide some additional commentary in terms of year-to-date performance and what we're anticipating relative to guidance for this year compared to last.

Bill Korn

Sure, Steve. And good question, Jeff.

I guess I'd say we don't have a crystal ball, and there's a lot of things that we can control and there's a lot of things we can't control. As you know, we're always looking for exciting acquisition opportunities. And when we find those which are compelling, we tend to move pretty quickly on them. But there's no way to predict those upfront. So I think it's hard for us at this point in time to give you a really precise number for 2021, other than to just go look at the last several years, and say, how have we grown the business?

I think we've mentioned, our organic growth has been stronger this year than it's ever been before. So we expect that to be a continuing feature that in the past, candidly, we weren't investing as much in. So that's going to give us some good upside. So stay tuned and watch the story unfold.

Jeffrey Cohen

Okay. Thank you. And one more quick question for me while I have you on the line. On the depreciation and amortization line of \$3.2 million for Q3. I'm assuming that both includes CareCloud and Meridian. So should we call that the new baseline on the D&A, barring any future acquisitions?

Bill Korn

Yes. It definitely includes both the Meridian and CareCloud. So I think it is a good estimate of the baseline. All the numbers for CareCloud have been finalized with our auditors. The third-party valuation firm is still working with us to finalize the numbers, so Meridian's numbers may change a little bit. But I think you can use the third quarter numbers as a good estimate going forward.

Jeffrey Cohen

Okay, perfect. That's good for me. Thanks for taking the questions.

Steve Snyder

Thanks, Jeff.

Bill Korn

Thank you.

Operator

Our next questions come from the line of Marc Wiesenberger with B. Riley. Please proceed with your question.

Marc Wiesenberger

Thank you. Good morning.

Now that the business is on track to top that \$100 million revenue mark, can you talk about your priorities in terms of kind of optimizing the current business and demonstrating earnings power versus looking for another major transaction?

Steve Snyder

Absolutely, Mark. Thanks for the question. And Bill, maybe you can walk us through that.

Bill Korn

Sure. We consider both of those to be really important aspects of managing our business. And at one level, I'd say we're always looking at, every time we acquire a business, how do we wring out the costs. And we've got a pretty good track record of doing that. But candidly, even a year after we've bought a business, we still look to see if there is a way to optimize things. So we're going to continue to push the earnings component, which does approximate our cash flow. So I think as we showed, you could expect to see 25%, even 30% adjusted EBITDA margins as we move into 2021.

And the organic growth that we're doing won't really change that trajectory at all. But whenever we find that next big acquisition, I think you can assume that we are going to continue to work on growing the top line. I mean, after all, it's nice to be at a \$130 million revenue rate right now. I can't tell you where we'll be next year, but I think we'll all feel good about a number that's much bigger than \$130 million.

Marc Wiesenberger

Understood. Thanks. And then just a follow-up. If you could talk about how the customer base has changed following the CareCloud acquisition, and maybe to a larger extent, after the Meridian deal? And is there anything that needs to be put in place for you to keep and compete for this new cohort?

Steve Snyder

Thanks for the question, Mark, and Hadi can give us a little bit more detail from a customer base perspective.

But if we step back for a minute and think big picture, today, as a result of the acquisitions that we have completed during this year and our additional organic growth, we're working with roughly 40,000 providers across the country. In terms of that overall client base, roughly out of that overall base, somewhere in the neighborhood of 12,000 or 13,000 are leveraging us for end-to-end RCM. And then the remaining are leveraging one of our variety of solutions, the technology solutions, SaaS solutions, GPO, and the like.

And we've continued the trend this year that we've seen and we've been driving over the last few years, which is increasingly going upmarket and developing relationships, both through the acquisitions and organic growth, with medium to larger groups. As we move towards 2021, we continue to move in that direction with a real focus from an organic sales perspective in 2021 on enterprise solutions.

Over to Hadi to provide a little bit more color on that.

Hadi Chaudhry

Yes. Thank you, Steve. And thank you for the question.

As Steve mentioned, some of the changes that we can see now that we have much more involvement on the bigger hospital space-based clients, which is that it gives us much more opportunity in terms of not only just the cross-selling, but dealing with many other specialties at the same time. So our multi-specialty group has significantly increased, and our relationship into the hospital enterprise-level clients have significantly improved. This is also giving us an opportunity while working with the BI tools such as Precision BI; and some of those hospital-based groups. There is a tremendous opportunity for us to utilize the RPA 'Bots that we have that became part of us from the most recent acquisition.

Operator

Thank you. Our next questions come from the line of Richard Baldry with ROTH Capital. Please proceed with your question.

Richard Baldry

Thanks. When I think about organic growth, given some of the metrics you talked about from a very high level, if you can do 50%-plus-or-minus gross margins on incremental revenue and the CAC is coming around that 50% level, it sort of basically says it's about breakeven in your first year. With that backdrop, how do you think about how to and how much to spend on organic growth? Because it feels like if you

started relatively early in the year with pretty free-spending, you could still be breakeven on that spend in the year and pretty highly accretive in year two. So what really gates that spend? And how do you think about that strategy for capacity long term?

Steve Snyder

Thanks for the question, Rich.

As we think about growth going forward, we continue to see, as we move forward, the majority of the growth coming through wholesale acquisition of customer relationships through acquisitions. If we look at the totality of what we anticipate, we can estimate what our growth will look like during 2021 and beyond, as it gives us the ability to grow at a much faster rate, and we think there are significant opportunities to acquire competitors in our space who lack the competitive advantages that we have in terms of our global team and our technology platform and to add value. So we continue to believe that the majority of our growth for the foreseeable future will be driven by these accretive acquisitions.

If we can continue, We believe, if we can continue to acquire customers through traditional organic growth at a CAC of, or in the neighborhood of, 50% or even if that ends up being 60% as we continue to expand, it's a cost-effective way to grow, especially when we think about the competition that doesn't have our global team model and some of the tech-enabled components that we use for growing. When we think about their cost of customer acquisition, generally speaking, it's closer to 1 times. That's our belief.

So as we think about how much to invest this year, we have achieved our target of up to this point in time during this year of closing \$4 million to \$5 million per quarter roughly in terms of bookings from an organic growth perspective. We hope to be able to take those numbers and to double them during 2021, achieving, on a quarterly basis, twice as much in terms of bookings. In order to accomplish that, we anticipate we'll have to invest twice as much in terms of sales and marketing expense, all things being equal, to achieve that. We still think that will be a good investment.

And to your point of what is the gating item, or to what extent can we continue to ramp that up, we think we can continue to scale it. We think we're really candidly at the early stages of this. And if you think about our team today, it's roughly 10 times larger today than it was the same time five or six quarters ago from a sales and marketing perspective. So we think we're in the early days of this ramp-up of the organic growth team, and we're excited about what we believe we can continue to accomplish.

As we get into 2021, and even candidly now, our focus is increasingly on ramping up additional team members who can help us focus on larger groups and enterprise customers; its a longer sales cycle but a much bigger return on that investment, all things being equal. So we continue to believe that will be an important part of our overall growth strategy going forward.

Richard Baldry

Turn back to the acquisition strategy then. Given the severe challenges of the macro market, do you feel like that's created maybe more acquisition opportunities because owners may be stressed by the external? Or is there any possibility that has maybe slowed it or stalled it because they feel that near-term results are really not reflective of what the entity should be worth? Just sort of curious your overall thoughts on that backdrop. Thanks.

Steve Snyder

From our vantage point, since the IPO—since our IPO six years ago, the opportunities have continued to increase. And we continue to see that trend, in spite of COVID. And you're right with regard to COVID, it increases the impetus amongst some investors to look for an exit and exacerbates some of the challenges

in the business models of our competitors, giving us a greater opportunity to be able to acquire a company at a favorable valuation and in a way that allows us to add value through our technology and our team and our scale. So it increases those opportunities. By the same token, you're right, COVID also for some investors caused them to reflect more in terms of whether or not this is the right timing.

Having said that, we see it as a net positive and only time will tell as we move forward. But our trend has only gone one direction in terms of an expansion of the universe of opportunities from an acquisitive perspective over the last six years. And obviously, we can't tell the future, but if the past and what we see today is any indication, we believe that the opportunities will continue to increase rather than the other way around.

Richard Baldry

Thanks and congrats on the breakthrough quarter.

Steve Snyder

Thanks so much.

Operator

Thank you. Our next questions come from the line of Gene Mannheimer with Colliers. Please proceed with your questions.

Gene Mannheimer

Thanks. Good morning. Congrats on the good progress.

Just to follow-up on the other questions on sales and marketing. Tell us how many sales and marketing people do you have today? The headcount versus a year ago? And what did your customer acquisition costs look like a year ago this time before your two largest acquisitions? Thanks.

Steve Snyder

Good morning, Gene. Thanks for your question.

Today we have more than 40 sales and marketing team members focused on helping us grow —and out of that team, it's relatively evenly split between our onshore and our offshore resources focused on organic growth. If we go back five, six quarters, we had roughly three, four team members - FTEs - focused on growth. So I would be hard-pressed to be able to say that using, as a reference point, the CAC four, five, or six quarters ago would provide much of a baseline just because, candidly, at the time, their focus was almost exclusively on acquisitive growth and the closings that we were moving forward with in terms of organic growth were really all inbound. So it was a very different strategy. It's a different cost structure. I would suspect that if we go back in time, our cost, candidly, probably wasn't very different.

But still having said that, I don't think that that candidly provides much of a baseline because our strategy and approach and investment was very different. At that point in time, it was more handling inbound leads. Today, it's a combination of in inbound leads, but also aggressive cross-selling and up-selling with regard to our customer base, together with hunting new opportunities in the market across a wide variety of practice sizes, groups, and specialties.

Gene Mannheimer

Sure. Makes sense, Steve. So three sales and marketing people six quarters ago to roughly 40 today. Okay.

Steve Snyder

Correct.

Gene Mannheimer

Big jump there. And for your Q4 implied guidance, and even if I could, into next year, what are your assumptions around how patient volumes will recover from COVID?

Bill Korn

Gene, right now, we're seeing patient volumes roughly 5% below the pre-COVID peaks. So many of our providers are essentially running at the exact same level they were before. Some of them are running a little bit down. And we've taken as a sort of a baseline that numbers will stay roughly where they are here, knowing that month by month, geography by geography, there are going to be differences. So we'd love to see everything return to exactly 100% of where it was before. We think that seeing that happen pervasively through the country, that's probably not in the cards for this year, but maybe it is. But we've sort of taken the assumption that it stays at the current levels on average for 2021.

Gene Mannheimer

Okay. That makes sense to me. Thanks. And then last question, on Precision BI, what type of contribution do you think that can make from a revenue perspective as you integrate that with the rest of your portfolio? And or more generally, is it sold as a SaaS model? Or what's the business model there?

Hadi Chaudhry

Sure. And thanks, Gene, for the question. And let me start and then I'll see if Juan has anything to add here.

The Precision BI is a pure business analytical tool, and the way we currently go-to-market is either trying to sell it to the other vendors who in their current software products does not offer an analytical tool. The way MTBC, before this Precision BI, we did have one analytical tool integrated with our practice management. But that was not that robust as this Precision BI tool is. So that's why we started working on the integration on our side and have just recently rolled out on a test basis for one of our largest client as well. Which they already have been reviewing and working with a couple of other Precision BI—sorry, the business analytical tools, and we are receiving a very good feedback from that client about the different features it can offer.

From a go-to-market standpoint, one will be the other software platforms, the vendor, the billing solutions which do not currently have a solution available. And the second is other hospitals, for example, or the small and the medium-sized practices; with their system we can integrate and provide the solution. It can just literally take the feed, we can take the dump of the data, which can keep on dumping on a periodic levels. And then the layer of this analytical tool comes in and provide the business intelligence reporting.

Juan, if you want to add anything.

Juan Molina

No, I think that's right. And I think, Gene, what it does is, as Hadi was mentioning, really, at the end of the day, at a high level, what it does is that it unlocks an additional kind of vertical that we can go after, right, and it expands our value proposition even further. So I think Hadi really talked through the different kinds of ways that we're thinking about it from a product perspective and a go-to-market perspective.

Gene Mannheimer

Right. Thank you. Appreciate it.

Steve Snyder

Thank you.

Operator

Thank you. Our next questions come from the line of Bill Sutherland with The Benchmark Company. Please proceed with your question.

Bill Sutherland

Thanks. Good morning, everybody. Most of them have been asked.

Wanted to get maybe some sense on, when you look at your organic growth going forward, do you think a significant portion of it will be the cross-selling and up-selling potential with CareCloud and Meridian in particular? And kind of how you think that traction could take place here?

Steve Snyder

Thanks a lot for the question, Bill.

If we think about performance year-to-date, roughly 20% to 25% of our bookings have come from our upsell, cross-sell campaign. We think that will continue to increase as an overall share, but we're getting great traction today. And as we move forward, we think that the opportunity really exists there, it exists on the— across all the platforms, if we think about the PBI platform, there are many larger groups and enterprise groups who are using that platform. So it's an opportunity to be able to upsell, we think, in terms of RCM. We continue to have the other opportunities even beyond the CareCloud and Meridian bases and GPO and the like. So we believe that the upselling, cross-selling campaign will continue to get traction, will continue to be an important component of our overall growth strategy as we move forward.

Bill Sutherland

Okay. And Steve, maybe an update on MTBC Force, however you want to characterize it, just a sense of how that's impacting?

Steve Snyder

Thanks for the question.

So just to lay a baseline for anyone who's new to MTBC, if we step back for a moment and we think about our overall growth strategy, there are three primary prongs. We have the traditional organic growth. We have acquisitive growth. And then straddling the two, a hybrid between those two is MTBC Force.

MTBC Force represents our effort to partner with companies that could, if they were larger, or at different points in time in their lifecycle, could have been potentially opportunities for acquisitions but really don't—aren't the right fit in terms acquisitions, either from the prospective seller side or from our side as a buyer, but nevertheless, we see an opportunity to be able to partner with them, to be able to provide workforce extension solutions so we can augment their existing team, their capabilities, and also through white labeling and a variety of other ways that we can partner with them.

And again, if we think about the sales growth year-to-date, roughly 20% of that growth has come from MTBC Force. Today, we work with seven to 10 customers through MTBC Force. We see a lot of traction on that. We believe that will continue to be an increasingly large share of overall wins as we move forward.

And back to the question I was asked before about COVID, I think that COVID has actually opened doors from the perspective of Force: vendors who realize that from the perspective of their overall capabilities and capacity to be able to operate in times where their resources are restrained that it makes a lot of sense to have a partnership with someone like MTBC who can help them augment their existing team.

Bill Sutherland

Thanks, Steve. And just thought I'd circle back to Bill just for a second on his commentary on the patient levels here with most recently, anything that you're hearing from customers related to this really very recent surge in COVID that's been so significant the last couple of weeks.

Bill Korn

We haven't seen any change in the volumes of patient visits recently. And we look at the value of the claims that are submitted for visits each day. So we are not just looking at what gets paid, but the value of claims that the doctors are seeing.

I don't know, Hadi, if you've heard anything specifically from any clients on the subject?

Hadi Chaudhry

Bill, to your point, the numbers that we are looking at, we have not seen yet any change in the volume. So, it's as Bill said, from the pre-COVID level, we stand somewhere around being down only by 5%, and it's been consistent at least over the last roughly 30 to 60 days.

Bill Sutherland

Okay. Thanks, everybody.

Hadi Chaudhry

Thank you.

Bill Korn

Thank you.

Bill Sutherland

Thanks, Bill.

Operator

Our next question comes from the line of Allen Klee with National Securities. Please proceed with your questions.

Allen Klee

Can you give us an update on your RPA offering and cross-selling opportunities of it? Thank you.

Hadi Chaudhry

Thank you. Thank you for—

Steve Snyder

Hadi, please.

Hadi Chaudhry

Okay. Sorry. And thank you for the question. I'll start with that, and again, if Juan may want to add a few things here.

For the RPA, just to give you a background again, especially for the people who were not part of the earlier calls, these are the Microbots that were primarily designed by the Meridian teams, the acquisition that we have just done. There's a whole suite of different Microbots that can perform different mundane tasks for any office in an office setting. And some of those examples can be, if there is a medical documentation that needs to be pulled and someone needs to send it out, so whenever a denial is received, that Microbot can look at the denial, it already knows from where to pull the medical documentation, can pull it from there, and either fax it out or can put it in the queue for someone to work on it the next day. So there is a whole set of catalog for the Microbots that can perform these mundane tasks and take it over instead of doing it in a manual way.

The integration process is either that Meridian already has an integration through an API-based set up with many platforms today. Or in addition to that, if the vendor doesn't offer an API-based solution, we can always also work on a screen scraping technology. So in addition to the revenue that was already there, we already have started selling it as part of the rest of the technology that we are selling, we have started to integrate and have successfully integrated a number of those Microbots into MTBC's existing platform to improve the efficiency of the MTBC's internal workforce as well.

But from the market standpoint, maybe, Steve, if you have anything else, if you would like to add here?

Steve Snyder

No, I think you covered it, Hadi. That's great. And I think in terms of go to market, to Hadi's point, we continue to see opportunity there in traditional organic growth, and also it opens doors from an MTBC Force perspective. So for other vendors who are looking for a way to extend their capabilities and augment their workforce, we now have the ability to both provide human capital with the level of expertise that can help them achieve what they're attempting to achieve, but also the ability now to provide robotic processing, which automates many of them mundane tasks that individuals would otherwise handle. So this two-pronged approach has enabled us to start conversations and also is something that, increasingly, we're including in our proposals on the MTBC Force side.

Allen Klee

Thank you very much.

Steve Snyder

Thank you, Allen.

Operator

Thank you. Our next questions come from the line of Kevin Dede with H.C. Wainwright. Please proceed with your questions.

Kevin Dede

Good morning, gentlemen. Thank you for fitting me in. Appreciate it.

Steve, there's been lots of discussion on the call regarding go-to-market, especially with regard to the specific tools you're offering. But you haven't really offered your perspective on branding. Given that you're coming to the market with so many big brands, can you talk about how you're looking at that and how you're incentivizing your sales force to address larger clients, and which brands and which tools you're asking them to go with?

Steve Snyder

Thanks for the question, Kevin.

In terms of the overall—if we think about brand merger, if we think about overall product strategy and guidance and the like, we anticipate, and we're excited to be able to do so and we think you'll be excited to hear more about the granular level details our plan and our vision. It may be later in Q4, but I think more realistically, it will probably be in the early part of Q1. But we look forward to talking about that in detail. Right now, we're really focused on continuing—as you alluded to, continuing to focus on ramping up this new organic growth team where we're getting traction, managing the integration of these two acquisitions, again, the two largest in our history, and supporting our clients through COVID.

We're really marshaling all of our efforts to try to make sure we do our absolute best to end the year strong, a record year with significant revenue growth and adjusted EBITDA growth. And we think we're on track to do that. But we look forward to talking about these other things that - you're right - going forward will play an important role in continue to ensure that we have the momentum as we move forward.

From the perspective of the overall incentives, so our team is really focused on—depending upon the different groups of our team, it's segmented. So there are members of our team who are really exclusively focused on these medium- and larger-sized groups. And as we're in the process of continuing to ramp up additional resources on the U.S. side, those resources are increasingly focused on the enterprise opportunities. And that's really our—one of our core focuses right now. As to the overall incentive structure, we probably won't get into too much detail now in terms of that relative to the team. But obviously, the incentive structure is designed to align their interest with ours in terms of being able to identify and to sign businesses and customers who really help us continue to grow at the high rates we've been able to grow at up to this point.

Kevin Dede

One last quick one, fit in here before the bell rings, Steve, please. You mentioned MTBC Force and working with seven to 10 customers there now. Could you just briefly describe the life cycle on what you're seeing. Granted the experience hasn't been long, I'd say, what, three year, four quarters at this point. But maybe you could just talk a little bit about what you've experienced collectively as those relationships have matured? How much more have those clients/customers offer or suggest that MTBC assume in terms of their operating profile?

Steve Snyder

Well, thanks for the question again, Kevin.

Generally speaking, for the MTBC Force opportunities, they start small. And our partner, our customer in the MTBC Force scenario, first of all, generally speaking, wants to be able to ascertain whether or not we can really do what we say we're going to do. So generally speaking, if we're thinking about workforce augmentation, that will start with a relatively small group of team members with the built-in opportunity to be able to grow that and to be able to over time to displace other third parties that that vendor is working with, or over time to be able to help with regard to new business or to otherwise take on responsibilities that are being handled by their core team.

And you're right. We're about three or four quarters into this overall official launch. But right now, we're excited. We continue to see growth in MTBC Force, we continue to invest additional resources and growing that, and are ramping up our team offshore to be able to handle that work. So we ensure we have the excess capacity in place to be able to handle those opportunities as they come.

Kevin Dede

Great. Thanks for carrying my load a little later than normally expected, Steve. I appreciate it. And congrats to you and the team for the nice quarter.

Steve Snyder

No, thanks so much for your questions. We appreciate it.

Operator

There are no further questions at this time. I would like to hand the call back over to Kim Blanche for any closing remarks.

Kim Blanche

We'd like to extend our thanks to everyone who's joined us today. We look forward to speaking to you again on our fourth quarter 2020 call. Thank you, and have a great day.

Operator

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