



CareCloud, Inc.

First Quarter 2021 Results Conference Call

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C O R P O R A T E P A R T I C I P A N T S

Kim Blanche, *General Counsel*

Stephen Snyder, *Chief Strategy Officer*

A. Hadi Chaudhry, *Chief Executive Officer and President*

Bill Korn, *Chief Financial Officer*

Mahmud Haq, *Founder and Executive Chairman*

Karl Johnson, *Chief Growth Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Jeffrey Cohen, *Ladenburg Thalmann*

Richard Baldry, *ROTH Capital Partners*

Marc Weisenberger, *B. Riley Securities*

Allen Klee, *Maxim Group*

Gene Mannheimer, *Colliers Securities*

Kevin Dede, *H.C. Wainwright*

David Larsen, *BTIG*

Michael Galantino, *Chapin Davis*

P R E S E N T A T I O N

Operator

Good day, and welcome to the CareCloud, Inc. First Quarter 2021 Results Conference Call.

Today's conference is being recorded.

At this time, I would like to turn the conference over to Ms. Kim Blanche, General Counsel. Please go ahead, ma'am.

Kim Blanche

Thank you. Good morning, everyone. Welcome to the CareCloud First Quarter 2021 Conference Call. On today's call are Mahmud Haq, our Founder and Executive Chairman; A. Hadi Chaudhry, our Chief Executive Officer, President, and a Director; Stephen Snyder, our Chief Strategy Officer and a Director; and Bill Korn, our Chief Financial Officer.

Before we begin, I would like to remind you that certain statements made during this conference call are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended.

All statements other than statements of historical facts 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. 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 the forward-looking statements.

For anyone who dialed into the call by telephone, you may want to download our First Quarter 2021 Earnings Presentation. Please visit our Investor Relations site at ir.carecloud.com, click on Events, and download the earnings presentation.

Finally, on today's call, we may refer to certain non-GAAP financial measures. Please refer to today's press release announcing our first quarter 2021 results for a reconciliation of these non-GAAP performance measures to our GAAP financial result.

With that said, I will now turn the call over to Stephen Snyder.

Steve.

Stephen Snyder

Thank you, Kim.

Thank you, everyone, for joining us on our First Quarter 2021 Earnings Call.

As a team, we're pleased to report another strong quarter as we remain focused on empowering healthcare providers and health systems with our technology-enabled solutions. We continue to pursue acquisitive and organic growth opportunities.

For the first quarter, we generated revenue of \$29.8 million, notwithstanding seasonality that places downward pressure on first quarter revenues across the entire industry. This represents a year-over-year increase of 36%, driven largely by our acquisitive growth. As we continue to grow our top-line, we also

increased our Adjusted EBITDA year-over-year by 381% to \$3.7 million. At the same time, we increased our adjusted net income by 718% to \$2.9 million.

As we look ahead, we are committed to continuing to make bold moves in pursuit of our growing customer base and expansive, addressable market.

During the first quarter, we were pleased to announce our rebranding to CareCloud, a name that more fully embodies our track record and leadership role in delivering powerful cloud-based solutions to the healthcare market.

We were also pleased to announce the promotion of some of our key team members who have played critical roles in helping us grow, including A. Hadi Chaudhry, who I've worked side-by-side with as a colleague and friend for more than 15 years and enthusiastically proposed for promotion to the role of CEO.

We believe we're off to a great start in 2021 and we are excited about our position in the market and the unique opportunities that exists for us.

I will now turn the floor over to our CEO, A. Hadi Chaudhry.

A. Hadi Chaudhry

Thank you, Steve.

Thank you, everyone, for joining our Quarter One 2021 Earnings Call under our new brand CareCloud. We are incredibly excited about where we find ourselves in our Company's journey.

Before I discuss our progress this last quarter, I would first like to take a moment to thank Steve Snyder for his service as CEO over the past three years. Under his leadership, we worked together to transform our Company and position us to be the leader we are today.

We grew our revenues by 258% and customer base by 11 times, a feat we are all really proud of. I know I speak for all of us when I say thank you and that we are excited about the role you will be taking on as Chief Strategy Officer focusing on M&A strategy.

The CareCloud name better represents who we are today and our commitment to providing powerful cloud-based solutions covering more than 40,000 healthcare providers across 50 states. CareCloud today provides industry-leading electronic health records, practice management systems, a patient experience platform, revenue cycle management services, deep healthcare analytics, and robotic process automation capabilities and more that drive the business of medicine supported by more than 3,000 team members worldwide. We are hard at work every day to help guide our healthcare clients into the future with modern, easy-to-use technology paired with disciplined, efficient and comprehensive business solutions.

Today healthcare leaders are being asked to also innovate, to embrace new payment and care delivery models, reimagining their patient journeys, and compete in a new healthcare landscape. We are well poised to help.

This hard work and dedication by all of our team members has enabled us to achieve our targets, including a significant year-over-year increase in first quarter revenue of 36% to \$29.8 million.

Our disciplined approach has allowed us to post our sixteenth consecutive quarter of positive adjusted EBITDA. Adjusted EBITDA for the first quarter 2021 was \$3.7 million, an increase of 381% from quarter one 2020.

We are reiterating our guidance of \$133 million to \$137 million for this year, which represents growth of 27% to 30% over 2020 revenue. We expect to generate between \$22 million to \$25 million of adjusted EBITDA for 2021, which will represent growth of 102% to 130%.

As we have continued to move forward as a Company and build momentum, we have been focused on scaling our organization to meet the needs of our ever-growing customer base and prepare ourselves for our continued rapid growth.

We have focused our efforts on better unifying our functional areas across divisions, including the alignment of our sales and marketing teams, product and engineering organizations, and most recently, we further aligned our professional services, client success, operations, and corporate integration functions. These recent changes serve our ability to more fully unify our customer experiences and enhance and optimize critical aspects such as operational, integration and functional service delivery.

I am confident that our recently promoted leadership will further enhance our abilities to help facilitate and increase the alignment across our globally distributed teams and bring enhanced value to our customers.

In terms of organic growth, we're thrilled to see continued momentum in our sales and marketing initiative, which has progressively resulted in new client signings and customer expansion through up-sells. Our total new pipeline nearly doubled in quarter one of 2021 versus quarter one of last year. We believe we are still in the early stages of seeing our focus on sales and marketing efforts fully pay off, but are encouraged by the results the team has been able to achieve so far.

We continue to place top talent within our sales leadership and sales executive focused on our group practice and enterprise segments. As we continue to ramp up these team members, we continue to strive to exit fourth quarter of this year by doubling our average quarterly bookings from last year.

If we look at investment in sales and marketing, we increased our investment from \$1.5 million in 2019 to \$6.6 million in 2020 and expect to increase our investment this year by another 40% to 60%. We are pleased to see that for every \$1.00 invested, we are yielding approximately \$2.00 of bookings in annual recurring revenue.

Now shifting gears, I wanted to provide an update on our latest acquisition, Meridian Medical Management. We have transitioned all material third-party contractors and offshore business process outsourcers onto CareCloud's large-scale offshore operations. We continue to drive significant margin expansion and reduce our overall operating expenses. In fact, since the Meridian acquisition in June of 2020, we have reduced Meridian's operating expenses by 33%.

In terms of cost savings, our perspective is that we must always endeavor to find new and innovative ways to drive out costs from some of our operating models while simultaneously ensuring we improve quality and exceed our clients' expectations. One recent example of this approach is from an effort we began last year and were able to fully execute on in quarter one this year.

This effort was our conversion from a third-party rules engine that was costing us approximately \$800,000 on an annualized basis, which powered our highly rated CareCloud practice management system through our proprietary rule-based system, RBS. This move has given us the flexibility to build rules more quickly, create more complex and unique rules, ultimately allowing us to improve our customers' net collections and clean resolution rates, amongst other KPIs.

As we charge ahead in 2021, we expect this to be another record year for us as we continue to expand our offerings, teams and footprint in our market while maintaining our focus on our operating costs. Last quarter,

we gave you an update on all the work we had been doing across a large portion of our product lines and technology assets, including how we are bringing together our solutions to better serve our customers in target markets we address. We continue to execute against these roadmap initiatives and we're making great progress.

Lastly, we're always looking for ways to continue to innovate and focus on developing new and innovative solutions. In some cases, we initially incubate these ideas internally, with the thought that we can potentially solve our own use cases. One area where we see a tremendous opportunity internally is the work we have been doing to integrate and unify healthcare data across disparate systems, partners and platforms, not only across our internal systems and platforms, but across our vast ecosystem of partners and integrations.

Our R&D teams have been solving this complex and widely applicable industry challenge with our new integration engine, which we call CareCloud Conductor. This is the culmination of several quarters of R&D focus and decades of experience and our interface library. We see CareCloud Conductor being able to unlock huge opportunities for us as we continue to acquire companies in our space and how we leverage this solution during our system integration phase. We see CareCloud Conductor as just one piece of about overall interoperability solution set. We plan on working through additional use cases and potentially commercializing this solution towards the end of the year.

We look forward to keeping you updated on our progress and sharing with you some additional exciting innovations we have on the horizon and providing specific details over the months ahead.

Before I turn it over to Bill, I would like to personally thank all of our employees for their incredible dedication and hard work. Our future is bright. The best is yet to come!

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

Bill.

Bill Korn

Thank you, Hadi.

First quarter 2021 was another strong quarter of growth for CareCloud. As both Stephen and Hadi mentioned, revenue for the first quarter of 2021 was \$29.8 million, an increase of \$7.9 million from \$21.9 million in the first quarter of 2020.

First quarter results always include an element of seasonality due to the early year impact annual patient deductibles have on the 65% of our revenue that's tied to the money collected by the doctors who are our clients. When patients visit the doctor in the first few months of each year, their insurance has a deductible. Payment to the doctor takes longer and a portion of our revenue is delayed. This is normal in our industry.

Q1 also saw a small decline in patient volumes due to COVID-19, most notably in primary care practices. As many people worked from home and many children went to school remotely, we didn't see the normal winter flu season. Up to half of all pediatric visits in the winter are often a result of colds or flu, or the increased ear infections, exacerbation of asthma, or other things that are caused by colds and flus. With a healthier population, these visits were down. However, we didn't see as much of a deferral of elective procedures as we did during 2020, and the overall decline was a few percentage points. In total, we believe that most of the impact that COVID has had on reducing industry volumes is now behind us.

The increasing contribution from organic revenue growth in the first quarter included revenue from new clients as well as additional revenue from cross-selling existing clients, both of which will provide a boost to coming quarters as well.

Our first quarter 2021 GAAP net loss was \$2 million, an improvement of \$538,000, compared to a net loss of \$2.5 million in the same period last year. The GAAP net loss includes \$2.8 million of non-cash depreciation and amortization expenses and \$1.3 million of stock-based compensation. The GAAP net loss was \$0.36 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 EBITDA net income for the first quarter of 2021 was \$2.9 million or \$0.20 per share and is calculated using the end-of-period common shares outstanding. Non-GAAP adjusted diluted net income per share is \$0.17 using end-of-period shares outstanding plus common shares issuable upon exercise of in-the-money warrants and vesting of outstanding restricted stock units.

Adjusted EBITDA for first quarter 2021 was \$3.7 million or 12% of revenue, compared to \$767,000 in the same period last year. Our adjusted EBITDA increased by approximately \$2.9 million from Q1 2020 in large part due to the cross-savings after integrating the businesses the Company acquired last year. As we continue to scale our business through both organic and strategic means, such as last year's CareCloud and Meridian acquisitions, we were able to spread our fixed expenses over a larger revenue base and generate larger adjusted EBITDA and adjusted net income than ever before.

As of March 31, 2021, we had approximately \$21 million of cash, with nothing drawn on our Silicon Valley Bank line of credit and positive working capital, which is current assets less current liabilities, of approximately \$18 million.

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 annum. While it is perpetual, it could be redeemed at our option at any time we choose at \$25 per share. We've paid dividends for 66 consecutive months.

I'd like to close by reiterating our forward-looking guidance for fiscal year ended December 31, 2021.

Our first quarter revenue is in-line with our projections to achieve full-year 2021 revenue of approximately \$133 million to \$137 million, which represents growth of 27% to 30% over 2020 revenue. This includes organic growth from new clients as well as cross-selling new services to existing clients. Year-over-year guidance also reflects the fact that revenue from the Meridian acquisition did not start until mid-June 2020.

We anticipate this will be our fifth consecutive year with annual revenue growth of 25% or more, a record few public companies have been able to achieve. Revenue guidance is based on management's expectations regarding revenues from existing clients and new clients acquired through organic growth and/or tuck-ins, but excludes the effects of additional material acquisitions.

We still anticipate adjusted EBITDA will be \$22 million to \$25 million for full-year 2021, growth of 102% to 130% over 2020 adjusted EBITDA, as the Company realizes the benefits of cost-savings and a full year of additional scale from our acquisitions of CareCloud and Meridian during 2020. Between the revenue seasonality and the cost reductions which are in place, we are comfortable reaffirming our \$22 million to \$25 million full-year adjusted EBITDA guidance.

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

Mahmud Haq

Thank you, Bill.

We're fortunate to be in our strongest position ever, poised for another year of record-breaking, growth with 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 take our first question from Jeffrey Cohen from Ladenburg Thalmann. Please go ahead.

Jeffrey Cohen

Good morning. How is everyone there?

Mahmud Haq

Hi, Jeff, good morning. We're good. Thank you.

Jeffrey Cohen

Sure. A couple of questions trying to better ascertain for our models as far as the cadence for the year on the revenue side and how that correlates with what you found on the deductibles from Q1. Has COVID or any other external metrics pushed that out a little bit? I know that we've previously thought of the cadence of Q2 being closer to Q1 and then showing more of a back-half ramp. Any commentary there or any thoughts on that, please?

Bill Korn

Thanks, Jeff. It's a good question.

I think that the pattern that you suggested seems very appropriate to us. We expect that we'll see a little bit of growth in Q2; we normally do. I think that at this point, as we see COVID impacts decreasing, there still is some impact. Again, Q2, typically at least the April timeframe, would have the tail end of cold and flu season, which is really not there this year. You won't see maybe as much of an increase as you would have seen. But everything that we've seen suggests that by Q3, Q4, barring anything unforeseen, we should be back to business as usual. Of course, we continue to be signing up new customers and cross-selling existing customers. That continues to grow our revenue base. Of course, for anyone that we sign up today, you don't really see any revenue until the back half of the year. I think the pattern that you mentioned sounds completely appropriate.

Jeffrey Cohen

Okay, got it. Then second for me is, Hadi, you had spoken a little bit about the 14% to 16% investing. Could you be more specific as far as where that's showing up? It looks like for the quarter, at least for Q1, and perhaps I'm assuming the outlook, your G&A was lighter than we expected. What I'm curious about is the investing in the business on 14% to 16%. Where should we see that show up? Is that direct operating costs, or is that elsewhere?

A. Hadi Chaudhry

That should be sales and marketing. But maybe, Bill, would you like to add specifically where that increase in sales and marketing occurs?

Bill, would you like to add some color?

Bill Korn

Sure. I think you'll actually, Jeff, see increases in some expenses. As Hadi said, we continue to add to our sales and marketing teams; you will see that growing quarter-over-quarter. We continue to be investing in R&D. While we try to do that as cost-effectively as possible, you can continue to expect to see some growth there. Finally, even in terms of direct operating costs, while we always keep a lid on our expenses as we roll out new clients we have more work to do. Because our service both uses technology and people, you'll continue to see growth in direct operating costs; although as a percentage of revenue, it will continue to decrease.

Jeffrey Cohen

Perfect. Nice readout. That does it for me. Thanks.

Bill Korn

Thanks, Jeff.

A. Hadi Chaudhry

Thank you.

Operator

We will now take our next question from Richard Baldry from ROTH Capital. Please go ahead.

Richard Baldry

Thanks. First, on the organic growth side, can you talk about how much or maybe how you structure the salesforce to go after RCM, which seems a very different sale than your sort of EHR or other solutions? Is it a unified sales approach? Or if it's split, how much do you really push one versus the other? Where are you seeing your better results?

A. Hadi Chaudhry

Great. Thank you, Richard. Thanks for the good question. We also have Karl Johnson, our Chief Growth Officer with us. He can just give some more color, more details to it.

As you mentioned, we've started to ramp up this team over the last two quarters. We are improving here. The whole sales team has been divided and has been addressing different market segments and at the same time, selling the different product lines.

Maybe Karl, I will turn the floor over to you. Maybe you can give some color to more of how the team is structured.

Karl Johnson

Yes. Thank you, Hadi.

Looking overall, RCM revenue cycle services were about half of our sales; software alone, which is a SaaS model, about a third; and Force about an eighth. We have a team of 44 sales and marketing folks. They really are selling both software and RCM. Our focus has really been on expanding into the enterprise-type sales; we've had a significant growth in that team. And in fact, our advanced pipeline, a good share of that now is due to enterprise sales prospects. By advanced pipeline, I mean people that are reviewing proposals, negotiating contracts, etc. Thank you.

Richard Baldry

The second question will be on the M&A pipeline. Can you maybe talk about what you're seeing there? How impacted by COVID was that? In terms of maybe is it tougher to analyze the companies' results for 2020 because they are dampened as well; maybe there's some reluctance to sell until things rebound, or maybe there's more impetus to sell because of the challenges of 2020. We're curious, and maybe even the valuations that you're seeing. We want to get an idea how likely it is to see more or less M&A activity in 2021.

Stephen Snyder

Great question. Thanks, Rich, for asking it.

Maybe I'll break down that question into a couple of the parts that you asked.

First of all, with regard to analyzing a company, is it tougher? Maybe not tougher per se, but it definitely requires us to look at an increased period of time. It's important for us to go back and look at multiple years and then to try to understand the COVID period in view of those trends that existed prior to COVID. So certainly it requires a little bit more in terms of analytical gymnastics, as it were, to make sure that we're really best understanding the COVID impact as opposed to just a continuation of those same trends.

With regards to the reluctance from a seller's perspective, I think you hit the nail on the head. There has been some reluctance relative to some of the companies that we have historically targeted and continue to target: those companies where we really see an opportunity to add value, or we see an opportunity to be able to address something in the existing operations or business model of that company, that we believe we can address as a combined company. Companies that have been more distressed, it's been our observation that those companies have been able to remain in business by virtue of some of the governmental incentives, the PPP loans, some additional reluctance on behalf of creditors to enforce their rights, forbearance from lenders, and the like. So that's provided perhaps a bit of an artificial extension of the timeline to exit, but we believe that we're probably rounding the corner with regard to those sorts of COVID-related extensions of time.

In fact, when we step back and look at the opportunities more holistically, we think if anything those opportunities have actually increased overall. If we think about in particular to the first part of your question, the overall pipeline, we continue to believe that the same thesis we've had for the last 15 years or so, that's really been driving our acquisitive growth, the thesis, which is that the revenue cycle management and healthcare IT markets are heavily fragmented and ripe for consolidation, continues to be the case today and we really continue to deploy resources and pursue these opportunities with the same disciplined approach we've been taking over these years.

We're optimistic. As we think about 2020 representing probably the fourteenth year or fifteenth year of our M&A strategy campaign, it also included the two largest acquisitions in our history. And as Hadi mentioned, we believe our best days are ahead, whether it be organic growth, or acquisitive growth, or the continued growth of our overall platform. Thank you.

Operator

We will now take our next question from Marc Weisenberger from B. Riley Securities. Please go ahead.

Marc Weisenberger

Thank you. Good morning.

With the more than 40,000 providers that you're serving, can you update us on the current net patient revenues under management and what your expectations are for our growth of that in 2021?

A. Hadi Chaudhry

Thank you, Marc, for the question.

This 40,000 provider number is coming from a whole combination of the services that we are offering. One is from the revenue cycle management, others are using our SaaS-only solution, and when we talk about the RCM, most of those customers, out of the 40,000, do also use some of the proprietary technology sets that we have. Then we have a good chunk of the providers that are using our BI solution, probably close to, maybe less than around 40%-45% on the BI solution that we have. Then we have providers who are using our RPA, robotic process automation set, and then some using the GPO and the like.

From the revenue standpoint, yes still, most of the revenue is coming from RCM plus package revenue, which is RCM plus technology and often followed by our SaaS-based model and then all of these other tools. Many of our patient engagement solutions, from the patient standpoint, whether that's Breeze or others, are currently being sold as a packaged solution. But having said that, there certain clients, especially on the CareCloud Health side, the company we acquired, they are directly monetizing the patient experience management solution using Breeze.

But to summarize the answer towards your question, for the growth) to continue for the year, we believe that most of the software revenue will keep on coming from combinations of RCM plus our technology solutions together.

Marc Weisenberger

Got it. Okay, thanks. So a big topic lately has been the shift towards in-home care. I am wondering if you can talk about the offerings that you have around that space, and if you expect to kind of develop further to help that growth there.

A. Hadi Chaudhry

Great question, Marc.

As you remember before, in the pre-COVID world, at least probably a year before that, we already launched our first telehealth solution. That's of course one of the tools that enables the patients and the providers to conduct, to perform in-home care. Post-COVID, not only did we launch the next advanced version of our

telehealth solution on MTBC's proprietary platform, then CareCloud, the company that we acquired, we integrated quickly our telehealth solution into that platform.

So today our offering, whether that's our proprietary platform on the talkEHR that we have been using for the last two decades, the next version of the initial practice management software, or our new platform under this CareCloud, that telehealth is part and parcel of the same solutions. So most of that is being sold similar to other packaged deals as part of an overall offering, with some exceptions where some of the clients would continue to use only the telehealth version of it.

One other perspective, and an interesting part, is we have, in the physical therapy space, one large enterprise client who we worked with provides home-health therapy services across multiple states. We came up with multiple, not only from the RCM standpoint, a customized, integrated solution was provided to help them support that home healthcare business with the help of apps, a web-based system, fully integrated with the existing EHR and then MTBC's practice management system.

I hope that answers the question.

Marc Weisenberger

Got it, yes. Just one final one for me. Another major theme is the shift from fee-for-service towards value-based care. What percentage of your RCM providers operate under the value-based care regime? I guess, as that number does potentially increase as we move forward, what are the potential impacts to the topline? Thank you.

A. Hadi Chaudhry

Again, another good question.

I think this model, we believe, the way we're looking at it, still in it's infancy stage from the adaptability point of view. We do not have the exact number with us, but I would say our contribution from this model will be minimal, less than 2% or 3% at this point. At least for the foreseeable future, for the next few years, we don't see a big shift in terms of our revenue, in that way, the revenue is calculated because of this switch in the industry.

But at the same time, our systems do support this, we already have done the research, including even the research of some of the certifications. We can service the clients who want to go for this model, instead of a fee-for-service model, a quality care-based model.

Marc Weisenberger

Thank you very much.

A. Hadi Chaudhry

Thank you.

Operator

We will now take our next question from Allen Klee from Maxim Group. Please go ahead.

Allen Klee

Good morning. Could you give us some color or guidance on the outlook for Capex and capitalized software for '21?

Bill Korn

Sure, Allen. As you know, GAAP requires us, when we're doing work on new products that are not yet generating revenue, we are always required to capitalize that expense. You will continue to see that. I think if you looked at first quarter of 2021, you will see that there was roughly \$1.5 million of development that was capitalized, which was very similar to what we saw in first quarter of 2020. I anticipate that you will see numbers that are somewhat similar to that as we go through the year.

Again, as we continue to enhance the capabilities that we got through last year's acquisitions and integrate our core platform that we developed internally with the platform that we purchased, both from CareCloud, which we bought in January of last year, and Meridian, that we bought in June of last year.

Allen Klee

Thank you. My last question is, how much of the ATM has been exercised so far?

Bill Korn

We have not started to sell anything off the ATM. The ATM that you're referring to, when we changed our name to CareCloud, we were now large enough that we were eligible to file a shelf registration statement without the restrictions of what were called the "Baby Shelf Rules" that we were operating under in the past. We filed a new S-3, which was declared effective by the SEC. As we did that, we included the facility to allow us, if we chose, to sell shares of common stock at-the-market.

However, and I'm sure I sound like most CFOs of most public companies, we look at our stock and say, there's no way we're selling shares at this price, at least not today. We've got a capability that is available to us. At a point that we're excited about the price that our shares are receiving, we may choose to exercise the capabilities there, raising capital. That could be used to help us to grow the business, again, both organically and potentially through acquisitions. As mentioned, our preferred stock at this point is fully redeemable. It's been a great source of capital for us without having to sell shares at too low a price. Well, when the price is right, we might start selling common and we might start redeeming preferred, you never know.

Allen Klee

Thank you.

Bill Korn

Thanks, Allen.

Operator

We will now take our next question from Gene Mannheimer from Colliers Securities. Please go ahead.

Gene Mannheimer

Thanks. Good morning, and congrats on a good quarter.

I wanted to just continue with the organic growth theme for a moment. Can you talk about the percentage of bookings that you're generating from net new customers?

A. Hadi Chaudhry

Thank you, Gene, and good morning. It's a good question and again if Karl can give some more color.

In terms of the percent, if you're thinking about the difference between the up-sales versus the new customers, if you look at the last two quarters collectively, about 50% of those are coming from the new customers, and there're about another 30% that comes from some of the existing practices growing by adding more and more other smaller groups, so you can choose to be able to go in and sell them and they continue to add more and still keep bringing those new customers to us. About 20% is coming off the bookings from up-sells over the last two quarters.

Karl, would you like to add anything any further color to it?

Karl Johnson

No, I think you've covered that well, Hadi. But I think it is worthwhile to note that we do see a tremendous opportunity where we're providing revenue cycle services to roughly a quarter of our client base that are on our software platforms, practice management software platforms. And a very strong focus of our sales efforts is on selling to existing clients. In fact, we have a dedicated team to do so. Thank you, Hadi.

Gene Mannheimer

Good color, thanks to both of you. If you could comment on some of the attrition trends in the business, are you seeing them higher or lower? I know with Meridian coming up on about a year old now, has most of the expected attrition from that transaction already played itself out?

A. Hadi Chaudhry

Good question again, Gene.

As you know, in this industry and our space, about 12% attrition is considered to be an acceptable range due to the various factors. The last year, as we disclosed, our attrition was close to about 9.8%, 9.9%. For this year, as well, so far we are happy to report we are, if not better, we're tracking towards the same number. We have not seen any difference much in terms of attrition. If there is a difference, it is towards the positive side.

Gene Mannheimer

That's good trends. Thanks for that. Last one for me then is an update on your Force program. I thought I heard Karl mention that it's maybe about an eighth of sales. Are there any new client arrangements to speak to of here? How do we think about the overall contribution to revenue? Is it greater than 5% of company revenue for example? And that's it from me. Thanks.

A. Hadi Chaudhry

Great. Again, Gene, as you know, we typically do not publicly disclose the numbers in terms of the revenue for these specifics, but maybe Karl you can talk about the overall the Force opportunities.

Karl Johnson

Thank you, Hadi.

Yes. Actually, we did see Force being roughly an eighth of the most recent sales numbers. We do think that there's been opportunities, as we really just launched Force in the second half of 2019. The primary sources of revenue are workforce augmentation and white-labeled software applications. What we are seeing is it's a very natural outgrowth of our acquisition strategy. A number of the deals in our pipeline have come from that. It's somebody who we'd looked at for an acquisition, that might not have been a great fit, but we can go to them and say, we can provide you with certain resources, that's been I think a home run for us. Thank you, Hadi.

Gene Mannheimer

Thanks, Gene.

Operator

We will now take our next question from Kevin Dede from H.C. Wainwright. Please go ahead.

Kevin Dede

Good morning, gentlemen. Thanks for taking my question.

Hadi, I'd like to go back to Force and just understand how you've integrated that into your sales and marketing effort? I'm glad Karl is on the call, maybe he can throw a couple of words in on it. Maybe Steve, if you could comment on it too, given that it crosses over on into enterprise software sales as well as driving the M&A efforts.

A. Hadi Chaudhry

Good morning, Kevin. Thank you for the question. Maybe I can start and then Karl can take it over.

Again, the one piece is, as you understand, we have a global workforce of about 3,000 employees and not only on the operation side, we have 600-plus IT R&D team members. The whole logic behind starting this Force was providing the combination of an offshore and onshore resource and workforce, not only on the billing operations side, but at the same time wherever possible on the technological side too, from the IT R&D resource perspective. That's how we started. We believe we are in the best position because of this proven track record over the last 20 years, and expertise and client retention from our ability of working with over 50 different platforms.

I'll turn over to Karl for any other further addition he would like to do.

Karl Johnson

Thank you. Hadi.

Yes. Just to provide you some color on the sales process for Force. With the development of the large group focus, that I would call a sales opportunity, which is selling into practices that are enterprise level, we have spent a good deal of effort training up our existing large-group sales teams, which is six people plus myself, where anytime that we're talking to somebody about a large software deal, we also can offer them labor in addition to that. Actually, we've had some very recent successes in our sales process by doing so.

I think that really, kind of, it's now become an integrated sales process rather than an isolated one. We're looking not only at new deals, but also with existing clients to say, is there an opportunity for us to provide you some back-end services? We've also seen a very significant interest in us providing white-label software applications to billing companies and the like and EHR companies. Thank you, Hadi.

Stephen Snyder

I'll just throw in one last thing. Thanks, Kevin, again for the question.

You're absolutely right. There is a certain synergy between the MTBC Force opportunities and the acquisitive growth opportunities. I think we continue to see that. One interesting trend that's perhaps, more driven by the unique time that we've lived in over the last year or so, relates to the fact that loan forgiveness, for instance under PPP loans, which are very common with regard to the smaller RCM companies that are good candidates to MTBC Force, that loan forgiveness is in large part conditioned upon retaining employees. Part of the thesis of the opportunity around Force is really to enable vendors to reduce some of their onshore labor costs and in favor of leveraging less expensive offshore team members, and technology. While the holistic industry and business trends are actually moving increasingly in the direction of the Force opportunity, I think as the onshore labor costs continue to increase, I think PPP loans and other similar incentives have done a good job in terms of encouraging employers to retain employees, and I think it's a bit of a temporary, countervailing trend or wind.

But in any event, back to your main question. Absolutely, the synergistic relationship between the two continues to exist and we think will be a powerful driver on both sides of the equation as the year progresses and future years.

Kevin Dede

Hadi, one other one for me. I don't understand, I guess, how you intend to commercialize the Consolidator package that you talked to in your prepared remarks. It seems to me that it's one of your competitive advantages and differentiators. Could you just explain a little bit how you can translate that to something that you might offer someone else?

A. Hadi Chaudhry

Sure. Great question, Kevin, and let me just give you some little background to it and I will come to answer your specific question.

We are very excited about this new tool as part of our broader plans for a suite of interoperability products. CareCloud Conductor is an integration and interoperability engine, and while this concept, to your point, is not necessarily a new one in the market, we believe that our approach to how we're trying to achieve this capability will be. We're excited about this new solution for a variety of different reasons. As you may know, there are many different types of systems that we must integrate with and the industry integrates with, which is in order to best serve our customers. These can be anything from other practice management systems, to EHR, to labs, and state registry. Traditionally, this has been done using many standards such as HL7 or many other proprietary standards. Over the years, we have had to build so many of these interfaces in support of our customer needs. With CareCloud Conductor, now we're able to unify these interfaces into a single view and simplify this experience for our teams internally, and cut the time it takes to integrate with other systems significantly. This also provides the ability to centralize management of all inbound and outbound data streams, and gives us monitoring visibility on the services to provide across this entire process, free-flowing the data exchange, within all the CareCloud organization such as Meridian and a number of other businesses that we have acquired. It's a reusable and streamlined third-party vendor integration via a proprietary interface library that we are calling Conductor. All this while simultaneously

reducing our reliance on third-party integration companies or technologies and the costs associated with them. On the internal side, this will absolutely help us by cutting the time it takes to make that interface live. We will have to spend less cost in terms of man-hours, and less complicated in terms of the future implementation.

Yes, this product is not completely, entirely new in the market. There are number of other similar solutions that exist out there. But I think in terms of when you look at even from the pricing standpoint, similar to any other offering, we should be able to offer that we believe at a fraction of the cost of any other company or the vendors outside that solution.

On one side, we have a library of integrated or integration libraries where the interfaces we have built over the last two decades and not only with CareCloud's original MTBC system, but with the other companies we have acquired. We have consolidated all of that in one that we believe will be one competitive advantage when we try to commercialize this product, along with the cost impact.

Kevin Dede

I got it. Okay. Well, thank you very much, gentlemen. Thank you. Really appreciate it.

A. Hadi Chaudhry

Thank you, Kevin.

Operator

We will now take our next question from David Larsen from BTIG. Please go ahead.

David Larsen

Hi. Can you talk about your M&A plans going forward? Are there any products in the market that you feel like would fill a need in your portfolio of solutions that you have now? I'm thinking along the lines of perhaps like payer facing, or plan facing, or self-insured employer facing solutions where you can charge like a PM, PM rate and getting to like remote patient monitoring. There's been a lot of chatter about that recently, obviously with the *Wall Street Journal* article that was published earlier this week. Just any thoughts there would be very helpful. Thank you.

Stephen Snyder

Thanks for your question, David.

As you alluded to, historically, our acquisition targets have generally come from either the revenue cycle, electronic health record, PM, GPO, or BI type verticals. We're actively looking for companies, still, in those target markets, where we really think there is significant opportunity and where we can add value. But we are also, to answer your question, exploring other verticals: things like revenue integrity or pop health and patient engagement, scheduling analytics, care coordination and navigation, networked health, and a whole variety of other verticals where we also see an opportunity to add value.

Now, from an acquisition perspective, the primary driver of that focus is not per se to acquire the technology. In some instances, there's some value-added, and CareCloud and Meridian are good examples of that. But that probably is not the main strategic driver. With more than 400 IT R&D members globally, including many talented team members also here in the U.S. in addition to those we have offshore who are employed by

us, we have the capability to develop the technology that we believe will continue to make us competitive in this space and help us stay on the leading edge when it comes to the opportunities.

David Larsen

Okay. Great. Thanks very much, and congrats on your performance.

Stephen Snyder

Thank you.

Bill Korn

Thank you.

Operator

We will now take our next question from Michael Galantino from Chapin Davis. Please go ahead.

Michael Galantino

Good morning, everybody. Great quarter. Thanks for allowing me to ask the question.

This is for Hadi and Steve specifically. Can you give us an update on how successful CareCloud or MTBC has been in integrating the technology from the acquisitions last year, Meridian specifically and then obviously the CareCloud acquisition? I mean, how has it been putting the pieces of the puzzle together?

More importantly, the second question I have is, are there opportunities to cross-sell new capabilities to your existing clients? I assume that was the game plan all along. If you can elaborate on that a little bit. Thank you.

A. Hadi Chaudhry

Thank you, Mike, and good morning and thank you for the question.

Yes, our technology integration we believe is going very well, according to our plan. We continue to grow our overall value proposition extensively and expand the main category products we offer between the CareCloud company we acquired or Meridian Medical Management, from revenue cycle management, to practice management software, to industry-leading healthcare business intelligence tools like Precision BI and our award-winning patient experience management platform, Breeze. We continue also to find new and exciting opportunities with our robotic process automation bots as well. We have given examples of how we are integrating Breeze, for example, with talkEHR for our small practice segment. Breeze was the technology for patient experience management that the company, CareCloud, we acquired. They had proprietary products and we have been able to almost complete the Breeze integration with talkEHR, which some of the clients have been trying to use as an evaluation version.

We are also leveraging our RPA bots initially internally, because we believe from one perspective from where the proof-of-concept will come in, at the same time that helps us eliminate some of the mundane tasks internally. They've been used to significantly improve the operational workflows. Then in addition to that from the cost standpoint. At the same time for our RPA bots, we are currently working with at least two other large enterprise groups that we have, between the different platforms. And we are in the process of integrating those micro-bots for those clients.

In the same way, there are certain platforms like talkEHR and CareCloud, the EHR and the practice management, which basically serve different market segments. So we continue to offer talkEHR to the small practices and at the same time and in some cases to the medium-sized groups. We continue to go to market for the CareCloud platform for the medium to large enterprise group. Those are staying as it is.

On one side, there is a strategy of what to sell in which market segment, and on the other side, there is an interoperability and integration between the different technologies that is taking place happening and we continue to sell between the different markets.

Michael Galantino

Did you actually break those numbers up in terms of sales from existing clients from new technology that you've acquired through these acquisitions, or is that not broken out?

A. Hadi Chaudhry

No. We do not publicly release those numbers, disclose those numbers.

Michael Galantino

Thank you.

A. Hadi Chaudhry

Thank you, Mike. Thanks for the question.

Operator

It appears there are no further questions at this time. Ms. Blanche, I will pass the call back over to you for any additional or closing remarks.

Kim Blanche

We'd like to thank everyone who has joined us on today's call. We appreciate your participation and interest in us as a Company and we look forward to speaking to you again next quarter. Thank you, and have a great day.

Stephen Snyder

Thanks, everyone.

A. Hadi Chaudhry

Thank you.

Operator

This concludes today's call. Thank you for participation.

