



**CareCloud, Inc.**

**Third Quarter 2022 Results Conference Call**

**November 3, 2022**

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

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

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## 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

**Destiny Hance**, *Ladenburg Thalmann*

**Allen Klee**, *Maxim Group*

**Marc Wiesenberger**, *B. Riley Securities*

**Michael Donovan**, *H.C. Wainwright*

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

### Operator

Welcome to the CareCloud, Inc. Third Quarter 2022 Results Conference Call.

I will now turn the call over to your host, Nathalie Garcia. Miss Garcia, you may begin.

### Nathalie Garcia

Good morning, everyone. Welcome to the CareCloud third quarter 2022 conference call. On today's call are Mahmud Haq, our founder and Executive Chairman, Hadi Chaudhry, our Chief Executive Officer, President and a Director, and Bill Korn our Chief Financial officer.

Before we begin, I would like to remind you that certain statements made during this conference call are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical 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 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 2022 earnings presentation. Please visit our Investor Relations site, [ir.carecloud.com](http://ir.carecloud.com), click on News and Events, then click IR Calendar, click on Third Quarter 2022 Results Conference Call 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 third quarter 2022 results for a reconciliation of these non-GAAP performance measures to our GAAP financial results.

With that said, I'll now turn the call over to our CEO Hadi Chaudhry. Hadi?

### **Hadi Chaudhry**

Thank you, Nathalie. Thanks to all of you for joining us today for our third quarter earnings call.

First, to review some high-level financial highlights, we are very pleased to announce our second consecutive quarter of record bookings driven by a strong initial reception to our Wellness offerings, namely chronic care management and remote patient monitoring. We see an enormous opportunity to expand our total addressable market and generate meaningful growth through these product introductions, and we'll go into more detail on that shortly.

Our third-quarter revenue and EBITDA of \$33.7 million and \$4.8 million, respectively, compared to \$38 million and \$6.7 million in the prior year quarter, which was expected and built into our projections.

On today's call, I would like to discuss:

- a deeper dive into CareCloud's record bookings that continue to grow due to our newly launched products and heightened focus on organic growth
- our innovations in next generation of digital health, including the recent launch of remote patient monitoring
- results from the recent KLAS survey, which really put CareCloud on the map with respect to multiple digital health categories, and
- finally, an update on our sales pipeline.

First, with respect to bookings, we are pleased to report that the third quarter represented our highest-ever bookings quarter in the history of the Company, which we believe was directly correlated to the early strength of our suite of digital health solutions, under our Wellness brand. Recurring bookings for the third quarter were \$7.1 million, up three times that of a year ago, and up 25% sequentially, atop the prior record we set last quarter. CareCloud Wellness bookings represented close to 50% of total recurring bookings for the quarter. This metric tells us that there is an absolute market need for this category of products and gives us confidence in our R&D strategy, and the investments we are making in our solution set.

Wellness, which launched a little over six months ago, is an effective and practical way for our practices to support the treatment and well-being of their patients with chronic conditions. It is critical that the pathways to care for these patients is as seamless as possible for both physicians and patients, as nearly half or 45% of Americans live with some type of chronic condition, according to data from the NIH. Additionally, it is a great source of incremental revenue for the provider with little to no upfront costs for them. Wellness's

bookings momentum since our launch in April demonstrate that its' value is clearly resonating with our physician base.

Similar to the last couple of quarters, while it's not the norm to get too granular around our bookings metrics, we think it's important to share this information with you as it ties directly to the conversion of the robust pipeline activity that we provided a lot of details around the last couple of quarters. Importantly, it demonstrates that our increased investment and product innovation and sales and marketing spend are paying dividends.

Importantly, for modelling purposes, we want to call out what is typically a longer-than-usual tail for bookings conversion to revenue in our Wellness business. We note that \$1 of Wellness bookings does not translate to \$1 of revenue, one or two quarters later. Rather, once the booking is confirmed, we work with customers to sign up their patients and only once the patients are enrolled can the actual chronic care management visits or remote patient monitoring begin. The on-boarding of both physicians and patients typically takes 9 to 12 months to fully ramp up. After this initial period, we do not realize the entirety of bookings as revenue rather it is a gradual process to build up to that steady state on an annualized basis. As we mentioned last quarter, given the sensitivity around bookings and general quarterly volatility, please note that investors should not expect us to provide bookings metrics every quarter.

CareCloud Wellness, which was launched last quarter, continues to generate a strong marketplace response. In late September, we announced the launch of our remote patient monitoring solution. While we detailed this solution on our earnings call last quarter, as a refresher, the RPM solution gives healthcare providers the ability to monitor elements of their patient's health outside the clinical setting, allowing more proactive and improved care delivery. Through collaborations with leading device makers, this program enables providers to get real-time information on their patients' health status and make proactive clinical decisions rather than waiting for a scheduled follow-up visit.

We have generated RPM bookings of \$0.6 million in just the last 30 days since this launch. We are very excited about the enormous potential to leverage our existing client base and drive meaningful growth in our Wellness segment. As mentioned last quarter, we believe we can generate up to \$50 million annually from our existing customer base alone.

We are honored that CareCloud was recently recognized in the 2022 Best in KLAS survey in the category of Small Practice Ambulatory EMR/PM for offering integrated software and services to practices with 10 physicians or less. Aligning with our mission to drive innovation that creates better financial and operational outcomes for physicians and practices, we are proud that our EMR and PM solutions are being recognized by the medical providers that provide direct feedback to KLAS. For those of you not familiar, the KLAS organization is the most reputable market research organization specific to the healthcare IT market, and it's compared to the Consumer Reports of healthcare.

In addition to KLAS, various other respected publishers have recognized CareCloud's products and services under the EHR and RCM categories just over the last few months. This includes Business.com for best medical software and best medical billing services, Forbes Advisor for our comprehensive healthcare technology solution, Techradar for the best electronic health record software, and various others. A more detailed list is available in our presentation along with the web links.

We are also in the running for other award categories of Best in KLAS for which results are yet to be announced. Similarly, we are currently under review by Inc. 5000 for Best in Business for health services and products and Fast Company for the most innovative company for our digital health suite. These accolades give us confidence that we are innovating in the right direction and are succeeding in our goals of alleviating burnout experienced by practice physicians, streamlining their back-office processes while driving superior collections. We are pursuing this recognition as part of our business strategy to focus more aggressively on brand awareness and organic sales. We are proud that our clients and objective third-parties have given us these awards and certifications.

We are pleased that our pipeline of new customers at the end of Q3 was \$28 million, a 40% increase above the \$20 million we had in the third quarter of 2021. This amount does not include CareCloud Wellness, which represents an entirely different set of potential customers and opportunities cross-selling to our existing customer base. All told, we are thrilled with the early reception to both of our Wellness offerings, chronic care management and remote patient monitoring evidenced by our bookings to date.

To summarize, we are thrilled to deliver our second consecutive quarter of record bookings in Q3. Our sales and marketing efforts continue to ramp and early results are encouraging as evidenced by CareCloud's bookings, and an all-time high in customer reception to our products. We are harnessing the power of increased brand awareness to help drive organic growth, and we look forward to reporting our progress as we close out the remainder of 2022.

Now, I will turn the call over to Bill for a closer look at our third quarter and year-to-date results, Bill?

### **Bill Korn**

Thank you, Hadi, and thanks, everyone for joining us on the call today to discuss our third quarter results.

The third quarter was broadly in line with our expectations, noting the reduction in revenue from two clients that we discussed last quarter. On today's call, I'll review the quarterly results and discuss our year-to-date performance in greater detail.

Taking a look at our results for the first nine months of 2022, revenue year-to-date was \$106.3 million, an increase of 4% compared to \$102.1 million in the first nine months of 2021, with 84% of our revenue generated from our technology-enabled solutions. Year-to-date, our GAAP net income was \$4.9 million compared to a GAAP net loss of \$686,000 in the first nine months of 2021. This equates to a loss of \$0.45 per share after subtracting the preferred share dividends.

Our non-GAAP adjusted net income for the first nine months of 2022 was \$12.4 million or \$0.81 per share. During the first nine months of 2022, our adjusted EBITDA was \$16.6 million, an increase of \$546,000 or 3% from \$16 million in the same period last year. Our adjusted EBITDA margin year-to-date of 16% is consistent year-over-year.

Our third quarter revenue was \$33.7 million, representing a decrease of \$4.6 million, or 12% year-over-year. The year-over-year decline was due to two factors. The primary factor was a reduction in recurring revenues from the two large customers we mentioned last quarter. These customers, that came to us as part of a prior acquisition, are in the process of merging their operations with other health systems, which utilize a different EHR platform. We continue to see an impact from their wind down of revenue, and since they were high margin accounts, this impacted our third quarter profitability as well.

A secondary factor was a decline in our non-recurring professional services revenue from the second quarter. This revenue, primarily from our medSR business, is running at approximately a \$30 million annual run rate. Due to completion of a large project during the second quarter of 2022, this revenue was a bit higher during the second quarter and leveled off in the third quarter. This was anticipated and is part of a normal fluctuation in that business based on the timing of project starts and completions. This normal fluctuation does not impact the annual revenue run rate of that business.

Our GAAP net income of \$1.1 million was down from \$1.5 million in the third quarter of 2021, a decrease of 30%. Our GAAP net loss was \$0.18 per share, based on the net loss attributable to common shareholders, which takes into account the preferred stock dividends declared during the quarter. Our non-GAAP adjusted net income was \$3.3 million or \$0.21 per share. Adjusted EBITDA of \$4.8 million decreased 28% from last year, and our adjusted EBITDA margin was 14%.

Now, I'll turn to the balance sheet and cash flow. We ended the third quarter with \$4.9 million of cash and equivalents and nothing drawn on our \$20 million line of credit with SVB. Net working capital was \$5.1 million and we generated \$7 million of cash from operations during the quarter and \$15.1 million year-to-date.

We are reiterating our 2022 guidance, with revenue to be in the range of \$140 million to \$143 million and adjusted EBITDA to be in the range of \$22 million to \$24 million. As I mentioned last quarter, we are continuously looking for game-changing deals. I look forward to updating you when appropriate on that front.

We are also very excited to announce that we will be hosting our first Analyst and Investor day on Monday, December 12. This will be a virtual event to showcase our Company at a depth and breadth that will be entirely new to the investor and analyst community. The purpose is to reacquaint investors with our story, and to go into detail on how CareCloud has evolved from a consolidator of billing companies to a leading-edge, indispensable partner to physicians and hospitals as they navigate the next generation of healthcare technology. There will be opportunities to hear from and ask questions of members of our leadership team in sales and operations, who will provide additional information about the new CareCloud products and our long-term strategy to harness innovation and growth to drive new business. Please look for a formal invitation to this event shortly after the Thanksgiving holiday.

We are proud of our progress in 2022, and it is clear that our new product solutions are resonating. We've carved out two distinct pathways to organic growth through new business development, as well as leveraging our relationships with existing customers, creating value added products to complement their existing CareCloud platforms. Our organic growth continues to increase, and we look forward to providing more details during our Analysts and Investor Day.

With that, I'll turn the call over to Mahmud for his closing remarks.

**Mahmud Haq**

Thank you, Bill.

We are very proud of our accomplishments to date, and even more with respect to what CareCloud's future holds. I would like to thank our customers, shareholders, and all our associates for their trust, loyalty, support of CareCloud's mission.

We will now open the call to questions. Operator?

**Operator**

Our first question comes from Jeff Cohen from Ladenburg Thalmann. Please go ahead, Jeff.

**Destiny Hance**

Good morning, everyone. This is Destiny on for Jeff. I hope you're all doing well and congratulations on so many accolades in the last couple of months. I think that's really wonderful. I guess quickly, I'd like to start around your commentary with the Wellness platform and the cycle that you're talking about. I know that Wellness is relatively new and remote patient monitoring is even newer. So, I'm wondering, is there an opportunity to make that 9 to 12 months a bit faster as you gain learnings from your physicians and what not? Or is that going to be the cycle you're expecting for the remainder?

**Hadi Chaudhry**

Good morning, Destiny, and then thank you for joining and thank you for your question. As you mentioned, the two things, as you know, we launched this under the Wellness umbrella, this for chronic care management in the second quarter. We are still in the process of the—into the data that we have is only about a quarter old or about the two-quarter old on the chronic care management side. The data that we have for remote patient monitoring, we just launched it about 30 days back and we signed two contracts already. But, we do not have enough data to support what the final numbers are going to look like. But based on the industry averages and for the last two quarters of data, we anticipate this full ramp up to be somewhere in the same timeline between 9 to 12 months. It also depends on the adaptability from the patient standpoint, because as the thing is new for the industry. This thing is comparatively new from patient standpoint too. The adaptability, we hope will improve over the next one year from the patient standpoint but there's something we yet need to see. For now, that's why we are anticipating a full ramp of between 9 to 12 months.

**Destiny Hance**

Okay, that's really helpful. Thank you. Then I'm wondering if you could just talk a bit more about that pipeline you discussed kind of outside of Wellness, I think you said it was about 28 million, if I'm not mistaken. Can you just talk about the composition of that pipeline a bit?

**Hadi Chaudhry**

That's a very good question, Destiny. Then, as I mentioned that this pipeline excludes the Wellness. If you think about the third quarter bookings, about 50% of those bookings are coming from Wellness. When you're looking at 28 million pipelines, it's the rough between—first of all, it does not include Wellness, and for the rest, about 50% of that is found in the Enterprise Client, about 20% to 30% is mid-size, and the rest are the smaller practices. We still see a lot more attraction towards the enterprise clients, which we consider about to 25 providers plus practices. Wellness, which is in addition to that, which is a whole different story, we're not specifically sharing the numbers in terms of the pipeline dollar, because in the first phase, we are extensively focusing towards our existing client base. The way we are looking at it this Wellness, chronic care management, and remote patient monitoring together, we anticipate from our existing (inaudible) client base to be able to generate up to \$50 million in annualized revenue over the next, let's say, one to two years' timeframe. There's a level of opportunity that we see from the existing client base.

We are planning on entering the second phase announcing more extensively for the overall marketplace from the new logo standpoint, using these two services, these two products, as a driving force to sign more business. We're going to share those on or around our Investors Day in December.

**Destiny Hance**

Okay, that makes sense. Thank you. I guess that kind of leads into my next question, which is, how are you leveraging some of these cross-selling opportunities as we're now in one of the busiest quarters typically, from a seasonality standpoint?

**Hadi Chaudhry**

Maybe Destiny, you might have to elaborate the question a little bit more? But, whether it's the third or the fourth quarter, the Wellness is that's right now we are in major updates. We're still keeping the Wellness as a separate line item, so we can track it more effectively. But that's a kind of an up-sell for us as well. So, keeping that aside, our numbers for up-sells—I just take the example of this last quarter, year-to-date numbers, about 5% to 10%, between that number of the new bookings were coming from our up-sell activities during the quarter. This is again, excluding Wellness.

**Destiny Hance**

Okay, got it. Yes, that was exactly my question, thank you. Then I guess last one for me, and then I'll jump back in queue here. I didn't hear much about Force. I'm just wondering if that's still a focus and if you're still seeing interest there, or if that's kind of going more towards the back burner as you focus on organic developments and the like? Thank you for taking our questions.

**Hadi Chaudhry**

Great, thanks, Destiny. I'll start the answer and then we happen to have Karl who's our division head for Force, the CareCloud Force, and he can give little more color. Now, we absolutely continue to focus on Force as well. Year-to-date, if we still look at it, about 20% of our bookings are coming from the Force and now along with the help of the MedSR, our division as we started to work more, leveraging those existing health-system relationships, we are seeing more and more opportunity towards that.

Then Karl would you like to jump in, please?

**Karl Johnson**

Absolutely. Thank you, Hadi and it's an excellent question, I always enjoy talking about Force. Certainly, what we saw in Q3 was for substantial hospital clients, which is kind of new territory for us that have come through the relationships at medSR, which has continued proof of concept. In addition to that, the pipeline being full for routine organic growth has been exceptionally full for Force. In fact, we have some opportunities out there with household names that you would all know, to early to announce just yet. But we're super excited about where that's going. Our ability to kind of leapfrog from the hospital deals, then into big larger companies, where we can provide those workforce expansion opportunities, it's been going extremely well. Thank you, Hadi.

**Destiny**

Excellent, thank you for taking our questions.

**Hadi Chaudhry**

Thank you, Destiny.

**Operator**

Our next question comes from Allen Klee from Maxim Group. Please go ahead, Allen

**Allen Klee**

Yes, good morning. For your two large hospital customers that churned, can you give us a sense of what the quarterly revenue is associated with them? Is it fully turned off or is there like a little more that's to come? Thank you.

**Hadi Chaudhry**

Thank you, Allen for the question and good morning. I'll start the answer and I'll hand it over to Bill to add from the numbers impact or transaction perspective.

Just first of all, zooming out 10,000 feet, these two customers are sort of unknown during the due diligence. We looked at it, there was a certain level of risk involved as they were being acquired by larger groups, as well as going through a implementation of the health systems. So, this was factored into the valuation of those acquisitions. We kept them even more than what we were anticipating. There is a small, very small fraction of revenue we make anticipate coming from at least one of those two clients in the next year, but



that's in the whole scheme of thing is negligible. I won't factor that too much into that how much the 2023 outlook is going to be based on these two customers.

But, Bill, would you like to add any comments from your side?

**Bill Korn**

Sure, Allen, these two clients together were a good chunk of revenue. Most of that decline has occurred in Q3, but I would say there will still be a little additional decline, because as you would expect, when a large hospital system goes through a multi-year project of implementing an EHR like Epic, it's a long process. It doesn't go live at all units within the hospital at one time, and as they've been turning on Epic, they weren't using our EHR, but they had an initiative to move the RCM business. You'll see a little bit of a headwind from that in Q4. As I had already said, one of these clients will remain a client next year, but they won't be a top client. They won't be one of the top five, they'll be a small client. We're fortunate that we were able to get a lot of revenue and a lot of profit out of them during the time that we served them.

**Allen Klee**

Thank you. My last question is, tell us a little about how you're thinking about the M&A environment. With valuations pulling back, could that be creating maybe more potential opportunities? Thank you.

**Bill Korn**

Sure, Allen. We are always looking for good M&A deals. Sometimes people will say, "Bill, it's been 15 months since you guys bought something. What are you doing?" The answer is, every week we're looking at one or more deals. As you know, we've got certain criteria. We look at an investment and say, "We want to get a return on that investment in three or four years." So, even though public market valuations have declined a lot over the last 12 months, unfortunately, a lot of private companies who haven't raised money for a while, and they turned down raising money because they didn't like the terms. And so if you ask them, they'll say, "Well, gee, last time I raised money, it was at five times revenue. I'm hoping to have my first year of profits next year, so I think I'm worth five times revenue." We'll look at that and say, "If you're five times revenue, and you're not profitable, how long does it take me to get a payback on that investment?" It doesn't even make sense.

We're always looking. We're always hopeful. We're fortunate that we have many available sources of capital. So, we're not letting capital be a constraint in terms of doing deals. But we're also not willing to do a deal on terms that we don't think are going to be accretive to the shareholders. There's nothing to talk about today. Hopefully, when we have conversations down the road, we'll have some exciting things to tell you about. But rest assured, we're always looking for things. If you know somebody who you think would be a good fit, please feel free to give us their name.

**Allen Klee**

Thank you.

**Operator**

Our next question comes from Marc Wiesenberger from B. Riley Securities. Please go ahead, Marc.

**Marc Wiesenberger**

Yes, thank you. Good morning. Drilling down a little bit more on the bookings and pipeline, of the \$7 million in new bookings, what percentage was from new customers versus kind of up-sells to existing customers? And of the pipeline, what percent does MedSR represent in there?

**Hadi Chaudhry**

Great, thank you, Marc, and good morning. If you break it down to 7 million, so first of all, out of the 7.1 million that we closed in annualized recurring bookings in the third quarter, about 50% of that is coming from Wellness, and virtually all of this Wellness it's about successful sell into the existing customer base. Separate to that, in addition for the rest of it—it's about 22% was from the new bookings. The new sales that we have done. The up-sell number just for the quarter other than the Wellness was about close to 3%, between 2% and 3%. But I think the way you should look at it, there is a tremendous excitement in the industry and opportunity for Wellness. This is just even just looking at the existing client base towards the services such as chronic care and remote patient monitoring and we yet need to see the results from the remote patient monitoring. We continue to grow separate to the Wellness with the—from the new logos and still some up-sells and expansion of the services within the existing client base. This 7.1 million does not include any of the medSR revenue because that's a one-time project-based revenue.

**Marc Wiesenberg**

Yes, understood. Of the up-sells medSR are not included in that \$28 million pipeline as well?

**Hadi Chaudhry**

Yes, that is not included in the \$28 million pipeline. This \$28 million pipeline is just for our recurring revenue business that we are anticipating that we are trying to sign. medSR is a separate pipeline.

**Marc Wiesenberg**

Understood, thank you. Then year-to-date, it looks like sales and marketing spend is up about 13% over last year. I thought maybe the Company was kind of targeting closer to 20% based on some of the returns you were seeing. Is it possible that bookings could have potentially grown faster if you spent more, and has your thoughts on kind of allocation to those expenses changed at all?

**Hadi Chaudhry**

Great question, Marc. If you think about it from the headcount perspective, the headcount has significantly increased but the sales and marketing spend, as you are saying has not increased as much as we were initially forecasting or budgeting. We were able to much more effectively ramp up the sales and marketing team offshore as well in addition to onshore. So, that's helping us up to certain extent in managing this expense base in a much better--in a more effective way. Today, roughly between sales and marketing together, now we are about 50% headcount offshore and the rest of the 50% onshore. That's contributing up to a certain extent in that initial number forecast that we presented. We still are running on the CAC basis close to somewhere between the same \$0.40 to between—the \$0.40 conversion into \$1 revenue between 40 to a 50 number.

I think we are on track from the CAC perspective. We are on track in terms of the ramping up the sales and marketing team and we already have started to see the results, if you look at the last two consecutive quarters in terms of the final booking; 5.2, 5.3 in the second quarter record, booking quarter, third quarter even further above up to 7.1. We are anticipating similar results for the fourth quarter as well in terms of the bookings.

**Marc Wiesenberg**

Very helpful. Then just a final one for me. As you scale the Wellness offering, I guess, and maybe specifically related to the CCM, what does your capacity to scale that look like? Is that something that has more of a linear trajectory, or can it materially accelerate if the appropriate resources are in place? What do those resources look like? Thank you.

**Hadi Chaudhry**

Then thanks, Marc. It's by the increasing that maybe if I may not be able to understand the question exactly what we are—we took a conservative estimate by we took the patients—have find out the patient that are eligible today for a practice A for chronic care management, and we are taking it about 40% to 50% adoption rate. Yes, you're right in this can improve but this thing means comparatively new in the industry. There is a similar level of the patient adaptability aspect that's coming-in, and secondly for the very first time in the entire life history of a patient. If the call comes in trying to explain, would you be willing to give us 20 minutes or 40 minutes each month over the phone call, and we can help improve your overall health condition. It takes us some time to convince the patient. We believe this will keep on improving because the same patient may now start receiving calls from a couple of other payers as well. They will start the awareness. They will keep on improving, but we need to see over the next 12 months how the things improve. But this is how we are looking at it at this point. There is an opportunity but it's hard to exactly forecast how it's going to look like over the next 12 months.

**Bill Korn**

Marc, I'd say right now, it's really driven more by the demand from the patients. It's not necessarily supply-constrained. Because initially as we started providing this service, in addition to having people of our own, we're using a third-party. We've got the capability to continue to ramp up supply as demand grows. Right now, I wouldn't forecast any constraints on our ability to service these customers. I'd look at it as how fast is the new market going to take off.

**Marc Wiesenberger**

Great, thank you very much.

**Hadi Chaudhry**

Thank you.

**Operator**

Our next question comes from Kevin Dede from H.C. Wainwright. Please go ahead, Kevin.

**Michael Donovan**

Hello, thank you for accepting my question. This is Michael Donovan calling on behalf of Kevin Dede. In terms of standards in place for the internet of medical things and remote monitoring devices that are added to CareCloud's Wellness products suite, are there any constraints to which devices your platform can interface with?

**Hadi Chaudhry**

A very great question Michael and thank you. No, there is no limitation or capability issue in terms of our system can integrate with. Just to elaborate further, there are today—there are two separate-, I would say, group of devices. One would be which are FDA approved and can be used under for this remote patient monitoring reimbursable claim. That's the one way. Even if you're—if you are giving the device to the patient, we know that even for the cost of the device, the patient will not be paying. They will get the reimbursement, so the patient—it is not going to force anything to the patient.

That's the one way. There is a whole other set of devices, even if you're thinking about as an example, an iOS or Android smartwatches, they can collect a lot of data. But most of those things are today not FDA

approved. We still can use those to collect data and give the guidance to the provider to take the next actions or the next best steps.

For example, if the patient's temperature levels are not at the right level, the blood pressure level is not at the right level, and they are using a non-FDA-approved device, the doctor can still schedule an appointment with the patient, which can result into the well-being of the patient as well as the increase in the revenue for the practice. Those are the two differences. To summarize the answer, no, there is no limitation. We can connect with FDA-approved devices or any other devices. There will be two different tracks of strategy in terms of the patient well-being and the revenue recognition for the client, as well as for us.

**Michael Donovan**

Okay, great. Thank you. Next question, so patient adherence to appointments is an issue for healthcare providers. Does CareCloud's data suggest that appointments initiated by healthcare providers instead of patients may be improving adherence?

**Hadi Chaudhry**

Very good point, Michael, that you highlighted. This is how we are looking at it as we're moving towards the—we are calling this the next generation of healthcare system. There has been a shift from—we are seeing the shift from—a transition from patient-driven appointments versus towards the appointments being driven by the healthcare provider. Like anything else, there may be in the next few years, next five years, probably most of the appointments will be driven by the healthcare providers, as more and more of this technology is becoming available, as well as a shift towards value-based care, accountable care organizations and the like. We do not have the specific numbers today that how much shift we see today, but yes, there has been a gradual shift and this curve will keep becoming more steeper, and there will be more adaptability down the road.

**Michael Donovan**

Okay, much appreciated. One final question, how do demographics among patients affect their acceptance rates for using tech-driven services and CareCloud Wellness? How is this influencing your marketing and BD efforts?

**Hadi Chaudhry**

Magnificent. Thanks, Mike. Unfortunately, we did not look at that number today. But to your point, as an example of remote patient monitoring, most of that adaptability because of the coverage from Medicare or the CMS is coming from the elderly patient, because the chronic conditions for diabetic patients or high blood pressure, most of that is towards the elderly patient. It also exists for chronic care but for chronic care today those encounters are today reimbursable for commercial as well as the government payers. There, you will see—we can see the patients of a different age groups there. But we get need to run and then have a better result. We will have some more better results as we started to see more of the implementation or the clients being ramped up on the remote patient monitoring.

**Michael Donovan**

Great, thank you. I appreciate you taking my questions. For now, I'll hop back into queue.

**Hadi Chaudhry**

Thank you. Thanks, Michael.

**Operator**

At this time, there appears to be no further questions.

**Nathalie Garcia**

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

**Hadi Chaudhry**

Thank you.

**Operator**

This concludes today's conference call. Thank you for attending.