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Q1 2021 Forian Inc Earnings Call

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## CORPORATE PARTICIPANTS

**Max Wygod** *Forian, Inc. - Executive Chairman, Co-founder*

**Dan Barton** *Forian, Inc. - CEO*

**Cliff Farren** *Forian Inc. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Gerard Heymann** *RBC - Analyst*

## PRESENTATION

### Operator

Greetings and welcome to Forian, Inc.'s First Quarter 2021 Finals Results Conference Call.

(Operator Instructions)

On the line from Forian today, we have Max Wygod, Executive Chairman, Co-founder; Daniel Barton, Chief Executive Officer; Clifford Farren, Chief Financial Officer; Adam Dublin, Chief Strategy Officer, Co-founder; Edward Spaniel, Executive Vice President and General Counsel.

Before we begin, I'd like to remind you that management's remarks on this call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual results may differ materially from those indicated by those forward-looking statements as a result of various important factors, including those discussed in the risk factor section of our Form 10-K filed with the Securities and Exchange Commission. Any forward-looking statements made on this call represents our views only as of today and we undertake no obligation to update them.

Words such as estimates, projects, expect, anticipate, forecast, plans, intend, believe, seek, may, will, should, future, propose, and varies -- and variations of those words or similar expressions or versions of such expressions are intended to identify forward-looking statements.

These statements include but are not limited to statements regarding future growth or prospects. We will also refer to certain non-GAAP financial measures on today's call such as adjusted EBITDA, which we believe -- which we believe may be important to investors to assess our operating performance and should be considered a supplement to and not a substitute for financial measures prepared in accordance with GAAP.

The reconciliation of the comparable GAAP metric can be found in today's press release which is available on our website. I remind you that these numbers are un-audited and may be subjected to change, including risk related to changes in the cannabis market and risk related to the impact of COVID-19 pandemic. These risk factors are more fully described in our current filings with the Securities and Exchange Commission.

This morning's call is being recorded and a copy of the recording as well as the full transcript and copies of today's press release and SEC filings will be available at [forian.com/investors](http://forian.com/investors).

I'm now pleased to introduce our Executive Chairman, Max Wygod.

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### **Max Wygod** *Forian, Inc. - Executive Chairman, Co-founder*

Thank you. Good morning, everyone, and welcome to Forian's first earnings call as a Nasdaq publicly traded company. We would like to thank all of our shareholders for their support and express our appreciation for the belief that they had demonstrated in Forian's mission and the business combination of Helix and MOR analytics.

The success of the transaction enables us to further execute on our vision to be the most trusted source of technology and

mission-critical analytics for the emerging cannabis market while building innovative solutions for customers across the healthcare market.

Forian is now uniquely positioned to generate significant value for traditional healthcare and cannabis companies as well as those seeking to operate at the intersection of the healthcare and legal cannabis markets. For traditional healthcare companies, Forian delivers data-driven, commercial and clinical information solutions based on years of experience across the industry to improve business and clinical performance.

In the legal cannabis market, Forian is a trusted leader and point-of-sale, seed-to-sale, cultivation, and traceability technologies. As the use of alternative therapeutics including cannabinoid-based therapies continues to grow and become more widely accepted, the understanding of how these alternative therapies impact clinical outcomes, standards of care, cost efficiency, and quality of life will be required to successfully integrate these new therapies into patient journey and achieve acceptance and adoption for patients, providers, and payers.

Forian's offerings deliver unique and unparalleled insights for the company's offering at the intersection of traditional and the emerging therapeutics enhancing their ability to understand, optimize, and measure customer needs. The clinical value of their products and the dynamics are very rapidly evolving marketplace.

As the legal market continues to expand rapidly, consolidate, and mature at an estimated 20% compounded annual growth rate, the competitive differentiation of players across the industry will require more sophisticated technology and analytic solutions. Retailers, cultivators, and manufacturers require an improved understanding of their customers' products and the markets in which they operate or intend to operate.

Leveraging these technologies will allow the legal cannabis market to drive product innovation, competitive differentiation, and responsible commercial growth. Forian possesses the technology, proprietary, integrated data sets, data science, and domain expertise to drive both commercial and clinical performance for customers across the cannabis and healthcare industries.

We are excited to bring groundbreaking products to market and become leaders in these large and growing markets. We have assembled a team with unrivaled experience and proven success in our market segments, all of which are committed to long-term financial success.

I will now turn the call over to our CEO, Dan Barton.

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**Dan Barton Forian, Inc. - CEO**

Thanks, Max. Before I start with my prepared remarks, I would like to thank all of our tremendously talented employees who have quickly adapted to new working conditions in a very challenging environment due to the pandemic while simultaneously merging two businesses together. Our success is the result of their efforts and we look forward with competence, thanks, in large part, to our team.

I'd like to cover a couple of topics today. First, I will provide a brief summary of our product portfolio and how we are positioned for growth. Second, I will outline our major priorities for the year.

The foundation of our business is built upon our proprietary databases and technologies. Driven by data science, we are developing intelligent technologies that deliver innovative and disruptive solutions. Our technologies are designed to service the needs of multiple market segments and our database delivers near, real-time information at industry-leading scale.

We have developed an integrated HIPAA-compliant repository of longitudinal de-identified healthcare data, consumer demographic information, lifestyle and behavioral data representing the majority of U.S. healthcare patients, providers, and payers that is coupled with one of the largest cannabis transactional databases of the U.S. covering over 10 million cannabis consumers.

These integrated and interoperable data are used to power our product portfolio. Our products assist our customers in better

understanding the value and efficacy of both healthcare and cannabis products while providing critical business insights into client's products, services, customers, and the dynamics of a rapidly changing marketplace.

Turning to an overview of three of our information and software products, our healthcare-centric information products are primarily leveraged by life science and provide our clients providing them with a comprehensive coverage of the U.S. healthcare market coupled with a view across the healthcare continuum which depicts a more complete patient journey to the inclusion of alternative therapies.

By leveraging HIPAA compliance, the identification processes, proprietary algorithms, sophisticated data management and technology, we have integrated normalized data that is historically unsiloed and unstructured on various platforms. Because of our ability to integrate this disparate and often unstructured information, our customers are able to develop more robust insights into their clinical offering and to become more competitive in their commercial efforts.

BioTrack is a vertically integrated, SOC-compliant, point-of-sale, cultivation, and processor software solution for the cannabis industry. First introduced in 2010, it is among the largest, most tenured, trusted, stable, secure, and technology platforms in the cannabis industry, serving over 2,300 dispensaries, cultivators, manufacturers, and distributors, and 38 states in Puerto Rico.

BioTrack's point-of-sale software has been used to administer approximately \$20 billion of legal cannabis transactions since 2010. The integration of Forian's expertise and data science and mass of proprietary databases will drive product innovation leading to more intelligent, efficient, and effective technology, which in turn, will drive business performance improvements for our customers.

Cannalytics is Forian's SaaS-based analytics platform build on machine-learning algorithms that provide our dispensary and manufacturing clients with a comprehensive, customize, and flexible business intelligence tool to evaluate their customers, outlets, employees, products, and markets to optimize business performance.

Cannalytics enables dispensaries across the legal cannabis industry to better attract and retain customers, manage inventory, purchase, distribute, price, and invest in products, and understand complete marketplace dynamics.

Forian has been investing in the Cannalytics platform since its inception in 2019. In our next generation Cannalytics 2-point offering -- 2.0 offering, we will provide Forian's proprietary technology to further our integrated healthcare cannabis data assets and give our cannabis clients a more holistic view of their product, customer, and marketplace dynamics.

We're excited to be able to bring those products and BioTrack customers. Additionally, we will be releasing custom version to the platform for cultivators, processors, and regulators.

I'd like to now turn to discussing three of our services offerings; government traceability, real-world evident solutions, and data management solutions.

Forian's traceability platform, running in nine states, including Puerto Rico, manages the tracking and tracing of all cannabis products from cultivation to their eventual sale at retail. As legalization at the state level in the United States continues, seed-to-sale tracking will be the foundational compliance tool used by governments to regulate the legal cannabis market. The government traceability and enforcement monitoring system includes all the components needed to ensure transparency and accountability to the entire cannabis supply chain.

Our real-world evident solutions assist customers taking to understand the safety, efficacy, and cost effectiveness of traditional, alternative, and emerging therapies. Our solutions integrate, otherwise, unconnected, unstructured, and disparate data to enable near, real-time surveillance of adverse events to study the clinical, economic, and social impacts of various therapeutic alternatives like those derived from cannabinoids.

First of its kind, clinical-grade observational research can be conducted to evaluate the impact of emerging therapies on patient outcomes and as alternatives to or concomitant use with existing therapies. Our customers will understand the therapeutic value by

condition of various products, dosages, formulations and gain insight in how to best develop, position, and market products that offer empirical healthcare benefits based on evidence and not conjecture.

Government customers can extend their focus from transparency and compliance to include surveillance relating to cannabis related adverse health events and product safety as well as the economic and social equity benefits associated with the utilization and sale of cannabinoid-based products in their states.

Our data management solutions enable customers to turn raw, transactional non-standard data into actionable insights. Customers can leverage their proprietary data independently or integrated with Forian proprietary data assets. As there is no industry wide standards for data capture, storage, structure, product classification, or product ontologies, customers are challenged in generating accurate and meaningful analytics.

Forian's data management solutions clean, standardize, normalize, enhance and de-duplicate customer data enabling integration with Forian and other third-party data to maximize the utility and accuracy in analytics, all the while ensuring customer privacy and regulatory compliance. We are developing proprietary customer product and dispensary master files that enable superior analytics and consent the standard for how the industry captures and codifies data relating to cannabis related transactions.

Now, I would like to share with you our key priorities for the year. In 2021 our priorities are to invest in our growth by one, developing innovative and groundbreaking products; two, delivering exceptional service to our clients; three, ensuring continuous operational improvements and four, creating a culture that attracts and retains best in class talent.

First, our product development initiatives are focused on BioTrack, Cannalytics and our traceability offerings. For BioTrack, we're enhancing the user experience and adding features and functionality to the software. As mentioned before, Forian is launching a next generation version of Cannalytics later this year which will demonstrate the power of leveraging the technology, data science and proprietary data coming together from both organizations.

Our traceability offerings will be enhanced through sophisticated patient registries, adverse events, surveillance solutions and product quality, safety, and efficacy measurements. Second, client success is a top priority and as such we are investing in technology, processes and human capital to provide unparalleled customer service, differentiate our business and optimize customer acquisition and retention.

Third, critical infrastructure integration activities such as building out our financial, HR and operational systems are well underway and the first phases are expected to be completed in this calendar year. Finally, we have and will continue to add, as Max said, some of the best talent across industries to improve performance, drive growth, and realize our vision. We're investing in people to help drive the key priorities I just outlined as well as to bolster our marketing and sales capabilities.

Now that I've given you some background on the business and our key upcoming priorities, I'd like to introduce our CFO, Cliff Farren, to detail our Q1 performance results.

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**Cliff Farren Forian Inc. - CFO**

Thanks, Dan. Today, I would like to provide an overview of our financial results and key business metrics for Forian's first quarter ended March 31, 2021. As previously disclosed in our SEC filings, Forian completed the business combination of Helix and MOR Analytics on March 2, 2021. The press release just issued presents Forian's first quarter 2021 financial results on a GAAP basis as well as a pro forma financial results for the quarter as if the results of Helix were included for the entire quarter in each period.

We have also disclosed adjusted EBITDA which management uses as a measure to track the performance of the business. The press release includes a detailed reconciliation of these measures. We report our business in three segments, the information and software revenue segment is comprised of BioTrack and Cannalytics software solutions as well as our information product offerings. The services segment is comprised of the BioTrack, government and traceability, real world evidence and data as a service capabilities.

The other revenue segment is comprised of digital marketing platform services and remote digital security monitoring. We had

consolidated revenue of \$1.6 million in the quarter, an increase of over \$1.5 million versus the prior year. The growth was driven by the inclusion of Helix results for the last 29 days of the quarter which contributed two-thirds of the increase and year-over-year growth in the company's products which contributed a third of the increase.

On a pro forma basis revenue was \$3.8 million, growing 22% year-over-year. This was driven primarily by the information and software segment which grew 26% versus the prior year quarter. Loss from operations widened by \$4.4 million year-over-year to \$5.1 million, primarily due to investments in product development, customer service, operational improvements and human resources.

The loss from operations for the quarter includes transaction expenses related to the Helix acquisition of \$1.2 million. Also of note, the \$0.9 million stock compensation expense for the quarter represents less than one month of expense as equity grants were issued to new hires and key Helix management as we became publicly traded on March 3rd.

Pro forma adjusted EBITDA loss for the quarter was \$2.8 million, after adjusting for transaction costs and certain other non-cash costs and other items. These results are in line with our planned investment over the last four quarters and included a doubling in the size of our sales teams as well as additional data factory production resources. We also invested in building out our next-generation SaaS analytics platform and reference data assets as well as additional delivery and customer support capabilities.

As noted earlier, a reconciliation of our net loss to adjusted EBITDA along with an explanation of the reconciling items is included in today's earnings release. First quarter 2021 was an active period for the company. In addition to completing the merger transaction, we further strengthened our balance sheet by raising \$12 million of incremental capital just after the quarter concluded.

While we are not providing forward-looking guidance at this time, we are seeing meaningful growth in our pipeline. In particular, customer interest in our information product offerings provides us with confidence in the growing revenue opportunity.

I will now turn it back to Dan.

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**Dan Barton Forian, Inc. - CEO**

Thanks, Cliff. In summary, first quarter results were in line with our expectations. We're excited by the growth opportunities in our addressable markets. By making strategic investments in our products, customer service, infrastructure and most importantly in our employees, I am confident we will be able to accelerate innovation, drive rapid growth in our revenue and profitability, drive deeper customer penetration with disruptive new products and deliver exceptional value to our customers.

At this point, I will turn the call over to the operator who will open the line for questions.

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**QUESTIONS AND ANSWERS**

**Operator**

Thank you. (Operator Instructions).

While we are waiting for questions to come in the queue, I'll turn the call back to Dan Barton to answer some questions that came through the e-mail.

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**Dan Barton Forian, Inc. - CEO**

Thank you. First we had a question that the company plans to file its 10-Q today and we do. Our filing is complete and we're waiting for our auditors to wrap up their confirmatory procedures. Assuming that process completes today and we do, we will be filing our 10-Q.

The next question was how do we see COVID affecting Forian? As the impact of COVID-19 declines, we expect that sales and operations will revert back to pre-COVID trajectories. We saw on healthcare longer sales cycle with both large and small companies and this was due in large part to their focus on conservative cash management. The recent momentum in our pipeline indicates the return to more normal customer buying patterns in this segment.

In the cannabis market we saw most customers classified as essential businesses and saw them continue to grow but we also saw dispensaries in locations dependent on tourism that struggle. Some of the lasting impacts of COVID are the advancement of non-personnel promotion in services such as online ordering.

And in addition, we think that across the board, the importance of customer retention is heightened and that the need for accurate analytics has become top of mind as clients start spending more with ancillary products in a growing competitive space.

Finally, what provides Forian confidence in growing revenue opportunities? As mentioned in the prepared remarks, we shared that one of the reasons we believe that we are well poised for growth and revenue this year is our emerging pipeline. We have and are continuing to invest in our sales and marketing efforts. This investment to date has yielded a pipeline that is growing meaningfully each month. Based on our pipeline coverage, we feel positive about revenue growth going forward.

At this point, I will turn it back to the operator for any additional questions.

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**Operator**

Our first question comes from Gerard Heymann with RBC.

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**Gerard Heymann RBC - Analyst**

Hello gentlemen. Congratulations on your first -- on your merger and your first quarter earnings, very exciting. Thank you. I have one quick question and it's with the implementation of the four points that you mentioned earlier in this call. How do you estimate your growth prospects for the next year and also into the future?

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**Dan Barton Forian, Inc. - CEO**

Thank you for the question. As you rightly pointed out, we have a well-defined strategy and some of the execution points that I mentioned earlier are key to our success both in the near and the long-term. While we're not providing forward-looking guidance at this time, we believe that -- we believe that the pipeline that I mentioned is growing. We're seeing larger contracts in the healthcare segment and multi-year contracts, so we feel very good about our -- of our ability to grow the business in the short and long term.

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**Gerard Heymann RBC - Analyst**

Thank you very much.

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**Operator**

(Operator Instructions).

And I'm not showing any further questions at this time, so this does conclude today's presentation. You may now disconnect and have a wonderful day.

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