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Q2 2023 Forian Inc Earnings Call

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## CORPORATE PARTICIPANTS

**Max C. Wygod** *Forian Inc. - Co-Founder, CEO, President & Executive Chairman of the Board*  
**Michael Vesey** *Forian Inc. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Bruce Goldfarb** *Lake Street Capital Markets, LLC - Head of Product Strategy*

## PRESENTATION

### Operator

Greetings, and welcome to Forian Inc. Second Quarter 2023 Financial Results Conference Call and Webcast. (Operator Instructions) Participating today from Forian are Max Wygod, Executive Chairman and Chief Executive Officer; and Michael Vesey, Chief Financial Officer.

Before we begin, I would like to remind you that management's remarks today may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by those forward-looking statements due to a variety of important factors, including those discussed in the Risk Factors section of the company's annual report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 30, 2023.

Estimating financial performance accurately for future performance is difficult as it involves assumptions and internal estimates that may prove to be incorrect and is based on plans and circumstances that may change. There is, therefore, a significant risk that actual results could differ materially from the outlook provided today.

Any forward-looking statements made on the call today represents the company's views as of this date, and the company undertakes no obligation to update them except as required by law. Words such as estimate, projected, expect, anticipate, forecast, plan, intend, believe, seek, may, will, should, future, propose and variations of these words or similar expressions or versions of such words or expressions are intended to identify forward-looking statements. These statements include, but are not limited to, statements regarding future growth, anticipated performance and prospects.

Today's presenters will also refer to certain non-GAAP financial measures on our call such as adjusted EBITDA, which the company believes may be important to investors to assess its operating performance and should be considered as supplement to and not a substitute for financial measures prepared in accordance with GAAP.

A reconciliation of the comparable GAAP metric can be found on today's press release and webcast, both of which are available on the company's website. Those numbers are unaudited, and any statement regarding the company's anticipated performance may be subject to change, including as a result of risks discussed in the Risk Factors section of the company's annual report on Form 10-K filed with the SEC on March 30, 2023.

Today's call and webcast is being recorded. A copy of the recording webcast as well as the full transcript and copies of today's press release and SEC filings will be available at [Forian.com/investors](https://forian.com/investors).

I am now pleased to introduce the company's Executive Chairman and Chief Executive Officer, Max Wygod. Sir, you may begin.

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### **Max C. Wygod** *Forian Inc. - Co-Founder, CEO, President & Executive Chairman of the Board*

Thank you. Good afternoon, everyone, and thank you for joining us. After the close today, Forian reported fiscal 2023 second quarter results. Our second quarter results reflect success in executing against our long-term strategy. As I stated last call, we are now operating as a health care-focused enterprise that has been able to strategically navigate the headwinds of a challenging macroeconomic environment.

Forian delivered another quarter of strong operational results with 36% organic year-over-year revenue growth and reached adjusted

EBITDA breakeven ahead of schedule. Today, I'll share some highlights from the second quarter and speak to a couple of examples of how our solutions are used, and then Mike will provide details on our financial results.

In the second quarter, Forian delivered strong operational and financial results. Forian's total second quarter revenue was \$4.9 million, which, as noted, represents 36% year-over-year growth. Our net loss for the quarter was \$1.1 million, and our adjusted EBITDA from continuing operations was positive \$100,000, reflecting consistent and continued improvement from previous quarters.

I am proud of the team's work in delivering these solid results and hitting the adjusted EBITDA breakeven milestone as we executed on our growth plan despite a challenging macroeconomic environment. As previously reported, in the first quarter, we still saw some pending budgets and discretionary spending and longer sales cycles.

Forian's growth has been fueled by our expertise in delivering high-value information solutions to our healthcare and life science customers. Our market-leading data assets in our Chronos Data Lake power solutions ranging from clinical trial development and execution to post-launch commercial analytics to real-world evidence. I'll share a few examples of how our customers are leveraging Chronos to improve their business performance.

Given the extraordinary cost of bringing a drug or FDA-approved device to market, life science manufacturers and CROs need actual information to size and quantify market opportunity, optimize trial protocol design, test protocol feasibility, identify and select optimal trial sites and conduct Phase IV post-market surveillance studies. Chronos supports all of these use cases.

Life science companies spend tens of billions of dollars each year on marketing to physicians, consumers and health plans. Upon approval and launch, Forian delivers commercial analytic insights, including innovative provider targeting and segmentation solutions, marketing measurement and optimization, market sizing and market share assessments and market access analytics, including drug pricing and assessments of prior authorization and precertification requirements that impact patients' access to therapeutics.

In terms of real-world evidence, Chronos maps longitudinal patient journeys on over 300 million de-identified patients in the U.S. and covering in sites such as healthcare product and service use, drug efficacy and safety, patient compliance and persistence to therapy and healthcare economics and outcomes research.

Real-world evidence is the foundation upon which life science companies understand how their products are being used by whom and to what effect. It is essential for their development in testing of hypotheses for new drug development, expanding usage to new indications, improving the efficacy, safety and value of a product or a service in the real world.

In addition to life science companies, Chronos delivers valuable insights to providers and payers interested in developing efficient, high-quality provider networks, tracking patient leakage to competitor health systems, quantifying high-value referring providers to steer patients to their facilities and understanding the dynamics of healthcare delivery and service use across the systems of care.

Our customers appreciate our deep understanding of healthcare data. Our solution engineers continue to develop and deliver innovative high-value products from Chronos.

In addition, we are beginning to leverage the growing generative AI market's attention to health care. Increasingly, our customers are enabling artificial intelligence solutions trained on Chronos. By doing so, our customers are gaining greater insight into their products, their customers and the dynamics of a rapidly changing marketplace.

As the momentum in AI continues, we believe there will be more opportunities to empower clients with more specific data solutions uniquely suited for training advanced AI models on covering unique insights that improve the health care delivery system, support the development of new therapeutics and improved patient outcomes.

Finally, we continue to improve our balance sheet. As reported, after the end of the quarter, a customer of Forian, in which we held an equity interest was acquired. And as a result, Forian received approximately \$5.9 million of cash proceeds in consideration of all of its

equity interest in the customer.

Forian may receive additional earn-out payments in 2025 and 2026, in an aggregate amount of up to approximately \$3.6 million if certain conditions are met. The additional cash proceeds and operational improvements put Forian in a strong position. We intend to use the net proceeds for general corporate purposes, including business expansion, deleveraging or the financing of possible acquisitions.

Overall, Forian delivered another solid financial and operating quarter, along with the milestone event of reaching adjusted EBITDA breakeven. Our revenue growth, improved margins and cash flow resulted from a committed team executing at a high level, and we look forward to further growth in the quarters to come.

I will now hand it over to Mike to go over our financial results in more detail. Mike?

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**Michael Vesey Forian Inc. - CFO**

Thanks, Max. Today, I will provide an overview of Forian's financial results for the quarter ended June 30, 2023. As previously disclosed in our SEC filings, Forian completed the disposition of BioTrack on February 10, 2023. Through this transaction and the previous dispositions of our Engeni and Security Grade businesses, Forian no longer provides software solutions to the cannabis industry, representing a strategic shift, which has a significant impact on operations.

Accordingly, we have accounted for the operations of the disposed of businesses as a discontinued operation effective with our first quarter in 2023 and have reclassified previous reported operating results on a consistent basis.

My discussion today will reference comparative results for our continuing operations for the quarter ended June 30, 2023, unless noted otherwise.

The press release issued today presents Forian's financial results on a GAAP basis. As in prior quarters, we have also reported adjusted EBITDA, which management uses as a measure to track the performance of the business. As noted, the press release and these presentation materials include a detailed reconciliation of adjusted EBITDA to net loss.

Our consolidated revenues of \$4.9 million for the quarter were up \$1.3 million or 36% compared to the same quarter last year. The growth in revenue over the prior year was driven by both new customers and increased revenues from our existing relationships. The majority of our information contracts provide for continuing information deliverables to our customers over a multiyear period, providing a predictable recurring revenue stream on a going-forward basis.

Net loss from continuing operations for the quarter decreased \$2.9 million from the same quarter last year to \$1.1 million. The decrease in net loss was primarily driven by a decrease in loss from continuing operations of \$2.4 million, partially offset by changes in other income items such as interest, income and taxes. The improvement in loss from continuing operations resulted from a \$1.3 million of revenue growth discussed above and a \$1.1 million reduction in cost and expenses. The decrease in cost and expenses was primarily due to lower G&A and research and development expenses resulting from the streamlining of our operations after the divestiture of BioTrack.

Adjusted EBITDA from continuing operations, which excludes stock-based compensation, depreciation, amortization and certain other nonrecurring items, was positive \$0.1 million compared to negative \$2.5 million in the same quarter last year, demonstrating the operating leverage in our streamlined business.

We expect our capital-efficient business model to allow us to continue to leverage these investments we made in our infrastructure with a low level of incremental expense growth relative to revenue going forward. 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.

Turning to our balance sheet. We ended the year with \$41.2 million of cash and marketable securities and \$25.5 million in convertible notes with no maturities prior to September 2025. It should be noted that these amounts exclude approximately \$12.4 million of additional proceeds due from the sale of investments, which will be received in future periods.

In July 2023, we received \$5.9 million in consideration for a minority interest we held in a customer that was acquired. We may receive additional earn-out payments up to \$3.6 million related to this transaction if certain criteria are met. Additionally, we will receive monthly payments totaling \$6.7 million related to the sale of BioTrack through February 10, 2024, providing additional liquidity to pursue our growth objectives.

Our health care information revenues were \$16.4 million in 2022. We expect 2023 revenues to be in the range of \$20.5 million to \$22.5 million, reflecting an increase of 25% to 37% over the prior year healthcare information revenues. We expect continued improvements in our net loss and adjusted EBITDA as we continue to leverage our infrastructure, achieving a positive EBITDA contribution in the second half of 2023.

And with that, I will turn the call over to the operator who will open the line for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) And it comes from the line of Bruce Goldfarb with Lake Street Capital Markets.

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### **Bruce Goldfarb Lake Street Capital Markets, LLC - Head of Product Strategy**

Hi, thank you for taking my call, and congratulations on the quarter and the growth.

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### **Max C. Wygod Forian Inc. - Co-Founder, CEO, President & Executive Chairman of the Board**

Thanks, Bruce.

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### **Bruce Goldfarb Lake Street Capital Markets, LLC - Head of Product Strategy**

So last quarter -- I just have a few questions. Last quarter, you characterized your client spending and attitudes as conservative. Is there any change in their posture through the end of July?

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### **Max C. Wygod Forian Inc. - Co-Founder, CEO, President & Executive Chairman of the Board**

No. We -- I think it's the same as the first quarter from that perspective.

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### **Bruce Goldfarb Lake Street Capital Markets, LLC - Head of Product Strategy**

And then please discuss the environment for winning new logos versus expanding with existing accounts.

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### **Max C. Wygod Forian Inc. - Co-Founder, CEO, President & Executive Chairman of the Board**

Sure. This is Max Wygod. For -- once we land a client, it usually takes a little bit of time for us to show the value and the expertise we have with our data products. And we've been seeing that a lot of -- some of the larger clients out there have incremental brands or incremental opportunities where they're starting to add on new SOWs and new opportunities. The format is still the same, mostly multi-year recurring contracts. For our new clients, our brand recognition is starting to get better as we really focused on being a healthcare information company. We've done several conferences, and we will continue to do that to build awareness around the Forian brand. So, as we indicated with our guidance, we expect the growth to continue throughout the remainder of the year, and we expect that both in a combination of new clients as well as upsells.

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### **Bruce Goldfarb Lake Street Capital Markets, LLC - Head of Product Strategy**

Thank you. And then are you currently adding new employees? And if so, in what areas?

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### **Max C. Wygod Forian Inc. - Co-Founder, CEO, President & Executive Chairman of the Board**

Sure. We're pretty well fit with our current employee base, but we're always looking for solid engineers and solid sales individuals. Those are the 2 areas of focus. As we mature as an organization, we'll grow more in marketing and other areas to raise our awareness. But we feel pretty well situated with our current base.

**Bruce Goldfarb Lake Street Capital Markets, LLC - Head of Product Strategy**

And then Lastly, is there -- you guys have a sizable cash balance. Is there anything that you guys would like to have on the M&A front? Any type of technology or...

**Max C. Wygod Forian Inc. - Co-Founder, CEO, President & Executive Chairman of the Board**

We're looking across the continuum. I think there's opportunities to potentially get other like businesses that have recurring data licenses, I think scale helps in this industry. So, we're looking at opportunities in that space as well as we're starting to produce internally elementary SaaS offerings for different clients, such as providers.

As we look down the road, if there's incremental technologies that are really dedicated and leverage health care, real-world data, those might be opportunities for us. but we're staying opportunistic, and we are reaching as we're just at the point where we're building cash in the organization organically.

**Bruce Goldfarb Lake Street Capital Markets, LLC - Head of Product Strategy**

That's all my questions, thank you and congrats on the quarter.

**Max C. Wygod Forian Inc. - Co-Founder, CEO, President & Executive Chairman of the Board**

Thank you. Appreciate it.

**Operator**

Thank you. And this will conclude the Q&A and Forian conference call. Thank you all for participating, and you may now disconnect.

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