

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q1 2024 Forian Inc Earnings Call

EVENT DATE/TIME: MAY 14, 2024 / 8:30PM GMT

CORPORATE PARTICIPANTS

Max Wygod *Forian Inc - Executive Chairman of the Board, President, Chief Executive Officer*

Michael Vesey *Forian Inc - Chief Financial Officer*

PRESENTATION

Operator

Greetings, and welcome to Forian Inc's first quarter 2024 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 filed with the SEC on March 29, 2024.

In particular, management will discuss an estimate of its full year 2024 revenue outlook as of today. 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 represent 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, planned, 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 in today's press release and webcast, both of which are available on the company's website. Those numbers are unaudited, and any statements regarding the company's anticipated performance may be subject to change, including as a result of risk discussed in the risk factors section of the company's annual report on Form 10-K filed with the SEC on March 29, 2024.

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.

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

Max Wygod *Forian Inc - Executive Chairman of the Board, President, Chief Executive Officer*

Good afternoon and thank all of you for joining us for our first quarter 2024 earnings conference call for Forian. During the first quarter, we navigated through the expected headwinds previously discussed and are well-positioned to capitalize on the growing needs of customers throughout life sciences and healthcare for critical information and insights in 2024 and beyond.

Before handing the call over to Mike Vesey to discuss our financial results, I would like to share some highlights on our strategic plan and results of the first quarter.

As a reminder, Forian's Data Factory aggregates, integrates, normalize, and cleanses medical and pharmacy claims and data with other disparate data sets such as EMR, laboratory, and social determinants of health data. The result is a substantial and ever-growing inventory of health care information covering over 98% of all providers in the US and over 300 million longitudinal patient lives.

Our product service customers across a broad range of use cases, improving health outcomes and driving both commercial and clinical success. We have been experts in managing and delivering mission critical healthcare information products. We are now starting to get the brand recognition as a leader in the healthcare information sector, as evidenced by the successful cross-selling of additional products to existing customers and an increase in RFPs and inbound inquiries into Forian's offerings.

The changes that typically the RFPs and inbound inquiries would have historically only gone to the incumbent legacy providers, we believe our track record of delivering comprehensive high value quality information products, coupled with our unrivaled customer support and expertise has accelerated for enhanced brand awareness and competitive position.

Our total first quarter revenue was \$4.9 million, which represents flat year-over-year growth. In the first quarter, we saw the financial impact of some customer attrition that we expected coming into 2024. Our net loss from continuing operations for the quarter was \$1.2 million and our adjusted EBITDA was a positive \$0.1 million, which compares to losses of \$2.3 million and \$0.2 million year over year, respectively.

We reiterate the guidance that we previously provided on our March 28, 2024 earnings call. In the first quarter, we continued to integrate cleanse, master, and link newly acquired datasets, including lab and additional closed and open claims data, which are now integrated into our information products.

As previously mentioned, as we acquire additional data sources, it typically takes approximately a quarter to complete the processing of historic data and a connection of prospective feeds through our Data Factory before it can be monetized. We believe that by continuously adding valuable data sources to our Chronos Data Lake, we can further differentiate our offerings and enable clients to derive actionable insights.

At the end of the quarter, we launched in beta testing mode to select clients, our newest offering, a health care provider network mapping product called Chartis. The product includes provider affiliations' scoring and ranking enabling users to perform exploratory research and make informed decisions, given the complex world of provider affiliations.

Customers can understand where providers are working, with whom they work, and the organizations to which they are connected. Parent-child relationships and organizational hierarchies are provided to enable targeted and efficient marketing. As always with Forian, we delivered the intelligence in a flexible format with variable integration into our clients' systems and CRMs. The development and launch of new information products and use cases are central to Forian's multifaceted growth strategy.

We are leading new client acquisition with the value driven by Forian's Data Factory deepening our wallet share with existing life science customers. As noted earlier, we are beginning to see the value being realized by clients as we are increasingly selling incremental information products to existing clients.

Expanding the utility and access to our information products beyond life science customers is another key aspect of our strategy. We have recently invested in our sales and marketing organization to ensure that we reach a broader audience within life sciences and beyond.

Lastly, we continue actively to look for corporate development opportunities to increase value to our shareholders. We pursue and evaluate potential partnerships and acquisitions to enhance or expand our product portfolio and our client base. These efforts may come in various forms and also may include the opportunistic repurchase of outstanding shares or convertible notes.

In conclusion, this past quarter was a period of focused development and strategic navigation through challenging yet expected headwinds. We are pleased to have successfully tackled these obstacles and based on recent performance trends, we anticipate a swift

return to growth, reflecting positive momentum in strategic new wins and upsells.

As we move forward, we remain committed to our vision and are excited about the opportunities that lie ahead. Thank you for your continued support as we embark on this next phase of our journey.

I will now turn the call over to Mike for a review of the financials. Mike?

Michael Vesey Forian Inc - Chief Financial Officer

Thanks, Max. Today, I will provide an overview of Forian's financial results for the quarter ended March 31, 2024. My discussion today will reference comparative results to our continuing operations for the quarter ended March 31, 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 our business. As noted, the press release and these presentation materials included detailed reconciliation of adjusted EBITDA to net income or loss.

Our consolidated revenues of \$4.9 million were relatively unchanged compared to the same quarter last year. As discussed last quarter, we had some expected customer attrition to overcome with the most significant impact on our comparative results coming in the first quarter of 2024 as the attrition had the impact of offsetting growth from new sales during the period. We expect to return to growth in subsequent quarters with initiatives Max previously discussed. Loss from continuing operations for the quarter decreased \$1.0 million from the same quarter last year to \$1.2 million. The decrease in net loss was primarily driven by decreased operating costs and expenses of \$0.6 million, resulting from the streamlining of our organization and higher interest income resulting from the investment of proceeds from disposition of BioTrack. You will note that within our decreased operating costs, cost of revenues as a line item increased approximately \$0.5 million or 36% from the prior year. This increase resulted entirely from increased information licensing and infrastructure costs related to our Data Factory as we continue to invest in our information platform.

As we discussed in prior quarters, we incur the semi-variable costs as a step function, taking advantage of the operating leverage as we sell related products with little incremental costs on a going forward basis. We plan to continue to invest in our information platform to enable innovation and growth in our product offerings.

Adjusted EBITDA from continuing operations, which excludes stock-based compensation, depreciation, amortization costs related to litigation and certain other nonrecurring items, was positive \$0.1 million compared to negative \$0.2 million in the same quarter last year, resulting from the previously discussed decreased operating expenses.

While we intend to continue to make incremental investments in our information infrastructure to enhance and expand our product offerings, we also expect our capital-efficient business model to allow us to continue to leverage those investments with a lower level of expense growth relative to revenue over the long term.

As noted earlier, a reconciliation of our net income or 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 period with \$47.4 million of cash and marketable securities and \$24 million in convertible notes and accrued interest with no maturities prior to September 2025. We redeemed an additional \$1 million of our notes at a discount to face value in March 2024.

With the improvements in our operating cash flow achieved to date, we feel we are well positioned to manage our balance sheet prudently with flexibility to capitalize on incremental growth opportunities as they arise.

Reviewing our financial outlook, our revenues for 2023 increased \$4.1 million or 25% over the prior year. Adjusted EBITDA increased to \$2.4 million compared to an EBITDA loss of \$6.7 million in the prior year. And adjusted EBITDA as a percentage of revenue was 11.4% for 2023.

We expect 2024 revenues to increase between 5% and 15% over the prior year after overcoming the churn related headwinds faced in the earlier part of the year. We expect adjusted EBITDA as a percentage of revenue to be in the range of 8% to 12% as we continue to invest in our information products and assets while achieving profitable growth.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We do have one e-mail question and it is, when do you expect to see the new rev impact on the new products?

Max Wygod *Forian Inc - Executive Chairman of the Board, President, Chief Executive Officer*

Thanks, Carmen. We expect to see the impact from the new product, which is called Chartis, a little bit later in the year, starting later in Q2 and a lot more heavily in Q3. And then on the incremental data products that we've brought in, we expect to see that impact more immediately.

Operator

(Operator Instructions) Well, thank you. Ladies and gentlemen, with this, I'll conclude Q&A and the conference for today. Thank you all for participating. You may now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS REFINITIV'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024 Refinitiv. All Rights Reserved.