

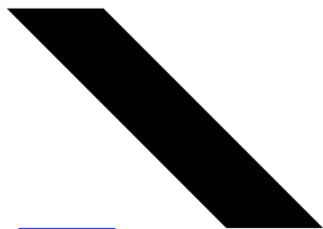


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# EDITED TRANSCRIPT

Q2 2024 FORIAN INC EARNINGS CALL

EVENT DATE/TIME: August 14, 2024 / 8:30PM UTC



## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Richard Baldry** Roth Capital Partners LLC - Analyst

## PRESENTATION

### Operator

Greetings, and welcome to Forian's second 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'd 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, forecasts, plan, intend, belief, 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 a 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 risks 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](http://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 Forian second quarter 2024 earnings call. During the call today, I will provide a brief overview of Forian's current standing and second quarter highlights, our competitive positioning, and our revised outlook. Then I will turn the call over to Mike Vesey to discuss our financial results in more detail.

The overarching theme of the second quarter was that it was a heads down working quarter where we added a new large data source, manage macro industry events and our revenue was approximately flat. However, we were able to manage expenses and continue to operate that business with a positive adjusted EBITDA.

In the second quarter, we generated revenue of \$4.8 million, which compares to \$4.9 million year over year. Our net loss from continuing operations for the quarter was [\$2.6 million] (corrected by company after the call) and our adjusted EBITDA was \$0.08 million, which compares to a net loss of [\$1.1 million] (corrected by company after the call) and adjusted EBITDA of \$0.4 million year over year, respectively.

Our financials were impacted by two primary factors. First, we have two early-stage clients that are experiencing challenges in raising external capital to continue to fund our operations, increasing their risk before it would not be paid, and therefore, our confidence level on being able to recognize revenue from the contracts for these two clients.

Second, our industry has been adversely impacted by unanticipated disruptions in the data supply chain affecting claims processors, health systems and other health organizations. These macro events have affected our short term sales efforts. Typically, we are able to drive additional revenue from existing clients by enhancing our products with more scale. Those opportunities have been slower with the market claim counts levels in flux. Nonetheless, we are addressing our sales productivity and I expect more from our efforts as we are uniquely positioned with stronger products and more scale than much of the competition.

Let me spend a minute to discuss for its position in the market and how it is well-equipped to capitalize on the current challenges facing the health care information market and how we are taking steps to address these circumstances to maximize value for our clients and shareholders.

As we discussed on previous calls, Forian's data factory is a sophisticated platform that aggregates, integrates, normalizes and cleanses a diverse array of data from multiple sources such as medical and pharmacy claims as well as EMR laboratory and social determinants of health data. The market has experienced several short and long-term events this year that have caused market-wide interruptions and data flows affecting Forian and our competitors.

One consequence of these events has been the downstream interruption of certain de-identified claims feeds that power our real-world evidence and health care analytics throughout the market. Though the timing is uncertain, we believe that these events will be temporary and anticipate that as the larger industry recovers, we will start to see volume increases through our existing feeds.

Additionally, we were notified on July 31, that one of our data providers will lose a portion of their ongoing feed in 2025. However, throughout our existence Forian has consistently added and diversified our data sources and use data science to enhance our information products in order to ensure our ability to meet customer needs in the event of data disruptions.

This past quarter, we completed the license of another approximately 1 billion claims annually to fortify our information products derived from our Chronos data lake. We believe that the addition of these claims, along with our other sources, empower us to compete and win business effectively, and provides further validation of our value to the marketplace.

We have the technology and team to integrate and process new feeds quickly and more cost effectively than our competitors. We will evaluate new sources, and while the economics of entering additional new contracts is still uncertain, we are confident that our leading Forian data factory technology, best-in-class team and strong balance sheet uniquely position us to restore growth cost effectively.

Despite these challenging market circumstances, we were able to renew several key contracts with existing clients, reflecting our clients recognition of Forian position as an industry leader that continues to manage the macro environment and to deliver differentiated value. The slippage in revenue from the two early-stage customers as discussed, along with a market wide disruption in data flows has resulted in us lowering our revenue expectation for 2024 to a range of \$19 million to \$20 million.

We plan to continue to invest in our information assets and to build our product offerings to meet an important market need. As a result of the lower revenue expectation, we are also lowering our 2024 adjusted EBITDA to negative \$0.5 million to a positive \$0.5 million. We continue to actively look for corporate development opportunities to increase value to our shareholders.

Our corporate development efforts may come in various forms, and also may include potential partnerships and strategic transactions to enhance and expand our product portfolio and client base as well as the opportunistic repurchase of outstanding shares or convertible notes. We are hopeful that the more challenging fundraising environment may provide us with more actionable and reasonably priced transaction opportunities.

In the second quarter, we did incur one-time advisory fees of \$0.4 million in connection with our strategic review of the business. To wrap up, Forian continues to manage the recent industry events through proactive data source diversification, focus expense reduction and a business model with highly recurring revenue streams. Even with these events, we are able to maintain revenue levels and profitability on an adjusted EBITDA basis. We remain highly confident in our competitive position, highlighted by our excellent team, flexible technology, and strong balance sheet.

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

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## **Michael Vesey Forian Inc - Chief Financial Officer**

Thanks, Max. Today, I will provide an overview of Forian's financial results for the quarter ended June 30, 2024. My discussion today will reference comparative results to our 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 in the press release and these presentation materials include a detailed reconciliation of adjusted EBITDA to net income or loss. Our consolidated revenues of \$4.8 million were down \$0.1 million compared to the same quarter last year.

Our second quarter revenue was impacted by the previously discussed impact of our customer attrition we experienced at the end of 2023 as well as reduced revenue from a few of our early-stage customers that have experienced difficulty in securing funding in the current environment.

Loss from continuing operations for the quarter increased \$1.5 million for the same quarter last year to \$3 million. The increase was primarily driven by \$0.5 million increase in cost of revenue and approximately \$1 million in non-recurring professional expenses we incurred this quarter. The increased cost of revenues resulted from increased information licensing and infrastructure costs related to our data factory.

We entered into additional licensing agreements in the fourth quarter of 2023 and second quarter of 2024 to diversify information sources and product offerings. We plan to continue to invest in our information platform to enable innovation and growth in our product offerings.

Regarding non-recurring costs, we settled the remaining outstanding litigation, which was carried over from the Helix acquisition in 2021. This resulted in \$0.9 million in legal and settlement costs incurred this quarter compared to \$0.4 million in the same quarter last year. We will record any insurance reimbursements from these items as gain contingencies in the period received is assured.

In addition, our general and administrative expenses included approximately \$0.4 million of non-recurring professional fees we incurred in connection with the evaluation of the strategic alternatives that Max previously mentioned.

Adjusted EBITDA from continuing operations, which excludes stock-based compensation, depreciation, amortization, costs related to litigation and certain other non-recurring items, was \$0.1 million compared to \$0.4 million in the same quarter last year. The decrease in EBITDA resulted primarily from the lower revenue and higher cost of revenue we previously discussed.

We intend to continue to make incremental investments in our information infrastructure to enhance and expand our product offerings and enable future growth. 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 \$48 million of cash and marketable securities and \$24.2 million in convertible notes and accrued interest maturing in September 2025, providing adequate flexibility to capitalize on incremental growth opportunities as they arise.

Reviewing our financial outlook, we previously provided an expectation for 2024 revenues to increase between 5% and 15% over the prior year and adjusted EBITDA as a percentage of revenue to be in the range of 8% to 12%.

We expect these estimates will be negatively impacted by the previously discussed uncertainty resulting from market-wide disruption in data flows and capital market challenges facing certain of our early-stage customers. As a result, we are revising our 2024

revenue outlook to a range of \$19 million to \$20 million and our EBITDA outlook to a range of negative \$0.5 million to positive \$0.5 million.

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)

Richard Baldry, Roth Capital Partners.

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### Richard Baldry Roth Capital Partners LLC - Analyst

I'm very curious, when you have the data feed sort of disruptions that you're noting across the industry, do those partners reimburse you any of those costs or is that something just those costs are pretty fixed on an ongoing basis?

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

Hey, Rich, it's Max here. It really depends on the circumstance. A lot of our contracts have volume metrics that have measurement periods. So, there are discussions to be had after the fact if the flow continues to decrease or isn't added back at some point. Also a lot of times of our vendors will go out and acquire other sources to offset because in our industry disruptions happen from time to time, and it's actively managing those feeds that kind of make up for this kind of health information universe. So we don't feel like there's a risk for getting below a threshold where we can't conduct our business and grow so it's a combination of there are economics to support us, but there's also ways for our vendors to go and get other sources.

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### Richard Baldry Roth Capital Partners LLC - Analyst

Got it. And you've been sitting on north of \$40 million in cash for about a year and a half, now. Could you talk about the M&A environment, do you think it's expectations are auto there? Are you not seeing things that you're interested in, you think you want to sort of hold back on that until the external environment improves? How do we think about M&A opportunities?

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

Sure. We're actively reviewing the M&A environment. I think now there's a realization that public company expectations with our multiples versus what's being acquired in the private markets are getting a little bit closer to be attainable and accretive. So we've been really prudent not to spend unwisely and acquire companies at a high multiple or merge. That's not accretive.

I do think that's changing now, especially as some of the larger VC-backed companies aren't getting the exit expected or the raises that they anticipated at this time. And that kind of feels to us having some one-time expenses this past quarter as we're viewing the market and trying to put ourselves in the best position to come out here with something that can really grow and be more differentiated.

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### Richard Baldry Roth Capital Partners LLC - Analyst

Okay. And I sort of understand some of the attrition issues and the challenges in your early stage customers and the existing base. You may talk about the sort of more top of the funnel oriented, the activities on prospects, is that shrinking, growing? Is it sort of moving sideways? How do you think about the sort of the longer term growth drivers?

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

Sure. The longer-term growth drivers really haven't changed. We started really looking at these strategic accounts first and then moved more heavily into pharmaceuticals, emerging pharma and medtech. We're starting to get more RFPs for the larger pharmaceutical companies, and I spoke to that, I believe last quarter. And we're seeing that to continue - the process to go in, win, and get your initial contract with a larger pharmaceutical company takes a lot of time. But we're seeing the pipeline grow from that perspective.

Obviously, it's early stage, but we feel like that's a good representation of Forian's name being really top of mind when people are trying to procure information products, and we're getting better relationships with senior people. And it's just about kind of getting past the next level of launching new contracts in larger pharmaceutical companies in a time period that is attainable, because once you get that first contract, it's a lot easier to add on have additional contracts.

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**Richard Baldry Roth Capital Partners LLC - Analyst**

Great. Thanks for your help.

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

Thank you.

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**Operator**

Thank you. And as I see no further questions in queue, I will conclude the Q&A session conference and webcast for today. Thank you all for participating, and you may now disconnect. Good day.

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