



**LSEG STREETEVENTS**  
**EDITED TRANSCRIPT**  
**Q3 2024 FORIAN INC EARNINGS CALL**

EVENT DATE/TIME: November 13, 2024 / 9:30PM UTC



An LSEG Business



## 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 MKM Partners - Analyst
- **Eric Kraus**

## PRESENTATION

### Operator

Greetings, and welcome to Forian Inc. third 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 estimated 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 estimates, 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 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 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 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's third quarter 2024 earnings call. In today's call, I'll review Forian's current performance and key highlights from the third quarter and provide insight into our positioning and updated outlook for the remainder of this fiscal year. Following this overview, Mike Vesey will discuss our financial results and the factors shaping our financial trajectory.

Revenue in the third quarter was relatively flat sequentially with the second quarter. However, we experienced increased sales wins in both health care services and life sciences. While the revenue impact from these sales has not been fully realized in the third quarter, we will benefit from this momentum as we close out the year.

Since the first quarter of 2024, Forian's quarterly revenue has ranged steadily between \$4.6 million and \$5.4 million. This trend has been due to certain macro end market factors we have discussed previously and the full P&L impact of previous attrition of two customer accounts we referenced in last quarter's call. However, given current momentum, we are looking to break out of this range going into 2025.

In the third quarter, we generated revenue of \$4.7 million, which compares to \$5.3 million year-over-year. Our net loss from the quarter was \$0.2 million, and our adjusted EBITDA was \$0.2 million, which compares to a net income of \$4.3 million and adjusted EBITDA of \$1.1 million year-over-year, respectively.

Subsequent to the end of Q3, we acquired Kyber Data Science, which will expand our addressable market to include a financial service customers and adds valuable brand equity to our portfolio and strengthen our data science and predictive analytic capabilities. We believe that Kyber's data science expertise and analytical applications are well suited for our life science customer base interested in sophisticated pharmaceutical and device product performance competitive positioning and market access challenges.

I will spend a couple of minutes on Kyber's background. Kyber has become an advantaged source of insights for health care investors. It was founded in 2021 by investors for investors, and has since built a portfolio of data and analytic offerings that improve customers' trust to make more confident decisions earlier in the drug's life cycle as well as earlier in every quarter.

Kyber has one of the most experienced and informed health care data science teams on Wall Street to help investors capitalize and drive decisions with complicated healthcare data. This team has combined data science excellence, advanced machine learning and healthcare context knowledge into a truly differentiated set of data products with very high predictive power.

While still early as an operating company, Kyber has already assembled a very impressive roster of early adopter customers including some of the largest hedge funds in the world and significant brand equity within the market as evidenced by frequent mentions by Bloomberg and biotech IR departments. We believe that Kyber is an example of Forian building its competitive position of providing unique intelligence and insights derived from healthcare data.

As the information industry continues to struggle with data disruptions, we believe that cutting-edge services and analytics will create differentiated value to customers. However, we intend to continue to invest and strengthen our cost-effective long-term diverse data relationships and as previously mentioned, have already procured some alternative and/or expanded solutions.

As a reminder, 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. Through the Kyber acquisition, we now also incorporate financial data and proprietary panels.

We continue to actively evaluate strategic 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 capital allocation initiatives to repurchase of outstanding shares or convertible notes.

To summarize, Forian continues to work through the headwinds caused by the financial impact of previous customer losses and data disruptions. We are experiencing improved sales momentum and completed a strategic tuck-in acquisition to expand our product and addressable market. We remain confident in our competitive position, highlighted by our excellent team, agile technology and strong balance sheet.

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 September 30, 2024. My discussion today will reference comparative results to our operations for the quarter ended September 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 income or loss.

Our consolidated revenues of \$4.7 million were down \$0.6 million compared to the same quarter last year. As discussed in the previous quarter, our revenue to date has been impacted by some 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.

Operating loss from continuing operations was approximately \$0.8 million for both the third quarter of 2024 and 2023, as lower revenues were offset by lower sales and marketing costs and lower expenses related to the settlement of legacy litigation from the Helix acquisition. It should be noted that our third quarter 2024 expenses include a \$0.5 million non-recurring benefit related to the termination of one of our inbound information contracts.

Excluding the impact of this benefit, our cost of revenues and operating loss from continuing operations would have been \$0.5 million higher primarily due to increased information licensing and infrastructure costs related to our Data Factory. We entered into additional licensing agreements in the fourth quarter of 2023 and 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. The non-recurring benefit related to the contract termination has been added back to our adjusted EBITDA for the quarter to provide a more meaningful comparison with prior periods.

Net other income decreased \$5.9 million from the prior year from \$6.4 million to \$0.5 million due to a \$5.8 million gain on sale of investment recorded in the prior year. As a result, loss from continuing operations was \$0.2 million compared to a gain of \$5.5 million in the prior year, a net change of \$5.7 million.

Adjusted EBITDA, from continuing operations, which excludes stock-based compensation, depreciation, amortization, costs related to litigation and certain other non-recurring items, was \$0.2 million compared to [\$1.1 million](corrected by company after the call) in the same quarter last year.

The decrease in adjusted EBITDA resulted primarily from the lower revenue and higher cost of revenue after adjusting for the previously discussed contract termination benefit. 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 \$49.4 million of cash and marketable securities and \$24.4 million of convertible notes and accrued interest maturing in September 2025. During November 2024, the company redeemed \$17.8 million of principal and accrued interest on convertible notes for an aggregate redemption price of \$17.6 million, resulting in an anticipated gain of \$0.1 million.

As previously mentioned, on October 31, 2024, we acquired the business of Kyber Data Sciences, an exchange for assuming its normal course operating liabilities on a going-forward basis. After considering these events, we continue to believe that we maintain adequate capital to operate our business and capitalize on incremental growth opportunities as they arise.

Reviewing our financial outlook. We previously provided an expectation for 2024 revenues to be in the range of \$19 million to \$20 million and our adjusted EBITDA in a range of negative \$0.5 million to positive \$0.5 million. We will include the results of Kyber Data Sciences in our operating results effective November 1, 2024. With the acquisition of Kyber, we expect 2024 revenues to be at the top end of our revenue range while maintaining our adjusted EBITDA within the previously provided range.

I'll now turn the call over to the operator for questions. Thank you.

---

## QUESTIONS AND ANSWERS

## Operator

(Operator Instructions)

Richard Baldry, ROTH Capital.

---

## Richard Baldry ROTH MKM Partners - Analyst

Thanks. Can you maybe drill in a little bit to your sort of the opening comment on your revenues have been sideways for a bit, but you see an upward or breakout in 2025? Can you talk about sort of the pieces of that? I assume some is the acquisition, but are you seeing greater activity? Do you think sales cycle is starting to gel? So how do we get comfortable around that commentary? Thanks.

---

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

Sure, Rich. This is Max. That commentary was around Forian excluding Kyber, because Kyber was not in the third quarter. We saw some improved sales momentum. So while we don't report on the annual or total contract sales that we get in a quarter, we did see both expanded relationships and renewals that were at larger amounts than an initial contract.

And as you know, most of our contracts go over a year in term. So when we saw those additions, we know that the revenue impact will come into the fourth quarter and later. And that's what we were seeing, which is a higher rate of wins versus what we saw in the previous quarters this year.

---

## Richard Baldry ROTH MKM Partners - Analyst

And when talking to those clients, is there a way to discern sort of why the higher rate of wins? Is there something sort of macro freeing up? And then maybe broader perspective with just a general feel? How do you feel like the environment changes in a different federal leadership position?

---

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

Right. I think the market has gone a little bit better as we noted, the disruptions that have happened earlier in Q1 are a little bit passed. So I think the appetite for clients to look at information contracts are a little bit more open, but it was a little bit also of seasonality where the end of Q3, Q4 typically are stronger for us, and we see that taking place.

---

## Richard Baldry ROTH MKM Partners - Analyst

And maybe just from the broadest perspective, you're sitting on a lot of cash, acquisitions haven't seen that use a lot of it. If you're seeing some early signs of improving demand or action in your pipeline, do you think it's the right time to invest a little more aggressively in the sales and marketing? Being positive adjusted EBITDA breakeven, it doesn't seem like it would be as important maybe as if you dip to negative, but did it because you were driving a lot more into your sales and marketing headcount with an idea that growth could really pick up? Or do you think that's more of a pushing on it string and not necessary?

---

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

It's a little bit mixed. I think actually with the acquisition we just completed with Kyber, we're picking up some really strong individuals. So while we could go and invest and bring more people on, and we're constantly looking for strong sales individuals, we think we get some of that in the acquisition that we did. And we still really want to be focused on the bottom line. So we would rather go and kind of build the efficiency and we have capacity within our current sales team to sell more.

I don't think it's just a pure numbers game of more salespeople equal (technical difficulty) number of (technical difficulty). But we are constantly looking for the best use of our cash. As we noted, we did redeem some of the debt at the end of the quarter. And then with acquisitions that can be accretive or bring new target markets or applications, I think, are really kind of synergistic in offering

kind of a differentiated product to our kind of pharma clients. So that's really how we see more growth versus just numbers in the sales team.

---

**Richard Baldry *ROTH MKM Partners - Analyst***

Got it. Thanks.

---

**Operator**

(Operator Instructions)

One moment, for our next question in queue is from Eric Kraus.

---

**Eric Kraus**

Well, I'd like to know what the terms were of the acquisition. Is that available?

---

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

Yes. Eric, this is Max. We acquired Kyber and we're funding the operations going forward, how the acquisition was set forth, it wasn't just a pure purchase price. So Kyber is going to be able to operate differently under us versus a large bank. And then we will have more color into the revenue in Q1. So it's a small acquisition.

---

**Unidentified Participant**

Thank you, Max.

---

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

Thank you.

---

**Operator**

Thank you. And with that, ladies and gentlemen, we conclude our Q&A session and program for today. Thank you all who participated and you may now disconnect.

---

## DISCLAIMER

THE LONDON STOCK EXCHANGE GROUP AND ITS AFFILIATES (COLLECTIVELY, "LSEG") 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. NO CONTENT MAY BE MODIFIED, REVERSE ENGINEERED, REPRODUCED, OR DISTRIBUTED IN ANY FORM BY ANY MEANS, OR STORED IN A DATABASE OR RETRIEVAL SYSTEM, WITHOUT THE PRIOR WRITTEN PERMISSION OF LSEG. THE CONTENT SHALL NOT BE USED FOR ANY UNLAWFUL OR UNAUTHORIZED PURPOSES. LSEG DOES NOT GUARANTEE THE ACCURACY, COMPLETENESS, TIMELINESS, OR AVAILABILITY OF THE CONTENT. LSEG IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS, REGARDLESS OF THE CAUSE, FOR THE RESULTS OBTAINED FROM THE USE OF THE CONTENT. IN NO EVENT SHALL LSEG BE LIABLE TO ANY PARTY FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL, OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING, WITHOUT LIMITATION, LOST INCOME OR LOST PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF THE CONTENT EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

Copyright ©2024 LSEG. All Rights Reserved.