Forian Inc.(Q2 2025 Earnings)
August 13, 2025

Corporate Speakers:
- Max Wygod; Forian Inc.; Executive Chairman and Chief Executive Officer
- Michael Vesey; Forian Inc.; Chief Financial Officer

Participants:
- Richard Baldry; ROTH Capital; Analyst

PRESENTATION

Operator^ Greetings. And welcome to Forian Inc. Second Quarter 2025 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 sections of the company's annual report on Form 10-K filed with the SEC on April 11, 2025.

In particular, management will discuss an estimate of its full year 2025 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 represents the company's view 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 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 on 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 April 11, 2025.

Today's call and webcast are 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^ Good afternoon, everyone. Thank you for joining Forian's Second Quarter Earnings Call. I will provide an overview of Forian's strong second quarter performance, highlighting year-over-year growth, margin improvement and a strategic process driven by the Kyber Data Science acquisition. I will also discuss the company's expanding data capabilities, product innovation and an update in meeting full year 2025 guidance.

Forian's second quarter reflected continued strength across the organization as we achieved results that were consistent with our full year outlook. Relative to internal expectations, we are pleased with the state of our financial performance as we head into the second half of the year.

Forian delivers complex health care information products and services by integrating one of the industry's largest longitudinal patient level data sets sourced from a growing network of claims, electronic health records, lab results and other real-world data streams.

We use proprietary data ingestion pipelines to unify disparate multiformat data sets into the Chronos Data Lake, which tracks patient journeys for hundreds of millions of de-identified individuals.

In the second quarter, we continued to see growth in delivering information products with highlights in areas such as health economics and outcomes research for life-saving therapies and the Kyber Data Science platform, which delivers alpha-generating insights for financial services clients.

We have a high degree of visibility into second half performance based off of the mix of contracted backlog and renewals in our pipeline, which gives us confidence in our full year growth expectations.

Generally, across our customer groups, our conversations continue to reflect a mixed spending environment in our health care and financial services end markets.

While pharma companies remain cautious, driven by a rapidly changing geopolitical and macroeconomic environment, the need for analytic-ready real-world data and longitudinal information remains to help measure effectiveness, safety and value as well as to better understand their respective competitive markets.

Similar to the first quarter, Forian's revenue growth was highlighted by key new pharma projects and analytical renewals as well as incorporating the full quarter of Kyber Data Science's financials. Forian generated second quarter revenue of $7.5 million, represented 56% year-over-year growth.

Our net income for the quarter was $224,000 and our adjusted EBITDA was $591,000, which compares to a loss of $2.5 million and positive $78,000 year-over-year, respectively. The improvement in expenses and margin profile were primarily driven by the realization of cost optimizations and the impact of the Kyber acquisition. These improvements in expenses show the leverage in our financial model.

However, we intend to continue to enter into more strategic long-term data contracts and to make investments in enhancing our product portfolio and extending sales into new health care-related verticals that may impact temporarily our margin profile.

In the second quarter, we expanded our data coverage by securing new supply contracts and accelerating integrations with diverse clinical data sources. An initiative fast tracked by the market disruptions of 2024. These long-term integrations, combined with our advanced proprietary data models, position us to deliver analytics-ready solutions that meet the evolving need of our clients.

We believe we are able to contract, ingest and produce differentiated information products quicker, more accurately and cost effectively than our competition. When ingesting new health care data feeds, we are expert in the normalization and cleansing that is essential to ensure the data is consistent, accurate and usable across multiple models.

As a reminder, normalization involves standardizing code sets, formats and identifiers so that diagnosis, procedures, drugs and facilities are mapped to common reference standards like the ICD-10, CPT, HCPCS or NDC. This process also aligns provider and facility identifiers using entity resolution and reference databases to create unified profiles for accurate attribution.

Forian team focuses on correcting errors, filling in missing fields, removing duplicates and harmonizing payer-specific formats, ensuring that only final and most relevant claim versions are retained. Both processes include compliance measures such as de-identifying patient information while maintaining linkage keys for longitudinal analysis.

Together, the normalization and cleansing work within the data factory transforms messy, inconsistent files into analytic-ready data sets that can be reliably linked, aggregated and used to generate valid real-world evidence and answer some of the most complex clinical and commercial questions.

We centralized this work within our data factory to enable agnostic and flexible productization, which provides Forian with the advantage in offering a wide array of data-enabled offerings.

While most of our clients contract for multiyear licenses, our Chronos Data Lake and data factory enable both ongoing and project-based offerings, such as health economics and outcomes research supporting life science companies in demonstrating the value of new drugs and interventions.

Through our acquisition of Kyber Data Science, we serve the financial services market with differentiated health care data expertise productized to meet the needs of institutional investors. Kyber offers a range of flexible solutions from platform access for advanced data science teams to SaaS products that track the key utilization metrics across pharmacy and medical channels.

Its team of health care data specialists deliver back-pisted KPIs, AI-driven insights and predictive analytics that enable more accurate investment decisions.

We see opportunity to enhance these offerings by integrating Kyber with the Forian Data Factory and over time extending its advanced analytic capabilities into other TAM general markets.

We are optimistic about 2025. I can reconfirm outlook as we expect full year 2025 revenue of $28 million to $30 million, representing 39% to 49% growth year-over-year. Our adjusted EBITDA margin is expected to be in the negative $1 million to positive $1 million.

Additionally, we remain committed to pursuing strategic value-enhancing acquisitions that strengthen our financial position, enhance our capital markets profile, expand our reach with pharmaceutical clients and accelerate the commercialization of innovative products. I will now turn it over to Mike to run through the financials in detail.

Michael Vesey^ Thanks, Max. Today I will provide an overview of Forian's financial results for the quarter ended June 30, 2025. My discussion today will reference comparative results for the quarter ended June 30, 2024, unless noted otherwise.

As previously noted, we completed the acquisition of Kyber Data Science on October 31, 2024. As a result, our operating results for 2025 include the operations of Kyber as of that date. 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 $7.5 million were up $2.7 million or 56% compared to the same quarter last year. The impact of the Kyber acquisition contributed approximately $1.9 million or 39% to the growth, with the remaining increase resulting from organic growth in our life sciences data business.

Operating income was approximately $50,000 compared to a loss of $3 million in the same quarter last year. The increase in operating income was primarily due to the aforementioned higher revenues and lower stock-based compensation, partially offset by higher expenses related to the inclusion of Kyber operations and increased data costs.

Net other income decreased $0.1 million from the prior year from $0.4 million to $0.3 million due to lower interest income and expense resulting from the utilization of our cash and marketable securities balance to retire convertible notes in 2024.

During 2024, we retired $17 million in principal value of our convertible notes, which were due in September 2025 for a gain, resulting in a lower interest-bearing cash and marketable securities balance in the current year.

Adjusted EBITDA, which excludes stock-based compensation, depreciation, amortization, costs related to litigation and certain other nonrecurring items, was $0.6 million compared to $0.1 million in the same quarter last year. The increase in adjusted EBITDA resulted primarily from the higher revenues and incremental expenses related to the inclusion of Kyber and higher data costs noted above.

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. Now turning to our balance sheet.

We ended the period with $35.6 million of cash and marketable securities and $6.8 million in convertible notes and accrued interest maturing in September 2025. After the planned maturity of the remaining notes next month, we will continue to maintain adequate capital to operate our business and capitalize on incremental growth opportunities as they arise.

Reviewing our financial outlook, we ended 2024 with revenues of $20.2 million and adjusted EBITDA of $0.5 million.

Our outlook for 2025 is for revenue of $28 million to $30 million, reflecting growth of 39% to 49% over the previous year and adjusted EBITDA between negative $1 million and positive $1 million. Now I will turn the call over to the operator, who will open the line for questions.

Operator^ (Operator Instructions) We have a question from the line of Richard Baldry with ROTH Capital.

Richard Baldry^ Congrats on the good organic growth. Can you talk about what in the second half will really be the driver of the delta between whether you hit the top or the bottom line of the guidance that you've got? Is it ramping existing contracts that you have some visibility into or newer wins? Or is there some go-get on things that are in the pipeline that still have to close?

Max Wygod^ Sure. Thank you, Richard. With the Kyber acquisition, the typical contract is an annual license versus the multiyear contract that we had previously with the life science part of the business.

So we have a good portion of renewals that come in the back half of the year, and that has a large impact on hitting the guidance range. We feel confident, but we still have to hit those renewals.

Richard Baldry^ Got it. Can you talk a little bit about the acquisition environment, what you're seeing out there in terms of pipeline you have to look at, realism on the sides of the sellers, valuations, just so we get an idea because even after you pay down the converts, there's still a pretty significant cash balance left, right?

Max Wygod^ Yes, happy to. We're seeing valuations come down from the highs that we had a year or so ago, especially the equity -- high-growth equity or venture-backed entities. A lot of companies that invested early in AI have come back down to realization besides the ones that are really leading.

So we are seeing opportunities in the smaller market that makes sense with our size company. From the public valuation perspective, there's a little bit of a mix. I would say a lot of the relatively small merger or acquisition candidates still trade at a premium to us.

That might be idiosyncratic to our specific volume economics of our stock. But we do see a larger willingness for companies to entertain different strategic conversations.

So, we are looking at both opportunities as active as we can to see something that's accretive. But it is -- sorry, it is a top topic of management, and we constantly look for the right partners or targets to make the best use of our cash.

Richard Baldry^ And last for maybe moving back to the organic growth side of the table. Can you talk about sort of where the strengths were there that drove that number? How sustainable or extensible you view that in the second half and longer term out to '26 and beyond?

Max Wygod^ Sure. I mentioned a couple of things in my prepared remarks, our health economics outcomes research studies have really been a strong point for Forian.

We have been able to repeatedly show that we are expert in putting together these services for the high-value areas of life sciences and pharma in particular. So we see that pipeline as growing and a high win rate, and we expect that to be one of the primary growth indicators going into 2026.

Outside of that, the Kyber Data Science has been growing as we hoped it would into the financial service markets where complex questions for our hedge funds are really getting answered with really accurate models and offerings from that division. So those two areas are really leading our organic growth.

Richard Baldry^ Maybe one more for me. Your second half guidance implies sort of stable top line and you just posted a pretty good adjusted EBITDA number.

So sort of similar to my revenue question to start, what would be the delta between a positive $1 million versus the negative? Is it really sort of discretionary spend on strategic initiatives? Or is it whether the revenue comes in at the upper or lower end?

Max Wygod^ Yes. It's both. Obviously, we have strong incremental margins. But from the bottom line, if we decide to invest in more data assets, or to invest in tangential businesses that I believe can generate more revenue. The cost profile might hit the back half of this year where the revenue might be following.

So that's really the largest impacts on cost. Revenue is really tied to your previous question, where if we can get the renewals as expected and hit our kind of historical go get, we should be at the top end of the range.

Richard Baldry^ Always one last question.

Can you talk about in your data engine sort of the cost side internally to sort of do the work you're doing, are you seeing -- as we're hearing from other companies that are seeing a really good ability to use some new leveraged AI technologies to get a lot more productivity from some of the more expensive sort of engineering headcounts, sort of intermediate to long term, how much do you think that can change sort of your COGS line or speed to develop new offerings, et cetera?

Max Wygod^ Happy to. We're currently investigating that. It is closer to our R&D line than our COGS. Our engineering using new AI agents or tools that will make them be more efficient is something that we believe all technology companies will need to embrace.

I think the scrutiny of dealing with the large data that we deal with and the sensitivity around HIPAA and other areas that we really excel in has been a limiting factor in just adopting more experimental AI engines on the ingestion side.

Though we do constantly look at it and do believe that we can get more output per employee using the right AI support. And then on the delivery and product side, we do see AI as being part of offerings going forward.

Our first step of that is in the Kyber offering that is highly predictive using AI that cannot be matched by normal machine learning. So, we're very excited for that to be our first touch into it. But it's still a small percentage of our total offering.

Operator^ And this concludes our Q&A session and program for today. Thank you all for participating. You may now disconnect.