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Second-Quarter 2021
Earnings Call

August 10, 2021, 5:00 p.m. Eastern Time

Presenters:

- **Mark Newcomer** – *Paysign – Co-Founder and Chief Executive Officer*
- **Jeff Baker** – *Paysign – Chief Financial Officer*

Operator

Hello, and welcome to the Paysign second-quarter 2021 conference call and webcast. At this time, all participants are in a listen-only mode. If anyone should require operator assistance, please press star zero on your telephone keypad. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

This presentation may include forward-looking statements to the extent that the information presented in this presentation discusses financial projections, information, or expectations about the company's business plans, results of operations, the impact of COVID-19, returns on equity, expected gross margins, markets, or otherwise make statements about future events. Such statements are forward-looking statements. Such forward-looking statements can be identified by the use of words such as should, may, intends, anticipates, believes, estimates, projects, forecasts, expects, plans, and proposals.

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It's now my pleasure to turn the call over to CEO, Mark Newcomer. Please go ahead, sir.

Mark Newcomer – *Co-Founder and Chief Executive Officer*

Thank you, Kevin. Good afternoon, everyone, and thank you for joining us for Paysign’s second-quarter 2021 earnings call. I am Mark Newcomer, the chief executive officer, and joining me this afternoon is Jeff Baker, our chief financial officer.

We are pleased to report improvements in our revenue and operating results for the second quarter. Our total net revenue for the quarter was $6.7 million, a year-over-year increase of 3.2%. Throughout the quarter we saw month-to-month improvements in our financial results as various pandemic-related stimulus measures ended and consumers were once again incentivized to donate plasma to supplement their income.

Our second-quarter total gross funds loaded increased 34.7% from the year-ago period and decreased 10.9% from the previous quarter due to the seasonality of our pharma business. Plasma gross funds loaded increased 64.5% year-over-year and 3.2% sequentially.

Throughout the quarter we experienced improving trends each month with April being negatively impacted by stimulus payments and tax refunds. We are seeing these positive trends continue into July despite a recent U.S. Customs and Border Protection decision limiting the ability for Mexican citizens to cross the border to donate plasma. These border centers make up around seven percent of our total plasma centers.

In the quarter we onboarded 13 additional plasma centers, bringing our total number of centers to 356. This includes some of the centers from the four new plasma clients we spoke about last quarter. We still expect to exit 2021 with at least 400 centers.

We continue to focus on diversifying our business and investing for sustained long-term growth and we continue to advance our capabilities and value in the patient affordability space. In the second quarter we renewed our relationship with a major pharmaceutical hub customer and their copay programs. Additionally, we launched a new copay program and signed up five additional copay programs that will launch between now and the end of 2021. We remain extremely bullish on the continued growth of the patient affordability vertical.

I am very pleased to announce that we have made some additions to our leadership team. Brad Cunningham joined us in July as our new CTO. He brings with him more than 17 years of experience at Republic Bank & Trust Company where he was the senior vice president and managing director of IT strategy and services. Brad will be instrumental as we continue to be an innovator in fintech.

We also expanded our client relationship team with the addition of Alan Geiger as director of relationship management. Alan has been serving the plasma sector for 15 years with Onbe, formerly known as Wirecard. And finally, Richard Graub has joined us as director of product management. Richard has more than 30 years' experience in the prepaid space with financial service providers such as National Money Mart, United Financial Services Group, and Prepaid Ventures. We are excited to have these three gentlemen on board and believe their industry knowledge and skills are invaluable resources that will benefit Paysign.

Before I turn the call over to Jeff, I just wanted to say a few last words on the current and potential future impact of the pandemic. While the second quarter continued to be impacted by COVID-19 and the various government stimulus, especially in the first half of the quarter, we did see improving trends as we move through the quarter and into Q3. We expect this trend will continue as long as the U.S. does not enter another widespread shutdown, or the government doesn't provide additional stimulus to consumers.

With that I'll pass it over to Jeff to give you more insight of our financials for the quarter

Jeff Baker – *Chief Financial Officer*
Thank you, Mark. Good afternoon, everyone. The second quarter experienced a sequential increase in revenue and operating performance of the first quarter despite a weak month in April resulting from the broad distribution of government stimulus checks. May improved over April, June improved over May, and as Mark mentioned, the positive sequential improvement continued in July.

Of our total revenues of $6.7 million, plasma revenue accounted for $5.9 million or 89%, pharma revenue was $641,000, and other revenue was $63,000. Our gross margin for the quarter was 47.4%, which was aided slightly by one pharmaceutical program ending, allowing us to recognize settlement income of under $50,000. We were able to renew that program under our non-settlement income model. SG&A expenses were $3.5 million and total operating expenses were $4.1 million.

Our net loss for the quarter was $932,000 and adjusted EBITDA, which we define as operating income plus depreciation, amortization, and stock-based compensation, and is a non-GAAP metric used by management to gauge the operating performance of the business, was $219,000, or just over breakeven for the quarter on fully diluted shares outstanding of 52.6 million.

Second-quarter gross dollar volume loaded increased 34.7% versus the year-ago period as we experienced an improvement in plasma donations. This momentum can be seen on our balance sheet where restricted cash grew to $65.8 million during the quarter. Second-quarter purchase volume increased 44.5% versus the year-ago period. And our revenue conversion rate, which is revenue divided by gross dollar loads, increased over the first quarter. Taking a closer look at the plasma business for the quarter, revenues of $5.9 million were up $1.4 million from the same period last year when the U.S. was under a lockdown.

The average revenue per month per plasma center was $5,633 versus $5,295 last year. However, if we exclude the month of April our average revenue per month per plasma center would have been $6,138. So, you can see the negative impact on our plasma business when stimulus checks are issued. Additionally, we exited the quarter with 356 centers versus 290 centers at the end of Q2 last year.

Turning your attention to the pharma business, second-quarter 2021 revenues of $641,000 decreased $1.1 million compared to the second quarter of 2020, primarily driven by the change in accounting estimate last year and the termination of one program in December 2020 and one program in April 2021. As Mark mentioned, we continue to win new mandates in the pharma business and expect five new programs to launch in the third and fourth quarters of this year, giving us good momentum into 2022.

Cost of revenues for the period increased $360,000 compared to the same period in the prior year, primarily driven to the increase in plasma transactions, as many of the plasma transaction costs are variable in nature. Gross profit for the quarter decreased $152,000 compared to the same period last year, resulting from the reduction in pharma revenue offset by the increase in plasma revenue.

We continue to make significant investments in our business to give us the support and technological capabilities needed to efficiently grow the business and launch new prepaid programs. Thus, depreciation and amortization increased 21.3% year-over-year to $614,000.

Regarding the health of our company, we exited the quarter with $6.6 million in unrestricted cash and zero debt, which was unchanged from our first-quarter ending cash and debt balances. Based on our forecast we believe that we remain well capitalized and positioned to weather any further impacts from COVID-19 and its variants.

Lastly, I wanted to direct your attention to the press release where we have updated our thoughts for 2021. For the full year we continue to expect total revenues to be in the range of $29 million to $32 million, reflecting growth of 20% to 32%. We are increasing the lower end of our adjusted EBITDA guidance to a range of $750,000 to $1.9 million. Our gross profit margins are expected to remain over 47% each quarter through the remainder of the year.

Full-year operating expenses are expected to increase modestly to $18 million to $18.5 million dollars, or 2% to 4.9% as we expect further operating investments in the second half of 2021. This outlook presumes that the U.S. does not reenter into lockdown mode and that we continue to see a recovery in the plasma business in the third quarter when unemployment subsidies are scheduled to end in early September, and we roll out new pharma programs that have been signed.

With that I would like to turn the call over to the moderator for Q&A.

Questions & Answers

Operator
Thank you. We'll now be conducting a question and answer session. If you'd like to be placed in the question queue, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. One moment please while we poll for questions. And once again that's star one to be placed in the question queue.

If there are no questions at this time I'd like to turn the floor back over to management at this time.

Mark Newcomer
Thank you very much, Kevin. I'd like to reiterate that we are very pleased with our growing sales pipeline and the strides that we have made in our patient affordability offerings. I'd like to thank the Paysign team for their dedication and for all their hard work.

Thank you for your continued interest, your questions, and your participation in this earnings call. Stay safe, have a nice evening, and we look forward to next quarter’s call.

Operator
Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today.

Duration: 12:10