



## Third-Quarter 2021 Earnings Call

**November 9, 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 third-quarter 2021 earnings conference call. 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 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. Although the company believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements.

You are urged to carefully review and consider any cautionary statements and any disclosures, including the statements made under the heading Risk Factors and elsewhere in the Form 10-K. Forward-looking statements speak only as of the date of the document in which they are contained and the company does not undertake any duty to update any forward-looking statements, expect — except as may be required by law.

This presentation also includes adjusted EBITDA and non-GAAP financial measure that is neither prepared in accordance with nor an alternative to financial measures prepared in accordance based on any standardized methodology prescribed by GAAP and is not necessarily comparable to similarly titled measures presented by other companies. It's now my pleasure to turn the call over to Mark Newcomer. Please go ahead.

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

Thank you, Kevin. Good afternoon, everyone, and thank you for joining us for Paysign's third quarter 2021 earnings call. I am Mark Newcomer, Chief Executive Officer. And joining me this afternoon is Jeff Baker, our Chief Financial Officer.



We are extremely pleased to report continued improvements in our revenue and operating results this quarter. Our net revenue for the quarter was \$7.8 million, a \$7.9 million increase from the third quarter of last year. And a quarterly sequential increase of \$1.1 million or 16.8 percent, as well as an almost threefold increase in our adjusted EBITDA as compared to second quarter of this year. Our third quarter total gross funds loaded increased 24.7% from the year-ago period and increased 7.6% from the previous quarter.

Plasma gross funds loaded increased 42.7% year over year and 10.3% from the previous quarter. Throughout the quarter, we experienced improved results each month despite the U.S. Customs and Border Protection decision limiting the ability for Mexican citizens to donate plasma, which remains in place. In the quarter, we onboarded seven additional plasma centers, bringing our total number of centers to 359. This includes the net result of the loss of four centers, which were sold by a client to a non-client plasma collection company. Currently, we are expecting a total of 10 additional centers to be onboarded by the end of the year.

In our patient affordability vertical, we continue to see good progress and growth. During the third quarter, we launched three of the five new patient affordability programs we signed in the second quarter. We launched the fourth program in October and the fifth program is on schedule and expected to launch in the fourth quarter.

In the third quarter, we renewed two pharma prepaid programs and signed an additional pharma copay program, which is expected to also launch in the fourth quarter pending FDA approval of the drug. We continue to make investments in our patient affordability products and personnel. During the third quarter, our patient affordability pipeline continued to grow. And in late October, we sponsored the Asembia Specialty Pharmacy Summit in Las Vegas. We received overwhelmingly positive feedback on our suite of services and solutions and on presentations made to potential clients reinforcing our optimistic outlook for the segment into 2022 and further in our pipeline well beyond next year.

Additionally, I am pleased to announce that we signed an agreement with Spentra LLC this quarter to provide program management and processing services for their existing payroll card. Spentra is a pay access solution provider that offers a payroll card and patented Money Earned benefit, which allows employees to access up to 50% of their net wages ahead of payday. While we have yet to see our plasma volumes return to pre-pandemic levels due to the lingering economic effects of the pandemic, we are very pleased with our third quarter results.

We saw growth in both plasma and patient affordability, and we expect this trend to continue. We are also very excited about the interest in our patient affordability products. We feel that our unique capabilities place us at the intersection of fintech and healthcare and give us the ability to bridge the gaps left by our competitors. Lastly, I would also like to thank everyone on the Paysign team for their continued dedication and hard work. 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. By all accounts, we had a solid third quarter. As mentioned in the press release, revenues, loss from operations, EBITDA, and adjusted EBITDA all

improved sequentially and year over year, and our balance sheet improved sequentially as a result of the quarter's performance.

While the third quarter continued to be impacted by COVID-19 and government stimulus measures as expected, we did see improving trends as we move through the quarter. Of our total revenues of \$7.8 million, plasma revenue accounted for \$7 million or 91%. Pharma revenue with \$660,000 and other revenue with \$71,000. Our gross margin for the quarter was 51.1%, which was aided slightly by two pharmaceutical programs ending, allowing us to recognize settlement income of under \$100,000.

We were able to renew both programs under our non-settlement income model. SG&A expenses were \$3.6 million, and total operating expenses were \$4.2 million. Our net loss for the quarter was \$271,000. 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 \$955,000 or \$0.02 per fully diluted share outstanding of 52.5 million.

Third quarter gross dollar volume increased 25% versus the year-ago period as we experienced an improvement in plasma donations. Restricted cash ended the quarter at \$63.3 million. Third quarter purchase volume increased 33.9% versus the year-ago period, and our revenue conversion rate, which is revenue divided by gross dollar loads, increased over the second quarter.


Taking a look at the plasma business for the quarter, revenues of \$7 million were up \$1.8 million from the same period last year when the U.S. was under a lockdown. The average revenue per month per plasma center was \$6,542 versus \$5,828 last year, and we exited the quarter with 359 centers versus 304 centers at the end of Q3 last year.

Turning your attention to the pharma business, third quarter 2021 revenues of \$660,000 increased \$6 million compared to the third 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 renew and win new mandates in the pharma business, giving us good momentum into 2022 and beyond.

Cost of revenues for the period increased \$515,000 compared to the same period in the prior year, primarily due to the increase in plasma transactions as many of the plasma transaction costs are variable in nature. Gross profit for the quarter increased \$7.4 million compared to the same period last year due to the increase in both plasma and pharma 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 16.8% year over year to \$628,000.

Regarding the health of our company, we exited the quarter with \$6.9 million in unrestricted cash and zero debt, which is an increase of \$300,000 from our second quarter ending cash balance. 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 the remainder of 2021. For the full year, we continue to expect total revenue 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 \$1.3 million to \$1.9 million.

Our gross profit margins are expected to be at least 49% for the full year. Full year operating expenses are expected to remain flat at \$17.6 million or increase slightly to \$17.8 million with sequential increases expected due to seasonal operational expenditures incurred during the fourth quarter. Depreciation and amortization expense is expected to be approximately \$2.5 million for the full year and stock-based compensation expense is expected to be approximately \$2.4 million for the full year. This outlook presumes that we continue to see a recovery in plasma business in the fourth quarter and we roll out new pharma programs that we have signed. With that, I would like to turn the call over to the moderator for questions and 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 "\*" "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "\*" "2" if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing "\*" "1." Once again, that's "\*" "1" to be placed in the question queue. One moment, please, while we poll for questions. Once again, that's "\*" "1" to ask a question. At this time, I'd like to turn the floor back over to management for any further or closing comments.

### **Mark Newcomer**

Thanks, Kevin. I'd like to again thank the Paysign team for their dedication and all their hard work during the quarter. I want to thank everybody for joining us for today's call. Thank you very much and have a nice evening.

### **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: 11:34**