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First Quarter 2022
Earnings Call

May 11, 2022, 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 Fourth Quarter 2021 Earnings conference call. As a reminder, this conference is being recorded. This presentation may include comments that may be deemed to be forward-looking statements under federal securities laws, and the company intends that such forward-looking statements be subject to the safe harbor created thereby.

All statements other than statements of fact included in this release are forward-looking statements. Such forward-looking statements include, among others, that our unrestricted cash, anticipated revenues and profits will be sufficient to sustain operations for the next 12 months; that the expected total revenue, gross profit margins, operating expenses, depreciation and amortization, stock-based compensation, adjusted EBITDA, plasma revenues and pharma revenues for 2022 meet our expectations; that the company will continue to post year-over-year improvements; that the company's growth prospects in plasma, pharma and other prepaid business materialize; and that the company will continue to be affected by COVID-19-related to labor shortages.

We caution that these statements are qualified under important risks, uncertainties and other factors that could cause actual results to differ, materially, from those reflected by such forward-looking statements.

Such factors include, among others, the inability to continue our current growth rate in future periods; that a downturn in the economy including as a result of COVID-19 and variants, as well as further government stimulus measures could reduce our customer base and demand for our products and services, which could have an adverse effect on our business, financial condition, profitability and cash flows; operating in a highly regulated environment, failure by us for business partners to comply with applicable laws and regulations, changes in the laws regulations, credit card association rules or other industry standards affecting our business; that a data security breach could dispose us to liability and protracted and costly litigation and other risk factors set forth in our Form 10-K for the year ended December 31, 2021.

Except to the extent required by federal securities laws, the company undertakes no obligation to, publicly update, or revise any statements made today, whether as a result of new information, future events or otherwise.

This presentation also includes adjusted EBITDA, a 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. Good afternoon, everyone, and thank you for joining us for Paysign's First Quarter 2022 Earnings Call. I'm Mark Newcomer, Chief Executive Officer. And with me this afternoon is Jeff Baker, our Chief Financial Officer. First, I would like to say that we are pleased with our first quarter results, as we reported Q1 2022 revenue of $8.2 million, an increase of $1.9 million, or 31% over Q1 2021.

Throughout the first quarter, we saw our load and spending trends continue to improve, as the number of plasma donations increased, as well as seeing an increase in average donor compensation. Funds loaded on cards was up 16.2% over first quarter last year and up 7.6%, over last quarter. The first quarter spend volume increased 24.7% from last year and was slightly down at 1.3%, over last quarter. This is consistent with the normal seasonality we see in the plasma donor spending habits in the first quarter.

We onboarded nine new plasma centers, ending the quarter with a total of 375 centers. With the increase in new centers and the increase in transaction volumes, we saw a 37% increase in plasma revenues and an increase in monthly revenue per center to $6,672 per center, up from $5,260 in the first quarter of 2021.

On the patient affordability side, we onboarded four new pharma copay programs. Additionally, we developed two new patient affordability products to address the pending regulatory changes, which come into effect in 2023, that will impact pharmaceutical manufacturers.

We devoted our sales and product resources in the pharma vertical to raise an awareness of these products ahead of the Asembia 2022 Conference that took place the first week of May. During the conference, our sales, product, and account management teams were fully booked and received excellent feedback from current and potential clients.

Based upon feedback that was received, during and immediately following the conference, we believe our products place us in the best position to assist current and potential clients with appropriate mitigation strategies regarding future best price implications imposed by the new regulations. This is an area where we are truly seeing our fintech and healthcare expertise converging to maximize our effectiveness in the marketplace, generate additional interest within our target market, and develop new products and strategies to navigate a rapidly changing regulatory environment within the healthcare space.

Finally, for the remainder of 2022, we continue to have a strong pipeline across all of our product verticals, as we execute on our strategy. Our Q1 key performance indicators are showing that we are returning to pre-pandemic normalcy for the business.

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

Jeff Baker – *Chief Financial Officer*
Thank you, Mark. Good afternoon, everyone. As Mark pointed out, we are pleased with the start of our 2022 operating results with revenues, loss from operations, EBITDA, adjusted EBITDA, and transactional trends all improving year-over-year.

Our business appears to be returning to a more seasonal operating pattern, where plasma revenues declined, sequentially, from the fourth quarter due to tax season and then increased, as we move throughout the year.

With all of the details we provided in the press release, and that will be available in our 10-Q tomorrow, I will simply hit the financial highlights for the first quarter 2022, relative to the first quarter of 2021.

Total revenue of $8.2 million increased $1.9 million, or 31% versus the year-ago period. Of that amount, plasma revenue was $7.4 million, an increase of 37%. Pharma revenue was $800,000, a decrease of 9%, and other revenue was $20,000, an increase of 47%. The average revenue per month per plasma center was $6,672 versus $5,260 last year.

We added nine centers during the quarter, ending with 375 centers versus 343 centers at the end of Q1 2021. Also of note, we have added an additional 11 centers since the end of March, bringing our total number of plasma centers to 386, to date.

Gross profit margin for the quarter was 60.8% versus 45.1%, an increase of over 15 percentage points. As we mentioned during our last conference call, this was expected, due to the renewal and restructuring of an agreement this quarter, along with continued operating leverage inherent in our business model.

SG&A increased 20.1% to $3.4 million, and total operating expenses were up 19.3% to $5.3 million. Included in these numbers were unusual legal settlement costs of $354,000. Without these legal settlement costs, SG&A would have increased 15.4% to $3.0 million.

Adjusted EBITDA, which adds back stock compensation to EBITDA, was $927,000, or $0.02 per diluted share, and marks the fourth consecutive quarter of positive adjusted EBITDA. If not for the unusual legal settlement costs mentioned, adjusted EBITDA would have been $1.3 million for the quarter.

Regarding the health of our company, we exited the quarter with $8.5 million in unrestricted cash and zero debt, which is an increase of $1.1 million of unrestricted cash from our fourth quarter ending cash balance.

We remain optimistic that the headwinds our business faced during COVID-19 are behind us, as we return to a more normalized business environment. While we are not changing our guidance for 2022 at this time, there appears to be positive trends evolving with our plasma business.

Additionally, we were happy to learn on Tuesday that the U.S. Court of Appeals for the D.C. Circuit overturned a prior ruling, whereby a judge had ruled that plasma companies lack standing to bring suit against the U.S. Customs and Border Protection who had stopped Mexican nationals from donating plasma with B-1 visas. Now it appears the plasma companies will get to move forward with their lawsuit.

Also, as Mark mentioned, we are well positioned with our pharma business and the solutions we have in place in anticipation of the upcoming CMS rule change January 1, 2023.

With that, I would like to turn the call back over to the moderator for questions and answers.

Operator
Thanks. We will 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". One moment, please, while we poll for questions.

Our first question today is coming from Gary Prestopino from Barrington. Your line is now live.

Gary Prestopino
Thanks. Good afternoon, everyone. A couple of things here. It looks like, as I annualize your revenue for plasma center, it looks like it's about $80,000 versus $63,000. And by my math that's still below 2019.

Is all of that attributed really to what's going on in the southern border, or is it still more or less a part of that is that people are still not donating as much because of government transfer programs, for instance?

Jeff Baker
No, Gary, a lot of that is on the southern border. I mean, if you look at it, we think it's about another 10% per month in the average revenue per center, per month. So that would be one. And we are still seeing some labor shortages at the donation centers.

So, people are just unwilling to wait long times to donate plasma. So, we're making good headway in the industry overall, and there are some good trends that are evolving, even through to date. But I would say, we're not hitting on all six cylinders right now, from an industry perspective.

Gary Prestopino
Okay. And then you mentioned the increase in expenses which, obviously, we're in an inflationary period, here. What are some of the increases in people and investments that you're going to be making? Is it a lot of sales and marketing?

Jeff Baker
Well, with the CMS rule and the build-up of our business, we'll be continuing to invest on the sales and kind of operations side. We're also continuing to invest in technology as we bring these new products and services to light. It's additional development.

So, it's really across the board. And you're right. I mean, inflationary pressures, we're seeing it on insurance. We're turning more to a normalized travel world. T&E is going up. So, everything relative to the previous year is going up.

Now, I will turn your attention to the fact that we had some legal settlements there that made it a little bit higher than normal, where on an adjusted basis the increase would have been around 15%. But still costs are going to go up.

Gary Prestopino
Is there anything you guys can do on your fee structures to try and mitigate some of this inflationary pressure? This is a question due to my unfamiliarity with the business.

Jeff Baker
Mark, do you want to take that one?

Mark Newcomer
Yeah, I mean, we can to a point based on our competition. But at this point, I would say that we're fairly comfortable where we're at. We will raise some of our prices on implementations and some overall management fees. I think that would be the area that we'd raise them in.

Gary Prestopino
Okay. Thank you.

Jeff Baker
And the other thing, Gary, I'd add to that is, I mean, even despite the increase in the cost on the SG&A side, I mean, we still have very good operating leverage that you're seeing flow through the numbers. So, the increase on the top line is definitely flowing down to the bottom line.

Operator
Thank you. We reached the end of our question-and-answer session. I'd like to turn the floor back over for any further or closing comments.

Mark Newcomer
Thanks, Kevin. I want to thank everyone for your participation. We appreciate you jumping on the call today, and we'll look forward to speaking to you next quarter.

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: 14:05