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First Quarter 2023
Earnings Call

May 10, 2023, 5:00 p.m. Eastern Time

Presenters:
- **Mark Newcomer** – *Paysign – Co-Founder and Chief Executive Officer*
- **Jeff Baker** – *Paysign – Chief Financial Officer*
- **Matt Turner** – *Paysign – President, Patient Affordability*

Q & A Participants:
- **Jon Hickman** – *Ladenburg Thalmann*

Operator
Good afternoon, everyone. My name is Kevin and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Paysign Inc., First Quarter 2023 Earnings Conference Call. After the speakers remarks, there will be a question-and-answer session. If you'd like to be placed into question, please press star one on your telephone keypad.

As a reminder, this conference call is being recorded. The comments on today's call regarding Paysign's financial results will be on a non-GAAP basis unless otherwise noted. Paysign's earnings release was disseminated to the SEC earlier today and can be found on the Investor Relations section of our website, paysign.com, which includes reconciliations of non-GAAP measures to GAAP reported amounts. Additionally, as set forth in more detail in our earnings release, I'd like to remind everyone that today's call will include forward-looking statements regarding Paysign's future performance. Actual performance could differ materially from these forward-looking statements. Information about the factors that could affect future performance is summarized in the end of Paysign's earnings release and in our recent SEC filings. Lastly, a replay of this call will be available until August 10th, 2023. Please see Paysign's earnings release for details on how to access the replay.

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

Mark Newcomer – *Co-Founder and Chief Executive Officer*
Thank you, Kevin. Good afternoon, everyone, and thank you for joining our First Quarter 2023 earnings call. I'm Mark Newcomer, Chief Executive Officer, and I'm pleased to share our results with you today.

We have seen solid growth in this quarter, and I will be discussing our high-level results and providing updates on our plasma and patient affordability verticals, then handing it over to our CFO, Jeff Baker, for further details.

The first quarter is typically our weakest quarter of the year as plasma donors receive their tax-free funds. I am pleased to report that our Q1 revenue reached 10.1 million, representing a 23% increase compared to Q1 2022. Our load volumes increased 17% and our spend volumes increased 31% compared to the first quarter of last year. During the quarter, we expanded our center count to 439. We added ten new centers from existing clients, saw 11 centers closed for non-performance and four centers sold to a non-client.

Our negotiations with one of the four largest plasma collection companies are on-going following our RFP win. We have also executed contracts with two new entrants in the plasma space with expected center launches in Q3 2023.

The global plasma fractionation market, as estimated by growth plus reports, was worth $29.83 billion in 2022. The market revenue is projected to grow at a kegger of 6.9% from 2023 to 2031, reaching $54.37 billion. The United States continues to be the leading provider of plasma, supplying two thirds of the world's demand with an annual growth rate of 6% to 8%. We maintain our forecast for 45 to 55 new center openings and expect strong year-over-year growth in plasma from both existing and new clients.

Moving on to our patient affordability business, in 2021, we saw continued growth in this vertical with seven new programs launching. Over the last two quarters, we have experienced a consistent increase in new program acquisition and claim volume. And we expect to maintain this positive momentum throughout the year.

Three of the programs that launched in the first quarter were from a top 25 pharmaceutical manufacturer. This unique program offers free goods to specific patient populations, covering more than ten brands. And supports a portfolio of free drug programs.

Our success in winning new business is directly related to our innovative products addressing critical industry issues such as copay accumulators and maximizers. We are expanding the therapeutic classes addressed by our services, which is crucial for winning new business and larger programs this year. The selling cycle for small to mid-sized programs remains close to 90 days, indicating strong reception of our products in the marketplace. We recently participated in the annual Asembia summit in Las Vegas, where we held over 45 in-person meetings with potential clients. Our team secured meetings with ten of the top 20 pharmaceutical manufacturers in the United States. We believe our innovative solutions, subject matter, expertise, and superior service are attracting decision makers, controlling broad portfolios of pharmaceuticals.

We are making headway in winning portfolio contracts, which would significantly increase our top-line revenue, claim volume and market position. Our agility, dedicated teams and focused product offerings allow us to outperform larger competitors with decades of experience. Our clients consistently provide positive feedback on the quality of our services and our on-going innovation. Many of the programs we are launching are transition programs where we are replacing existing competitors. This success demonstrates our ability to begin dominating the market. I am confident in our patient affordability team's ability to continue adding long lasting and diversified revenue streams. Jeff, over to you.

Jeff Baker – *Chief Financial Officer*
Thank you, Mark. Good afternoon, everyone. As Mark pointed out, we are beginning to build real momentum with our patient affordability business, while our plasma business continues to show steady and improved growth. For those unfamiliar with our patient affordability business, this is the same as our pharma co-pay business, which is reported in our financials under our pharma line of business.

The momentum in our patient affordability business can be confirmed by looking at the seven new programs we added during the quarter, bringing our total number of active programs to 26. Patient affordability revenues more than doubled to $590,000 versus $261,000 during the same period last year. Our plasma business continued its growth exiting the quarter with 439 centers versus 375 centers during the same period last year. Our average revenue per plasma center per month also grew to $7,066 versus $6,672 a year over year increase of 5.9%.

We are encouraged by this growth as the first quarter has typically been our weakest quarter of the year. Thus, we believe we have established a good baseline for the rest of the year. As in previous calls, with all the details we provided in the press release and that will be available tomorrow morning, I will simply hit the financial highlights for the first quarter of 2023.

The first quarter 2023 total revenues of $10.1 million increased $1.9 million or 23%. Of that amount, plasma revenues increased 27% to $9.4 million. Pharma revenues declined 27% to $590,000. And other revenue increased 883% to $194,000. It is important to note that all of the pharma revenues reported this quarter and all quarters going forward are made up 100% of our patient affordability or pharma co-pay business. Thus, there was no pharma prepaid revenue this quarter, but there was $545,000 of pharma prepaid revenue during the same period last year. As previously disclosed, all pharma prepaid business ceased in November of 2022.

Gross profit margin for the quarter was 49.8% versus 60.8% during the same period last year. There are a number of moving pieces to explain the decline, including the lack of revenue from our highest margin pharma prepaid business, a one-time timing benefit of commission obligations due that were related to a contract renewal last year, price increases by our service providers implemented in the second half of last year and internal inflationary wage pressures related to our customer service representatives.

SG&A for the quarter increased 6.6% to $4.9 million, with total operating expense increasing 8.8% to $5.8 million. In addition to inflationary wage pressures across the company, we made significant investments over the past year to support the continued growth in our business. Exiting this year with 112 employees versus 80 employees during the same period last year. For the quarter, we posted a net loss of $160,000 or just under break even per diluted share versus a net loss of $309,000 or a net loss of $0.01 per share.

The first quarter adjusted EBITDA, which adds back stock compensation to EBITDA, was $720,000 or one penny per diluted share versus $927,000 or $0.02 for the same period last year. Regarding the health of our company, we exited the quarter with $6.4 million in unrestricted cash and zero debt, which is a decrease of $3.3 million from our December 2022 ending cash balance. $666,000 of the cash usage was related to our share repurchase. We expect the first quarter to be a high-water mark for cash usage after adjusting for working capital needs related to our pharma copay business.

Now turning your attention to our guidance in the press release. We are not changing our guidance for full year 2023 that has been previously provided. For the second quarter of 2023, we expect total revenue to increase 15% to 20%, and adjusted EBITDA to increase 5% to 10% from the second quarter of 2022.

Again, we are excited about the traction and growth we are experiencing in our patient affordability business and the on-going growth in our plasma business. The success in both of these businesses is being driven by our innovative solutions, subject matter, expertise and superior service. With that, I would like to turn the call back over to Kevin for question-and-answers.

Questions & Answers

Operator

Thank you. We'll now be conducting a question-and-answer session. If you'd like to be placed into question queue, please press star one at this time. 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. For participants using speaker equipment may be necessary to pick up your handset before pressing star one. One moment please, while we pull for questions.

Once again, that's star one to be placed into the question queue. Our first question today is coming from Jon Hickman from Ladenburg. Your line is now live.

Jon Hickman – Ladenburg Thalmann

Hello. Can you refresh my memory about the difference in gross margins between your plasma and your pharma business? Just on average?

Jeff Baker

Yeah, Jon. The plasma business gross margin is going to be around the upper 40s, low 50s depending on volumes. And then the pharma copay is going to be around the upper 70s to 80% range.

Jon Hickman

Okay. I heard what you said about your competitive advantages on the pharma business, your patient affordability. Is there one of those things that – I mean, is something happening in the industry or anything like that to kind of help you jumpstart this business?

Matt Turner – President, Patient Affordability

Hi, Jon. Matt Turner here. So, I think a big thing we've been focusing on is solutions that are related to combating copay accumulator and maximizer programs. We started working on those solutions last year, and now we're really seeing those take hold and we're able to get additional programs from larger clients, kind of coming out of last year and into the first quarter of this year and then moving forward through this year.

Jon Hickman
So, you added seven new programs this quarter.

Matt Turner
That's correct, yes.

Jon Hickman
Can you give us any idea of the pipeline? Like is it a couple dozen?

Matt Turner
Yeah, I don't think I can give a number right here, but we feel very strongly about the pipeline. We've got a variety of different size manufacturers and different size programs in the pipeline for this year. We've got programs for bringing up this quarter, and we do have programs scheduled to launch throughout the remainder of the year.

Jeff Baker
Jon, on the last call, we gave a little insight into that. We were either live with customers, which would include the seven that went in the first quarter, or were in contract, or had verbal, for a total of 19. That pretty much took us through the end of September. Most of the programs that are boarded are done earlier in the year versus late in the year – like I said, we launched seven and the pipeline back then was 19.

Jon Hickman
Okay. Well, thank you. Appreciate it.

Jeff Baker
My pleasure.

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

Mark Newcomer
Thank you very much for joining everyone. We'll look forward to speaking to you next quarter. You all have a good upcoming weekend.

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

Duration: 14:33