



## Second-Quarter 2023 Earnings Call

**August 08, 2023, 5:00 p.m. Eastern Time**

### Presenters:

- **Mark Newcomer** – *Paysign, Chief Executive Officer*
- **Jeff Baker** – *Paysign, Chief Financial Officer*
- **Matt Turner** – *Paysign, President Patient Affordability*

### Q&A Participants

- **Gary Prestopino** – *Barrington Research*
- **Jon Hickman** – *Ladenburg Thalmann*

### Operator

Good afternoon. 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. Second 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 the question queue, you may press star, one, at any time. As a reminder, this conference call is being recorded.


The comments on today's call regarding Paysign's financial results will be on a 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](https://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 would 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 the future performance is summarized at the end of Paysign's earnings release and in our recent SEC filings. Lastly, a replay of this call will be available until November 8th, 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.

### **Mark Newcomer** – *Chief Executive Officer*

Thank you, Kevin. Good afternoon, everyone. Thank you for joining our second quarter 2023 earnings call. I'm Mark Newcomer, Chief Executive Officer, and I'm pleased to share our quarterly results with you. I will briefly discuss our performance and provide updates on our plasma and



patient affordability verticals before handing it over to our CFO, Jeff Baker, for further details. Additionally, Matt Turner, President of Patient Affordability, will be joining us for the question and answer session.

We experienced solid revenue growth this quarter, up 28% from last year's second quarter, reaching \$11 million as we continue to add new programs throughout our business segments. Our load volumes increased 8%, and our spend volumes increased 11%, compared to the second quarter of last year. We've witnessed healthy growth in our plasma compensation business, which has rebounded from the normal seasonal downturn mostly associated with Q1 tax refunds.

During the second quarter, we onboarded six new centers while two centers were closed, leaving us with a total of 443 centers by the end of the quarter. The average monthly revenue per center increased 13% compared to Q2 of last year. As donors keep returning post-pandemic, our growth remains steady. We were awarded 16 additional mature centers from an existing client, and they went live in mid-July, bringing our total center count to 461 centers.

During the quarter, we concluded contract negotiations following our RFP win with one of the four largest plasma collection companies. We expect to onboard the initial center in Q4 with more centers to follow in 2024. Given our progress and our clients' expansion plans, we're expecting to hit the high end of our forecast to open 45 to 55 additional centers in 2023.

Today, I'd like to delve deeper into our Patient Affordability segment, highlighting our excitement and the potential of this business vertical. In 2019, we reentered this space with the goal of expanding our offerings. We invested in a dedicated team, both the business and IT side, aiming to develop industry-leading solutions that prioritize customer experience and pricing transparency. With a total addressable market, which we believe dwarfs the plasma industry, we invested heavily into the infrastructure necessary to successfully introduce and deliver these solutions.

As pharma companies recognize the value, cost savings, and disruption our solutions could bring, our traction in the market has grown. Much like our approach to plasma, we first surveyed and understood the market, identified pain points, and developed targeted solutions. Initially, our offerings were met with skepticism due to our status as a new entrant in the space. We heard a lot of "you're a small company and untested, but you have an interesting solution. Here's a tiny piece. Let's see if you can do something." And just like our plasma business, we proved our capabilities and began to take business from established competitors.

Our Patient Affordability segment is showing growth reminiscent of our plasma segment. We've launched five new patient affordability programs in the second quarter, bringing our total to 31 active programs, an increase of 107% compared to Q2 2022. Moreover, our revenue from patient affordability saw 133% increase in the same period. Of the 31 current programs, 13 are mature programs transitioned from established vendors, nine of which went live this year. We believe we will continue to win contracts for both new launches and mature programs, as our pipeline is extremely robust.

We anticipate our program count to approach 40 to 50 programs by the end of the year. Claim volume has increased month over month for the first two quarters compared to last year, a more

than 85% increase. That increase represents the mature programs onboarding and their established claim volumes.

To shed more light on our pharma clientele, 18 of the top 20 U.S. pharmaceutical companies by 2022 revenue, as published by Fierce Pharma, could benefit from our solutions. Of those, we currently have programs running with three, just executed an additional agreement with another, and we're in active collaboration or negotiation with an additional five. We have seen significant growth in our Patient Affordability revenue, more than doubling, and project further strong growth starting in Q4 and throughout 2024.

Many of the programs we're preparing for launch are mature, which will contribute to immediate claim volumes. By the end of this year, we anticipate more than doubling our claim volume from January. I want to reiterate. We are unseating vendors with 20 years in this space, with long-lasting relationships with many of these clients. The journey to this point has been challenging, but our success is evident and growing.

I hope these insights convey our enthusiasm about the Patient Affordability segment. 2023 marks the continuation of what has been and should continue to be an accelerated growth phase for this division. Given the current state of our pipeline, we're optimistic our shareholders will share our excitement.

It's worth pausing to consider the human impact of our work. We're part of a mission that provides extended life possibilities to cancer patients and offers financial access to critical therapies for patients with rare diseases. Each patient reenrollment signifies that our efforts may have helped extend their lives. We are proud to support these patients and look forward to helping many more.

With that, I'll turn it over to Jeff.

### **Jeff Baker – Chief Financial Officer**

Thank you, Mark. Good afternoon, everyone. Our plasma business continues to be the foundation for our business, providing us the opportunity to invest and diversify our business into other attractive vertical markets such as our fast-growing pharma Patient Affordability channel, as Mark just elaborated. Since beginning this journey in 2019 and exiting 2020 with four programs and revenues of \$168,000, we are beginning to see the fruit of this investment pay off with patient affordability revenues expected to more than double to over \$3.5 million in 2023. For the second quarter, patient affordability revenues increased 133% to \$729,000 versus \$313,000 during the same period last year.

Our plasma business continues its growth, exiting the quarter with 443 centers versus 437 centers during the same period last year. Our average revenue per plasma center, per month, also grew to \$7,587 versus \$6,716, a year-over-year increase of 13%. As Mark mentioned, since the end of the quarter, we transitioned 16 mature centers in mid-July and added two additional De Novo centers during the month, bringing the total number of centers to 461 at the end of July. Our expectation is to exit this year with approximately 480 centers, which includes the centers that have been added and the ones that have been sold or closed during the year. For the second quarter, plasma revenues increased \$2.2 million or 28.3% over the same period last year.

As in previous calls, with all the details we provided in the press release and that will be available in our 10-Q filing tomorrow morning, I will simply hit the financial highlights for the second quarter of 2023 versus the same period last year. Second quarter 2023 total revenues of \$11 million increased \$2.4 million or 28.4%. Gross profit margin for the quarter was 50.9% versus 54.6% during the same period last year, due mainly to inflationary pressures present this year that were not present last year and the lack of pharma prepaid revenue this year, which was a 1.9% drag.

SG&A for the quarter increased 24.6% to \$5.3 million, with total operating expenses increasing 26% to \$6.3 million. In addition to inflationary wage pressures across the company, as Mark mentioned, we have made significant investments in IT and employees over the past year to support the continued growth of our business, exiting this quarter with 108 employees versus 90 during the same period last year. For the quarter, we posted a net loss of \$104,000 versus a net loss of \$228,000. Earnings per share for both periods were just under breakeven.

The second quarter adjusted EBITDA, which is a non-GAAP measure that adds back stock compensation to EBITDA was \$1.1 million or \$0.02 per diluted share, versus \$930,000, also \$0.02 per diluted share for the same period last year. The fully diluted share count for the quarter is used in calculating the per share amounts was 54.5 million and 52.4 million, respectively. Regarding the health of our company, we exited the quarter with \$7.7 million in unrestricted cash and zero debt, a \$1.3 million increase over the first quarter and a \$2 million decrease from the year-end 2022.

Year-to-date, we have used just under \$1 million to repurchase 319,558 shares of our common stock. We are expecting continued growth in our plasma and pharma patient affordability business and are on track to meet our revenue and adjusted EBITDA guidance we provided in March, principally, revenue to be in the range of \$44 million to \$46 million and adjusted EBITDA to be in the range of \$6 million to \$7.5 million.

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

## 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 would like to remove your question from the queue. One moment, please, while we poll for questions.

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

### Gary Prestopino

Hey. Good afternoon, everyone. Jeff, I know this will be in the queue, but I'm just wondering, do you have the load values and the spend values handy?

### Jeff Baker

Yeah. Just give me one, two seconds. So, our total load value, total number of loads was six million and total dollar value loaded was \$404.7 million.



**Gary Prestopino**

Okay. All right. That's great. Thank you. And then could you help us out here with the differential of gross margin dollars versus plasma versus Patient Affordability? I mean, how much more of an uplift on gross margin dollars per dollar of sales do you get on Patient Affordability versus plasma?

**Jeff Baker**

So, our patient affordability margins are running in the 80-ish% range. The plasma gross margins are in the upper 40% to low 50% range. There are more third-party costs associated with the pharma side. I mean, with the plasma side versus the pharma side.

**Gary Prestopino**

Okay. So obviously, then, as you grow this Patient Affordability, it's going to be a very positive impact to your margins?

**Jeff Baker**

It will to the gross margins. What I will caution you with is that it's not the fully loaded margins in the business where if you look at IT, also individuals, it's more of an in-house solution versus a third party, using more third-party vendors. So, there's more costs associated, they're just below the line.

**Gary Prestopino**

Okay. That's good to know. And then did I hear you right, Mark, that you said the claims volumes were up 85% on these patient affordability programs in the quarter, is that correct? Or is that from the - what is that measurement from?

**Mark Newcomer**

Yeah, that's correct. It was for the first half.

**Gary Prestopino**

First half of this year. Okay.

**Mark Newcomer**

Yeah.

**Gary Prestopino**

Thank you.

**Mark Newcomer**

You're welcome.

**Gary Prestopino**

Okay. I'll let someone else jump in.

**Operator**

Thank you. As a reminder, that's star, one, to be placed in the question queue. Our next question is coming from Jon Hickman from Ladenburg. Your line is now live.



**Jon Hickman**

Hi. Thanks for taking my question. I'm sorry, I didn't quite catch, you made a comment about, I think this was Mark speaking, about a new plasma customer and you got one center in this quarter, and you expect more at the end of the year, so you can reach your 480 center goal. Can you reiterate what you said about that new customer?

**Mark Newcomer**

Yeah. What I was talking about was it was one of the RFP wins we had with one of the top four plasma companies in the country. We'd spoke about it in previous quarters. We finally--

**Jon Hickman**

Didn't it come in last quarter?

**Mark Newcomer**

It did. It came in towards the end of last year, that's correct. So, it's obviously been - it's moved fairly slow. We now have our first center going live in Q4. And then subsequent centers will launch in 2024.

**Jon Hickman**

Okay. Can you tell us anything more about what's going on at the border? I know those were reopened for you. How's traffic?

**Jeff Baker**

Yeah, Jon. I mean, believe it or not, traffic is finally starting to come back. It's kind of inching up every month, but it's still not back to where it was pre-COVID. But we are definitely seeing more Mexican nationals donating than they have been. It's just about 50/50, between Mexican nationals and U.S. citizens that are donating there.

**Jon Hickman**

Okay. Thanks. That's it for me.

**Operator**

Thank you. Next question is a follow-up from Gary Prestopino from Barrington Research. Your line is now live.

**Gary Prestopino**

Yeah. You talked about, you won this large RFP and you're going to be getting at least one center on by the end of this year. Is that correct?

**Mark Newcomer**

That's correct.

**Gary Prestopino**

Can you give us some idea of the magnitude of how many centers will be activated in 2024 due to winning this RFP?

### **Mark Newcomer**

The RFP, I mean, not really. I mean it's one of the fourth largest plasma companies. So, as you can imagine, they have hundreds of centers. Really, we're putting up our offering and they will dictate which centers they will push over to us. So, it's hard for me to give you an accurate count at this point in time. We do expect subsequent centers falling in 2024. I think at that point, we'll be able to probably give a little better guidance on that.

### **Gary Prestopino**

Okay. That will be very helpful. And then, Mark, you talked in your narrative about your initial forays into Patient Affordability and clients looked at you and said, hey, you're a small company, but we'll give you a little piece of it. And it's starting to really gain some traction. Could you maybe go into what you are doing that is allowing or enabling you to gain this traction in market share, maybe versus the competition?

### **Matt Turner – *President Patient Affordability***

Yeah. So, this is Matt Turner. I think we've, one, started developing solutions to some industry problems such as the accumulator maximizer problems and that's really kind of a deep rabbit hole to get into on this call. But it represents, the accumulator maximizer programs, represent a risk to our clients financially because it could cause their co-pay programs to just cost way too much money.

And so, we've developed some incredibly successful targeted solutions to address that, and I think there's a good part of what we're doing that's just really focusing on kind of a white glove client experience, right? A lot of the competitors in the market space walked away from that. They over-commoditized, I guess, is the best way you could put it. And so, we're focusing more on the expertise that it takes to do the job and bringing new solutions to the table, combining that with a really solid client experience.

### **Gary Prestopino**

Is there anything on the technology basis that you have that's a competitive advantage in this market that can't be duplicated by a competitor?

### **Matt Turner**

Yeah. So, I mean, there's a lot of technology involved in what we do, right? I mean, it's a complex ecosystem. As far as somebody else never being able to duplicate it, I don't know that that's necessarily the case, but it took us a while to kind of get the solution up and running, and I don't think we're going to see anybody successfully imitate us for some time. They've had years to jump on top of this and they failed. And in 24 months, we've launched a new solution and have begun selling it now to top five pharma companies. So, I'm not overly concerned that they're going to be able to imitate us anytime soon.

### **Gary Prestopino**

How big is your sales force right now for this market? I mean, if it's bigger than the plasma market, are you going to be pushing more resources into this market and adding sales strength?

### **Matt Turner**

Yeah. So last call, we talked about Bryan Dennison, who was brought on, I think, right in February as Senior VP for Sales for us. And then he has two folks that are kind of the bulk of the sales force, and they have a support person there with them. We'll continue to evaluate the need for additional salespeople. Right now, the two that we have are doing an amazing job in keeping everybody here very, very busy.

And we've hired top talent on the sales side. We haven't gone in and looked at trying to have entry-level people and training them in becoming a salesperson. These are industry veterans that have a lot of connections and very thick rolodexes. So, they're incredibly successful in what they're doing now. And maybe towards the start of next year, we'd evaluate adding more salespeople, but I think right now, we're rightsized in the sales staff.

### **Jeff Baker**

Gary, the bigger employee or cost is kind of going to come into client management support on the salespeople and dedicated support. I mean, these pharmaceutical companies we're signing up, like Matt mentioned, they lack the white glove service from their old provider. We're giving them the white glove service. We can do that cost effectively, but we continue to bring in these customers which we're going to have to continue to add at that level. So, it's not the senior level but definitely the client support side level.

### **Mark Newcomer**

And then I also think it's important to say that we still have our hub strategy. And that hub strategy allows us to kind of play off some of our hub partnerships that are bringing a lot of business to the table for us. So, I think that's, no.

### **Gary Prestopino**

Okay. And then just one last question, more of a modeling question. This business here is taking the place of another business that you had. I forget what that was called, but when will all of those revenues out of the equation on a comparable quarterly basis? Is it starting in Q3 or is it more Q4?

### **Jeff Baker**

No. So, you're referring to our prepaid business. Yeah, the last prepaid revenues in pharma were in Q4 of last year. So, starting in Q1 of 2024, you'll have an apples-to-apples, but I will point to our investor presentation on our website. We have split out the revenues from the prepaid business and our Patient Affordability business. So, you can see a true apples-to-apples comparison.

### **Gary Prestopino**

All right. I'll take a look at that. Thank you very much.

### **Jeff Baker**

Yep.

### **Operator**

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





**Mark Newcomer**

Thanks, Kevin. Thank you all for joining us today, and we look forward to updating you on our continued progress in the next earnings call. You all have a wonderful day.

**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: 23:59**