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Q4 and Full-Year 2024

Earnings Call

**March 25, 2025, 5:00 p.m. Eastern Time**

**Presenters:**

- **Mark Newcomer** – *Paysign – President and Chief Executive Officer*
- **Jeff Baker** – *Paysign – Chief Financial Officer*
- **Matt Turner** – *Paysign – President of Patient Affordability*
- **Matt Lanford** – *Paysign – Chief Payments Officer*

**Q&A Participants:**

- **Jacob Stephan** – *Lake Street Capital Markets*
- **Gary Prestopino** – *Barrington Research*
- **Peter Heckmann** – *D.A. Davidson*

**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. Fourth Quarter and Full-Year 2024 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, 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 at the end of Paysign's earnings release in our recent SEC filings.

Lastly, replay of this call will be available until June 25, 2025. Please see Paysign's fourth quarter and full year 2024 earnings call announcement 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 – *Paysign – President and Chief Executive Officer***
Thank you, Kevin. Good afternoon, everyone, and thank you for joining us on today's earnings call. We are excited to share Paysign's results for the fourth quarter and full year 2024. I'm Mark Newcomer, President and Chief Executive Officer, and joining me today is Jeff Baker, our Chief Financial Officer. Additionally, Matt Turner, our President of Patient Affordability, and Matt Lanford, our Chief Payments Officer, will be available during the Q&A session.

Earlier today, we announced our fourth quarter and full-year financial results for 2024, which demonstrated continued strength and exceptional momentum in revenue growth and adjusted EBITDA. For the full year, revenue increased by 23.5% to $58.4 million, and adjusted EBITDA increased 43.3% to $9.6 million. Equally impressive, our adjusted EBITDA margins improved by 230 basis points to 16.5% as we continue to demonstrate operating leverage in our business model.

In 2024, our patient affordability business firmly established itself as our primary growth driver, delivering exceptional results across all key performance indicators. Annual revenue in this segment grew 212% year-over-year, reaching $12.7 million compared to $4.1 million in 2023. Claims processed increased by an impressive 272%, and we added 33 net programs, representing a 77% increase over the previous year. These new programs consisted of both new and transition programs across various therapeutic classes, including both retail and specialty drugs covering pharmacy and medical benefits.

Our continued ability to win additional programs from our current customers is a testament to our excellent processes, exceptional service, and the tangible cost savings exceeding $100 million that our proprietary dynamic business rules delivered to our clients in 2024.

Our sales cycle remains efficient, within the 90 to 120 day range, and our sales pipeline continues to be robust. We fully expect our patient affordability business to sustain its strong growth trajectory in 2025, projecting to at least double in revenue once again this year.

Turning to our plasma donor compensation business, this segment contributed $43.9 million in revenue for the year, representing a 4.6% increase over 2023's $42 million. We exited 2024 with 480 centers, an increase of 16 centers over the previous year, and anticipate adding an additional 10 to 15 centers in 2025, with four centers already added to date. Fourth quarter plasma revenue was down 6.2%, primarily driven by fractionators working through an oversupply of source plasma, a natural outcome following rapid industry expansion of centers from 2020 to 2023. Another contributing factor was increased donation yields resulting from the latest plasmapheresis hardware upgrade cycle, leading to reduced donor compensation payments and fewer overall donations in the fourth quarter. We expect these conditions to persist through at least the remainder of the year. As this is a high variable cost business, we believe that we can effectively manage through this downturn.

Our long-term strategy remains focused on expanding the depth and breadth of our solutions to create new revenue streams, especially in the maturing segments of our business. We envision payments as a component of the overall consumer engagement ecosystem and not just the completion of a monetary transaction. To that end, we announced the acquisition of Gamma Innovation LLC and the appointment of Michael Ngo as Paysign's Chief Innovation Officer, as outlined in a press release earlier today. I encourage you to read the announcement if you haven't already done so. Michael and his talented team bring considerable expertise and an innovative product portfolio of existing applications that target both the plasma collection and pharmaceutical industries.

This strategic acquisition significantly enhances our capability to offer integrated solutions for plasma donor and pharmaceutical patient engagement, adherence, resource management, and market intelligence. This marks our entry into the high-margin software-as-a-service market and meaningfully expands our total addressable market.

This is certainly an exciting time at Paysign, and we look forward to capitalizing on these opportunities as we enter 2025 and beyond.

With that, I'll turn the call over to Jeff for additional details on our quarterly and full-year financial results.

**Jeff Baker – *Paysign – Chief Financial Officer***
Thank you, Mark. Good afternoon, everyone. As Mark said, we closed 2024 with a solid fourth quarter, driven by momentum we're experiencing with our patient affordability business. Our results for the quarter and year were in line with our expectations despite some weakening in our plasma business due to excess inventory supplies that we started to see in the third quarter and expect to last through year-end 2025. And last week, we closed on a very exciting acquisition that should help expand our presence in the plasma and pharmaceutical industries as well as bring cost savings to our own organization. I will talk more about that later.

Our plasma business grew 4.6% in 2024 to $43.9 million as we added 16 net plasma centers and maintained our market share of just under 40%. We exited the year with 480 plasma centers, and thus far in 2025, we have already added an additional four net programs. For the fourth quarter, revenues declined 6.2% to $10.8 million with two net centers added, gross dollars loaded to cards decreased 6.4%, total number of loads decreased 7.8%, gross spend volume decreased 7.8%, and the average revenue per plasma center decreased 9.5% to $7,510. The guidance for 2025 that I will provide in just a moment reflects the slowdown we expect to continue for the remainder of the year.

Moving to our pharma patient affordability business, you heard Mark talk about the traction we experienced in 2024, which has continued into 2025. Fourth quarter pharma revenues of $12.7 million were 21.7% of total revenue versus 8.6% during the same period last year. We added 10 net programs in the fourth quarter, exiting the year with 76 pharma patient affordability programs, an increase of 33 net programs over 2023. Thus far in 2025, we have already added an additional 14 net programs in the first quarter of 2025. With the hypergrowth we have experienced in our pharma patient affordability business, we expect it will continue to make up a greater percentage of total revenue in 2025.

As in previous calls, with all the details we provided in the press release and that will be available in our 10-K filing tomorrow morning, I will simply hit the financial highlights for the fourth quarter of 2024 versus the same period last year. Fourth quarter 2024 total revenues of $15.6 million increased $1.9 million or 14%. Gross profit margin for the quarter was 58.9% versus 52.2% during the same period last year. SG&A for the quarter, excluding depreciation and amortization and stock-based compensation, increased 36.7% to $6.3 million, with total operating expenses increasing 34.2% to

$8.7 million. We have made significant investments in IT and employees over the past year to support the continued growth of our businesses, exiting this year with 171 employees versus 123 employees during the same period last year.

For the quarter, we posted a net income of $1.4 million or $0.02 per fully diluted share versus $5.6 million or $0.05 cents per fully diluted share for the same period last year. 2023's net income included a tax benefit of $4.3 million as we released a valuation allowance on our deferred tax assets related to both federal and state taxes. The fourth quarter adjusted EBITDA, which is a non-GAAP measure that adds back stock compensation to EBITDA, was $2.9 million or $0.05 per diluted shares versus $2.5 million or $0.05 per diluted share for the same period last year. The fully diluted share count for the quarter used in calculating the per share amounts was 55.5 million and 53.8 million, respectfully.

Regarding the health of our company, we exited the year with $10.8 million in unrestricted cash and zero debt, a $6.3 million decrease over the year 2023. If you recall, we have pass through receivables and payables related to our pharma patient affordability business that causes large swings in our cash balance. Adjusting for those movements, our cash balance at the end of 2024 was $11.1 million versus $10.3 million the prior year. We repurchased 36,700 shares in the fourth quarter for approximately $135,000. And for the year, we repurchased 136,700 shares for approximately $495,000.

Now turning your attention to our initial guidance for 2025, which incorporates various assumptions related to the acquisition of Gamma, we expect total revenues to be in the range of $68.5 million to $70 million, reflecting year-over-year growth of 17.5% to 20%. Plasma is estimated to make up approximately 57.5% of total revenue, while pharma revenue is expected to continue its growth of at least 100% year-over-year as we receive a full-year benefit for all pharma patient affordability programs added in 2024, and we continue to add new pharma patient affordability programs throughout 2025. Given the early trends we are seeing with the year-over-year decline in our plasma business and the seasonality we see with our patient affordability business, we expect revenue to be higher in the first half of the year compared to the second half of the year with a corresponding impact on operating income.

Full year gross profit margins are expected to be between 62% and 64%, reflecting increased revenue contribution from our pharma patient affordability business. Operating expenses are expected to be between $47.5 million and $50 million as we continue to make investments in people and technology. This amount also includes the labor costs, estimated goodwill amortization, and stock expense associated with the acquisition we announced this morning, but it does not include operating synergies we expect to benefit from during the second half of the year. We plan on giving an update to the acquisition-related operating expense assumptions and anticipated synergies on our Q2 2025 earnings call after we have completed our purchase price allocation.

Depreciation and amortization expense is expected to be between $10.5 million and $11.5 million, while stock-based compensation is expected to be approximately $6 million. Given our large unrestricted and restricted cash balances and the current interest rate environment, we expect to generate interest income of approximately $2.8 million. Taking all of the factors above into consideration, we expect net income to be approximately breakeven for the year and adjusted

EBITDA to be in the range of $12.5 million and $13.5 million or $0.22 to $0.24 per diluted share. The diluted share count for the year is estimated to be 56.5 million shares.

For the first quarter of 2025, we expect total revenue to be in the range of $17.5 million to $18 million, reflecting the seasonally strong period for our patient affordability business, offset by the seasonally weak period for our plasma business. We expect patient affordability revenues to be 40% to 45% of revenue for the quarter. Gross profit margins are expected to be between 63% and 64%, driven largely by increased revenue contribution from our pharma patient affordability business. Operating expenses are expected to be between $10.5 million and $11 million, of which depreciation and amortization will be approximately $1.9 million and stock-based compensation will be approximately $2.1 million. Adjusted EBITDA is expected to be in the range of $4 million and $5 million, or 21.7% to 27.2% of revenue.

For those looking for more information on the structure of the Gamma acquisition, which included a combination of cash and stock and a contingent consideration related to gross revenue performance targets, I would point you to our disclosure in our 8-K and 10-K filings.

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 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.

Our first question is coming from Jacob Stephan from Lake Street Capital Markets. Your line is now live.

**Jacob Stephan – *Lake Street Capital Markets***
Hey, guys, congrats on the quarter, and I appreciate you taking the questions. Just to start off here, maybe you could kind of help us understand the strength in Q4 and kind of looking at thus far in 2025, but help us understand kind of the strength between existing pharma patient affordability programs and kind of new ones that you launched in Q4.

**Jeff Baker**
That's a very complex question to answer, Jacob. We've launched a number of new programs already this year, 14, and we added 10 in the fourth quarter. Some of these are fairly large pharmaceutical partners. That's the first thing.

The second thing is, in the first half of the year, you'll see typically higher revenue contribution from our patient affordability business, all else being equal, if we don't add any new businesses, which – business, which I think is highly unlikely given our pipeline. But what you will see is that the first half of the year is higher from a revenue contribution because people haven't met their out-of-pocket maximum deductions yet. As they do, and that flows down usually mid-year, sometimes a little earlier, depending on what drug they're on, but as that flows through, then obviously, copay payments aren't being made any longer. And then we're just basically collecting money from the monthly management fees and some other ancillary fees that we charge, maybe call center or some other things.

So, I don't know if that answers your question, but the revenue visibility we have in patient affordability is good because of the historical programs and what we're already seeing come through in the first quarter of the year.

**Jacob Stephan**
Okay, that's helpful. Maybe just kind of pivoting to Gamma then, kind of explain what the overall kind of marketing strategy is here with opening – the opportunity to a much larger opportunity and ultimately the SaaS revenue portion. Kind of just explain how that factors into your guidance and what assumptions for revenue that has.

**Mark Newcomer**
Yeah, in regards to the strategy, we look at the acquisition purely to help us with both our plasma and our pharmaceutical business in the way of adding additional engagement tools, additional capabilities really that are going to allow us to really make a difference and differentiate ourselves within the market and our offerings. We're really excited about the talent that these guys bring on and the products that they're going to allow us to roll out to both sides of the market, both in patient affordability, both in the donor space. I think it's going to make a huge impact and really a very positive – it's a positive move on the part of Paysign.

**Jeff Baker**
And as it relates to the guidance, there's nothing in these three applications that we acquired in the guidance. So, it's all additional gravy upside. What I can tell you is that the gentleman that sold the business or the assets to us is highly incentivized to drive meaningful revenue to the business, to our business, and in hopes to get additional compensation in the form of shares in the company. So, there was a contract that came over with one of our existing customers. It's not huge, but every dollar helps. And this is the beginning hopefully of some very nice additional business in the two existing channels that we have that we will benefit from longer term.

**Jacob Stephan**
Okay, just to clarify, so there's no revenue really associated with – sorry – there's minimal revenue associated with Gamma, that's factored into Gamma?

**Matt Turner- *Paysign – President, Patient Affordability***
Yeah, it's just over $1 million a year. It wasn't a lot.

**Jacob Stephan**
Okay, very helpful. I appreciate all the color.

**Operator**
Thank you. Next question is coming from Gary Prestopino from Barrington Research. Your line is now live.

**Gary Prestopino – *Barrington Research***
Hi. Good afternoon, all. Several questions here – first of all, let's talk about the plasma business. Realizing you kind of went into a little bit about what's going on there, but could you maybe give us like a deeper dive into some of the issues here that are causing this slowdown?

**Mark Newcomer**
Yeah, sure, I can talk about that. Thanks for the question. As you may know, the plasma collection industry is comprised of two separate groups. There's fractionators who use their own plasma as raw material to produce their therapies, and then there's independents who collect plasma to sell to these fractionators. So, the independents are the ones that are most affected by changes to the supply demand equation. And that's a pretty important difference in the industry.

So, getting to the oversupply that I mentioned, this happened for two reasons. First, the overproduction that occurred post-COVID, which includes the massive expansions we saw from both fractionators and independents, shortly thereafter, upgrades to the plasmapheresis process increased plasma yields by approximately 9% per donation, so -- as well as reducing the time necessary to complete a donation. So, the combination of these events meant there was much less demand for plasma from the independents. And as their contracts to supply plasma expired, the fractionators were much more capable of meeting their own requirements, making it harder for the independents to find buyers for their plasma, especially if they're not under contract. And for our purposes, this has led to a lower number of donations as well as lower compensation for the donors. So that kind of sums up what's going on a little bit.

**Gary Prestopino**
Okay. So, the question I would have is, you had I think 16 centers added in 2024. You're expecting to add 10 to 15 centers in 2025, which I assume are all these independents. Are these new centers competitive takeaways? I mean, if we're getting into a situation where there's an oversupply, what incentive is there for an independent to put up a site?

**Mark Newcomer**
Well, I mean, and first of all, they're not all independents. So that makeup of centers is across the board. So, I can't speak to their incentive to throw up new sites, but the 10 to 15, we certainly feel that we will see at least those 10 to 15 that will be onboarded. And there's nothing that – to the point I made earlier, I think I mentioned or Jeff mentioned that four of those centers have already gone live this year, so – of the 10 to 15. So, I don't think we're going to have a problem hitting those numbers.

**Gary Prestopino**
But even if – though there's an oversupply, they're still wanting to put up – or maybe I'm – not misunderstanding. So, are these competitive takeaways, Mark?

**Jeff Baker**
No, they're all from our existing client base.

**Gary Prestopino**
Okay, so this is – so that's what I'm getting at. I mean, it's a little hard to conceptualize that. All right.

**Jeff Baker**
They're all from our existing customer base, and just – I mean, look, this is just like anything else with inventory if you're in retail or whatever. This hopefully is just a temporary phenomenon, and it'll work through in the industry, and it'll come back the other way. So, people that are making investments today are going to benefit from that, and people that aren't, then they're not.

So – and then there's different strategies between our customers. Where they're opening centers, they may focus on smaller towns, or they may focus on colleges, or they may focus on whatever it is. But it's clearly not going to be the 40 plus centers we had coming out of COVID when everybody opened the spigot and interest rates were low and the cost of capital was low and, boom, now the cost of capital has come back up, the industry is rationalizing, and that's kind of what we're – the good news, Gary, is that most of our costs – and we've said this before – 50% variable cost in this product. So, when it delivers, we should see the cost drop along with it, and – on the revenue side, when that when that delivers, the cost – we're not going to – shouldn't be hit as bad as if somebody had high fixed cost infrastructure in a business. So, it's – the cost and the revenues are going to ebb and flow together I guess is the best way to say it.

**Gary Prestopino**
Okay, that helps. And then in terms – switching to the patient affordability, you added 33 programs this year or last year. You didn't mention anything about how many you anticipate adding this year. I mean, you mentioned what you were going to add on the plasma side. So, can you give us any idea what you think you're going to add this year?

**Jeff Baker**
The only thing we can say is that we added 14 already that went live in the first quarter. Some of them were teed up at the end of the year, but they went live. I mean –

**Mark Newcomer**
– That's pretty much all we're ready to talk about at this point.

**Gary Prestopino**
Okay.

**Mark Newcomer**
Yeah, we – I mean, we'll certainly give more color to that as the year goes on. But at this point, I think – representing a 77% increase last year over the prior year, we're trying to target at least double numbers again. So, we'll be going at the same thing, same pace, I expect.

**Gary Prestopino**
Okay. So, if you added 33, and you're going to add 14 in the first quarter, 47 over the last 15 months or so, are the majority of those programs with existing pharmaceutical customers, or are you getting a healthy blend of new pharmaceutical customers coming on board?

**Matt Turner**
Yeah. Hi, Gary, this is Matt Turner. I think we're getting a healthy blend. We obviously focus heavily on the farming aspect of what we do. And once we're in with a client and we know they have other business there, if they're a portfolio size pharmaceutical manufacturer, we focus heavily on farming there. But if you were to look across last year, we took somewhere around 20% of all new drug launches. We won those programs. This year so far, I think we're trending higher than that as far as new drug launches.

So – and some of those are from brand new pharma companies that this is their first commercial product, and some of them are from the top 20 goliaths. So, I think it's certainly a mix across the board, and we're not -- we don't have a sole focus on just trying to grow existing business lines. We are heavily invested in continuing to bring on new clients as well as new programs.

**Gary Prestopino**
Okay, thank you. I'll let somebody else go.

**Operator**
Thank you. Next question is coming from Peter Heckmann from D.A. Davidson. Your line is now live.

**Peter Heckmann – *D.A. Davidson***
Hey, good afternoon. Thanks for taking the question. I haven't seen the 10-K yet. Can you quantify the cash portion of the purchase price related to Gamma?

**Jeff Baker**
Pete, we didn't disclose that. What we did disclose is that it is paid out over five years. Obviously, we don't have a huge amount of unrestricted cash on our balance sheet. I think unadjusted – excuse me – adjusted cash, we had about $11.1 million at the end of the year. But we certainly are very cognizant of our cash position. We still have no debt. Was able to pay the consideration out of current cash flow – out of our current cash balance and plan on doing that for the next four years.

**Peter Heckmann**
Okay. Okay. So, both the cash will be paid out over five years, the shares vest over four years, and then there's in or out. So, depending upon the success of the business, we can make some calculations around that. And then, I guess, certainly, it's your expectation that the app that they have, the CRM system, some of the other solutions – I guess, where do you see – do you see direct applicability to current customers, or do you feel like it's just a skill set that you can use to then build new solutions for your customers?

**Mark Newcomer**
No, we absolutely see existing paths to both sides of the business utilizing the donor – what we call the application, the engagement app, the CRM, and the donor management system.

**Peter Heckmann**
Okay. All right. That's very helpful. And then just to clarify, the guidance for the first quarter just suggests that pharma has a very significant first quarter and then falls off significantly. Would you expect it to decline sequentially every quarter in 2025?

**Jeff Baker**
Well, I wouldn't characterize it like that. I don't look for it to decline significantly. First quarter will be the highest, more than likely, bearing just with what we loaded in. And then it will decline in the third and the fourth -- or the second, third and fourth quarter. I think, I mean, looking at my crystal ball, which is cloudy right now as we try to figure out what's going to happen with the plasma business, I mean, I think you're kind of looking at three quarters of similar revenue and then the fourth quarter maybe seeing the lowest for the year. But it's really hard. Patient affordability is so heavily weighted in the -- relatively speaking, in the first quarter versus the fourth quarter. And then we're just dealing with the plasma trends rolling through the model. So -- but patient affordability should -- we've already -- we've said that it will at least double, and we feel very good about that number.

**Peter Heckmann**
Okay. Okay. That helps. And then anything notable going on with the other programs? I think you called out the payroll card as a help, but you had a couple initiatives in there. Anything that's popping out as maybe having more potential than you thought?

**Matt Lanford – *Paysign, Chief Payments Officer***
Hey, Peter, this is Matt Lanford. I mean, no, not really. I mean, they're fairly steady programs. They're moving along. We continue to look at other areas to utilize our capabilities. And we will continue to do that going forward to see what else we can bring on.

**Peter Heckmann**
Okay, great. I appreciate it.

**Operator**
Thank you. As a reminder, that's star, one to be placed into the question queue. One moment please while we poll for further questions.

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

**Mark Newcomer**
Thank you, Kevin. And thanks everyone for joining today's call. We believe 2025 will be a watershed year for Paysign, and we're very much looking forward to updating everyone on upcoming calls. Thank you, and have a great day.

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

**Call Duration – 33:42**