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Q1 2025
Earnings Call

May 8, 2025, 5:00 p.m. Eastern Time

Presenters:
- **Mark Newcomer** – *Paysign – Co-Founder, Chairman and Chief Executive Officer*
- **Jeff Baker** – *Paysign – Chief Financial Officer*

Operator
Good afternoon. My name is Chelsea, and I will be your conference operator today. At this time, I would like to welcome everyone to the Paysign, Inc. First Quarter 2025 Earnings Conference Call. After the speakers' remarks, there will be a question and answer session. If you would like to ask a question at that time, please press star, one, on your telephone keypad. To remove your question, you may press star, two. As a reminder, this conference 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 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 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 August 8th, 2025. Please see Paysign's first quarter 2025 earnings call announcement for details on how to access the replay.

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

Mark Newcomer – *Paysign - Co-Founder and Chief Executive Officer*
Thank you, Chelsea, and good afternoon, everyone. We appreciate you joining us today to go over our first quarter 2025 results. I'm Mark Newcomer, President and Chief Executive Officer, and I'm joined by our CFO, Jeff Baker. Also with us for Q&A portion are Matt Turner, President of Patient Affordability; and Matt Lanford, our Chief Payments Officer.

Earlier today, we released our Q1 results and I'm pleased to say it was another record-setting quarter for Paysign. We are continuing to see strong momentum across the board. Revenue, operating income, and adjusted EBITDA all hit new highs, and the fundamentals of our business remains exceptionally healthy. Let's dive into the Q1 numbers. Revenue grew 41% year-over-year to

$18.6 million, up from $13.2 million in Q1 of last year. Net income surged to $2.59 million. That's a 737% increase over Q1 2024. Adjusted EBITDA jumped 193% to $4.9 million, and we saw a major boost in gross margin, which expanded over 10 points to 62.9%. That's not just growth, it's efficient, high-quality growth.

Our Patient Affordability business continued to outperform expectations. Revenues rose 261% year-over-year to $8.6 million. Claims processed grew by more than 160%, and we added 14 new programs this quarter, already outpacing the 10 new programs we added in the same period last year. We now support 90 active programs spanning retail and specialty therapies, including pharmacy and medical benefit designs across a wide range of therapeutic areas. This is a real vote of confidence for the demand for our solutions and in the value we bring with our dynamic business rules technology.

In 2024, dynamic business rules saved our clients more than $100 million by mitigating the impact of co-pay maximizers. As of today, we've already topped last year's savings total, which speaks volume about the tangible return on investments our platform delivers to pharmaceutical manufacturers. At the end of April, our team attended the Asembia Summit 2025 here in Las Vegas. It's a flagship event for our industry, bringing together pharmaceutical manufacturers, hub service providers, specialty pharmacies, payers, and technology vendors.

We brought a full cross-functional team to engage with current and prospective clients. We hosted more than 40 meetings and events that provided direct access to key decision-makers and the response to our solutions was extremely positive. Thanks to this engagement and the strong execution of our sales teams, our sales cycle continues to be efficient, typically ranging between 90 and 120 days. Based on what we are seeing in the pipeline and results from this quarter, we believe patient affordability revenue will more than double again in 2025.

Now let's touch on the plasma donor compensation. Revenue in this segment came in at $9.4 million, down 9.2% from $10.3 million in Q1 2024. We ended the quarter with 484 centers, adding four new centers during the period, and we expect to onboard 5 to 10 more during the remainder of this year. As we've mentioned before, this segment is facing headwinds due to continued source plasma supply surpluses and improve collection efficiencies at the center level. We expect these conditions to persist throughout the rest of the year. That said, we're investing in innovation here, too.

In late March, we acquired Gamma Innovation, a move that strengthens our tech stack and positions us to offer a full front-end engagement platform integrated with our core payment solutions, starting with the plasma industry. This includes a donor engagement app, a plasma-specific CRM and a donor management system, all seamlessly integrated with our existing payments infrastructure. The industry response has been enthusiastic. We will be showcasing these solutions at the International Plasma Protein Congress later this month. This is a key and strategic opportunity to expand our presence in the plasma market and introduce new capabilities to both existing and prospective clients.

We believe this enhanced offering positions us to unlock additional revenue streams, expand our total addressable market and strengthen our competitive differentiation in the plasma space. We see the opportunity to take this integrated model beyond plasma and into the broader pharmaceutical and health care sectors, where engagement, patient adherence and retention is mission-critical for drug manufacturers, providers and payers alike. Operationally, the Gamma acquisition is already paying off. We're implementing a set of efficiency measures that once fully realized, are expected to add $4 million to $5 million in annual cash flow.

To wrap up, Q1 was a strong start to the year. We're scaling efficiently, solving real-world problems for our customers and executing with discipline. I'm incredibly proud of the team and excited about what lies ahead. We're confident in our growth trajectory and committed to delivering long-term value to our shareholders.

With that, I'll hand it over to Jeff to walk you through the financials in more details.

Jeff Baker – *Paysign – Chief Financial Officer*
Thank you, Mark. Good afternoon, everyone. As Mark said, we had a solid first quarter driven by momentum we are experiencing with our patient affordability business. Our results for the quarter exceeded our expectations despite weakness in our plasma business related to excess industry-wide inventory levels as we discussed on our last conference call. Our plasma business declined 9.2% to $9.4 million, and our revenue per plasma center declined to $6,517. We added four net plasma centers, exiting the quarter with 484 centers. Gross dollars loaded to cards decreased 4.5%, total number of loads decreased 9.3% and gross spend volume decreased 9.4%.

Moving to our patient affordability business, first quarter pharma revenues of $8.6 million was up 260.8% and accounted for 46.3% of quarterly revenues. This is a significant increase from the 18.1% of revenues that pharma represented during the same period last year. We added 14 net programs, exiting the quarter with 90 pharma patient affordability programs.

Early operating efficiencies from our Gamma acquisition are very promising, as we look to reduce the reliance of third-party professional services that have historically been capitalized as part of our platform development costs. By the end of our second quarter, we expect to be on an annual run rate for cash cost savings of $4 million to $5 million. 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 first quarter of 2025 versus the same period last year.

First quarter 2025 total revenues of $18.6 million increased $5.4 million or 41%. Gross profit margin for the quarter was 62.9% versus 52.6% during the same period last year. SG&A for the quarter, excluding depreciation and amortization and stock-based compensation, increased 28.2% to $6.7 million, with total operating expenses increasing 27.8% to $9.2 million. We have made significant investments in IT and employees over the past year to support the continued growth of our businesses, exiting the quarter with 190 employees versus 132 employees during the same period last year.

For the quarter, we posted a net income of $2.6 million, or $0.05 per fully diluted share versus $300,000, or $0.01 per fully diluted share for the same period last year. First quarter adjusted EBITDA, which is a non-GAAP measure that adds back stock compensation to EBITDA, was $5 million, or $0.09 per diluted share versus $1.7 million or $0.03 per diluted share for the same period last year. The fully diluted share count for the quarters used in calculating the per share amounts was 55.1 million and 54.8 million, respectively.

Regarding the health of our company, we exited the quarter with $6.9 million in unrestricted cash and zero debt. The first quarter is typically our highest uses of cash as we pay accrued liabilities from the previous year. This year also included a $2 million cash payment for our Gamma acquisition and the repurchase of 100,000 shares of stock for approximately $376,000.

Now turning your attention to our revised guidance for 2025, which now incorporates Q1 actuals and the substantially completed purchase price allocation related to the Gamma acquisition. We expect total revenues to be in the range of $72 million to $74 million, reflecting year-over-year growth of 25% at the midpoint. Plasma is estimated to make up approximately 57% of total revenue, representing a year-over-year decline of 8% to 10%, while pharma revenue is expected to make up approximately 43% of total revenue, representing year-over-year growth of over 135%.

Given the seasonality we see with our patient affordability business and trends in our pharma business, we continue to forecast revenue to be slightly 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% to 64%, reflecting stable margins in our plasma business and increased revenue contribution from our higher-margin pharma patient affordability business. Operating expenses are being revised lower due to operational synergies driven by the Gamma acquisition as well as revisions to stock compensation and amortization following the purchase price allocation for Gamma. Operating expenses are now expected to be between $41 million and $43 million, with depreciation and amortization expense of approximately $8 million and stock-based compensation of approximately $3.8 million.

Interest income is expected to be approximately $2.9 million. Taking all of the factors above into consideration, we now expect net income to be between $6 million and $7 million for the year, or $0.10 to $0.12 per fully diluted share. Adjusted EBITDA is expected to be in the range of $16 million to $17 million or $0.28 to $0.30 per fully diluted share. The diluted share count for the year is estimated to be around 56 million shares.

For the second quarter of 2025, we expect total revenue to be in the range of $18.5 million to $19 million, reflecting continued strength from our patient affordability business, offset by weakness with our plasma business. We expect plasma revenues to be approximately 54% to 55% of revenue and patient affordability to be approximately 41% to 42% of revenue. Gross profit margins are expected to be 63% to 64%. Operating expenses are expected to be between $10 million and $11 million, of which depreciation and amortization will be approximately $2 million and stock-based compensation will be approximately $1 million. Adjusted EBITDA is expected to be in the range of $4.5 million to $5 million or approximately 25.5% of revenue.

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

Questions & Answers

Operator

Thank you. At this time, if you would like to ask a question, please press the star and one keys on your telephone keypad. You may remove yourself from the queue at any time by pressing star, two.

Once again, that is star, one, to ask a question and we'll pause for a moment to allow questions to queue.

All right. Well we have no questions in the queue at this time. And ladies and gentlemen, I'd like to thank you for your participation. This does conclude today's program and you may disconnect your line at any time.

Call Duration – 14:26