



## C O R P O R A T E   P A R T I C I P A N T S

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**Stephen Snyder**, *Co-Chief Executive Officer*

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**Norman Roth**, *Chief Financial Officer & Corporate Controller*

**Mahmud Haq**, *Founder & Executive Chairman*

## C O N F E R E N C E   C A L L   P A R T I C I P A N T S

**Allen Klee**, *Maxim Group*

**Michael Kim**, *Zacks Small-Cap Research*

## P R E S E N T A T I O N

### **Operator**

Ladies and gentlemen, greetings and welcome to the CareCloud Inc. First Quarter 2025 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation.

If anyone should require Operator assistance during the conference, please signal the Operator by pressing star and zero on your telephone keypad.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Kristen Rothe, Corporate Counsel. Please go ahead.

### **Kristen Rothe**

Good morning, everyone. Welcome to CareCloud's first quarter 2025 conference call.

On today's call are Mahmud Haq, our Founder and Executive Chairman; Co-Chief Executive Officers Stephen Snyder and Hadi Chaudhry; and Norman Roth, our Interim Chief Financial Officer and Corporate Controller.

Before we begin, I would like to remind you that certain statements made during this conference call are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

All statements other than statements of historical fact made during this conference are forward-looking statements, including without limitation statements regarding our expectations and guidance for future financial and operational performance, expected growth, business outlook, and potential organic growth and acquisition. Forward-looking statements may sometimes be identified with words such as will, may, expect, plan, anticipate, approximately, upcoming, belief, estimate, or similar terminology in the negative of these terms.

Forward-looking statements are not promises or guarantees of future performance and are subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those contemplated in these forward-looking statements. These statements reflect our opinions only as to the date of this presentation and we undertake no obligation to revise these forward-looking statements in light of new information or future events.

Please refer to our press release and our reports filed with the Securities and Exchange Commission where you will find a more comprehensive discussion of our performance impactors that could cause actual results to differ materially from those forward-looking statements.

For anyone who dialed into the call by telephone, you may want to download our first quarter 2025 earnings presentation. Please visit our Investor Relations site, [ir.carecloud.com](http://ir.carecloud.com). Click on News and Events, and click IR Calendar. Click on First Quarter 2025 Results Conference Call and download the earnings presentation.

Finally, on today's call, we may refer to certain non-GAAP financial measures. Please refer to today's press release announcing our first quarter results and for a reconciliation of these non-GAAP performance measures for our GAAP financial results.

With that said, I'll now turn the call over to our co-CEO, Stephen Schneider. Stephen?

**Stephen Snyder**

Thank you, Kristen, and good morning, everyone.

Thank you, again, to everyone, for joining us today for CareCloud's first quarter 2025 earnings call. We are very pleased to report continued strength and momentum in Q1, building on the record-setting year we had in 2024. Our continued focus on operational discipline, innovation through AI, and strategic execution is yielding tangible results.

Today, I'll walk you through our first quarter highlights, growth outlook, and the early returns we're seeing from our strategic initiatives, including our return to M&A.

Let's begin to look at our financial performance for the quarter. Revenue for the first quarter was \$27.6 million, an increase from \$26 million during the same period last year. This growth reflects ongoing demand for our integrated AI-enabled RCM solutions, and we believe it sets us on the path for achieving our full-year guidance.

We are also reporting GAAP net income of \$1.9 million, a meaningful turnaround from the net loss of \$241,000 in Q1 2024, and Adjusted EBITDA rose to \$5.6 million, up 52% year-over-year. These results underscore the impact of our cost management initiatives and operational streamlining, together with our

ability to scale profitably while continuing to invest in innovation.

This profitability is the result of deliberate structural improvements we've made across the business. We continue to benefit from a streamlined global workforce and reduced vendor reliance. Further, our automation initiatives have helped expand our historical margins and improve efficiency across our operations. This refreshed cost structure forms a strong foundation we can build on as we expand, enabling long-term profitable growth.

Turning to our capital structure, in March 2025, we executed a mandatory conversion of a significant portion of our Series A preferred stock into common stock. This conversion reduced our outstanding Series A shares from 4.5 million to less than one million shares, materially strengthening our capital structure and providing greater financial flexibility by reducing our dividend obligations.

To illustrate this increased financial flexibility, consider the contrast between our dividend obligations and free cash flow over the last year. For instance, in Q1 2024, our quarterly dividend obligation stood at approximately \$3.9 million, while free cash flow bubbled just \$2.2 million, meaning we were obligated to pay out more in preferred dividends than we were generating in free cash flow.

In Q1 2025, that picture has changed dramatically. Following the Series A conversion, our dividend obligation has decreased from \$3.9 million to approximately \$1.5 million per quarter, while our free cash flow, for example, increased to \$3.6 million during the same quarter.

This reversal not only highlights the financial benefit of the conversion, but it also underscores our increased ability to reinvest in the business and fuel future growth. Even with a portion of the Series A remaining, the reduction in dividend obligations has already begun to create financial headroom for reinvestment in strategic initiatives.

As we look at the path ahead, we are particularly excited about our AI Initiative. Last month, we officially launched our AI Center of Excellence, beginning with over 50 AI professionals and targeting a team of 500 by the end of the year. This dual-shore initiative is fully self-funded through operating cash flow and focuses on four key areas, automating coding claims and documentation, predicting denials and revenue risk, enhancing patient and provider engagement, and finally, embedding AI across our EHR and RCM platforms.

As Hadi will describe shortly, we believe this initiative positions CareCloud at the forefront of intelligent healthcare automation and AI, reducing administrative burdens on providers while enabling scalable, real-world performance improvements across the care continuum.

Let's now turn to another core element of our growth strategy, acquisitions. In early 2025, we completed two strategic acquisitions, MesaBilling, in February, and Revenue Medical Management in April. These transactions mark our return to M&A after nearly four years and signal a renewed focus on disciplined, accretive growth through acquisitions.

Since going public in 2014, we have completed approximately 20 acquisitions, and in many ways, we have built CareCloud through pursuing and executing on this strategy. These types of transactions have allowed us to cost-effectively acquire customers, typically at a lower cost than direct sales, while realizing synergies through integration into our global team and proprietary technology.

Revenue Medical Management expands our footprint into the audiology and hearing health market, a large and growing specialty care segment with limited outsourced RCM adoption. MesaBilling, while also small, further validates the opportunities that exist in the acquisition market. Both deals are expected to be accretive within 90 days. Importantly, consideration is tied to obtained revenue and paid quarterly,

ensuring financial discipline and strong alignment with long-term value creation. With our enhanced financial position, operational readiness, and AI-driven platform, we'll continue to actively evaluate targets that are well-priced and align with our strategic priorities.

In summary, Q1 2025 reflects a continuation of the transformation that defined our performance in 2024. We delivered strong financial results, executed a significant step forward in restructuring our capital base, reentered the M&A market with our disciplined approach, and launched a bold new AI initiative that will shape the next chapter of our growth.

With this strong start to the year and conviction regarding our strategic initiatives, we remain confident in our ability to drive sustainable value for our shareholders and clients alike.

I'll now turn the floor over to Hadi. Hadi?

**Hadi Chaudhry**

Thank you, Steve, and thank you, everyone, for joining the call today.

As Steve mentioned, Q1 marks the beginning of a pivotal year for CareCloud. We entered 2025 with strong financial discipline, healthy cash flows, and an operational model designed to scale. Our performance reflects that foundation, and more importantly, it sets the stage for accelerated innovation, especially in AI.

We are focused on transforming every aspect of the care journey through intelligent automation, from clinical workflows and revenue cycle operations to patient engagement and analytics. The groundwork we have laid over the past two decades now enables us to move faster, execute with confidence, and deliver AI solutions that create measurable impact across the healthcare ecosystem.

Earlier this quarter, we officially launched the CareCloud AI Center of Excellence, a strategic initiative that establishes the foundation for the future of intelligent healthcare technology. While still early in development, we believe it is set to become the world's largest dedicated healthcare AI center as we scale to 500 AI professionals by the end of this year.

Importantly, this initiative is fully self-funded, powered entirely by the Company's internally generated cash flows without reliance on outside capital. This reflects the strength of our underlying business model and our ability to invest in innovation while maintaining financial discipline.

The center is the innovative engine behind our AI roadmap, driving advancements across clinical intelligence, revenue cycle automation, patient engagement, and real-time analytics. What sets our approach apart is a combination of proven infrastructure and deep strategic advantage including:

First of all, our deep healthcare DNA.

With over 20 years of experience, we understand how healthcare truly works, not in theory, but in practice. We process over 100 million clinical, financial, and administrative transactions each year, giving us one of the most diverse and representative real-world healthcare experience and data sets in the industry.

Our team includes thousands of professionals who have worked inside revenue cycle and clinical operations for decades, solving complex problems at scale. We have developed thousands of live integrations with payers, labs, pharmacies, and other third-party platforms, putting us at the center of the healthcare data ecosystem. This isn't about how systems should work in textbooks. It's about how they

actually work in practice. That insight enables us to build AI products that are grounded, effective, and ready for immediate use across documentation, intelligent assistance, analytics, and denial management.

It also empowers us to train proprietary, domain-specific, large-language models that reflect the complexity of real-world care, giving us a powerful edge over generic AI approaches. Unlike many startups building AI tools without real-world experience or meaningful data, CareCloud has both. That's why we can build AI that doesn't just look promising, it actually works.

Second, dual-shore engineering at scale. Our hybrid U.S. offshore delivery model ensures 24-7 development velocity and unmatched cost efficiency.

Third, cost-talent advantage. We access highly skilled AI and engineering talent at globally competitive rates, enabling rapid scale without compromising quality.

Fourth, compliance readiness. All development occurs within a HIPAA-compliant framework, making our AI products secure, audit-ready, and enterprise deployable from day one. This isn't experimentation. It's strategic execution, and it will drive our next generation of innovation across the CareCloud platform.

Our long-term vision is to deliver a fully AI-enabled experience that spans the entire care continuum, from patient engagement to practice management, clinical documentation, revenue cycle optimization, and analytics. This means intelligent patient interaction at the front end, AI-powered support for providers within the EHR, automation and forecasting throughout the revenue cycle, and analytics tools that help administrators make smarter, faster decisions. This is not siloed AI. It's intelligent infrastructure natively embedded across our platform and services.

While the AI Center sets the foundation for future innovation, I would like to take a moment to highlight the real progress we are already making with the AI solutions currently in market. CirrusAI Notes continues to gain traction with increasing recognition for its stability stop. CirrusAI Notes continues to gain traction with increasing recognition of its ability to streamline documentation, improve accuracy, and enhance clinical workflows.

While adoption is still scaling, early feedback shows strong alignment with provider needs. More than just an ambient documentation tool, CirrusAI Notes suggest medical codes and treatment options, helping close the loop between documentation and billing. We continue to enhance the solution with features like multilingual support, customizable templates, and intelligent prompts while expanding specialty coverage. Because it is fully embedded within the CareCloud EHRs, there is no toggling or disruption to workflow, making it intuitive, efficient, and core pillar of our AI-driven strategy.

We are also seeing strong progress with CirrusAI Voice, our AI-powered call center auditing and quality monitoring platform. This quarter, in addition to using it internally, we deployed CirrusAI Voice with two high-volume healthcare organizations on an evaluation basis. The system audits 100% of recorded calls, generates automated scorecards, and delivers real-time insights into agent performance, sentiment, compliance, and communication quality. Initial feedback has been positive, particularly in the areas like compliance visibility, agent coaching, and operational efficiency. Pending successful outcomes, we plan to move ahead with a formal commercial launch later this year.

On the clinical side, CirrusAI Assist is now embedded into the EHR, helping providers retrieve information, generate summaries, and answer clinical questions through natural language commands. We've also rolled out AI-driven chart summarization, which helps providers distill complex notes quickly, improving coding accuracy and reducing documentation time.

On the RCM side, we continue to strengthen our denial prevention and management models, reducing

rework and accelerating the appeal cycles. We are also building forecasting and analytics tools to give practice managers real-time visibility into financial and operational performance.

Each of these initiatives are designed not just to automate tasks, but to intelligently connect clinical and financial workflows for better speed, accuracy, and outcomes. We are also advancing our specialty-based EHR strategy, which we introduced last quarter. These purpose-built solutions are designed for high-value specialties, including dermatology, podiatry, cardiology, gastroenterology, and joint surgery. Several of these systems are approaching launch, and we believe their deep configurability and embedded AI tools will set CareCloud apart as a differentiated leader in the specialty EHR space.

We are proud of what we have launched and even more excited about what's ahead. The CareCloud AI Center of Excellence is now operational and scaling fast. The work being done there is not theoretical. It's grounded in real workflows, backed by real data, and built for real providers. Beginning this quarter, we will provide regular updates on the progress of our call center, including new product rollouts, adoption metrics, and real-world impact on a quarterly basis.

CareCloud is entering a new chapter, one that combines financial strengths with bold innovation. We are confident in our direction and deeply grateful to our clients, employees, and shareholders for joining us on this journey.

With that, I will turn the call over to our interim CFO, Norman Roth, for a deeper dive into our financial performance. Norm?

**Norman Roth**

Thanks, Hadi, and thanks, everyone, for joining our call today.

As you have just heard, we had another strong quarter and are moving forward with our plans for this year. In particular, we are now generating strong amounts of free cash flow and resumed paying dividends on our preferred shares, which started in February.

We will realize more than \$10 million of annual cash savings on the Series A Preferred Stock dividends as compared to our dividend obligations as they existed prior to the September 2024 proxy, when the dividend rate was reduced to be consistent with Series B, and before we converted over 75% of our Series A shares into common stock. Additionally, we satisfied \$11.4 million of accrued but unpaid dividends as a result of the conversion.

Revenue for the first quarter of 2025 was \$27.6 million, compared to \$26 million for the first quarter of 2024. Recurring technology-enabled business solution revenue was \$17.7 million during the first quarter of 2025, up approximately \$400,000 from the first quarter of 2024, while non-recurring professional services revenue from medSR increased approximately \$1.5 million.

We generated \$3.6 million of free cash flow for the first quarter and have our entire \$10 million line of credit facility available to us. The key to growing our free cash flow has been reducing expenses and growing our GAAP net income.

First quarter 2025 GAAP net income was \$1.9 million, as compared to a net loss of \$241,000 in the same period last year. This is our fourth consecutive quarter returning to positive GAAP net income.

Adjusted EBITDA for the first quarter 2025 was \$5.6 million, or 20% of revenue, compared to \$3.7 million in the same period last year. This was an increase of 52% year-over-year.



Adjusted net income was \$2.3 million, or \$0.05 per share, calculated using the end-of-period common shares outstanding, compared to \$220,000, or \$0.01 per share, last year.

As of March 31, 2025, the Company had approximately \$6.8 million of cash and net working capital of \$11.7 million. Now that we have repaid our bank debt and reduced our dividend commitments, free cash flow during 2025 will allow us to invest for growth while we increase our cash balance and build additional working capital.

We are fortunate that we have not been affected by any of the recent tariffs that were instituted or contemplated, since that's being applied to physical goods, not services. Even better, the revenue of our doctors' practices, our customers, should not be significantly affected by the tariffs or the uncertainty of potential recessions or inflation, so we don't anticipate the pressure of reduced demand for our services.

Based on this, I am pleased to report that unlike many other public companies, CareCloud is reaffirming our guidance for 2025. We anticipate full-year 2025 revenue of approximately \$111 million to \$114 million, primarily from existing clients with small organic growth in new client additions and a few small tuck-in acquisitions, such as the two we have closed in the last few months.

Adjusted EBITDA is expected to be between \$26 million and \$28 million for 2025 and reflects improvements from the Company's cost reduction efforts, even after our investment in the new AI Center of Excellence. We expect GAAP earnings per share to be \$0.10 to \$0.13, which is the first positive GAAP EPS after dividends since we went public in 2014.

We also filed a Form S-3 shelf registration statement, which is now effective, allowing us to sell various securities to the public. We have no specific plans to sell shares at current prices, but it is good to have this shelf registration statement approved by the SEC, so we have the flexibility to sell shares if we need capital and prices are favorable.

Our financial position has improved tremendously during the past 12 months. It is great to have returned to profitability, and to hear Hadi and Steve talk about our investments to return the Company to growth. We look forward to reporting strong results for the remainder of 2025.

With that, I will now turn the call over to our Chairman, Mahmud, for his closing remarks. Mahmud?

**Mahmud Haq**

I want to sincerely thank our employees, clients and shareholders for their continued trust and support.

As we look ahead, we remain committed to disciplined execution, sustainable growth, and creating long-term value for all our stakeholders.

Operator, please open the line for questions.

**Operator**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you would like to ask a question, please press star and one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star and two if you would like to remove your questions from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. Ladies and gentlemen, we will wait for a moment while we poll for questions.

The first question comes from the line of Allen Klee from Maxim Group. Please go ahead.



**Allen Klee**

Yes. Good morning. Congrats. I believe this was your first quarter of year-over-year revenue growth in over two years and better than what I was projecting. I just heard Norman mention that medSR was up year-over-year, which I can't remember the last time that happened. Could you go into a little detail of what were the key factors for how revenue grew, and how you think the quarter did versus your expectations going into it? Thank you.

**Stephen Snyder**

Sure, Allen. We'd be happy to. Maybe I'll get us started, and then Norm or Hadi can jump in. If you think about the year, our guidance is \$111 million to \$114 million. After a year in 2024, where we were laser-focused on refreshing the overall capital structure, I think you're beginning to see some evidence that we're having some early success in terms of being able to pivot back into growth. I think you're right, certainly from a medSR perspective, it's—that in particular is an outlier. For medSR, however, there was a large project during the first quarter of this year. As we move forward, I wouldn't expect there to be, from a medSR perspective, a continuing year-over-year increase necessarily. Instead, we're really modeling revenue being essentially flat for medSR.

In terms of the larger organization, we're focused on upselling our existing client base together with some of these net new opportunities that Hadi has spoken about that would be facilitated by these specialty-specific EHRs. The final part of the overall growth strategy really involves the sorts of tuck-ins that over years have been a key driver in terms of our overall growth. These are the tuck-ins of—that are similar to the RevnuMedd and MESA tuck-ins that we've completed so far this year, where we're able, in a very cost-efficient way, to be able to acquire those customer relationships. I don't know if you have any other color to add from your side to Norm.

**Norman Roth**

No, I think that was very good, Steve. As you said, we had the special medSR project and our CCM and RPM services were up a little bit quarter-over-quarter. Yes, I agree Allen, it's the first time we've been up and thank you for the comment.

**Allen Klee**

Thank you. I have a lot of minutiae questions, but I'll hold back on them. I guess maybe just on—as you think about what you're doing in AI, which is a lot, how do you think about, ideally, the—when you'll see—for the people that are getting hired, when you might see some products as a result of that, if you can. I don't know if you can. Yes.

**Hadi Chaudhry**

thank you, Allen. Thanks for the question. As I mentioned during the call, we already have hired about over 50-plus employees on part-time, full-time basis. Some of those are just graduating from the universities because we start hiring the top talent from all the top universities in the country. We will be communicating, on the quarterly basis, the projects that we have been able to deliver and the progress we have made of their adoptions and the certain performance metrics—matrices, and that's why—we'll keep a regular cadence of the communication for the things that we have completed.

Of course, every quarter, there will be projects that will be completed. We already have started to gain traction on some of the back-end processes or the back-end projects to improve the overall efficiency of

RCM on the front-end from the EHR and practice management platform perspective and some of these other initiatives such as the CirrusAI Notes and the call center solution, and there are many others in the queue. Every quarter, you will see the results, and we will be communicating those.

**Allen Klee**

Thank you. I'll just ask one more question, then I'll go back in the queue to give other people time right now. How do you think about the seasonality of your business for the remaining quarters of the year?

**Stephen Snyder**

Good question, Allen. From a seasonality perspective, of course, typically our first quarter is lower due to deductibles and that would be the case this year, but for an outlier that we had from a medSR perspective. As we think about the overall year, I think we think maybe less so with regard to seasonality and more so thinking about what's the overall number that we think is achievable and that overall number is the \$111 million to \$114 million range. Being somewhere in that range, which really equates to some modest growth, but to your point, still modest growth after a few years of declining revenue. We're excited about that, and we think that the first quarter is—provides some additional evidence that we're on track when it comes to being able to not only reduce costs last year, but then leverage that lower cost model as we continue to layer on growth on top of that model.

**Allen Klee**

Thank you so much. I'll get back in the queue. Thank you.

**Stephen Snyder**

Thank you.

**Operator**

Thank you. The next question comes from the line of Michael Kim from Zacks Small-Cap Research. Please go ahead.

**Michael Kim**

Hi, everyone. Good morning and thanks for taking my questions. First, just given the strengthening balance sheet and building free cash flow, particularly in light of the lower dividend payments related to the Series A conversion that you referenced, just wondering if you could update us on capital allocation priorities, as you think through continuing to reinvest for growth versus increasingly capitalizing on M&A opportunities. Thanks.

**Stephen Snyder**

Sure. Thanks for your question, Michael. To your point, when we look at it, we think about the strengthened balance sheet and the increase in the free cash flow, and especially following the Series A preferred conversion, the lower dividend obligation that we have currently of about \$1.5 million on average per quarter. We believe that we're in a great position to be increasingly strategic, as you say, with regard to the capital allocation.

In terms of priorities, our first priority really would remain reinvesting in the business, as Hadi said, with a particular focus on reinvesting in particular in AI. We're continuing to scale, as Hadi described, the AI

Center of Excellence, which is purposed towards driving this generative AI automation, improving client outcomes, and then, in the long-term, expanding margins. We see AI as a really core engine for both operational efficiency and also for long-term product innovation and long-term growth.

Having said that, of course, at the same time, we're actively pursuing tuck-in acquisitions, and in particular, tuck-in acquisitions that align closely with what we believe to be our existing capabilities and our existing client base, ensuring that there are synergies. These particular deals are a very fruitful avenue for allocating capital because they allow us to bring customers into this ecosystem at a significantly lower cost per customer acquisition, as compared to traditional sales and marketing. Of course, as you know, once they're integrated, we can immediately add value by applying our overall tech stack and the AI tools that Hadi described that we're actively working on enhancing and developing. By extension, we're able then to drive operating leverage and unlock growth.

Overall, to answer your question, it's really a balanced approach. We're investing in this next-generation technology while, at the same time, deploying capital in a disciplined M&A effort with an effort to—in the long-term to grow efficiently and also to be strategic in the way in which we're expanding.

**Michael Kim**

Got it. That's helpful. On the expense side, just to follow up on some of your comments, but just curious if you could discuss maybe some targeted areas for further efficiency as you increasingly leverage AI and technology more broadly. Thanks.

**Stephen Snyder**

Certainly. Now, thanks for your question again. Of course, last year, we endeavored, and we accomplished being able to cut about \$25 million worth of recurring expenses from our overall expense base and laid the foundation to then layer on growth this year and as we progress into the future, pulling that same expense model forward as we grow. We'll continue to do that. This year, I think one of the key areas that I would really be focusing in on as an investor is what we're able to do from the AI Center of Excellence. For this year, we, of course, are going from 50 team members to 500 team members in that AI Center of Excellence. Again, as Hadi mentioned, it's completely self-funded. It's really not a cost center. I wouldn't view it as a cost center. I'd really view it as essentially a value generator.

The value, I think, will, of course, in part, come from better positioning us as a leader in the AI space within healthcare, but also in ways that are not as perceptible to those from a front-end perspective. On the back end, we're already making early and meaningful progress at deploying AI to, in an intelligent way, to automate the revenue cycle—the core functions of the revenue cycle. This includes things like core aspects of our overall eligibility verification, being mindful in terms of denials, being able to prevent those denials and manage those denials, things like payment forecasting is increasingly done by AI internally. This, from an operational perspective, also includes things like, from an appeals perspective, we're increasingly using generative AI to handle something close to the entirety of that overall appeals process, from the initial denial all the way through the re-adjudication and also up to payment.

Michael, I think that from a cost savings perspective and from an efficiency perspective, I think really AI will play a key part of that story as we move forward, using AI, again, to streamline these internal workflows, and to evaluate, overall, internally, what's happening within our own Company, and to drive the next steps of what we think has to occur within the Company. I think from a cost perspective, that AI will essentially create additional headroom in which we can operate as we continue to move forward. I think one of the things, too,—if you think about the AI just for a moment, I think one of the things that Hadi mentioned that I think is really key, which is our scale and the experience that we have processing millions of transactions monthly, really allows us to, in a unique way, to deploy and to iterate the AI

models quickly in live environments, to make changes to what we're deploying, gives us immediate real-time feedback, and it gives us that, on a wholesale basis, in mass. It creates a bit of a flywheel effect, if you think about it. It allows us to develop learning more quickly to achieve better outcomes and to accelerate this path forward from an operational perspective.

I think, again, our overall size, the fact that we're working with millions and millions of transactions each month, really uniquely positions us to be effective, we believe, when it comes to AI, as contrasted with many other players in the industry who are really more approaching this from a textbook perspective, as Hadi mentioned. They may be correct in terms of, from a textbook perspective, the next steps, but if they lack the ability to actually, in real-time, test their overall textbook answers against the real-world dynamics, they lack the ability to innovate and iterate as quickly as we can. From an expense standpoint, again, I think I would focus this year more on what can we achieve as we deploy and leverage AI.

**Michael Kim**

Very helpful. Appreciate the color. Thanks.

**Stephen Snyder**

Thank you.

**Operator**

Thank you. Ladies and gentlemen, if you wish to ask a question, please press star and one. We take the next question from the line of Allen Klee from Maxim Group. Please go ahead.

**Allen Klee**

Yes. Hi. I know it's not a large part of your revenue, but I think it's pretty interesting and has a lot of potential. Could you comment on remote patient monitoring and chronic care management, where you see that and the opportunity?

**Stephen Snyder**

Sure. We'd be happy to. If you look at the revenue from the first quarter, you'll see year-over-year growth of 25%, 30%, roughly, in terms of RPM and CCM. Agreed, we're very excited about RPM and CCM. It's a natural fit from an upselling perspective as we're able to also acquire new business. It's a natural go-to in terms of being able to add value and expand the overall opportunity to generate increased revenue on a same-store basis. It certainly provides an engine within the Company that allows us not only to better meet the needs of our clients and their patients, but also to increase revenue.

Still, on balance, as you said, Allen, it still represents a relatively small portion of our overall revenue and really will continue to be a relatively small portion of revenue. I think right now it represents—it's less than 5%, 4%, give or take. During the year, as we continue to grow that, it may grow by a percentage or something along those lines. In terms of the overall Company, it will still represent an exciting but still a relatively small portion of the revenue.

**Allen Klee**

Okay. Great. I'm going to lump three questions together, but they're minutiae on financial stuff. Did your cost of goods revenues—cost of goods sold as a percentage of revenue decline to 56% in the quarter compared to 58.5% in Q1 '25? My question is, and you've talked about some efficiencies, do we believe

that type of change is somewhat sustainable? During the quarter, if we look at year-over-year sales and marketing, looks like you've been lower on that, but you've been growing R&D. I guess we should think out of those trends continuing. Finally, how should we—your actual tax rate you've been paying has been pretty low. Is it reasonable to assume it stays at around that rate? Thanks very much.

**Norman Roth**

Yes, good question, Allen. Thank you. Yes, I think the—when you look at the cost of revenue, I believe it's sustainable, and we're looking for additional improvements. Of course, you probably had a little bit of growth in operating expenses in the first quarter because of the medSR wages. Most of those people are contractors, so they're hired for a specific project. Those people don't continue once the project is over. I just didn't follow your question on sales and marketing and R&D. If you could maybe just reiterate that, please.

**Allen Klee**

Maybe just—you were able to reduce your sales and marketing expense as a percent of revenue. Is that something you think is sustainable at a lower rate of revenue?

**Stephen Snyder**

No, good question, Allen. I think if we step back for a moment and think about the historic growth today, roughly 80% of our clients joined us through acquisitions. As we move forward, I think that there'll be a similar percentage of new relationships that join us through acquisitions. I can't say specifically it will be 80%. Maybe it'll be something more or something less, but acquisitive growth will continue to be a core part of our overall growth strategy as we move forward. You may not see that impact necessarily in the sales and marketing expense line. The overall growth won't really be directly related, in the strict sense, to what you can discern from a sales and marketing perspective. I'm not sure if that answers your question or not.

**Allen Klee**

Yes, thank you. Then tax rate?

**Stephen Snyder**

The tax rate, is that the final question—the other question?

**Allen Klee**

Yes. Is it reasonable to think it stays at a relatively low rate?

**Norman Roth**

Yes. Yes, I would think so, Allen, because as you'll read in our footnotes, we have sufficient NOLs.. We're not paying federal tax. Our taxes are basically state minimum tax which is not a large number. Yes, I would think that our tax rate would stay consistent going forward for the foreseeable future.

**Allen Klee**

That's great, thank you so much.

**Stephen Snyder**

Thank you.

**Operator**

Ladies and gentlemen, there are no further questions, I will now hand the conference over to Norman Roth for his closing comments. Norman?

**Norman Roth**

Thank you, everyone, for attending our call today. Have a great day.

**Stephen Snyder**

Thank you.

**Mahmud Haq**

Thank you.

**Operator**

Ladies and gentlemen, the conference of CareCloud, Inc. has now concluded. Thank you for your participation. You may now disconnect your lines.