



**CareCloud, Inc.**

**Second Quarter 2025 Earnings Conference Call**

**August 6, 2025**

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

**Kristen Rothe**, *Corporate Counsel*

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

**Hadi Chaudhry**, *Co-Chief Executive Officer*

**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 Second Quarter 2025 Results Conference Call.

At this time, all participant lines are in the listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone requires Operator assistance during the conference, please signal the Operator by pressing star, then zero on your telephone keypad. As a reminder, this conference is being recorded.

### Kristen Rothe

Good morning, everyone. Welcome to CareCloud's second quarter 2025 conference call. On today's call are Mahmud Haq, our Founder and Executive Chairman, Co-Chief Executive Officer, 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 acquisitions. Forward-looking statements may sometimes be identified with words such as will, may, expect, plan, anticipate, approximately, upcoming, believe, estimate or similar terminology and 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 and factors that could cause actual results to differ materially from these forward-looking statements.

For anyone who dialed into the call by telephone, you may want to download our second quarter 2025 earnings presentation. Please visit our Investor Relations site, [ir.carecloud.com](http://ir.carecloud.com), click on News & Events, then click IR calendar, click on Second 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 second quarter results and for a reconciliation of these non-GAAP performance measures to our GAAP financial results.

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

### Stephen Snyder

Thank you, Kristen and good morning, everyone. I appreciate you joining us today for CareCloud's second quarter 2025 earnings call.

I'm very pleased to report another strong quarter for CareCloud, one that reflects not just financial stability but meaningful strategic progress across the core pillars of our business, namely AI-driven innovation, operational discipline and sustainable growth. These results are a continuation of the transformation we initiated in 2024 and they highlight our ability to execute in a dynamic and evolving healthcare environment.

Let me start with the financials. We achieved GAAP net income of \$2.9 million, an improvement of 73% from \$1.7 million in the same period last year. This was in spite of a modest year-over-year revenue decline, driven largely by a one-time non-recurring revenue item in Q2 2024. Importantly, this quarter marks the first time in CareCloud's history that we have delivered positive GAAP earnings per share at \$0.04 compared to a loss of \$0.14 per share in Q2 of 2024. This is a remarkable accomplishment and one that we're proud of.

Reporting our first positive EPS as a public company, again, is a major milestone and a clear demonstration of the traction behind our strategy. Year-to-date, we've generated \$4.9 million in GAAP net income, more than triple the amount we reported in the first half of 2024. Adjusted EBITDA stands at \$12.1 million, a 20% increase year-over-year and free cash flow reached \$9 million, up 85% over the same period. These metrics underscore the scalability and efficiency of our operating model and provide us the flexibility to reinvest in growth.

Based on our performance, we are pleased to reaffirm our full-year 2025 guidance. We continue to expect revenue between \$111 million and \$114 million, Adjusted EBITDA in the range of \$26 million to \$28 million and GAAP earnings per share between \$0.10 and \$0.13. As to tech innovation, our AI Center of Excellence is operational and is beginning to deliver measurable results while we continue to ramp up and broaden the team. We are actively using AI to enhance the provider and patient experience on the front end, while we're also applying it quietly on the back end to meaningfully improve our internal operations and cost structure.

Across our back office and service delivery teams, we have deployed AI-powered automation to reduce manual work, accelerate turnaround times and eliminate redundancies. For example, we're leveraging machine learning models to streamline claims coding, readjudicate denials and prioritize accounts receivable workflows. These tools are enabling our team to more efficiently manage higher volumes with fewer resources, driving productivity gains.

We're also using generative AI internally to support functions like denial management, audit prep and revenue forecasting. In the past, these areas required intensive manual review and lengthy cross-functional coordination. Now with AI-enhanced workflows, we're able to move quickly, reduce error rates and focus our team on higher-value strategic work. Taken together, these operational efficiencies are not only expanding our margins, they're strengthening our ability to scale profitably without adding incremental costs. As we move forward, we'll continue to embed intelligence deeper into our infrastructure so we can grow faster, serve clients better and deliver stronger returns for our shareholders.

We're advancing our 2025 product road map and gaining traction with cirrusAI Notes and cirrusAI Voice, solutions purpose-built to improve documentation accuracy, reduce provider burden and enhance the patient experience. These aren't just incremental tools. They represent the foundation of a broader platform strategy to embed intelligence into every layer of the care delivery process. We've also remained committed to financial discipline and shareholder alignment. Since resuming preferred dividend payments, we've declared nine consecutive months of distributions, all funded entirely from our free cash flow. That consistency reflects our operational strength and capital stewardship.

On the M&A front, we've returned to a more active posture. We've completed two acquisitions this year, each aligned with our focus on specialty AI-powered RCM. These tuck-ins reflect the kind of disciplined accretive M&A that has historically been a core part of our growth strategy. With a strong balance sheet and a scalable platform, we are well positioned to continue to actively evaluate additional opportunities.

In summary, this quarter marks a pivotal moment for CareCloud. We are delivering profitability at scale, launching differentiated AI capabilities and reigniting our acquisition engine, all while maintaining a lean,

capital-efficient model. We are executing from a position of strength and building a platform that we believe will lead the next wave of intelligent healthcare delivery.

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

### **Hadi Chaudhry**

Thank you, Steve and thank you, everyone, for joining us.

As Steve mentioned, AI is already reshaping how we operate and I'm excited to take that conversation a level deeper. This morning, I will focus exclusively on the work we have done to bring AI from concept to execution across CareCloud.

Over the past few quarters, we have gone from planning to production, embedding AI into real-world workflows that are improving efficiency, driving smarter decisions and enhancing the experience for both providers and patients. While the momentum around our AI products continues to build, today's call mark an important inflection point, not only in how we scale those innovations but also in how we expand our platform into entirely new market segments.

I will begin with an update on AI progress. Later, I will share significant steps we have taken to bring our intelligent cloud-based platform to a critical part of a healthcare ecosystem that has long been underserved. To ensure this AI transformation, we launched our AI Center of Excellence earlier this year and I'm pleased to share that it's now fully operational. We have hired 100 full-time AI professionals, including machine learning engineers, data scientists and NLP specialists. Alongside them, we have onboarded another 100 interns, many of them are already being evaluated for full-time roles. This structure gives us the scale and flexibility to move quickly while continuously investing in talent and innovation.

Importantly, we are taking a pragmatic and strategic approach to AI development. Where appropriate, we leverage 25 years of proprietary clinical and financial data to train purpose-built models tailored for healthcare. At the same time, we are also integrating market available foundational models where they accelerate time to value, such as transcription summarization and conversational AI.

This hybrid approach allows us to maintain control where it matters most, while benefiting from innovation across the ecosystem. The result is a growing set of production-grade solutions delivered at scale without compromising performance, security or clinical relevance. This center isn't just a hub for innovation. It's an execution engine powering the next generation of CareCloud products and capabilities.

On the client side, our flagship AI solution, cirrusAI Notes and cirrusAI Voice continue to gain traction and anchor our broader intelligent platform strategy. cirrusAI Notes is a fully integrated documentation assistant that reduces provider workload and improves note quality. It uses ambient listening, smart summarization and specialty-specific logic to streamline documentation directly within the EHR.

Since our last earnings call, the number of providers using cirrusAI Notes has more than doubled. We have continued to expand specialty support, refine natural language capabilities and improve real-time usability.

While revenue contribution is still early, this product is delivering significant strategic value, enhancing provider satisfaction, increasing platform stickiness and differentiating our offering in an increasingly crowded EHR market. cirrusAI Voice is our AI-powered call center monitoring and auditing platform. It analyzes 100% of calls, scores each agent's performance against KPIs and uses sentiment analysis to surface coaching opportunities and quality issues in real time. This quarter, we deployed cirrusAI Voice internally across hundreds of our employees to improve call center performance.

We have also launched it with one of our enterprise clients, where it's currently undergoing performance evaluation as part of their phased rollout. Early feedback has been very encouraging. Together, cirrusAI

Notes and Voice are foundational to our AI road map, built not as standalone tools but as a part of a connected intelligent ecosystem, spanning both clinical and operational workflows.

We are actively deploying AI to improve internal operations and scale more efficiently. In revenue cycle and denial management, machine learning and generative AI are streamlining claim coding, appeal generation and A/R prioritization, reducing manual work and accelerating turnaround times. We are also piloting AI tools for forecasting to support faster data-driven decisions. These early deployments are already delivering clear productivity gains and operational leverage.

Now looking ahead to Q3, we are actively working on a broad set of AI initiatives across the organization. Among them, here are a few key projects that illustrate how we are continuing to push the boundaries of intelligent automation and patient engagement. The first one is an AI front desk agent. We are piloting a conversational AI agent capable of handling inbound calls without human intervention. It performs front office tasks like appointment scheduling, prescription refills, lab results, updates and general inquiries with a human-like voice experience. This will help reduce call volumes and improve service responsiveness.

The number two, AI-enabled personal health record, a PHR. We are building an AI-powered PHR that allows patients to interact with their health data using natural language through both text and voice. A key feature is an AI voice assistant that conducts adaptive pre-visit interviews, asking context-aware questions to complete intake, assesses the patient's condition and pre-populate clinical notes, saving time for providers and improving visit quality. Additional capabilities include smart scheduling, chart summarization and proactive care prompts, all aimed at making healthcare more personalized, accessible and actionable.

Number three, enhanced AI denial management. We are expanding our AI-powered denial management capabilities with deeper use of generative AI to automate appeals, classify root causes and surface payer trends, helping clients recover revenue faster and reduce future denials. These projects reflect our commitment to delivering real-world AI that improves experience, efficiency and outcomes across the care continuum.

Earlier, I mentioned that today's call represents a strategic inflection point, not only in how we scale our AI innovations but also in how we expand the reach of our platform. I'm pleased to share that as of August 1, 2025, CareCloud has received ONC Health IT certification for our talkEHR platform tailored specifically for critical access hospitals. This certification enables us to support CAH, participating in Medicare and federal quality programs and allows us to bring our technology into an underserved and critically important segment of the healthcare system.

Our CAH-certified platform is cloud-based, AI-enabled and designed to support inpatient, outpatient and swing bed workflows, delivering the same operational efficiency and regulatory compliance we are known for in the ambulatory space. This milestone opens access to a \$1.5 billion addressable market across more than 1,300 rural hospitals, many of which are actively seeking modern replacement for outdated high-maintenance systems. It also reinforces our broader strategy of supporting the full continuum of care from independent practices to rural inpatient facilities through a unified intelligent platform.

To summarize, we are executing with focus and discipline across every layer of our AI strategy. From client-facing innovation to internal automation, we are embedding intelligence into the core of our platform, delivering measurable improvements in experience, efficiency and scalability. We have built the internal infrastructure, expanded into new markets and actively developing next-generation capabilities that will further differentiate CareCloud in the quarters ahead.

Our entry into the inpatient market reinforces our commitment to serving the full continuum of care and our conviction that AI can and should power meaningful practical improvements in how healthcare is delivered and managed. We believe we are still in the early innings of AI and healthcare but with the foundation we have built, we are well positioned to lead.

Thank you again for your time and continued support. I will now turn the call over to our Interim CFO and Controller, Norm Roth. Norm?

**Norman Roth**

Thank you, Hadi and thanks, everyone, for joining our call today.

We delivered a strong quarter, reflecting the strength of our business model and the disciplined execution of our strategic priorities. Positive earnings per share and strong cash flow underscore our continued operational efficiency and financial health. During the six months ended June 30, 2025, we generated \$12.5 million of cash from operations and \$9 million of free cash flow. We are proud of this accomplishment.

In the second quarter, we reported revenues of \$27.4 million, while down approximately \$700,000 year-over-year, the decline was due to a one-time non-recurring revenue item in Q2 2024. CareCloud Wellness generated approximately \$1 million in revenue for the quarter and approximately \$1.8 million for the first six months of this year. Our direct operating costs continue to decline and they are down approximately \$760,000 from Q2 2024. Our operating expenses, including G&A, R&D and sales and marketing expenses decreased by approximately \$1.4 million.

In the second quarter, we reported positive GAAP operating income of \$3 million and GAAP net income of \$2.9 million. This compares to GAAP operating income of \$2.3 million and GAAP net income of \$1.7 million during Q2 2024. The GAAP net income per share was \$0.04 based on the net income attributable to common shareholders which takes into account the preferred stock dividends.

Non-GAAP adjusted net income for the second quarter of 2025 was \$3.3 million, or \$0.07 per share, calculated using the end-of-period common shares outstanding. We reported Adjusted EBITDA of \$6.5 million in the second quarter compared to \$6.4 million in the same period last year. Revenue for the first six months of 2025 was \$55 million compared to \$54.1 million for the same period in 2024.

For the first six months of 2025, the Company's GAAP net income was \$4.9 million compared to a GAAP net income of \$1.4 million for 2024. This equates to income of \$0.02 per share after subtracting the preferred stock dividends. Non-GAAP adjusted net income for the first half of 2025 was \$5.6 million, or \$0.13 per share. Year-to-date, Adjusted EBITDA was \$12.1 million, an increase of \$2 million from \$10.1 million in the same period last year.

As of June 30, 2025, the Company had approximately \$10.4 million of cash. Net working capital was approximately \$14.9 million. This performance gives us confidence as we enter the second half of the year. We remain focused on profitability and cash flow and delivering long-term shareholder value. We look forward to updating you later in the year.

With that, I'll now turn the call over to Mahmud for his closing remarks. Mahmud?

**Mahmud Haq**

Thank you, Norm. I want to take a moment to sincerely thank our employees, clients and shareholders for their continued trust and support. This quarter marks a significant milestone for CareCloud. Not only have we delivered our first ever positive GAAP earnings per share since our IPO but we have done so while continuing to invest in the future.

As we look ahead, we remain committed to thoughtful execution, sustainable growth and delivering 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 question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Ladies and gentlemen, we will wait for a moment while we poll for questions.

The first question comes from Allen Klee with Maxim Group. Please go ahead.

**Allen Klee**

Yes, hi. Great quarter. Free cash flow really standing out. I wanted to touch on your AI Center of Excellence and the opportunities you're creating there. Could you—how do you think about kind of the spend that you'll have and how you're thinking about that relative to the potential revenue-generating opportunities? Thank you.

**Hadi Chaudhry**

Good morning, Allen. Thank you for joining and for your question. As we mentioned or the way we are trying to focus on it is three-fold. One is the top line which is we can bring in to the market some products which can generate some incremental revenue. The second part is making the products more competitive and AI-enabled which is an evolution the whole industry is going through.

Like if it's an EHR, there are 100 different ways we can optimize how the things can operate in the next generation with the help of an AI, whether it's the summarization of charts, whether it is the recommendation, whether it is the sorting out with the help of AI, all the different incoming documents and suggesting and recommending the next procedures, suggesting to the doctor, as an example, the different—the next prevent screenings, for example.

As I mentioned in our call earlier, for example, the AI agent which can intercept the call and instead of a human being who is taking the—answering the call, simple questions such as appointment scheduling, cancellations and the like. Many of the things are—some of those would be where we can have an incremental revenue. Other is making the product more competitive in the market.

The third one is our back office optimization. The many tasks that we were doing manually today are in the process of being converted into an automated way or with the help of an AI, there are less and less human resources needed to perform the same task, or we can perform the same task with much more efficiency.

I think the benefit is going to come in all these three areas, not just one. One is the revenue driver, the product being more competitive, eventually will result into more revenue, better sales and positioning in the market. Third one is helping us improve the margins with the help of an AI. I hope that answers the question.

**Allen Klee**

Yes. You've come out with some new products; you've talked about critical access hospitals, and then some specialized EHR. Maybe can you talk about how you're approaching the—because it sounds like you're reaching out to new potential customers. How you're thinking about the sales approach to try to win the business with your new offerings?

**Hadi Chaudhry**

Sure. Let me start and then maybe Steve can take it from there. If you think about it, some of these specialties such as dermatology, let's take that as an example. We have many clients who are using today CareCloud services when it comes to RCM and practice management and the like. They may be using



some other specialty-specific EHR. Those players may have been in the industry focusing on those specific specialty areas for decades.

Even though we are providing the services by integrating those systems into our platform, that's where one of the areas where we see a true opportunity, where the full end-to-end solution can offer much better outcomes compared to an integrated version. In many cases, those EHRs or those other platforms still lack the capabilities, the next generation of capabilities of AI and the like. That's one of the areas where we see the opportunity.

Steve, I think you can—I'm sure you have more things to add here.

### **Stephen Snyder**

Thanks, Hadi. Allen, thanks for the question. If we focus in particular in terms of the EHR for the inpatient space, our focus is primarily strategically on the critical access hospital space, where there are roughly 1,300 critical access hospitals across the United States. If we step back even further and think about the inpatient hospital space from an EHR perspective, there's a very small universe of vendors who are focused in on this space and have the technological capability to develop an end-to-end solution.

There is even a smaller number that have not only the technological capability to develop an end-to-end solution from a clinical perspective but also have a long track record of meeting the needs of hospitals and independent practices from a revenue cycle management perspective. We're excited about this. This is a pretty huge milestone in terms of our overall ability to penetrate this market and to reach out to this market. Over the next quarter, we're excited to share some additional information and some additional updates as we move forward.

### **Allen Klee**

Thank you. I'll ask one more question and then I'll jump back in the queue for -- excuse me. Could you just comment on how medSR remote patient monitoring and chronic care management performed?

### **Stephen Snyder**

Sure. If we step back for a minute, Allen and we think about the year overall and what our strategic focus has been, there have been four key things. First of all, to gain the leading edge in the AI space within the healthcare IT market. We've already spoken about that. Secondly would be to stabilize overall revenue. We're excited to again report that year-to-date revenue has increased.

Third, it's been to further expand margins. As we think about the margins and we think about most specifically, the most recent quarter, of course, represents the first time in our company history where we've been able to report positive net earnings. We've taken the momentum from last year and we've continued that momentum into this year. Then the final thing would be to focus on reigniting acquisitions and acquisitive activities, together with continuing to expand the opportunities with regard to organic growth.

In particular, your question focused in on medSR. Again, for medSR, we're pleased to say that we believe that the overall revenue base has largely stabilized, just like the larger revenue base across the Company. We expect revenue this year to be roughly equal to what it was last year. Obviously, there's still time. There's still wins to be made but we're striving to achieve that.

Likewise, from an RPM perspective, RPM is an exciting addition to the overall revenue mix. As we've spoken about in the past, we still anticipate that the overall revenue mix will continue to be about 5% or less from RPM. That's about where we're tracking today.

### **Allen Klee**



Thank you very much.

**Stephen Snyder**

Thank you.

**Operator**

Thank you. We have our next question from Michael Kim with Zacks Small-Cap Research. Please go ahead.

**Michael Kim**

Hey, everyone. Good morning. Thanks for taking my questions. First, maybe just a follow-up on seemingly—seems like you guys are targeting more specialized practices and being able to come to market with a fully integrated end-to-end solution. Just wondering where you might be seeing incremental opportunities going forward as you sort of look out into the future?

**Stephen Snyder**

Certainly. Thanks Michael for the question. Certainly from the perspective of overall growth, our focus continues to be on upselling the existing revenue base, so delivering value and meeting the needs of our existing client base and looking for other opportunities, whether it be RPM or other opportunities from an upselling perspective, together with the net new types of opportunities that you referenced that are more specialty-specific EHRs and the like.

This -- and as we lean further into the the inpatient space, we're excited about having a brand-new market that we can unlock, especially the smaller healthcare facilities, the critical access hospitals and those that are, generally speaking, 25 beds or less, together with the life sciences opportunities we've spoken about before.

We really see, again, when we look at this year, looking at those kind of four key objectives, we're pleased to see that at least along all these four key objectives, we're really tracking well.

**Michael Kim**

Got it. Thanks. Then just in terms of M&A, just wondering what you're seeing from a competitive standpoint. Then obviously, you talked about the strengthening balance sheet but just curious how you're thinking about capacity from a funding perspective? Thanks.

**Stephen Snyder**

From a competitive perspective in the M&A space, again, we're seeing a very active environment when it comes to healthcare IT and revenue cycle management opportunities. As we've discussed in the past, it's our belief that over the last year and a half, the overall valuations in this space have normalized and they've normalized to something close to the valuations that were experienced pre-COVID.

That really unlocks other actionable opportunities for us here in the revenue cycle management acquisitive space, together with the broader healthcare IT space. We're also seeing some distressed companies and core and non-core assets of companies come to market. In many of these cases, we really see an opportunity to take our operating model, scale and healthcare IT capabilities and to unlock some very meaningful value within these companies.

You also asked about it from a funding perspective. From a funding perspective, we're continuing to approach all these acquisitive opportunities with discipline. We're in a strong position to be able to fund

these tuck-in deals through our internally generated cashflow we talked about before. We also have, of course, an untapped and undrawn credit facility with SVB which gives us a bit of additional flexibility. We feel like we're in a very good position to be able to move forward and take action with regard to these opportunities as they materialize.

We're continuing to actively explore what opportunities make sense as we look to deploy our capital in a way that will drive further ROI. Broadly speaking, we're pursuing these strategic acquisitions that are financially accretive, operationally synergistic and also align with our long-term growth objectives, including the opportunity to be able to deploy our AI technology (audio interference).

### **Stephen Snyder**

My apologies. A little bit of an issue here with the phone lines.. I was just talking about the overall strategy associated with these opportunities that we're pursuing in the acquisitive space. I candidly was almost done. I was just going to mention and then I can ask—then feel free to ask any follow-up questions. I was going to mention one other acquisition that we've already spoken about some and that's the RevNu Med acquisition.

I think that probably is a good acquisition to think about as a good reference point for those opportunities that are particularly attractive and fit well within our model. You'll recall that RevNu Med is focused on the hearing health space and gave us the opportunity to acquire a business that not only added the existing client base but also gave us the opportunity to expand the scope of our existing solutions into a new subsection of the market. That particular transaction, you may recall, involved no money down, 100% of the purchase price is based on the revenue generated over time.

Again, it's the type of tuck-in that really fits well, low customer acquisition cost, an immediate client base and a platform that we can enhance using our broader technological and AI capabilities. If you think about this, this represents not only a win for us from an acquisition perspective, but also represents an opportunity that we're able to move forward on in terms of organic growth.

If you think about it from the perspective of this particular acquisition, just as an example, I'll share a couple of things that have happened with regard to RevNu Med. The largest customer in RevNu Med, we've been able to meet their needs. I think candidly, I believe, exceed their expectations. They've taken the one-year contract that we started with and have expanded that to a three-year agreement. We believe that's a real validation of the success of this approach.

We've also been able to expand the overall reach deeper into the audiology and hearing health market. Every acquisition, of course, is different but this one represents a really good story for you to think about in terms of what the overall acquisitive strategy is able to accomplish for us.

Michael, do you have any other questions that would be along the lines either of acquisitions or anything else related?

### **Michael Kim**

No. That was very helpful. I appreciate the color there. Thanks for taking my questions.

### **Stephen Snyder**

Absolutely. Thank you.

### **Operator**

Thank you. We have a follow-up question from Allen Klee with Maxim Group. Please go ahead.

**Allen Klee**

Yes, hi. It's clear with your free cash flow generation, it creates a lot of optionality and positives that you can go after. I think that's very bullish for your outlook. Getting into your outlook, I just wanted to touch base a little, any commentary on seasonality for 3Q and 4Q? Then it seems like you're using your AI internally, could be like helping margins and maybe that can offset that along with maybe some of the new revenue contribution can offset any of the new costs related to people you're hiring at the AI data center—Center of Excellence. Is that the way to think about it or what color could you provide? Thank you.

**Stephen Snyder**

Good question, Allen. I'll let Norm jump in here and provide some additional detail. What we think that is the right way to look at it. First of all, I'll start with your—the second part of your question. From an AI perspective, our focus is on building this AI Center of Excellence in such a way that we are hoping to really remain and cement our role on the leading edge of healthcare IT AI. Having said that, again, this is our own internal investment.

When we think about free cash flow, we anticipate that free cash flow this year, absent additional acquisitions and things along those lines, we anticipate that free cash flow this year will meet or exceed our free cash flow last year in spite of all the additional investment. At the same time, that positions us very well from an organic growth perspective and also from an acquisitive growth perspective. From an acquisition perspective, I mentioned that just because of the fact that, that is a theme that we hear consistently when we're talking to sellers. Their realization that the market is fundamentally changing and the understanding that they have that it's essential to either leverage their own AI technology or to partner with someone like us who can help them unlock that AI functionality on behalf of their clients and on behalf of their own company on the back end in terms of reducing costs and streamlining overall operations. That's the second part.

Allen, the first part of your question was what again?

**Allen Klee**

Just thinking about seasonality of revenues in the second half and then expenses.

**Stephen Snyder**

Sure. I'll let Norm jump on that and answer that. Overall, we would say, again, we believe this year that we've stabilized revenue. We believe that we'll have a modest increase. From a profitability perspective, we again anticipate that we'll continue to generate positive EPS based upon where we're at today. Again, notwithstanding any additional changes and the like. Over to Norm.

**Norman Roth**

Thank you, Steve and thanks, Allen. Yes, I think as we ramp up the AI Center of Excellence, that is all going to be funded from internal cash flow which is strong. We expect it to increase. As far as seasonality is concerned, Allen, I would say if you looked at Q3 and Q4 of last year, I would expect this year's Q3 and Q4 to mirror last year with, as Steve said, some modest increases. Q1 and Q2 has been strong. I would expect that trend to continue.

**Allen Klee**

That's great. Thank you.

**Operator**

Yes, sir. Please go ahead.

**Allen Klee**

I'm sorry. I think that just in terms of capitalized software, what is that focused on?

**Norman Roth**

The cap software is basically right now improvements to our existing platforms and the packages that we have. We're always putting in modifications and just making it more AI focused. As we're making these updates, GAAP allows us to capitalize that and then we amortize it over a short period.

**Allen Klee**

That's great. Thank you. Then just in general, like when you're talking to customers and you're having a lot more to offer with all these enhancements you're doing with AI, how—just some comments on how those conversations are going because it sounds like you have a lot more to offer to your customers.

**Hadi Chaudhry**

Yes. Sure. I think for us, the advantage is since they are using already our existing platform, so our internal marketing strategy or sales strategy starts with showing them at the right places, the right communication through splash screens as an example. As I shared with you some of the numbers that for cirrusAI Notes as an example, clients that are signing up for initially the trial period, we have seen over 75% adoption or continuation after the trial period ends. That's all very good feedback.

Even though this 25% is there which are not continuing, most of that was in the initial phase where we see an opportunity that this number should even be higher than the 75%. I think we see more and more traction towards AI as the clients are also hearing from left right sideways, the AI into the healthcare. Then when they get an opportunity to at least test it out, the overwhelming majority undertakes it or accepts it, or try to use it and continue to use it.

There are other small pieces like similar—you can give them the flavor of AI of summarization of the chart as an example, very rudimentary AI feature. Clients see that as they start to use it, the adoption is increasing and it's all positive at the moment.

**Allen Klee**

That's great. Okay. Thank you so much. Congrats.

**Hadi Chaudhry**

Thank you.

**Operator**

Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Norman Roth, the CFO, for the closing comments.

**Norman Roth**

Thank you everyone for joining our call today. Hope you have a great day. Thanks again. Bye-bye now.

**Operator**

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