



CareCloud, Inc.

First Quarter 2026 Results Conference Call

May 7, 2026

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

Brendan Covello, *Corporate Counsel/Compliance Officer*

Stephen Snyder, *Chief Executive Officer*

A. Hadi Chaudhry, *Chief Strategy Officer*

Norman Roth, *Chief Financial Officer and Corporate Controller*

Mahmud Haq, *Founder and 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*

Lisa Thompson, *Zacks Small-Cap Research*

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to CareCloud, Inc., First Quarter 2026 Results Conference Call.

At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star, zero for the Operator. This call is being recorded Thursday, May 7, 2026.

I would now like to turn the conference over to Brendan Covello, Legal Counsel. Please go ahead.

Brendan Covello

Good morning, everyone. Welcome to CareCloud's first quarter 2026 conference call.

On today's call are Mahmud Haq, our Founder and Executive Chairman, Stephen Snyder, our Chief Executive Officer, A. Hadi Chaudhry, our Chief Strategy Officer, 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 call are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21 of the Securities Exchange Act of 1934, as amended. All statements other than the statements of historical fact made during this call 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, believe, estimate or similar terminology, and a 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 Act 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 first quarter 2026 earnings presentation. Please visit our Investor Relations site, ircarecloud.com, click on News and Events, then click IR Calendar. Click on First Quarter 2026 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 2026 results 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 CEO, Stephen Snyder. Stephen?

Stephen Snyder

Thanks, Brendan, and good morning, everyone.

I'm pleased to report that the first quarter of 2026 marked a strong start to the year for CareCloud, with revenue growth of 13%, the broadest product portfolio in our history, accelerating commercial traction in our AI platform, and a transformational simplification of our capital structure that we executed shortly after quarter's end. We delivered the kind of momentum we expected entering 2026, and we are reaffirming our full year guidance with great confidence.

Let me start with our top line numbers. For the first quarter of 2026, we generated revenue of \$31.3 million, up 13% from \$27.6 million in Q1 of last year. On profitability, GAAP operating income was \$1 million for the quarter, and GAAP net income was \$900,000, as anticipated, both lower than the prior year's quarter, driven primarily by increased amortization of acquired intangible assets and integration costs associated with the Medsphere acquisition.

Adjusted EBITDA, adjusted net income, and adjusted EPS were each essentially in line with the prior year, and we generated \$2.4 million in free cash flow. These non-GAAP measures are the cleaner read on our underlying operating performance, and they show a business that is holding margin while we absorb a material acquisition. Norm will walk you through this in more detail in a few minutes.

Next, I'd like to spend some time on our capital structure, because what we executed in April represents the most significant simplification of CareCloud's balance sheet since our IPO. On April 13, we closed a new \$50 million credit facility with Citizens Bank and Provident Bank, comprised of a \$40 million term loan and a \$10 million revolving line, which replaced our previous \$10 million Provident Bank facility. In parallel, we also put an at-the-market, or an ATM, equity facility in place, not as a financing we plan to lean on, but as a flexible, just-in-time tool we can deploy on opportunistic terms if and when it makes sense for our Shareholders.

The day after closing, on April 14, our Board elected to redeem 100% of our outstanding Series B preferred stock. The redemption is scheduled for May 15, and we have already pre-funded approximately \$41.6 million of the new credit facility to satisfy it. Let me underline what this means in plain terms. Together, with the conversion of approximately 80% of the Series A preferred stock that we completed in March of last year, the full redemption of our Series B preferred stock effectively removes the preferred equity overhang that has shaped our capital structure for many years. We are exchanging high-cost preferred dividends for lower-cost senior debt, dramatically simplifying our story for Investors. We are doing it with zero common Shareholder dilution from the redemption itself.

This is more than a balance sheet exercise. A simpler capital structure broadens our Investor universe, particularly among institutional investors who have historically been deterred by complex preferred equity stacks, improving the visibility of common shareholder economics, and that lowers our weighted average cost of capital. In short, the structure of the Company now aligns with the way we run it, as a focused, profitable, growing healthcare IT technology platform.

Turning to our acquisition portfolio, the integration of the transactions we completed in 2025 is progressing well. Through Medsphere, we entered the inpatient hospital market and significantly expanded our addressable market, adding the number one, Black Book-ranked WellSoft Emergency Department Information System, the CareVue inpatient EHR, ChartLogic for surgical specialties, MarketWare for physician relationship management, HealthLine for hospital supply chain and managed IT services. That portfolio took us from ambulatory first to care continuum.

On MAP App, our HFMA partnership is opening hospital finance conversations that would have taken years to build organically. Hadi will walk you through how we're layering AI-driven recommendations on top of MAP App's benchmarking foundation. But the strategic point is quite simple. MAP App identifies where a hospital is underperforming, and our RCM and AI capabilities demonstrate how to fix it. That is a powerful combination in 2026 in the year where we believe we'll scale it.

As to our AI platform, it is really no longer a vision. It is a product line in the market with paying customers and measurable results. StratusAI desk agent, our agentic AI phone receptionist, reached full commercial release in December and is scaling. Across early adopters, the platform is now handling approximately 75% of inbound calls automatically, freeing front desk staff to focus on more complex patient needs and lifting the throughput of every practice that deploys it. Our AI Center of Excellence, launched in April of last year, is fully operational and is the engine behind everything in our AI portfolio. In a moment, Hadi will walk you through the three-track framework we use to apply AI across the business, inside our own operations, embedded in the products our clients already use every day, and as a standalone AI solution.

Where each track stands today, the point I want to leave you with is that the believed addressable market for our AI front desk capability alone exceeds \$4 billion in the United States. We are bringing it to the large provider customer base that already trusts CareCloud with its core clinical and revenue cycle workflows. That integration advantage is hard to replicate.

Our 2026 growth strategy is unchanged and fully on track. First, we are actively cross-selling StratusAI and our RCM services to our existing ambulatory client base. Second, we are penetrating the Medsphere installed base of hospital and health system customers with our RCM and AI capabilities, creating a multiplier effect on sales efficiency. Accordingly, we are reaffirming our 2026 guidance. We continue to expect revenue of \$128 million to \$132 million, Adjusted EBITDA of \$29 million to \$31 million, and GAAP earnings per share of \$0.20 to \$0.23, which would represent more than a 100% increase over our 2025 EPS of \$0.10. Our confidence in this outlook is grounded on our continued growth in our RCM business, accelerating AI revenue contribution from StratusAI, and the synergy of cross-sell opportunities from our 2025 acquisitions, each of which we expect to ramp meaningfully through the back half of the year.

A brief word on operational efficiency. We are also deploying AI inside our own back office and consolidating overlapping systems from our 2025 acquisitions, and we expect that work to be an ongoing source of margin improvement through 2026 and into 2027. Hadi will go deeper on this, as the first of his three AI tracks. Stepping back, this is exactly the kind of quarter we wanted to deliver to start 2026. Revenue grew by 13%. Our AI platform is in market and scaling. Our acquisition portfolio is contributing as planned. Our integration work on Medsphere is well underway, and we have used the early weeks of the second quarter to fundamentally simplify our capital structure, closing a new credit facility, putting an ATM in place, and announcing the full redemption of our Series B preferred stock.

The underlying business, recurring revenue, cash generation, the customer base, the product roadmap, is moving in the right direction and we are reaffirming our 2026 guidance. We are entering the rest of the year with more capability, more scale and more momentum than at any point in our history. We are a profitable growing Company with a clear AI strategy and the operational discipline to execute on it. I look forward to sharing our progress with you throughout the year.

With that, I'll turn the call over to Hadi Chaudhry, our Chief Strategy Officer, who will provide more details on our AI strategy and product roadmap. Hadi?

A. Hadi Chaudhry

Thank you, Steve, and good morning, everyone.

Before I get into first quarter, I want to remind everyone of the framework we are using to apply AI across CareCloud, because everything I'm about to walk you through fits inside that framework. I think it's the clearest way to understand both what we are doing today and what compounds over time.

As Steve mentioned, we are pursuing AI along three parallel tracks. The first is backend cost and efficiency optimization, where AI applied inside our own RCM financial and administrative operations to do the work we already do for our clients, but faster, more accurately, and at a much lower cost. The economic outcome shows up in the margins.

The second is embedding AI into our existing customer-facing applications, our EHR, practice management, patient engagement and benchmarking platforms. Bringing AI inside the products our clients already use makes them smarter, stickier and more valuable without asking clients to buy something new. The outcome shows up in retention, expansion and the strength of our existing revenue base.

The third is building entirely new AI products for discrete, high-value problems in healthcare operations. StratusAI Front Desk Agent and cirrusAI Notes are the two most visible examples today, with AI prior authorization, AI-assisted medical coding, and additional clinical documentation capability and active development. The outcome is new revenue lines as those products mature. These three tracks are not separate strategies competing for resources. They are the same investment compounding three different ways.

Let me walk you through where each one stands at the end of Q1. On the backend track, we continued in Q1 to apply AI across our own RCM financial and administrative operations. This is the track that gets the least external attention, but it is where AI is creating its most measurable near-term impact. Inside our RCM operations, AI is reducing claim errors, improving documentation accuracy and increasing first-pass acceptance rates with payors.

Across our administrative and financial functions, it is helping our internal teams handle higher volumes with the same headcount. We are also adopting AI-driven tools across the software development lifecycle, such as code generation, code review, QA and testing, and application design. This is the same productivity revolution the broader software industry is going through, and we are participating in it as a deliberate strategy. Over time, we expect two compounding outcomes, higher code quality and meaningfully more output per engineer. For a Company shipping across a wide product surface, EHR, RCM, practice management, patient engagement, benchmarking, and an expanding AI portfolio that engineering leverage matters.

How we measure progress on this track matters. We are not just tracking lag indicators. Outcomes like acceptance rates and denial ratios that tell you what already has happened. We are actively monitoring lead indicators, the signals that predict revenue cycle performance before it shows up in the financials. How early errors are caught, how many claims are pre-validated before submission, how much human intervention is required per claim, and how effectively our AI predicts denial so that rules can be configured proactively, not reactively. These upstream metrics are where AI creates its leverage, and they are what give us confidence in where the trajectory is heading, not just where it has been.

Our longer-term ambition is to set a new industry benchmark, zero-touch claims, a fully automated workflow where AI handles intake, validation, submission and follow-up with minimal human intervention, allowing billing teams to focus on exceptions rather than routine processing. Q1 was a quarter of measurable progress on the underlying lead indicators that bring that vision closer.

The second track is bringing AI into the products our clients already use every day. Our existing suite, EHR practice management, patient engagement, benchmarking represents thousands of touch points per client per day. Everyone is an opportunity to make our software more intelligent without asking the client to buy something new. This creates more lasting AI value than launching a new product because it improves everything already deployed with customers. In Q1, we continued deepening AI inside these platforms, improving how our EHR surfaces relevant information at the point of care, making our practice management system more predictive about scheduling and intake, and enhancing the analytical depth of our benchmarking capabilities.

None of this is a new product announcement. It is continuous embedded improvement to platforms our clients are already paying for. The most successful version of this track is one where AI inside the product is invisible to the user. They simply find that the software is doing more for them than it used to. We will share specific results as they become meaningful to disclose. This track is also where leverage on our acquisitions pays out. Some of the platforms we brought in through Medsphere and the MAP App serve a

different client segment than our ambulatory base. Hospital systems, health networks, and emergency departments, the AI work there is in earlier stages, but the principle is the same. The platforms get more value when AI is part of them. That value accrues to clients already on them. That is leverage we paid for, and we are working through it methodically.

The third track is the one that gets the most public attention. New standalone AI products for specific high-value workflows. This is where StratusAI Front Desk Agent and cirrusAI Notes live, and where our development pipeline continues to expand. Let me start with StratusAI Front Desk Agent, our agentic AI front desk solution. We continue to sign new business in Q1, almost entirely from within our existing client base, exactly the motion we wanted at this stage. Our priority right now is not maximizing contracts signed. It is making sure every agent we sign is implemented well, completes its trial successfully, and earns the right expand inside this account. Expansion means more agents per client, additional functions, extended coverage hours, and broader use cases. This is the curve we are deliberately working, depth before breadth, because it produces durable, expanding revenue rather than a flurry of signed contracts that don't convert into real usage.

Within the Desk Agent Suite, StratusAI Voice Audit continues to play an important complementary role, giving practice administrators visibility into both AI-handled and staff-handled calls. Some clients adopt voice audit alongside desk agent from day one. Others bring it on later as their AI deployment matures. Either way, it deepens our broader StratusAI footprint inside the account.

Turning to cirrusAI Notes, our ambient documentation product, Notes continues to be an entry point for many providers into the cirrusAI family on the ambulatory side, where it serves the most acute pain point in clinician stay. What I want to highlight this quarter is the integration efforts underway to bring cirrusAI Notes into the inpatient platforms we acquired through Medsphere, opening the door to AI-assisted documentation inside hospitals and health systems, a different clinical workflow, user and buying center that ambulatory market we have served historically. This is exactly the cross-pollination between our acquisitions and our AI portfolio that we described as the multiplied effect when we closed Medsphere.

Beyond front desk agent and Notes, our pipeline continues to advance. AI prior authorization, AI-assisted medical coding, and additional clinical documentation capability are all in active development inside the AI Center of Excellence. Bringing those to market is a goal for this year. We will share more on each as they get closer to client readiness.

Let me close by coming back to the three-track framework, because I think this is where the strategic picture comes together. A company pursuing only the third track, only new AI products, is making a bet that depends entirely on those products achieving scale. A company pursuing only the first track, only internal cost optimization, captures margin but doesn't differentiate its products. A company pursuing only the second track, only embedding AI into existing apps, strengthens retention but doesn't create new revenue lines. CareCloud is doing all three at once, and the reason that matters is that each track de-risks the other. Internal AI improves our economics regardless of how fast the new AI products scale. Embedded AI strengthens our existing revenue base regardless of how fast we capture new markets. New AI products give us a path to entirely new revenue lines built on top of an installed base that AI is already making stronger every day.

Q1 was a quarter where each of those three tracks moved forward. Each one continued to compound in the direction we have been describing, and together they formed the durable, profitable AI strategy we are executing.

With that, I will turn it over to Norm to walk you through the financials. 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 the remainder of the year. In particular, we are continuing to generate sufficient amounts of free cash flow, and in May, we will liquidate all of the outstanding Series B Preferred Shares.

Revenue for the first quarter of 2026 was \$31.3 million, compared to \$27.6 million for the first quarter of 2025. Recurring technology-enabled business solution revenue was \$23 million during the first quarter of 2026, up approximately \$5.3 million from the first quarter of 2025, while the non-recurring project-based professional services revenue from MedSR decreased approximately \$2.9 million. First quarter 2026 GAAP net income was \$922,000, as compared to net income of \$1.9 million in the same period last year. This is our eighth consecutive quarter of positive GAAP net income. Although our revenue has increased, we are continuing to integrate the Medsphere acquisition and eliminating duplicative costs.

As a result of the 2025 acquisitions, there was also an increase in the amortization of intangibles and transitional costs impacting net income. We generated \$2.4 million of free cash flow for the first quarter of this year, compared to \$3.6 million last year. Again, the decrease resulted primarily from the Medsphere integration.

Adjusted EBITDA for the first quarter 2026 was \$5.4 million, or 17% of revenue, compared to \$5.6 million in the same period last year. Adjusted net income was \$2.2 million, or \$0.05 per share, compared to \$2.3 million in the same period last year, calculated using the end-of-period common shares outstanding. As of March 31, 2026, the Company had approximately \$3.9 million of cash, and net working capital was \$2.6 million, both of which have slightly improved since year-end. We are fortunate that we have not been affected by any of the tariffs that were instituted or are contemplated, since tariffs are being applied to physical goods, not services. Even better, the revenue of doctors' practices, our customers, should not be significantly affected by the tariffs or the uncertainty of potential recessions or inflation. We don't anticipate the pressure of reduced demand for our services.

The conflicts in the Middle East and Ukraine have also not impacted us. Our financial position remains strong as the Company continues to take a disciplined approach to spending, ensuring our investments are aligned with clear returns. We are encouraged by the progress we've made and remain focused on executing through the remainder of the year. We look forward to reporting strong results for the remainder of 2026.

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

Mahmud Haq

Thank you, Norm.

CareCloud is a profitable growing Company. The full redemption of our Series B Preferred and last year's Series A conversion mark a major step towards a simpler capital structure and a stronger story for our investors. We are also focused on leading the industry transformation, and our AI strategy positions us well for what's ahead.

Thank you to our employees, clients and shareholders for their continued support. Operator, please open the line for questions.

Operator

We will now begin the question-and-answer session. If you wish to ask a question, please press star, and one on your telephone keypad and wait for your name to be announced. Once again, star, and one if you wish to ask a question.

We will now take our first question, and this comes from the line of Allen Klee from Maxim Group. Your line is now open. Please go ahead.

Allen Klee

Hello. Good morning. To start with, in the in-house, like patient software segment, talk a little about your traction and the plans to—it seems like you have a good strategy there, but it seems like this could be a big driver for the future. If you could maybe just highlight kind of what you're focused on strategically.

A. Hadi Chaudhry

Good morning, Allen. Thanks for joining, and that's a great question. I think I'll use this as an opportunity to dive into a little bit of details about our roadmap or the strategy when it comes to the Medsphere product. As you know, this acquisition brought us a comprehensive suite of platforms across the inpatient and hospital ecosystem. As an example, WellSoft for Emergency, CareView for inpatient EHR, Marketware for physician relationship management, and Healthline for hospital supply chain.

Across all four, we are executing on a deliberate value creation strategy with four parallel work streams. First one is, if you think about the technical debt remediation and modernization. Medsphere had paused most enhancement activity going into the acquisition. The foundational catch-up has been substantial. WellSoft, CareView, they are being modernized from thick-line desktop application to fully cloud-based SaaS platforms. To put one number on it, just if you think about on the RCM side only, we are closing more than 50 carry-forward items this quarter to bring desktop and cloud to functional parity. Similar work is running in parallel across the entire portfolio.

Our second one is the net new capability development, moving these platforms well beyond where we acquired them. On Marketware alone, more than 20 new features are in active development this quarter, including our flagship integration with PracticeMatch. That's the leading physician talent network that automates candidate data transfer and streamlines recruiter workflows. On the supply chain side, we have already delivered web-based mobility for warehouse workflows, and we are building expiration and implant log tracking as an example.

Third is our cross-portfolio integration with the existing CareCloud suite. WellSoft is being integrated with Breeze, our patient experience platform, which will bring a seamless patient engagement layer into the emergency department. We are also connecting WellSoft to CareCloud's RCM infrastructure to extend RCM capabilities into urgent care.

The fourth one is our AI infusion. The clearest example is integration of cirrusAI into WellSoft emergency department workflows, ambient clinical documentation and care setting that has historically been an underserved AI innovation, as we believe. We are also embedding AI into Marketware to service intelligent candidate recommendation, turning it from a relationship management tool into an AI-powered recruitment engine. In addition to that, there's a lot of other things from the ONC, from the compliance standpoint, ONC Cure certification, SOC2, TYPE2 for EPCS migrations, and the like.

Our focus at the moment is just making sure we go through these four tracks simultaneously. We already—the teams have started to reach out to the customers where we can bring the value in and start cross-selling and upselling activity. Sorry for the long answer, but I just want to take this opportunity to give you our strategy and the roadmap for the entire acquisition of Medsphere platforms.

Allen Klee

No, that was great. Thank you. In terms of some of your new AI products, like StratusAI, Voice Audit and Notes, can you just give us a sense of how customers have been—any feedback you've been getting?

A. Hadi Chaudhry

Right. First of all, there has been no lack of interest at all from the customers. We are getting a lot of traction. We continue to close the new business from the existing client base throughout the first quarter. As you know, our strategy has been the first option after the signing of the contract, they will be going through initial implementation. Then there is a 30-day trial. Then many times the customers say, just because of the first AI adoption resistance, you would say, or, okay, we'll only implement refill agent as an example. We go through those one by one. As I mentioned in my remarks earlier, our goal today is that every single customer and the agent is implemented, complete the trial successfully, and start growing beyond just the trial and keep adding and activating more and more agents.

To answer your question, we are getting a lot of traction. There are no issues in terms of finding the interest and closing the contracts. We are right now laser-focused on implementation and expansion.

Allen Klee

Thank you. My last question now is you showed your pipeline of AI prior authorization, AI-assisted medical coding, and additional clinical documentation. How do you think about what the opportunity is here?

A. Hadi Chaudhry

Allen, for both of those, and just to give a little more detail as an example for medical coding, we already have started to deploy internally because, as you know, we provide the medical coding to many, many clients today. Internally we have—and that will be used as a proof point in maturing and refining the product to achieve the right accuracy levels. Then we can start expanding and start selling into the other, the client base where we are not doing the coding as an example today. Then also—this also helps us refine further our cirrusAI Notes application because our long-term vision is it should be a one cohesive starting from this Notes. The coding should be done automatically right off of that. That's our—and these pieces will eventually, will be integrated into that entire workflow or the stream.

Same case goes for the prior authorization. Since we also, in addition to the AI-based development on our side, we also need to complete our integration with external clearinghouses and the payers so we can submit those authorizations electronically. We are—we have completed significant milestones in terms of the completing the testing and the testing environment. We are in the initial phase of picking up the pilot customers to deploy this AI authorization.

If you think about both of these two things and authorization as an example, I don't have the industry numbers in front of me at the moment, but this is one of the most—one of the pain points, especially in this healthcare industry for specialty such as orthopedics, for neurosurgery where you really need these authorizations to be done accurately on time before the procedure is done. Then in the hospital space from the Medsphere, we see a tremendous opportunity there once these products get materialized.

Allen Klee

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

A. Hadi Chaudhry

Thank you.

Operator

Yes, sir. Thank you. The next question comes from Lisa Thompson from Zacks Investment Research. Your line is now open. Please go ahead and ask your question.

Lisa Thompson

Good morning. I have a few questions for you. First-off, I would like for you to discuss the Series B redemption. I know it's a good thing and you enumerated some things that were positive, but could you talk about the timing? Why now?

Stephen Snyder

For sure. Thanks for the question, Lisa. As you mentioned, this probably is the single biggest capital structure simplification in our history, at least as a Public Company. The Series B redemption removes a preferred equity overhang that has existed since shortly after IPO. But it's a good question, like, why now? Why is now the right time to make sure that we remove that overhang? At least from our perspective, there are three main reasons. That first is from an operating performance and free cash flow. We've really reached an inflection point. We're generating the cash to support a senior debt-funded redemption. We have the capacity, we have the capability to do it. That's one.

Second would be from a credit market perspective, we're able to secure an attractive senior debt facility with attractive economics for the \$50 million facility. The ability to move forward with very attractive senior debt economics was another key driver. Then a third thing was the fact that we're eliminating the preferred dividend burden, and that really frees us up from a cash flow perspective to redirect the capital to growth investment, M&A and common shareholders. From a strategic perspective, there's been a longstanding complexity or equity story that really is driven by the preferred. It's something that we've heard in the majority of the conversation we have with institutional investors.

We really believe that this transformation allows us, with zero dilution, to create an investment in the common shares that's far more attractive for a broader base of investors. For a variety of reasons, we thought the time is now. We're excited about being able to move forward with that redemption. Of course, the official redemption will occur later this month on the 15th.

Lisa Thompson

Okay, great. As far as the ATM goes, you said that you would be using it when appropriate. Could you give us some examples of when that might be appropriate?

Stephen Snyder

Sure. Think about the ATM, Lisa, as really simply a tool that gives us optionality, not as a plan. Our default posture has always been, will continue to be a very conservative posture. We've intentionally refrained from issuing new common equity opportunistically, and we'll continue to do that. It's not a general financing source. When would we consider it? We'd really consider it in a few different circumstances. One, we would consider it to fund attractive, accretive M&A transactions, where the strategic value is moving quickly, and we can do so without dilution. That would be one, to be able to fund M&A transactions.

A second would be if the stock price is trading at a level where we're able to opportunistically derisk the balance sheet, we'd consider it then. Then maybe a final point would be more so to support clear growth objectives, so investments with a defined return profile. Those would be really the three main reasons why we would use it. But again, I think it's important to remember that, again, our posture has been very conservative. We'll continue to be very conservative. We'll only use the proceeds when there's a clearly accretive acquisition or one of these other criteria is met.

Lisa Thompson

Okay, great. That makes sense. I was wondering if you could just talk about where you are with AI versus competitors. Are there other people out there with the same capabilities? In that respect, what

functionality is AI giving you that's most helpful for the salesforce when they're going out versus the competition?

Stephen Snyder

Absolutely. I'll let Hadi dive into that a little bit more. But, the common theme that we hear is that AI incorporated into the fully integrated system, which includes EHR, the practice management system, and patient health experience, that that AI that's embedded within that ecosystem or that environment is really what unlocks the utility, the usefulness of AI.

Really where we've been focusing from a sales perspective has been on things like StratusAI, where there's a very clear picture from a healthcare provider's perspective in terms of the return on that investment. They're able to see a very clear path towards return on that investment and to free up their internal resources to focus on higher value activities. Really Stratus, I think, exemplifies one of the key areas where our healthcare providers are increasingly appreciating the value of AI and are embracing it. But I'll let Hadi address that more broadly.

A. Hadi Chaudhry

Sure. As Steve mentioned, Lisa, there is no shortage of point solution AI vendors. They're targeting individual workflows in healthcare. As an example, you might find many vendors who are providing the ambient solutions. And you will find vendors who are providing something similar to what we are with our StratusAI front-desk assistant or agent as an example. But, what really differentiates us is it's a full embedded, integrated solution versus a bolt-on solution, which most of these vendors are providing.

As an overall AI strategy is a three-pronged approach, backend optimization to embedding the AI into the existing platform, as Steve was saying. The third one is the Stratus, which is the ambient solution over StratusAI in most applications and the like. Those are the ones from the net new revenue perspective where the sales team is focusing on.

Lisa Thompson

Great. Thank you. That's all my questions.

Stephen Snyder

Thank you.

Operator

Yes, thank you. We have a follow-up question from Allen Klee from Maxim Group. Your line is now open. Please go ahead.

Allen Klee

Yes, hi. You stated that you're reaffirming your full year guidance, and the first quarter is seasonally always the lowest quarter, and then you had the integration-related items during the quarter. But, I thought it was important how you said that margins you expect to improve throughout the year. Could you comment a little on how you think about how that progresses and any seasonality? Thank you.

Stephen Snyder

For sure. Thanks, Allen. I'll let Norm jump in. But to your point, quarter one is always a seasonally weak quarter for us because of deductibles and other factors. That not only compresses our overall top line, but

also from a profitability perspective, you see the impact associated with that reduced revenue. But I'll let Norm talk about it in a little bit more detail.

Norman Roth

Sure. Thank you, Steve. Thanks, Allen. We purchased Medsphere Corporation in August of '25, so in the first quarter we were continuing to eliminate some duplicative costs, and incurred some transitional costs and integration costs. We're trying to work through those, and in instances, eliminate duplicative personnel. Also, you can see in our purchase price allocation, there are a significant amount of intangible assets that are being amortized. We amortize them on a double declining balance, which means that amortization is going to decrease over time. As we digest the acquisition, remove the duplicative costs and get past the transitional costs, we would expect margins to improve.

Stephen Snyder

Allen, maybe one other thing to think about—sorry, I'm just going to mention one other thing to think about in terms of margins for the year is as we progress through the year, especially as we get into the back half of the year, you'll see those margins continue to grow. If you just think about the kind of the typical average month, we believe that free cash flow will exceed \$2 million on average during any given month. If you kind of counterbalance that against our obligations, the obligations associated with the loan will result in payment obligations of about \$1.1 million.

From a cash flow perspective, we have that cash to continue to reinvest in attractive M&A opportunities. We have the cash to continue to invest in other growth opportunities and the like. Even from an ATM perspective, that's why we truly say that ATM is really—it's really a tool to give us optionality down the road, really not a plan. Obviously we went public at, or you may recall, we went public at \$5 per share. There really have to be a very compelling reason to sell shares at less than that. It doesn't mean it's impossible, but there has to be a very compelling thesis to sell shares at something lower than \$5. That's because we're generating this cash flow internally. If you think about the acquisitions last year, we closed four total acquisitions. Those acquisitions were paid with zero common shares, zero dilution and paid from our internally generated cash flow. We continue to see really that being the proper path for us as we move forward.

Allen Klee

That's great. Is it available, any of the terms on the new credit facility?

Norman Roth

Yes, Allen. We filed an 8-K. In there are all the loan exhibits required in the 8-K. You can see all the related documents.

Allen Klee

Great. Thank you. Maybe the last thing, just you guys had a history of like, you could buy things with a better cost of customer acquisition, acquisition costs than doing it organically. But now it seems like you have the opportunity on both sides in terms of like having a salesforce to go after the opportunities you have. How are you approaching that?

Stephen Snyder

From a salesforce perspective, our salesforce today is multiple times what it was at the same time last year. I would say it's grown probably three times compared to what it was last year at the same time. That sales team is focused on cross-selling within our existing base. As our existing base continues to grow through the Medsphere acquisition and through organic growth and through the other acquisitions, then

the overall size and scope of that cross-selling campaign continues to increase. That team is really primarily focused on sales activities that are oriented towards expanding the wallet share within our existing base. I think that will continue to be the case.

But I think what we have now is now we have really two prongs from the growth strategy perspective that we're comfortable with. One prong being the organic growth and the other prong being the acquisitive growth or the inorganic growth. From a cost perspective, you'll recall that the acquisitive growth for us generally is somewhere between 0.6 and 1 times revenue is the cost of acquiring portfolios of customers, recurring revenue relationships in the context of these acquisitions. In our space, of course, the industry average is somewhere between 1.2 to 1.4 times revenue for that same cost of acquiring that customer relationship. We're attempting to do that at a lower cost.

Again, you'll appreciate the fact that we're relatively early in terms of this overall expansion. The jury is still out quite candidly in terms of whether we can do that at a comparable cap to our acquisitive growth, but that's what we're endeavoring to do. We have the capital to push forward and to give that a full try, which is what we're doing. With the capacity, with the capital to be able to invest in that two prong strategy, that's what we're doing. We believe that the results will bear out the wisdom of that overall approach. But again, time will tell.

Allen Klee

Okay. Best of luck. Thank you. Thank you so much.

Stephen Snyder

Certainly.

Operator

Thank you. Yes, sir. Thank you. There are no further questions that came through at this time. I'll now turn the call over back to Norman Roth for any closing remarks. Please go ahead, sir.

Norman Roth

Yes. Thank you everyone for attending our call today. Hope you have a great day.

Stephen Snyder

Thank you.

Operator

Thank you. This concludes our conference call for today. Thank you all for participating. You may now disconnect.