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Q4 2021 Forian Inc Earnings Call

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## CORPORATE PARTICIPANTS

**Max Wygod** Forian Inc. - Co-founder and Executive Chair

**Dan Barton** Forian Inc. - CEO

**Mike Vesey** Forian Inc. - CFO

## CONFERENCE CALL PARTICIPANTS

**Gerard Heymann** - Private Investor

## PRESENTATION

### Operator

Greetings and welcome to Forian Inc's, fourth quarter 2021 and Fiscal Year 2021 Financial Results Conference Call and webcast. At this time, all participants are on a listen-only mode. A question and answer session will follow the formal comments and webcast.

Participating today from Forian are Max Wygod, Executive Chairman and Co-founder, Daniel Barton, Chief Executive Officer, Michael Vesey, Chief Financial Officer. Before we begin, I would like to remind you that management's remarks today may contain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Actual results may differ materially from those indicated by these forward looking statements due to a variety of important factors including those discussed in the risk factor section of the company's annual report on the form 10k filed with the SEC on March 31st 2021.

In particular, management will discuss its estimate of full year 2022 revenue outlook as of today. Estimating financial performance accurately for future periods is difficult as it involves assumptions and internal estimates that may prove to be incorrect and is based on plans and circumstances that may change.

There is therefore a significant risk that actual results could differ materially from the outlook provided today. Any forward looking statements made on this call today represent the company's views as of this date and the Company undertakes no obligation to update these except as required by law. Words such as "estimates", "projected", "expect", "anticipate", "forecast", "plan", "intend", "believe", "seek", "may", "will", "should", "future", "propose", and variations of these words or similar expressions or versions of such words or expressions are intended to identify forward-looking statements.

These statements include but are not limited to statements regarding future growth, anticipated performance and prospects. Today's presenters will also refer to certain non-GAAP financial measures on our call such as Adjusted EBITDA, which the Company believes may be important to investors to assess its operating performance and should be considered a supplement to and not a substitute for financial measures prepared in accordance with GAAP.

A reconciliation of the comparable GAAP metric can be found in today's press release and webcast, both of which are available on the Company's website.

These numbers are un-audited and any statements regarding the Company's anticipated performance may be subject to change, including as a result of risk related to changes in the cannabis market and healthcare market and risk related to the impact of COVID-19 pandemic and events in Ukraine.

Today's call and webcast is being recorded, a copy of the recording, webcast, as well as the full transcript and copies of today's press release and SEC filings will be available at [forian.com/investors](http://forian.com/investors).

I'm now pleased to introduce the Company's Executive Chairman, Max Wygod.

**Max Wygod Forian Inc. - Co-founder and Executive Chair**

Good afternoon everyone and thank you for joining us today. Forian delivered a strong fourth quarter as we ended an eventful year. We created a strong momentum in our healthcare information segment, evidenced by our revenue growth in 2021 and our initial outlook in 2022. We continued to execute against the plan of aggregating and integrating data sources from multiple industry segments.

Before we jump into our results for the fourth quarter and fiscal year, I want to provide you with an overview of Forian's business. Forian strives to be one of the leading data science-based intelligence providers to the healthcare and emerging markets. We build products derived from different types of data sourced throughout the healthcare ecosystem and in 2021, we acquired one of the largest concentrated sources of transactional cannabis data through the Helix combination.

Our intention has been to use our expertise in standardizing complex data to successfully productize the data coming from our healthcare and cannabis sources and extend that offering to the marketplace.

The majority of our investment and management focus over the past year has been in executing against this plan. We believe we have now the largest integrated database of healthcare, demographic and cannabis data commercially available. This database is what we call our proprietary data factory and it is the foundation of our existing and new-to-market products.

Our software and information offerings are powered by this data factory that de-identifies, normalizes and integrates the large and complex data sources and couples those data with the analytics to assist our clients in driving clinical and operational business performance improvement.

Our information solutions allow our clients to access unique, timely and comprehensive insights into their customers' products and the dynamics of an ever-changing healthcare marketplace.

Our leading cannabis software products include the industry's second largest point-of-sale system and the second largest state seed-to-sale traceability system. We see the growing U.S. cannabis industry as an opportunity to deliver first-of-its-kind insights to dispensaries, manufacturers and cultivators to help them responsibly develop, operate, and commercialize their products more effectively.

Additionally, we believe the intelligence and analytics we offer through Cannalytics and our Real World Evidence solutions will be especially valuable to the manufacturers in cannabis and life science as well as payers and regulators as they carefully evaluate the potential of these emerging therapeutics.

We continue to build new products to deliver greater value to our customers and our recent performance demonstrates opportunity in the market today as we met the high end of our range in generating fiscal year revenue of \$16.9 million. The investment in building out the interconnectivity to the cannabis data and product innovation has been in process and is reflected in our operating expenses and cash flows in 2021.

These investments should be completed in 2022, which will result in expense improvements leading to a positive Adjusted EBITDA sometime in 2023. With \$31 million of cash on our balance sheet at year-end, we believe we can execute on this plan with our current capitalization. As a young company in an emerging field, it is imperative that we continue to generate significant revenue growth and long-term value creation in the form of intellectual property and scalable products while realizing improved operating leverage that our business model can yield.

I'm now going to hand it over to our CEO, Dan Barton, to talk about our fourth quarter and full year results and key developments for us in our first year as a public company.

**Dan Barton Forian Inc. - CEO**

Thanks, Max. Good afternoon, everyone. I'm pleased to report we delivered record results validating the opportunity we have in our target markets based on our capabilities and the ability to execute on our strategy. Before I begin my prepared remarks, I would like to take a moment and share our concern for everyone impacted by the war in Ukraine. We all watch the news and are disturbed about what is happening right now. Our thoughts are with everyone affected by this war and hope that this conflict can be brought to a peaceful conclusion as soon as possible.

I would like to start with our top-line financial results. Forian delivered both fourth quarter 2021 and full year 2021 revenue at the top end of our guidance for the second half of 2021 and the full year 2021 as communicated earlier this year. Full year 2021 revenue was \$16.9 million, up from \$545,000 in 2020.

On a pro forma basis, our revenue was \$18.9 million compared to \$12.3 million in the prior year, a 53% year-over-year growth.

Q4 2021 revenue was \$5.7 million, up from \$210,000 in 2020, which was 80% growth on a pro forma basis year-over-year. These results were driven by the growth of our information and software business, mostly driven by accelerating growth in our healthcare information business. Coming into 2022, we have meaningful contracted backlog, which positions us well in 2022 and beyond.

Full year 2021 services revenue was \$1.1 million, which on a pro forma basis was largely flat as we continued to support and grow our state government business. The state business revenue can fluctuate quarterly based upon installation and one-time service items. We won additional contracts in 2021 increasing the number from 9 to 11. We were recently awarded the Florida track and trace agreement in 2022 as well. Additionally, we have and are responding to multiple RFPs where we are well positioned to win as evidenced by our 100% renewal rate and the recent wins I just mentioned.

Full-year 2021 net loss was \$26.6 million and fourth quarter net loss was \$8.0 million. From an Adjusted EBITDA perspective, full-year 2021 was negative \$15.1 million and fourth quarter 2021 was negative \$4.1 million. Adjusted EBITDA is a non-GAAP financial measure as defined by SEC rules. Further information regarding this non-GAAP measure and the reconciliation of our non-GAAP financial measure to the most directly comparable U.S. GAAP financial measure are set forth in our earnings release and the presentation.

We continue to invest in both key talent and product innovation. We have added additional positions to execute our plan in product, engineering, data science and sales. We initiated focused product investment in 2021 in healthcare information analytics, our Cannalytics SaaS platform, data science and data factory capabilities. These investments will continue into the first half of 2022. We see our Adjusted EBITDA loss peaking in the first half of 2022 with improvements in the second half of 2022 as a result of lower expenses and expected strong top-line growth in healthcare information products. We expect that with continued strong revenue growth, we will achieve positive Adjusted EBITDA in the second half of 2023.

I wanted to take a few minutes to review who we are and the value we provide to our customers. Forian is a well-capitalized provider of truly innovative software data and analytics sitting at the convergence of healthcare and cannabis industries. This is evidenced by the impressive growth of our top-line revenue in 2021, which we expect will continue in 2022. By maintaining our number two position in cannabis point-of-sale and track-and-trace software, we provide our customers the commercial operations and compliance software applications enabling business success in an ever changing and dynamic marketplace.

One of the primary reasons we consummated the BioTrack transaction was to leverage an untapped asset of cannabis retail transaction information to power commercial and clinical analytics for both the healthcare and cannabis industries. The cannabis expertise, software capabilities and rich datasets coupled with significant domain expertise in healthcare data and analytics has allowed Forian to develop a HIPAA-compliant database containing over 50 billion medical and prescription claims, updated weekly with over a hundred million new claims integrated and interoperable with over \$3.4 billion in annual cannabis retail transactions.

We are a product-driven company enabled by information and data science. For traditional healthcare therapeutics, Forian has a line of sight into what treatments are being administered in the hospital, in the doctor's office and what prescriptions are being prescribed for

patients. We provide life science and healthcare customers with timely clinical and commercial insights based upon data that covers the majority of the U.S. population. As we scale our databases, we will have more insight into cannabis consumption and how it impacts the consumer and patient journey. Forian's cannabis data spans from an understanding of what flower is being grown, what and how branded derivative products are being manufactured, packaged and their chemical profiles, as well as the volume and nature of products being purchased at dispensaries by specific customer segments.

We've also integrated a consumer database containing demographic and psychographic attributes for the majority of U.S. adults that brings even more explanatory and predictive power to Forian analytics and information offerings. By understanding consumer, gender, race, household incomes, lifestyle attributes and other important information, we have exponentially heightened the power of our information assets. Additionally, by performing patient reported outcome studies, we can answer specific questions about patient and consumer attitudes, beliefs, trial and outcomes of traditional therapeutics, alternative therapeutics and the recreational use of cannabinoid-based products. We believe these data and analytics are first of its kind.

The patient journey is an example of the power of the integrated interoperable de-identified data asset that is one important analytic use case for both clinical and commercial analytics. By understanding the continuum of healthcare interventions, whether they be traditional approaches or alternative therapeutics, one can understand how the treatment pathways and standards of care impact outcomes, safety and the cost of care to both patients and payers. These same observations frame important perspectives from a commercial lens such as what is the competitive landscape of available products, what are the consumer or patient attributes that drive choice, and what are the price sensitivities that may affect behavior. This 360 degree view offers insights into the market, product and consumers that are unique and innovative.

I spoke earlier about the focused investment we are making in our growing product portfolio to support the industries and clients we serve. We are investing in our software business, bringing more features and functionality to our customers with a better user experience and customer service. Cannabis retail licenses over the last year have not been issued at the same pace as in past years. However, as states regulate medical or adult use expansion of cannabis, we expect the number of licenses granted to grow later this year and into 2023, providing the opportunity for growth in our software business. The important investment started in 2021 was the initial development of an API platform to better serve our customers as they scale their businesses. This API environment will enable Forian to share information back and forth with other technology services providers that offers e-commerce, marketing platforms and delivery services.

We are starting to see early receptivity from the launch of our Cannalytics SaaS-based analytics platform, which provides our healthcare and cannabis clients insights into unit and sales volume tracking, which is important to understand business and products. With the integration of healthcare, cannabis and consumer information, we begin to answer the question on the "why" certain market dynamics are occurring. Our advanced data science capabilities embedded into these analytics such as our segmentation capability, provide our customers with data-driven sales and marketing recommendations to assist them in acquiring and retaining customers to drive overall performance.

Our Forian information product portfolio, as I stated earlier, is driving significant growth for our business and we're expanding the portfolio. From early stages of R&D through commercialization, we provide integrated data solutions, Real World Evidence and insights as well as advanced analytics to inform investment opportunities, accelerate product development, answer critical commercial questions, demonstrate product value and expedite access for patients.

Additionally, we added to our data factory a significant data source of closed network data covering 65 million lives, which both as a standalone and integrated asset provides enhanced stability to perform Real World Evidence studies and a more complete patient journey analysis.

Closed network, or payer-based data assets, capture all therapeutic interventions about patients in a particular network, enabling more comprehensive clinical analysis on this subset of patients. Our information products typically answer our clients need around one of four categories, which are: Prescriber segmentation, patient journey, payer dynamics, and market analysis. For example, our products allow for the identification of physician- and facility-level data points focusing across the spectrum and treatment of care. Then, Forian

provides key actionable insights by drug, therapeutic class, geography, payer, time, or patient demographics centered around longitudinal patient behavior engagement types.

We have retained and expanded our track and trace services business with winning the renewal of Hawaii, expansion to adult use in New Mexico, the year extension in New York, a new Connecticut award and new Virginia patient portal award. In early 2022, we were awarded the Florida track and trace business as well. State business expansion is important to ensure compliance with all state regulations and ensure there is no diversion of product into black markets. State business expansion also has a benefit to our commercial software business. Based on the interoperability of our track and trace and point-of-sales software, many clients find a more seamless experience to utilize BioTrack point-of-sale in states that are employing our BioTrack track and trace services.

We have invested over the last year in building out a national standard classification system and ontology for cannabis products. This ontology provides a more complete and accurate view of cannabinoid products where no standard product ID system or nomenclature exists across the industry. This is a critical step in making data useful for analytics.

Additionally, we can now provide data as a service to clean, normalized, standardized and aggregate disparate and dirty sources of data for better use in driving operational, clinical and commercial performance. Forian's cutting edge data science technology efficiently organizes and integrates complex transactional information, which reduces the time and cost of managing complex, structured and unstructured data. When we combine this functionality with our previously mentioned proprietary ontology, we believe we can service one of the most common unmet needs by thousands of companies in the cannabis industry that are sitting with non-standard and unusable data sets.

In summary, 2021 was a productive year for our company and employees. We merged successfully with Helix to create Forian and were listed on the NASDAQ. We showed strong revenue performance in information services in 2021 and are well positioned for continued growth in 2022. We grew our data science and analytics capabilities to better serve our customers and markets. We invested in and operated our cannabis business successfully demonstrated by our systems processing over \$3.4 billion in gross merchandise value and maintaining a leading number two position in cannabis point-of-sale market. We were awarded new states and services to retain our second position in track and trace regulatory market.

Based on the 2021 results and momentum Forian has coming into 2022, we are providing top-line revenue guidance for full year 2022 of \$25.5 million to \$27 million. We expect our investment spending to peak in the first half of 2022. We also expect the combination of continued revenue growth and the reduced investment spending starting in the second half of 2022 will lead to improved Adjusted EBITDA performance in the second half of 2022 in turning to positive Adjusted EBITDA sometime during the second half of 2023.

I will now turn it over to Mike Vesey, our CFO, to provide more detail on our full year 2021 and fourth quarter 2021 financial results.

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**Mike Vesey Forian Inc. - CFO**

Thanks, Dan. Today, I'll provide an overview of Forian's financial results for the quarter ended December 31, 2021. As previously disclosed in our SEC filings, Forian completed the business combination of Helix Technologies and MOR Analytics on March 2, 2021. The press release issued today presents Forian's fourth quarter 2020 and 2021 financial results on a GAAP basis, as well as a pro forma basis as if the Helix results were included for the entire quarter in both periods. As in prior quarters, we've also reported Adjusted EBITDA, which management uses a measure to track the performance of the business. The press release includes a detailed reconciliation of these measures.

Our consolidated revenues of \$5.7 million for the quarter were up \$5.5 million compared to the prior year. On a pro forma basis, revenue increased \$2.6 million or 80% year-over-year. As in prior quarters, our year-over-year growth was driven by the acquisition of Helix as well as organic growth and sales of our healthcare information products. It is also noteworthy that we have increased our revenue sequentially on both a pro forma and historical basis in each quarter in 2021. We attribute this consistent growth to recurring sales of our healthcare information products, which in many cases provide for continuing information deliverables to our customers over a multiyear period. As Dan mentioned, we entered 2022 with a solid backlog of information deliverables, which gives us confidence in our ability to continue our growth trend for these products.

On an annual basis, we finished the year with \$16.9 million in revenue compared to \$545,000 in 2020. On a pro forma basis, our full year revenue was \$18.9 million compared to \$12.3 million in the prior year resulting in a 53% year-over-year growth rate.

The net loss for the fourth quarter increased \$5.7 million over the same quarter last year to \$8 million due to higher operating expenses related to the Helix acquisition, ramp up of our information business, product development and public company costs.

You will note that operating expenses for the fourth quarter included \$3.1 million of stock-based compensation expense and \$600,000 of depreciation and amortization resulting from the Helix acquisition.

Pro forma Adjusted EBITDA, which excludes stock compensation, depreciation, amortization and certain other non-cash costs and other items for the fourth quarter was negative \$4.5 million reflecting continued investment in our software offerings, reference data assets, development resources and delivery and customer support teams. We plan to continue to invest in these areas during the first half of 2022 as we optimize our information and software offerings and build sales and support capabilities to support our growth. However, we also expect to begin to reap the benefits of operating leverage on these specific investments during the second half of 2022 and 2023 as we realize continued recurring revenue growth with a lower level of incremental expense growth going forward. For the full-year 2021, net loss was \$26.6 million compared to \$5 million in 2020 and Adjusted EBITDA was negative \$15.1 million compared to negative \$4.1 million in 2020. As noted earlier, a reconciliation of our net loss to Adjusted EBITDA along with an explanation of the reconciling items is included in today's earnings release. As in prior periods, the primary adjustments reconciling net loss to Adjusted EBITDA, our stock compensation, depreciation and amortization, non-recurring transaction expenses and mark-to-market adjustments related to our outstanding warrants.

Now turning to our balance sheet, we ended the quarter with \$31.1 million of cash and marketable securities with no maturities of our convertible notes prior to September 2025. You'll also note that our balance sheet reflects the merger with Helix on March 2, 2021 and has approximately \$18.2 million of intangibles and goodwill related to that acquisition.

I'll now turn to our financial outlook for 2022. You'll remember, at our third quarter conference call we guided to a range of \$16.5 million to \$16.8 million of total revenue for the full-year of 2021 and finished at the high-end of that range with \$16.9 million in revenue for the year. This reflected significant growth over our \$545,000 of revenue in 2020 and 53% growth rate on a pro forma basis. We expect continued revenue growth in 2022 of 51% to 60% over 2021, resulting in total revenues of \$25.5 million to \$27 million. Again, we can already see that our revenue is driven by strong sales of our healthcare information products.

As mentioned earlier, we expect to be able to leverage the investments we're making to get our data factory and software platform running to scale and begin realizing the benefits of revenue growth in the form of improved Adjusted EBITDA loss during the second half of 2022, while achieving a positive Adjusted EBITDA contribution in the second half of 2023. We ended the year with \$31.1 million in cash and marketable securities and plan to prudently manage our capital to achieve these goals.

And with that, I'll turn the call over to the operator, who will open the line for questions. Thank you.

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## QUESTIONS AND ANSWERS

### Operator

Thank you. I would like to turn it back over to the company to answer some questions.

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### Dan Barton *Forian Inc.* - CEO

Thank you. This is Dan Barton. We did have one write-in question I'd like to address before turning it back over to the line for questions and that question was "What steps are the company taking to improve the stock price?"

The first thing, I would say, is we focus our efforts on the things that we can control. And first and foremost, it's our priority to execute against our operating plan, and based upon the last year, I believe we have demonstrated success in that area as evidenced by the strong

financial results we just spoke about and some of the operating highlights that we shared on this call.

After that, we're actively gaining more exposure to interested new institutions, we're working with analysts towards gaining coverage, and we're continuing to provide an improved transparency to show investors things as - such as our organic rate of growth, especially in the or specifically in the healthcare information product line, which we believe is appealing to them.

And with that, I'll turn it back to the operator for questions from the line.

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**Operator**

Thank you. (Operator Instructions) And our first question comes from Gerard Heymann [ph] from a private investor. Your line is now open.

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**Gerard Heymann - Private Investor**

Hello, gentlemen. Hi. I just wanted to ask a question relating to what was the rate of growth in 2021 in your healthcare data and analytical segments and if you could, possibly a little color looking forward as well. Thank you.

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**Mike Vesey Forian Inc. - CFO**

Yes, sure. Hi. Thanks for the question. So, in 2021, our healthcare business grew from about \$545,000 to \$7.1 million and that was primarily driven by two things.

One is investment in our data assets. We increased our portfolio of data information, including some additional closed network data. And then we also made some investments in our sales and delivery teams to be able to compile the products and deliver them to our customers. The good news about the business is many of the sales we make are multi-year contracts, so we have recurring deliverables to these customers and we feel we're entering 2022 with a strong backlog.

So, if you look at 2021, the majority of our growth, as I mentioned, was driven by our healthcare products and our view into 2022 is the same thing. We expect a lot of the growth that we gave previously in our outlook to be driven by continued growth in our healthcare analytics business.

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**Gerard Heymann - Private Investor**

Thank you very much.

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**Operator**

Thank you. (Operator Instructions) And I am showing no further questions. This concludes today's conference call. Thank you for participating. You may now disconnect.

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