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MDRX.PK - Veradigm Inc Investor Update Call

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PRESENTATION

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Greetings and welcome to the Veradigm Investor Update conference call and webcast. At this time, all participants are in the listen-only mode. A question-and-answer session will follow the formal presentation. You may be placed into the question queue any time by pressing one on your telephone keypad. As a reminder, this conference is being recorded. It's not my pleasure to turn the call over to Jenny Glinis, Vice President of investor relations. Jenny, please go ahead.

Jenny Gelinas, Investor Relations

Thank you very much. Good morning and welcome to the Veradigm Update conference call. Our speakers today are Don Trigg, Veradigm's Chief Executive Officer, and Lee Westerfield, our interim Chief Financial Officer. We will be making a number of forward-looking statements during the presentation and Q&A part of the call. These statements are based on current expectations and involve a number of risks and uncertainties that could cause our actual results to vary materially from those reflected in the forward-looking statements.

We undertake no obligation to revise these forward-looking statements in light of new information or future events. Please refer to our releases and SEC filings for more information regarding the risk factors that may affect our results. All financial information presented today is estimated and unaudited. Today's meeting will start with a financial update from Lee, followed by an update from Don, and with that, I'm going to hand the call over to Lee.

Lee Westerfield, CFO

Thank you, Jenny. Let me also welcome everyone who has joined our call this morning.

This morning, first, I will provide a financial update addressing quarterly revenue performance, full year outlook, and the progress we have made with our financial filings and remediation.

Then Don will share his thoughts.

Before reviewing our financial performance with you, I'd like to take a moment and talk about our fundamentals and our top priorities for 2025.

With all of the accounting remediations and IT implementations, it's easy to lose sight of the fact that Veradigm operates attractive businesses.

My message to you continues to be this. Our fundamentals are sound.

Also First, our recurring revenue. Nearly 80% of our revenue is recurring, generated from an installed base of EHR and health technology solutions.

And looking ahead, new solutions coming to market and initiatives to retain and expand our existing customer base should reignite our future growth.

Second, our operating profitability reflects our mix of software, revenue, and services.

This year, under our competitive fitness program, actions are underway to improve efficiency and contribute to profitability in future years.

Finally, we remained soundly capitalized. We are net cash positive. Our leverage is light, and we have ample cash on hand with additional available liquidity for the road ahead.

These are the qualities I see anchoring our fundamentals.

A firm foundation to renew Veradigm.

Now turning to our recent financial performance.

In summary, there were no surprises. The overall business remains stable.

Revenue in the second quarter and year-to-date this year remained essentially flat versus the same periods in the prior year.

Top-line growth in Q2 is consistent with our expectations for approximately flat growth in 2025. That's both.

In 2 and year-to-date.

Let me provide you with more details about revenue.

Q2 estimated revenue is in the range of $145 to $148 million.

Revenue in Q2 decreased slightly versus the prior year down 2% at the midpoint, and year-to-date down 1% at the midpoint.

Revenue and quality remained high.

Recurring revenue is an estimated 79% of total, consistent with 79% in the prior year.

Drilling down further into our business segments.

Provider, our largest segment, generates the majority of recurring revenue.

Provider revenue in Q2 is estimated in the range of $115 to $117 million down 3% at the midpoint from prior year.

To add color, decreases in ERP solution and Payerpath clearinghouse were partially offset by increases in both of our EHR products, Practice Ffusion and Veradigm EHR.

Meanwhile, in Payer and Life sciences.

We enable future growth by expanding the reach of health data sourced directly in-house and through our partner network.

Payer and Life Science revenue in Q2 is estimated in the range of $30 to $31 million up a modest 3% at the midpoint with the prior year.

Payer saw revenue increases in both clinical data exchange and GAAP closure products combined with approximately flat performance in life science, in media and in real world solutions.

Next, I'll turn to cash, but just before doing so, let me make a comment to you on reporting profit metrics on EBITDA and why we have not provided that key metric of financial performance.

Until we file with the SEC, it's my commitment to you to share financial information that meets a high-quality standard based on all known data.

The company is underway auditing prior years and some elements, especially those rolling from 2024 into 2025, remain under review.

Estimated revenue ranges at this stage meet our high-quality standard to publish to you.

In a range Profit metrics on the other hand, do not yet meet that threshold for public disclosure.

I look forward in the future to sharing complete financials with you.

In the meantime, Today I'm providing reliable revenue estimates.

Now turning to our cash and our debt.

Again, we are appropriately capitalized and remain net cash positive. We have cash in excess of our debt. Subsequent to June 30th.

Our cap structure has been further simplified.

But let me say first, as of June 30th, 2025, debt on the balance sheet was $283 million.

Which consisted of $208 million of the principal amount of convertible notes.

Plus $75 million for the relatively new senior secured loan.

Cash on the balance sheet as of June 30, 2025 was $350 million which increased by $78 million from March 31, 2025.

I will walk you through 4 major sources and uses of cash that sum up to the $78 million dollar change in cash during the second quarter.

1 A net inflow from the new debt financing of $72 million which consists of the $75 million in principle, plus $3 million for original issue discount.

2, a net inflow from investing activity of $23 million which mainly consists of the sale of a private minority investment.

3 An outflow for CapEx of $7 million mainly for software development.

Fourth and finally, a net outflow for operating activities totaling $10 million.

Now that figure covers a broad array of items, so let me drill down into the net outflow for operating activities.

A bit further.

Ordinary items Such as Working capital changes, tax, net interest, netted to an inflow of $7 million.

Offsetting that net inflow were outflows for non-typical transaction and other expenses.

These total an outflow of $17 million for transaction and other expenses.

And those transactions and other expenses include several items I should name, severance, legal fees, professional consulting, accounting fees for the restatement of 2022's fiscal year. In short, Typical inflows for networking capital and other items partially offset non-typical transaction and other outflows.

Now, I'll speak about our pro forma net cash, and by pro forma here, I mean a pro forma for the subsequent repayment of convertible notes that took place after June 30th.

In 2 steps, we repaid substantially all of our notes.

Step one occurred in July, and we used $180 million of cash on hand to repurchase $164 million of face value, plus $16 million of repurchased premium and accrued interest on the put date July 1st.

Step 2, in September, we used $50 million for a voluntary repurchase of $44 million of face value plus $6 million of repurchased premium and accrued interest. And that latest repurchase was announced just one.

So now where do we stand?

For debt, as of September 30th, last night, debt on the balance sheet is $75 million substantially all of which is our senior secured term loan.

Which we entered into last June with Francisco Partners.

On a pro forma basis, cash, as of June 30th, would have been $121 million, had the repurchase of the notes occurred on June 30th.

So in short, Net cash pro forma as of June 30, 2025 after the repayment of the convertible notes, would have been a positive 46 million of net cash.

Moving on now to share account.

I'll provide you with an updated count.

As of Monday, September 29th.

The company had 108.9 million basic shares of common stock outstanding.

And in addition to basic shares, There are also equity grants to employees. There are 10.6 million unvested restricted stock units issued to incentivized employees.

Turning now to our financial outlook.

Today I'm reaffirming our outlook for revenue in 2025 to remain approximately flat versus 2024.

And I'm also reaffirming that we expect to remain net cash positive throughout 2025.

Now I want to update you on the progress we've made toward regaining filing current filing status with the SEC.

Just as I discussed with you in June, BDO over the past several months has been actively engaged with me and our accounting team.

Working toward the annual audits for both fiscal years, 2023 and 2024.

That work is well underway. The team has made good progress.

Now just as a reminder, we filed the rested 2022 10K back in March 18th of this year.

Now we're working on the 23 and 24 audits. Once we complete those, we will turn our attention promptly to completing working on and completing the 2025 2010k.

That's the sequence.

Also, as I stated on our call in June.

We have material weaknesses.

To remediate, work continues to progress on the design and the execution of new controls towards remediation.

So today, I also reaffirm with you.

That we anticipate becoming current in our SEC financial reporting sometime during 2026.

And also that we plan to subsequently re-list our common stock.

To wrap up, I want to reiterate our top-line remains stable.

We are performing consistent with our expectations. We remain net cash positive.

And maintain a strong capital position for our road ahead. Now, it's my pleasure to

welcome Don Trigg, our new CEO.

And just as a matter of background, I thought you'd be interested. As many of you will know, Don brings over 20 years of leadership expertise in healthcare technology, proven record driving innovation and growth in the industry.

Most recently, Don was the CEO of apree health. That company delivers advanced primary care solutions through digital tools and empowers.

Independent practices with data and technology.

And apree demonstrated the real importance of high-quality provider practices and the critical role data and technology can play in supporting those customers.

Prior to his role at apree, Don worked at Cerner.

Familiar name, a $5 billion dollar revenue healthcare IT services leader.

Most recently serving as its President.

In this role, Don held responsibility for the full breadth of Cerner's business groups, which included Cerner's foundational businesses, its electronic medical records, and its revenue cycle units.

And also Cerner's strategic growth businesses, its life science and data units.

Now, I'll pass the call over to you, Don.

Thank you.

Don Trigg, CEO

Thank you, Lee. Good morning.

At the 30 day mark as CEO, and not only am excited to be with you this morning.

But I'm excited to be in Veradigm.

Every company has chapters. As a healthcare IT veteran, the Veradigm book is one that I've read and studied for decades.

The entrepreneurial push from earlier leaders built a national provider client base of independent physician practices.

These clients are core to our business today.

Well in advance of other electronic medical record companies, Veradigm saw the promise of data to break down administrative friction between providers and payers, as well as help pharmaceutical companies accelerate new drug discovery.

Today, we have 100 health plan clients and one of the largest ambulatory data sets for pharmaceutical research.

All the major Veradigm markets are ones that I've built or scaled businesses in over the last two decades. At Cerner, we not only were a major supplier of EMR and revenue cycle solutions, but also had large strategic growth businesses around provider network management and real world evidence At apree health, national and regional health plans for our core customers for digital navigation solutions, clinical advocacy services, and advanced primary care.

As I talked to the board this summer.

I became increasingly convinced about the Veradigm.

We have a large national provider and payer base that would take years for a startup to replicate.

We have a strategic data asset that offers a differentiated view into Main Street Hell.

These end markets have real challenges.

Data and technology are the single biggest lever to solve them.

Like any 1st 30 day sprint, the weeks since my September start have been filled with clients, partners, and teammates. It's been great to jump in.

From conversations in the market, to internal town halls, to small group deep dives, I've had the opportunity to dig into the state of the business, review product road maps, assess key operational deliverables.

And begin to build a cadence with the team.

Unsurprisingly, we have a set of challenges.

We also have a set of clear advantages, and in the balance, I leave the 1st month with even greater conviction about the Veradigm opportunity ahead.

Our near term focus is straightforward.

Improve profitability, reignite growth, and become current with our SEC filings. It's our must do list, and the work to advance it is underway.

We're going to have increased discipline around how we invest capital, maximizing the return on every $1 spent. We're assessing the functional areas of the business. We're broadening our global workforce strategy to include our Q3 build out of our operating footprint in Pune, India, and we're reviewing our end to end product portfolio through the twin lenses of growth and profitability. I'm challenging leaders to act like owners. And we're making solid progress as a team.

Second, on the growth front, the business update this morning offered a solid date-driven process to look at first half performance, review our second half forecast, and assess the go to market capabilities of our 3 business units.

In our provider business, our revenue cycle strategy is showing modest signs of momentum. In Q2, we signed a 3 year deal in the Southeast for our practice management and full revenue cycle services with an annual contract value of 2.7 million.

A Midwest specialty group saw the benefits of our revenue cycle expertise and signed a 60 month deal for full revenue cycle services. The sales and client teams both described real revenue cycle traction, and it's a major focus to close their year.

Given the sales and pipeline momentum, we're focusing a portion of our internal AI capacity on revenue cycle efficiencies. Our goal is to reduce the time required to provide business intelligence and reporting to our clients.

The result will be better, more accurate client reporting that requires fewer paradigm hours to deliver.

Beyond the provider space, the payer business has been pushing to broaden its work with health plans beyond its early footholds around interoperability, data exchange, and analytics. Gaps in care closure is a major pain point for health plans and a major focus for the team.

We now have 10,000 practices and over 35,000 providers that have deployed our GAAP in care closure called Veradigm Payer Insights.

Beyond the technology, we also offer an end to end gaps in care closer solution called core leveraging our expertise around practice operations and provider workflows. There's a solid sales pipeline for both solutions, and we're focused on a strong close to the year.

Finally, in our life sciences business, Veradigm offers one of the largest and most geographically representative ambulatory patient data sets for pharmaceutical research.

Our data reflects the US population free from regional bias.

It's an unmatched view into the mainstream health.

You can see the power of the Veradigm capabilities in a recent collaboration with the American College College of Cardiology.

Their campaign, Driving urgency and LDL screening, sought to encourage providers to help improve screenings from so-called bad cholesterol that can lead to heart disease and stroke.

The Veradigm Network increased the reach of the initiative by 30,000 providers.

Our 3rd and final near term must do.

Beyond improved profitability and reigniting growth is to get current and stay current on our SEC financial reporting.

In the months ahead, we look forward to sharing continued progress on our SEC filings.

We also will convert our new operational systems infrastructure which we call Project Atlas.

I've met with the internal leaders at the center of both work streams. They understand the importance of the work and are moving with a good balance of operational urgency and financial accuracy to deliver it.

We appreciate those efforts.

Improve profitability, reignite growth, get current and stay current. It is our must do list, and the work to advance it is underway.

The coming 30 day window is an important one.

To begin to formulate our 2026 plan, we're going to have increased discipline around how we invest capital. We're going to concentrate our growth bets and delivering on them, and we're going to harden our financial systems and reporting and relist our common stock in 2026.

One of the things that I've said to the team over the last 4 weeks is better starts with different. Change is hard and it's exciting.

I could not be more excited to be at the company.

And helping write this next chapter for Veradigm.

With that, let me open the line for questions.

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Thank you. And I'll be conducting a question-and-answer session. If you'd like to be placed in the question queue, please press 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. Once again, that's one to be placed in the question queue. One moment please, while we pull up our questions.

Our first question today is coming from Jeff Harrow from Steven your line is now live.

Jeff Garro - Stephens

Yeah, good morning.

Thank you for the question and welcome Don. Great to speak with you again want to start on the.

Yeah, well, want to start on the relisting timeline, appreciate the reiteration of some of the comments there and you know that there's a sequence to it. Any further color you can give us, what is the next step we can look for and an expectation around timing of that next step and maybe alternatively, from last time we spoke, any kind of obstacles that have come up there or anything that has gone, maybe a little bit smoother than playing that make you feel better about where the the timeline looks from here.

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Lee Westerfield

Hey, good morning. First of all, good to hear your voice. Happy to answer the question the steps to re-list and the timing. So we've outlined really no new information but reiterated what we said previously, which is that we intend to regain current filing status. I just reaffirming these points, regaining current filing status during 2026 and thereafter re-list the stock. Between now and then, the events that will take place, they go in sequence, we'll file our 2023 and 2024 10k, that's a super K.

We'll then work on our 2025 and file our 2025 10K. That will include the quarters.

We'll then work on quarters up until the point when we're current, and then we'll be current during 2026.

You're looking for dates. I respect that a lot. The work that we're doing with our auditor and internally to implement our ERP systems are all really important elements of that timeline and work towards relisting and towards regaining current filing status. And they have a natural rhythm that they'll undertake and I were to say more, I'd really be imposing an artificial timeline against what really is the auditor's progress and our own work internally on those important initiatives again.

Filing the case and implementing our ERP.

Unidentified_4

Yeah.

Don Trigg, CEO

The only thing I would just add on that from.

Company level perspective would be, it's a great opportunity for us. It, we are relooking and reimplementing our core systems infrastructure as a company. So it's a great chance for us to look at structure, process and systems around how we run the business, and to really stress test how we want to think about the dollars that we're allocating around that space, but also how we think about the performance of the business itself. I also think the process of relisting gives us a chance, much like an S1 and an IPO to really think about. What it looks like to frame up the longer-term vision for the company, and how we want to think about that, on a multi-year basis. And so I think the team is organizing around not just the remediations, which are critical and important. But also thinking about where's the strategic leverage that we can find in the work, and I think there's a couple of things that are going to make us better both at the vision and strategy level and at the operating level as we play through this process over the course of the next several months.

Jeff Garro - Stephens

Appreciate that color and we'll use it as a segue to ask a broader, more strategic question to, curious what you came across in in your diligence before you took this position, you said you studied the company for decades, but the Veradigm today isn't what, the all scripts business was, a decade ago, just as the portfolio has changed and the company's navigated the more recent challenges. So curious as you. You, decided to take on this position what you saw and I know it's only 30 days in, but you've presumably had a chance to meet with a lot of people internally and maybe some customers as well. And, given that there's, less investor facing interaction over the last several months and years, but the business has gone on. So if you could give your take on Veradigm's reputation in the marketplace from what you've seen so far too that'd be helpful. Thanks.

Unidentified_4

Yeah, for sure.

Don Trigg, CEO

Like you said, early days in terms of, stepping into post, but certainly had a number of market conversations prior to my start and since I've, arrived. And the first thing I would say is this anchor client base, is one that is really hungry for better capabilities to help them deal with challenges around practice operations and in particular as I talked about in the script, what they need to get done from a financial and revenue cycle perspective and so. I emerged from my conversations feeling like there was a real opportunity for us to add more strategic and operational value with our client base, around the technologies and solutions that we were providing. I've spent the better part of the last couple of years really focused on, the provider practice space, at a PR and, have a lot of conviction, and depth of thinking around what. Looks like to help providers organize around building their businesses and delivering what's required clinically, operationally and financially to do so. So I think there's a huge opportunity for us to show up and have a bigger impact on the practice side, secondly, while some of the headline coverage around Veradigm's work in the data space has anchored to life sciences. Over the last number of years, I was excited to find the work and activity that was taking place around provider provider payer connectivity. And again, having spent time in the payer and market, particularly the regional blues, over the last 8 to 12 quarters, their level of focus on provider network and provider network management strategies is increasing significantly. And again, I think that's a place where Veradigm has a lot of competency. A lot of brand equity and a lot of solution capability where we can show up and add significant value as national and regional plans start to think more aggressively and invest more aggressively in their provider network management strategies so those two things in particular were exciting to me as I talked with Lou Silverman, our chair, and the larger board, around the opportunity, and then finally I, as you know from my time at Cerner, we made some large investments including the Kantar acquisition around real world evidence and the data space, I still think there are opportunities there. I'm digging into that piece of the business, to really understand what's it look like for us, to take that business and meaningfully grow it. In a way that's relevant to how we think about the business on a one quarter and full year basis, but there's a lot here, and I think once you get beyond some of the noise around, the audit and reporting activity, and the relisting, I think people are going to get excited about the strategic potential embedded in the business.

Jeff

Great, appreciate all that color. I'll jump back in the queue. Thanks again.

Unidentified_1

Thank you. As a reminder that star one to be placed in the question queue. One moment please while we pull up a further question.

We've reached the end of our question-and-answer session. I to turn the floor back over for any further closing comments.

Don Trigg, CEO

Let me just close out the call by saying thank you very much for folks for listening in and for the framing. Provided. I think we're excited to continue to make progress around the business, as we look out to 26 again, as I said in my comments, a push to improve profitability, really reignite the growth story as I described, and then as Lee nicely framed make progress against the relisting process as we relist the stock in 2026. So thanks so much for being here. We appreciate your participation, and we look forward to speaking with you next time.

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Thank you. That does conclude today's teleconference and webcast. You may just connect your line at this time and have a wonderful day. We thank you for your participation today.