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PRESENTATION

Operator

Greetings and welcome to the Veradigm Investorp update call. (Operator Instructions)

As a reminder, this conference is being recorded. It's now my pleasure to turn the call over to Jenny Gelinas, Vice President of Investor Relations. Jenny, please go ahead.

Jenny Gelinas - *Veradigm Inc - Vice President, Investor Relations*

Thank you very much. Good morning, and welcome to the Veradigm Update Conference Call. Our speakers there are Tom Langan, Veradigm's Interim Chief Executive Officer; and Lee Westerfield, our Interim Chief Financial Officer. We'll be making a number of forward-looking statements during the presentation and the Q&A part of the call.

These statements are based on current expectations and involve a number of risks and uncertainties and 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 the SEC filings for more information regarding the risk factors that may affect our results.

In addition, we will be referring to certain non-GAAP financial measures. Please refer to the information regarding these non-GAAP financial measures and the reconciliations of these non-GAAP financial measures to their most directly comparable GAAP measures in our press releases that are available on our Investor Relations website. Today's meeting will start with an introduction from Tom, followed by a financial update from Lee. And then lastly, Tom will provide closing remarks.

And with that, I'm going to hand the call over to Tom.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Thank you, Jenny, and welcome to everyone joining the call today. The focus of the call today is to review our audited financial results from 2022 and unaudited revenue, adjusted EBITDA and cash positions from 2023 and 2024, provide a current view of Veradigm's business summarize key business highlights and characterize our path forward to leverage our strong market position, including our outlook on revenue and cash for 2025. update you on the progress of the audit accounting remediation and becoming current with our filing obligations.

We remain confident in the Veradigm business model and our value proposition. The fundamentals of our core business are sound. We've completed our 2022 restatement and are on the path to becoming current in our filing obligations. We have a refreshed Board to provide oversight as we execute our go-forward strategy.

Starting with Board refreshment, since the beginning of this year, we added 4 new independent directors. Our new Chairman of the Board, Lou Silverman is a seasoned health care executive with over 30 years of leadership experience in health care information technology, and technology-enabled health care services, including 8 years as CEO of Quality Systems, now known as NextGen Healthcare. Our new Audit Committee Chair, Bruce Felt, has served as Chief Financial Officer at several public companies in the technology space, including most recently at a cloud software company. and he has served as Audit Committee Chair at both Cambium Networks and Evolent Health.

Our new Nominating and Governance Committee Chair Vinit Asar, brings the board 30 years of diversified global health care leadership experience in medical devices and non-acute health care services. as well as experience as a public company CEO at a company that went through a restatement and relisting of its common stock. Additionally, Jonathan Sacks a partner with Stonehill Capital Management, which is Veradigm's largest shareholder, brings over 20 years of investment management experience across many industries, including health care, as well as experience with companies undergoing complex accounting challenges, delisting and capital structure changes.

Yesterday, we reached an important milestone by filing our Form 10-K, which includes restatements of certain 2020, 2021 and 2022 financials, and detailed the findings of our audit committee's investigations and our other reviews as well as our remediation plan to address identified control deficiencies and enhance our overall internal control environment. This marks a crucial step in becoming current in our financial reporting.

Last night, we released updated preliminary unaudited 2023 estimated revenue and adjusted EBITDA in ranges that are both at the higher end of the previously disclosed estimates from January of 2024 and reaffirmed in March of 2024. We also released updated preliminary unaudited 2024 estimated revenue and adjusted EBITDA ranges that are below prior guidance issued in March of 2024 and reaffirmed in May of 2024.

There are a number of market execution factors that impacted the 2024 estimated revenue and adjusted EBITDA results which we will detail later in this call. As you will see, we incurred significant external audit fees, accounting, advisory fees and legal fees in 2023 and 2024. These fees related to the preparation of the financial statements contained in the 2022 Form 10-K, the Audit Committee investigation as well as the restatement and internal reviews described in the 2022 10-K. We also incurred additional expenses to supplement our internal accounting operations.

There were many reasons that it took much time and expense to prepare the 2022 10-K. For example, there were several material weaknesses described in the 2022 10-K. These internal control deficiencies resulted in more extensive audit procedures. This extended our time lines and significantly increased our external professional services spend.

In addition, the materiality threshold for the 2022 audit was significantly lower than it had been prior to the sale of our HLPP business in May 2022 due to the reduced size of the company. This also resulted in a lower materiality threshold being applied to 2020 and 2021 during the restatement. It is worth noting that the external professional services fees we have already incurred have benefited our remediation efforts and should continue to do so as we move forward with our remediation plan.

We have described that remediation plan in the 2022 10-K, it should also help us with the preparation of our 2023, 2024 and 2025 financial statement filings. Given the work already completed, we expect that external professional services fee relating to audit procedures will decline from 2024 levels for the remainder of 2025. Despite the shortfall in revenue and adjusted EBITDA for 2024, we remain confident in Veradigm's business model and market positioning.

Veradigm is a leading health care data and intelligence organization uniquely positioned at the intersection of the three pillars of health care, payer provider in life sciences with a broad-based national footprint. Veradigm's data assets encompassing both proprietary and external sources serve each of our three pillars. We believe that the application of our in-house generator AI capabilities will drive deeper insights and greater value for our clients. Key business highlights across our provider business center on signing new customers to our Veradigm suite of solutions with a focus on high-growth specialty EHR markets.

Just in 2025, we signed the largest wound care organization in the United States to a Veradigm Practice Management and Veradigm Revenue Cycle Analytics deal. We continued our growth in specialty markets, for example, signing another multimillion dollar five-year contract with a large urology practice, one of the largest provider deals we have signed in recent years. We have seen recent successes in our payer business as well, signing seven new clients over the past three months within our care gap alerting solution. Veradigm Payer Insights continues to grow rapidly with nearly 400 new sites onboarded so far in 2025.

The product currently provides gaps in care alerts to over 3,500 health care practices across the United States. We recently signed a number of contracts in our Life Sciences business, signing a multimillion dollar Veradigm Digital Health Media deal and a top 10 biopharma company committing to a multiyear multimillion-dollar enterprise data deal for both Veradigm Network EHR and Remit Data.

Veradigm has a strong foundation for sustained growth, anchored by high recurring revenue and the distinctive value we provide to our customers. At the same time, we recognize the need for operational improvements. The Veradigm leadership team with a review of an independent strategic advisory firm conducted a thorough operational assessment and developed a comprehensive go-forward plan to rationalize our cost structure to ensure profitable growth.

This plan supports our priorities, which include remediating our material weaknesses and other internal control deficiencies, becoming current and financial reporting executing against our growth strategy to deliver end-to-end solutions that empower our clients and relisting our common stock. Looking forward, Veradigm's growth strategy focuses on expanding our core provider base while enhancing the value of our offerings, including advancing AI-enabled clinical and financial workflows.

By integrating high-value specialty practices into our EHR network and broadening our reach and revenue cycle management solutions, Veradigm is strengthening its foundation in the health care ecosystem, which is the anchor for expanding our payer and life sciences solutions. We believe the continued expansion of the Veradigm network through increased provider participation enhanced data access and improve connectivity will drive growth across all of our market segments.

Let me provide you with some details on these initiatives across our three pillars. In our provider business, we have implemented streamlined provider workflows utilizing AI to reduce administrative burden and improve data capture while enhancing the customer experience. In the payer business, we are working to expand the Veradigm network through payer provider collaborations and deliver solutions that empower multiple health care stakeholders to work together more effectively.

And in Life Sciences, we have scaled our data products and analytics that utilize natural language processing to unlock new market opportunities and new revenue streams. In parallel with our investments for growth and innovation, we are transforming our internal technology infrastructure and processes. This initiative will create a modern 360-degree view of the customer by upgrading and consolidating our CRM and ERP systems. Before we get to the financial results, I want to express my sincere gratitude to all of our employees.

Our customers trust us to help them solve their challenges and that trust is earned through the hard work and dedication of our incredible Veradigm team. It is their commitment to customers and they're resilient through 2024 that have been a true highlight for me and our leadership team. Let me turn it over to Lee, who will walk you through the Form 10-K, 2023 and 2024 unaudited revenue, adjusted EBITDA and cash positions and 2025 outlook as well as our cash position and progress on remediation. Then I'll come back to provide some final comments.

Leland Westerfield - *Veradigm Inc - Interim Chief Financial Officer*

Thank you, Tom. Today, my comments will focus on 3 areas: first, our historical financials; second, our forward outlook. Finally, I'll address our accounting remediation plans. Now turning to our historical financials. There are five years to review with you. First, I'll briefly touch on the restated audited periods 2020 to 2022.

Then I will address more fully the recent unaudited years 3 to 2024. As Tom mentioned, the company filed its 2022 Form 10-K yesterday. For the years 2020 to 2022, I'll focus on the restated revenue and assets revenue from continuing operations and total assets from both continuing operations plus divested businesses. Restated revenue from Veradigm's continuing operations changed minimally in the years 2020 and 2021 from prior filings by less than 1% in each year.

In 2022, for the first nine months of that year, restated revenue from continuing operations was reduced by approximately 4%. Restated assets in total, combining both Veradigm's continued operations and divested businesses were reduced through impairments and write-offs in the restated balance sheet. The impact of the internal control failures on the company's assets was a reduction of $63 million for the year ended 2020 and a reduction of $119 million for the year ended 2021.

For the nine months ended September 2022, restated assets were reduced by $57 million. Deferred revenue and contract assets, goodwill and accounts receivable were the primary accounts affected on the risk statement balance sheet. You will find a description of identified material weaknesses in the 2022 Form 10-K filing in Item 9A, which also summarizes the company's remediation plans.

Regarding 2020 to 2022 historicals, I'll now comment on growth and profitability. Revenue increased modestly from 2020 to 2022, and up by 4% in 2021 lifted by both transaction-related revenue and recurring revenue. then up by 2% in 2022 when our emerging payer and life sciences operations gained market traction. And regarding adjusted EBITDA, a in those historical periods, Veradigm's EBITDA margin for 2020 was 22% for 2021 was 29% and for 2022 was 24%. That's what -- that was EBITDA margins.

Now let me address more recent years. In 2023 and 2024, both years are unaudited periods. I will share preliminary estimated financials in ranges based on information currently available. In 2023, our updated preliminary estimated revenue and adjusted EBITDA ranges show that we performed at the higher end of prior guidance ranges that we issued last year in January and reaffirmed in March. The 2024 preliminary estimated revenue and adjusted EBITDA ranges show that we fell short of the prior guidance ranges that we issued last year in March and reaffirmed in May.

I'll speak first about 2023. A GAAP revenue is estimated to be in a range between $620 million and $625 million. That range includes favorable customer settlements of approximately $19 million. Revenue, excluding customer settlements, grew modestly by approximately 3% at the midpoint year-over-year from 2022, recurring revenue in 2023 and was approximately 80% of total revenue, consistent with prior years. In 2023 business unit performance showed top line increases in both businesses, up 1% in provider and up 7% in payer and life sciences each at midpoint.

Our adjusted EBITDA in 2023 is estimated to be between $139 million and $144 million higher than our previously estimated range. Net cash and debt. Net cash was $239 million at year-end 2023. Cash and equivalents were $447 million, and debt, which at year-end 2023 consisted of convertible notes and an undrawn credit facility was $208 million of funded debt. Change in cash in 2023 was approximately net 0. In other words, cash remained flat year-on-year during 2023.

I'll walk you through the major sources and uses of cash in 2023. First, outflows for transaction and other expenses totaled approximately $46 million the bulk of which went towards audit, accounting and legal professional fees for the restatement of 2022 as well as legal fees for certain other matters. Two, net outflows for equity investing activity was $59 million, mainly towards the strategic investment in Holmusk; Three, there were no acquisitions or divestitures in 2023; four, CapEx outflows totaled approximately $30 million mainly for software development and also for hardware.

Five, and finally, approximately negative $5 million impact on cash from the sum of net interest income, working capital changes and taxes. Now turning to 2024 unaudited results. Revenue fell short of the prior range first issued in March of 2024 and reaffirmed in May of 2024. Unexpected revenue shortfalls took shape late in the third quarter. and more significantly in the fourth quarter of 2024. Revenue shortfalls occurred across all business units, especially in payer and life science.

Full year 2024 GAAP revenue is estimated to have been between $583 million and $588 million. That range includes favorable customer settlements of approximately $1 million. Recurring revenue in 2024 was approximately 80% of total revenue, again, consistent with prior years. As compared to our prior guidance ranges, today's updated estimated revenue fell short by approximately $42 million at the midpoint. I'll break down the components of the revenue shortfall, drilling into each business unit.

Provider revenue dipped 1% year-over-year from the midpoint of the range in 2023. We had anticipated roughly 2% growth in our prior guidance. Payer and Life Science revenue declined by 10% from the midpoint of the range in 2023. We had anticipated growth of roughly 10% in our prior guidance. Of the total shortfall in revenue, provider accounted for roughly one third, while payer and life science accounted for roughly two third of the $42 million estimated shortfall.

Several factors contributed to the top line shortfall. In provider, the shortfall stand from higher-than-expected customer net attrition across multiple solutions, especially affecting revenue cycle management. Well, in Payer and Life Sciences, top line declined rather than grew, at the root of it multiple internal and external factors affected that performance in payer, we experienced implementation delays in clinical data exchange and rollout delays in Gap care closure services.

And in life science, biopharma sector-wide softness led to lower real-world data, sales closings and media bookings versus 2023. Full year adjusted EBITDA for 2024 is estimated to have been between $85 million and $90 million. This estimated range is below the previously disclosed guidance range. The adjusted EBITDA decline year-on-year was primarily driven by the shortfall in revenue.

About cash in 2024. Our net cash was $87 million at year-end 2024 consisting of cash and equivalents of $295 million less funded debt of $208 million. During 2024, cash declined by $152 million versus 2023. I will walk you through the major sources and uses of cash in 2024. First, approximately $103 million of outflows for transaction and other expenses, the bulk of which went towards audit and accounting professional fees for the restatement of 2022 and the remainder for the strategic review process and for legal fees for certain other matters.

Two, net inflow of $13 million from our equity investing activities, including inflows from distributions, less outflows for contractually committed equity investments; three, approximately $110 million of outflow for the acquisitions of ScienceIO and Koha Health. Four, approximately $35 million of outflow for CapEx mainly for software development and hardware and also for the implementation of our new ERP system. Five and finally, approximately $5 million net negative impact on cash from net interest income, working capital changes and taxes.

Now turning to our outlook for 2025. The framework for our financial outlook is Revenue is expected to be approximately flat versus the 2024 range. We're expecting top line growth from new customers and contracts and price increases offset by customer attrition, if consistent with historical levels. Regarding our cash outlook, we are currently net cash positive and anticipating remaining net cash positive throughout 2025, and we are pursuing additional debt financing.

Now the next steps towards remediation. To retain current SEC filing status, the necessary steps or to complete the annual audits for 2023 and 2024 and thereafter the audit of 2025 and all quarterly filings up to the current period. We do not anticipate becoming current in our financial reporting until sometime in 2026. For remediation, we have several material weaknesses cited in the 2022 Form 10-K.

The majority of our remediation plans are expected to be completed during 2026 in conjunction with the implementation of our new ERP designed to enhance controls. The ERP system implementations and accounting remediations will affect the timing of our audits and filings. To wrap up, what can you expect going forward? Tom and I plan to provide periodic business updates until we're current with our financial reporting obligations. I will now pass the call back to Tom.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Thanks, Lee. Now I will make a few closing remarks. Looking forward, we believe Veradigm is well positioned to capitalize on today's and tomorrow's health care market trends. I remain confident in our business model and value proposition. Our revitalization plan is straightforward. We will focus on remediating our material weaknesses and other internal control deficiencies, becoming current in financial reporting, executing against our growth strategy to deliver end-to-end solutions that empower our clients and relisting our common stock.

I am proud of our Veradigm employees who work each and every day to earn our customers' business and I'm grateful for their dedication. Thank you for your patience over the past 24 months. We still have much work to do, but we are resilient, determined and motivated, and we believe Veradigm is on a path that positions us for success.

Operator, we will take questions now.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Charles Rhyee, TD Cowen.

Charles Rhyee - *TD Cowen - Analyst*

Yeah, thanks for taking the question. I guess, Lee, just to clarify, did I hear you correctly, that the remediation efforts need to be completed first before we can become current on the filings?

Leland Westerfield - *Veradigm Inc - Interim Chief Financial Officer*

No, that's not quite right, Charles. In fact, we can, regain currency on filings while continuing to work on the remediations.

Charles Rhyee - *TD Cowen - Analyst*

Okay, so then I guess the question is your statement about 26, that's related to remediation, but in terms of getting current.

What what was the timeline to expect for getting current filings? Is that also still in 26? And if so, why is that expected to be so long, I guess.

Leland Westerfield - *Veradigm Inc - Interim Chief Financial Officer*

Each is expected to occur during 2026. The remediations and the current filings based upon what we currently foresee in our pathways along both of those tracks. Why so long or so short, the elements are to perform a 2023 and a 2024 annual audit with 10k filing. Then of course 2025 ensues and the quarterlies that would also need to be filed ensuing the '25 annual filing.

Charles Rhyee - *TD Cowen - Analyst*

Okay, I guess just a follow up there. I was under the impression, I think when we spoke, a while back, maybe last year, it sounded, or maybe it was with Jenny, it sounded that I, it seemed like that, I was under the impression that the process for the 2022 Restatement.

Was kind of running separately from the 2023 and 2024 and the impression being that that process was ongoing separately, but it sounds like now that was there any work done on 23 or 24, up till now? Or has that, will that just get started now, I guess.

Leland Westerfield - *Veradigm Inc - Interim Chief Financial Officer*

Preparation work for 2023 and for 2024 for, some testing work, has been performed. Logically, to really commence on 2023 and 2024 from trial balances, the completion of 2022 to be able to roll forward into those ensuing years, 23 and 24, and when we do arrive at this 0.2025 annual audit, current sequence, so the bulk of the work for each of the annual audits that remain on our plate '23, '24, and '25 will occur in in the sequence.

Charles Rhyee - *TD Cowen - Analyst*

Okay. And maybe one last question for me. The net attrition that you talked about, particularly in provider, which you're also assuming, in 2025 as well. Can you give us a little bit more color, maybe Tom, what's occurring here and, what, what's kind of driving that attrition? Is it through consolidation or share loss to competitors? If you can give us a sense of what the competitive environment is currently looking like and where, how are you looking to remediate that yourself?

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Hey, Charles, thanks for the question. I appreciate it. Yeah, we're not seeing it's not market consolidation driven, so we're seeing, obviously as we stated net at higher net attrition within our core provider business, both our EHR, primarily revenue cycle, we had higher attrition in our in our revenue cycle business. We're still seeing, market opportunities in the small to mid segment of the market, but, we have lower net new sales in in 2024, in addition to the higher net attrition, impacting the business.

Charles Rhyee - *TD Cowen - Analyst*

Any kind of details on what might be driving that? Is that, a situation of functionality in the products that you need to enhance or, just maybe decisions to move, why are, why are people moving away, I guess is the main question.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

We're seeing higher attrition in the large physician practice segment, where this tends to be a little bit more consolidation, affiliations with hospitals, but, more stability in the kind of mid to small market segment.

Charles Rhyee - *TD Cowen - Analyst*

Okay, great. Thank you.

Operator

Jeff Garro, Stephens.

Jeffrey Garro - *Stephens Inc - Analyst*

Yeah, good morning. Thanks for taking the question. Maybe follow up on some of Charles's questions on the timing of the path forward, and first, I guess you talked about the different years and moving through sequence. So wanted to ask if you could, kind of break that timeline into more discrete pieces so we can think about when to expect updates and would appreciate if you could kind of affirm the commitment to updating us on where the '25 Outlook is trending as you progress through all the audit work.

Leland Westerfield - *Veradigm Inc - Interim Chief Financial Officer*

The audits and the remediation is our top priority, for Tom and Fry for our company, with regard to timing and the amount of work ahead, I can lay out this the sequence and an end state which is regaining current filing status. I'd not want to lay out the specific date for expectations for the specifics of 23 or 24 or 25 filings except to say.

Over, the next, several quarters and rolling into 2026 with regard to the amount of work involved in those, significant preparation because of the amount of work that got done for 2022 is already laid before us for the work for the other outstanding years. With regard to, sorry, what was the other portion of the question?

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

The other question you asked, was what Jeff was around the timing of frequenting of periodic updates on the business and the status of the business, so you have our commitment, to provide periodic updates, as needed. Obviously there hasn't been a lot of communication recently, but we're going to continue as we go forward to be as transparent and open, with periodic updates.

Jeffrey Garro - *Stephens Inc - Analyst*

Great, I appreciate that and and then maybe turn to the fundamentals, over the the last few years, even before the the accounting restatement was needed, there was lots of work being done creating this this network business, building up the the data assets, building up data partnerships so we would love it if you could give us an. Update on the size and scale of the network in terms of relevant data points like the number of providers, number of patients being accessed by the network and and any way you can frame up the size and scale of of claims and related data flowing through the network.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Sure, let me comment on that, Jeff. So, you, you're absolutely right, we spent the last couple years building up the Varig network, which is our proprietary data assets that we have as well as access to other data sources. So as we stated in the 10k, we have over 400,000 providers both from our proprietary sources as well as other sources that we're monetizing different use cases across both our par and life sciences business.

In addition, we have over 200 million patients that we're gaining access to that we're using for various use cases across both par and life sciences. Building out the network and continuing to find additional data sources through partnerships and growth in our business is a key priority for us. And as I stated, the specialty markets are a key area of focus for us. I'm excited with the new wins we had recently in neurology and other other specialty markets that continues to add to the data platform that we have. In addition to our structured data, there's significant unstructured data in the platform.

And we're accessing using NLP and our AI capabilities to build up premium data sets across different specialties to then monetize, with our life sciences clients. We continue to build that on the payer side of our business, our clinical data exchange platform, and in addition to the data data that we have, we're also, we've launched our GAAP GAAP closure solution that's gaining traction in the market as I stated in my opening comments.

Jeffrey Garro - *Stephens Inc - Analyst*

Great, I appreciate that update and then want to turn to the outlook for 2025 and so you know appreciate the update on the top line and. The expectations are around the cash balance, but notice there's no profitability outlook for 2025, so I was hoping maybe you could frame up where you see the exit margin rate leaving the fourth quarter of 24, and there might be some seasonality impact we should consider there and then also comment on expenses that occurred in '24 and fall off as you get more current on the financials or, just kind of work through that. The backlog of work, notice that the 103 million in transaction and other expenses called out in 24, presumably those are excluded from adjusted, but you know how how does that trend in 25 and what's the spend that's not going to fall off that's related to some of this accounting work.

Leland Westerfield - *Veradigm Inc - Interim Chief Financial Officer*

Jeff, I'm really glad you've asked these questions because they'll help clarify for all of the audience and yourself as well what is, coming up in 2025. There's a lot there, so, if I miss any of the items, please, tell me at the end of this. First, our outlook for 20 framing our outlook for 2025, we have said here an outlook on revenue for approximately flat with.

Mid point of the range of 2024's estimations and that the cash bottom line we would remain we are and will remain anticipate remaining net cash positive during 2025 in between those numbers there's a lot and that's what you're really asking.

With regard to our EIDA margin and with regard to other elements below EIA for cash expense, I'm going to give, a qualitative framework here for you, but not a specific kind of guidance to be sure.

We are in the midst of a cost realignment and have executed, as you heard Tom mention his remarks, and that is underway with with with an impact that will be occurring in favorable impact on our margins during 2025 and a more significant impact on EIA margins. When we get a full year of benefit from cost actions in 2026.

With regard to below IIA, the intensely high level of auditor accounting related legal expenses and also the strategic review process in 2024, that was a significant use of cash, as you point out, we do anticipate there being continued but at a significantly diminished level.

That cash expense below the EBA line while we continue to pursue the finality of our or the completion towards completion of our 2023, 4 and 5 audits and.

And and so that below IBA expense line should be not zero but significantly lower in 2025.

Jeffrey Garro - *Stephens Inc - Analyst*

Got it. That helps. And last one for me before I hop back in the queue. I want to ask about revenue visibility for for FY 25, the expectation that it's flat, but certainly there's some moving pieces there, and you mentioned attrition offsetting growth would love for you to unpack that more and particularly in light of the The shortfall in revenue that manifested in the second half of 2024, presumably with with that occurring, you kind of need some rebound from the the exit rate from 24 and and on the shortfall which is reoccurring, which was what was non-reoccurring revenue that might be a little easier to to bounce back from but would appreciate some more comments on for visibility of revenue.

Leland Westerfield - *Veradigm Inc - Interim Chief Financial Officer*

I'm going to TRY to translate the question to be sure we're saying the same thing and hand it to Tom. I think you're asking, we had shortfall in in revenue clearly in 2024, what portions were recurring, what portions were transactional, and therefore what the bounce back rate might be.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Yeah, correct. Yeah Jeff, I comment, as we stated we have high recurring revenue, about 80%. There is a percentage of our business that's obviously non-recurring. As we stated, obviously our parent life science business had a pretty significant shortfall in 2024, anticipated shortfall, as I stated on my comments of some of the new business coming in across the business, I feel good with our first quarter activity and where we are from an overall pipeline conversion, with both, net new business coming across both payer provider and life sciences. So far the the start of the year so far in 25 is looking promising but we still have some work to do, particularly on the non-recurring type of revenue that comes within our payer and life science business.

Jeffrey Garro - *Stephens Inc - Analyst*

Great, I'll hop back in the queue.

Operator

George Hill, Deutsche Bank.

George Hill - *Deutsche Bank AG - Analyst*

Yeah, good morning guys, and thanks for taking the questions, and I think I'm just going to wind up hitting a couple of the themes that Charles and Jeff have already hit. So if we think about the revenue fall off of Q3, Q4 of 24, it seemed to happen across all the company segments, I guess. Is there anything you could talk about like what happened with the timing, like what, like the what was special about Q3 and Q4 what was special about the back end of 2024 that kind of drove revenue decline across all the segments.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Yeah, sure, thanks, George. I'll address that. So let me focus on each of the segments, pair and life science first. The timing of implementation and go live is lead referenced, particularly in our clinical data exchange as well as our GAAP closure, roll out and go live definitely had an impact in Q4. So these, when I say implementation go live, it clearly contracts that are signed this contracts in hand, but the actual timing of them. Did not happen in the 4th quarter, and we had anticipated them happening in the 4th quarter, so that had a pretty dramatic impact.

That's in the pair segment in the life science segment, we've seen softness in 24 across the pharma services and data segment, across the industry that also had an impact on the life sciences business, and particularly a shortfall in the media revenue in the real world data business. We did see good momentum within our real world, evidence business, but that also had an impact.

George Hill - *Deutsche Bank AG - Analyst*

What.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

And then in the provider.

George Hill - *Deutsche Bank AG - Analyst*

I'm sorry yeah.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Go ahead go ahead.

George Hill - *Deutsche Bank AG - Analyst*

No, you keep going. I couldn't tell if you'd finished that part of the answer, or complete, I'm sorry, I didn't mean to interrupt you.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

That's okay. In the provider business, it's highly recurring, but when you have a softness in your net new business, that has an impact on the second half of the year, so performance earlier in the year or in the prior year can have an impact on revenue that's recognized in the third or fourth quarter, so the lower net new sales and our kind of net new business, it's having had an impact in the second half of the year. We're seeing good momentum. I think that as I stated we're signing much larger deals, multi-year deal both our EHR fund. As well as our clearing house solutions, so that's encouraging as well as we as we close out if you want.

George Hill - *Deutsche Bank AG - Analyst*

Okay, that's helpful. And then just given that you guys haven't been a regular reporter in a while, I thought, would you take an opportunity for them to update us kind of on the way of the land from the provider business, kind of what's the RCM exposure, what's the EHR exposure? Can you talk about exposure by practice size, we just kind of would love kind of a corporate overview update of where you guys are these days as it relates to the position of the business.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Yeah, I mean sure from a market segment size perspective we have a really strong presence in the I would call it the small market in the mid market. Clearly our practice fusion platform which is in the smaller independent physician practices we have now a full suite of solutions there, both are our core clinical EHR, our, billing solution rev cycle, as well as, our PM solutions to be able to go to the market, so we're seeing good opportunities within that segment of the market.

The segment that is kind of I would say, the midmarket which is our Veritig suite and Veritig EHR we're seeing a lot of market opportunities where clients are asking for support around rev cycle in the end to end financial management of their. Of their practices, so that's where we're seeing from a market opportunity the the suite of solutions that we have that includes our clearing house, our revenue cycle capabilities as well as our PM solution is where a lot of the net new business is coming from, and particularly in specialties orthopedics, urology, and other multi-specialties is where we're seeing a lot of the opportunity.

George Hill - *Deutsche Bank AG - Analyst*

Okay, and, I guess two quick ones for Lee, I guess Lee, I know we're expecting to be fully current on the filings in 2026. Can you comment on whether the expectation is front half or back half of '26 just trying to get it like, a slightly narrower sense of timing.

I'd be premature at this point if you offer that kind of precision.

Okay, and then you talked about the debt refinance, and I guess is that I apologize, I'm on the road today. Are the convertibles coming due that you guys need to refinance? Is there a reason you guys like, is there an operating reason why it looks like you need to have the debt considering you're going to stay in a, positive cash position.

Sure, I, first let me offer on the debt financing that I commented on, what our situation is and what we're dealing what we're doing, situation is simple enough. It is that our convertible note, investors hold the hold a put right and their next put opportunity is July 1, 2025. We have ample cash should they choose to exercise the put, to repay the principal and accreted amounts and then have, I would call it a significant amount of cash, remaining, that said, we, a year ago, approximately nine months ago, I let go of our credit facility with our commercial banks, so. Our cash and liquidity are equal meaning as a public company it's our judgment to be prudent to make sure that we have additional liquidity and for that reason we're looking for alternative lending at this point to assure that we are sufficiently cash. Supported and liquidity supported, in the months and couple of years ahead.

Got it. I didn't have to put that in front of me, but I appreciate the call. Thank you.

Operator

Charles Rhyee, TD Cowen.

Charles Rhyee - *TD Cowen - Analyst*

Yeah, thanks for taking the follow up here. Tom, you mentioned earlier, some weakness in rev cycle management in particular. If I recall, you guys, acquired COA Health, in early 24.

Can you give us any kind of sense on, the size of that business, kind of what that brought in for you guys in terms of a customer base or, revenue contribution and And, with some of the, losses there, was that attrition from maybe the customer base, just trying to understand, if you kind of enhance sort of that, product capabilities, what, what's going on. Thanks.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Sure, I'll come on. Thanks, Charles. Yeah, so the co-acquisition was obviously, additional capabilities within our rev cycle capability. So that we did see more attrition in the coal business, after the acquisition.

It did also bring us capabilities that we didn't have within the business credentialing and others. It gave us a presence in the orthopedic market, which has really helped our pipeline and our new business opportunities. So we're excited about the addition of the co business, but some of the attrition and a few of their clients, did have a negative impact on 2024.

Charles Rhyee - *TD Cowen - Analyst*

Got it. And then, to Georgia's question earlier, you mentioned that in the pharma segment, there was sort of weakness in real-world evidence and sorry, I forget the other part, but, can you comment on the trends that you're seeing because when you look at some of the peers in the space, particularly serving the commercial end of the pharma spend, it does seem like there's been a rebound sort in the back half of last year. The outlooks appear to be a little bit better going into this year. Any comments on the trends you're seeing in 25? And then my last question would be the favorable customer settlements, that you mentioned for 23, what portion came in provider versus maybe payer life sciences?

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Sure, I'll talk about the life science business first. We didn't have softness in the world evidence business. That segment of life science business was strong in the 4th quarter. We did have softness in our media business and our in our data business. However, we are seeing a good momentum as I as I commented on some of the larger deals that our life science, commercial team is focused on. So we are starting to see in Q1, more spend flowing into the market. Particularly around the data assets, some of the differentiation that we're, we're selling in the market, we are starting to see some, acceleration in the, programmatic buying in our core digital health media business in the first quarter, but we did see softness in in the 4th quarter of last year.

So you're comment about the trends and you know you're hearing across the industry we're starting to hear that a little bit in Q1 that there's a pick up and spend and more dollars coming into the market.

Charles Rhyee - *TD Cowen - Analyst*

Got it and the breakout and the customer settlements?

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Yeah I'll let you comment on that break out in the customer settlements in 2024.

Leland Westerfield - *Veradigm Inc - Interim Chief Financial Officer*

Oh, the customer settlements in 2023 and in 2024 are in the provider business if that's the question.

Charles Rhyee - *TD Cowen - Analyst*

Okay, so it was all in provider then.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

All provider, yeah, all provider, not payer life sciences.

Operator

Jeff Garrow, Stephens.

Jeffrey Garro - *Stephens Inc - Analyst*

Yeah, thanks for taking another question. Similar to Charles, I want to ask on one of the acquisitions that we haven't had much of a chance to discuss, so want to hit on science IO and have a few questions there. Would like if you could explain the impact on the financials and, more pointedly, is there any revenue coming directly from that business and what's the magnitude of the likely drag on profitability. And then more broadly, what's the strategic vision for that technology and to what extent has that changed since the CEO change? Thanks.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Sure, thanks, Jeff. It's time. I'll address the question. So there's no revenue, in 24 for science.

However, let me comment on just in general on our AI strategy and our Gen AI strategy. We see significant opportunities across all segments of our business. The Science IO team, which is our center of excellence around AI is working collaboratively across our peer provider and life sciences business. As I commented in my opening statements, we're seeing really strong opportunities around clinical workflows within the provider segment where AI is improving the administrative burden for physicians, and we're seeing significant operational improvement there. Also in the provider segment we're seeing opportunities to leverage AI to make us more operationally efficient, particularly in our rev cycle business.

In the payer segment of our business, getting access to discrete data by leveraging our AI capabilities is going to continue to help us differentiate in the payer market and then finally in the life sciences business which historically we've talked a lot about the use of AI. Around our data assets. We still have a very strong investment thesis as well as strategic view that generative AI and that that technology will help us unlock value around the data assets that we have and create unique data sets for our life sciences companies. Not just data but also the insights that we can provide back to the life sciences organizations.

So overall we're still very positive about the acquisition as well as the opportunities that we're seeing in the market. The market is moving fast. We'll continue to look for ways to both improve our revenue, increase our revenue, as well as our operational efficiency. And AI is is a clear key strategic priority for us across the entire organization.

Jeffrey Garro - *Stephens Inc - Analyst*

Great. I appreciate that. Maybe the one thing that that you didn't touch on is the drag on profitability, cash burn related to that business. I think it's a helpful piece knowing that that wasn't there in '23 that, now we have a little more clarity on '23 versus seeing where the margins are likely to land for '24.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

Sure, I'll let Lee Bridget what the what the costs are for the science I acquisition.

Leland Westerfield - *Veradigm Inc - Interim Chief Financial Officer*

Sure. Science and co impacted Eel margins in 2024 because each brought new costs that were not in 2023's, operating expense base, measurably, I guess I would say with combining the two. We are in the mid 10s in, overall expenses COGS and op exitting even done in 2024 for those two combined, in regard to future outlays of, well, I, we've published previously that there are 22 future installment payments to complete the acquisition purchase price for Science IO one in January 2026, one in January 2027, each approximately $15 million.

That would be acquisition cash.

Jeffrey Garro - *Stephens Inc - Analyst*

And the mid-teens expense, that's accrual basis and that's millions of dollars, not percentage of revenue.

Leland Westerfield - *Veradigm Inc - Interim Chief Financial Officer*

Sorry, thank you, mid 10s millions in 2024.

Jeffrey Garro - *Stephens Inc - Analyst*

Got it. Thanks for taking the follow up.

Operator

Thank you. We reached out of our question and answer session. I'd like to turn the floor back over for any further closing comments.

Thomas Langan - *Veradigm Inc - Interim Chief Executive Officer*

I just, I'd like to thank everyone for the call today. Appreciate your patience over the last 24 months. We're excited about the opportunities going into 2025. Just also make the final comment that the the management team has done a thorough business review and operational review. We stated that we work with a third party to look at both our product rationalization, our costs, and our go to market. And how we're going to, look for ways to be more efficient as well as drive top line revenue growth. So we're very focused on kind of the go forward for the business as we move into 2025, and we look forward to having follow up calls, periodic calls to inform you of our progress, through the rest of the year.

Operator

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.
