



The Latest News On Catalysts, Notable Movements, And Alpha Opportunities In The Market



Medical Transcription Billing, Corp. – NASDAQ: MTBC

Recently, the CNA Finance team had an opportunity to speak with Stephen Snyder, President of MTBC. Stephen joined MTBC in September 2005 as General Counsel, and later served as Chief Operating Officer and then President in September 2011. Mr. Snyder is an attorney with M&A and healthcare law experience.

Since CNA Finance learned of MTBC's recent acquisition of MediGain we wanted to learn more the company's technology and future plans for growth, so we decided to go straight to the source. The following is a transcript of our interview:

1 – Can you please give an overview of MTBC and describe its business model and growth strategy?

MTBC is a healthcare information technology company that provides a fully integrated suite of proprietary web-based solutions, together with related business services, to healthcare providers. Our integrated Software-as-a-Service (or SaaS) platform helps our customers increase revenues, streamline workflows and make better business and clinical decisions, while reducing administrative burdens and operating costs.

We have traditionally concentrated on smaller practices, with 1 to 10 doctors, but recently have started servicing some larger practices and hospital accounts, which we acquired through recent acquisitions.

The vast majority of our revenues are based on a percentage of our clients' collections. Clients pay us an average of 5% of the amount they collect from insurance and patients. For this single fee, we not only provide revenue cycle management services, but also provide them with access to our fully integrated software platform.

MTBC went public in July 2014, via an IPO on Nasdaq. We used a portion of the offering proceeds to acquire 3 medical billing companies on the day of the IPO. We have historically found we could grow our business more cost-effectively by buying customer relationships from smaller revenue cycle management companies, paying less for every dollar of recurring revenue than our competitors would spend on sales and marketing to achieve the same result. We have made 7 other acquisitions over the 10 quarters following our IPO, the largest of which was our most recent acquisition of MediGain, LLC.

2 – Tell me about your most recent acquisition of MediGain and what does this acquisition do for your company?

On October 3, 2016, we acquired substantially all of the assets of MediGain, LLC, a Texas-based medical billing company, and its subsidiary, Millennium Practice Management, LLC, a New Jersey-based medical billing company (together, “MediGain”), through our wholly owned subsidiary. As a result of this acquisition, we have on-boarded talented team members who have an expertise in supporting larger groups and we’ve expanded our sales team.

Prior to MTBC’s acquisition of MediGain, MediGain was experiencing customer attrition and revenues were declining. We believe that the annualized revenue from MediGain clients in good standing at the time of the acquisition was at least \$10 million. At the time of acquisition, MediGain employed approximately 150 US-based employees, approximately 200 offshore employees in India and Sri Lanka, as well as several hundred India-based subcontractors.

We’ve already made significant progress on our plan to reduce MediGain’s expenses, through a combination of reducing dependence on third-party subcontractors, leveraging technology and improved processes, consolidating personnel resources, reducing the size and cost of facilities in the U.S., and eliminating redundant administrative overhead expenses.

3 – What are the advantages to physicians using your fully integrated software platform?

MTBC has developed a fully-integrated platform, and our clients can use the whole platform for a single fee. This includes:

- revenue cycle management services, which include end-to-end medical billing, analytics, and related services
- electronic health records, which is easy to use, highly ranked, and allows our customers to reduce paperwork
- practice management solutions, which facilitate the day-to-day operation of a medical practice, and
- mobile health solutions, including smartphone applications that assist patients and healthcare providers in the provision of healthcare services.

Not only is this more cost-effective and less complicated than working with multiple vendors, it allows our team to optimize results through having access to all the information needed to submit claims for our doctors, and maximize the amount they collect.

4 – Will your business be affected under President Trump’s plan to dismantle the Affordable Care Act?

Since we have the expertise to help our customers navigate the ever-changing regulatory and reimbursement landscape, any change and increased complexity generates additional demand for our services. Moreover, our fee is typically based on a set percentage of our customers’ collections from both insurance companies and patients, so even if changes result in a shift in the patient/insurance company responsibility ratio, our fee remains the same.

5 – How do you plan to stay innovative and remain competitive? Who is your largest competitor with similar service offerings?

We have a team of more than 250 people worldwide who are devoted to R&D, technology and new products. They help us ensure that our integrated, web-based and mobile platform continues to lead the industry in helping healthcare providers increase efficiency, maximize revenues, reduce expenses and deliver better care. With regard to competition, athenahealth (Nasdaq: ATHN), which has a very similar suite of solutions, is our largest competitor.

6 – What would you want a potential investor in MTBC to know today about the Company?

In addition to considering the strength of our highly ranked solution, strong position in the market and growth, as an investor, you may want to consider MTBC’s revenue and valuation in comparison to our peers. For example, if you look at athenahealth (Nasdaq: ATHN), and consider its valuation metrics, you will see that its market cap as a multiple of revenue is 4x, while our common stock is valued at less than 0.5x. As an investor, you may ask yourself, when will the market begin to value MTBC in a manner similar to its peers?

The second consideration for a public investor is the fact that MTBC has two classes of shares trading on the NASDAQ. In late 2015 we issued a non-convertible preferred, which is trading on NASDAQ with a ticker of MTBCP. The preferred pays an 11% annual dividend, and we make our dividend payments monthly. We created a non-convertible preferred because we didn't want to issue more shares of common at the current price. Our preferred stock has received a very good market reaction.



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