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## Medical Transcription Billing, Corp. - Consolidator in the Healthcare IT Market | MicroCap Review

From PRINT EDITION MicroCap Review Fall 2018 Issue

Wednesday, October 17, 2018

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### - Medical Transcription Billing, Corp. (NASDAQ: MTBC)

Most people don't think about the Healthcare IT market very often, but it plays a crucial role in the U.S. healthcare system. Every patient encounter needs to be documented in a way that ensures privacy but allows all healthcare providers to access relevant information on a patient. Equally as important, the charges need to be billed in a timely manner, with sufficient support to ensure payment is prompt and reimbursement maximized. Finally, healthcare IT is the key to reducing the estimated \$90 billion of waste which "administrative complexity" adds to annual U.S. healthcare spending.

There are more than 1,500 niche companies providing healthcare IT services similar to MTBC, none of whom have a market share greater than 5%. The sector is highly fragmented and cluttered with competitors that lack viable business models. This is an **attractive opportunity for a consolidator like MTBC**, which offers an industry leading software platform, an experienced and cost-efficient team, and a strong track record of acquiring and integrating companies in this sector.

MTBC (Nasdaq: MTBC)(Nasdaq: MTBCP), based in Somerset, NJ, was started in 1999 by a former American Express executive, Mahmud Haq, based on the needs he saw first-hand. His wife is an internist, and was the Company's first client, and the business has since grown by focusing on improving outcomes for doctors like her. The business went public on Nasdaq in July, 2014, acquiring three smaller competitors on the day of the IPO.

#### HIGHLIGHTS

- 36% CAGR revenue growth over 5 years
- Large, fragmented healthcare IT market
- Completed and integrated 12 acquisitions since IPO in July 2014
- Experienced management team
- 75% - 100% growth in adjusted EBITDA from 2017 to 2018
- Management and Board own 50% of common stock
- Cloud-based software
- Cost-effective global team

The vision was simple. MTBC developed an **integrated technology platform**, including the electronic health record used by doctors, a practice management system to schedule patients and check insurance eligibility, mobile apps for the doctors and patients, coupled with a revenue cycle management (a.k.a. medical billing) solution, utilizing a team of **low-cost, highly skilled employees** in the Company's offshore locations, including more than 300 IT and R&D team members.

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MTBC was small for a public company, but intent on growing organically as well as via acquisitions. The first two years as a public company were spent integrating the businesses acquired at the time of the IPO. “Management focused on building a scalable platform and doing a series of smaller acquisitions to perfect its integration process without diluting investors, which is important to us since **our executive team and board together own approximately 50% of MTBC’s common stock**”, stated Bill Korn, Chief Financial Officer.

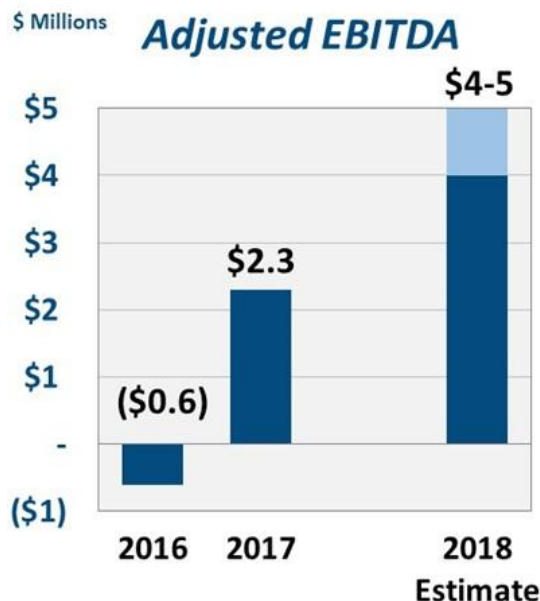
The late 2016 acquisition of MediGain, the largest before Orion, helped the Company demonstrate proof-of-concept as it successfully integrated the acquired assets, significantly enhanced the acquired division’s core technology and operations, and eliminated its losses as it began generating positive cash from operations and adjusted EBITDA within six months. “We did this by transitioning work from MediGain’s five offshore subcontractors into our operations, **improving service while reducing costs**. We turned several large clients, who were unhappy with the quality of work being performed by MediGain’s subcontractors, into happy, long-term clients. A year later, generating record profitability, MTBC was ready for another major acquisition”, added Bill Korn.



**On July 1, 2018 MTBC closed its biggest acquisition to date**, acquiring the assets of Orion Healthcorp, Inc. and 13 of its affiliates (together “Orion”), in an all cash closing for \$12.6 million, thereby avoiding dilution and debt. The Orion transaction, which represents more than twice the potential revenue of MediGain at a very attractive price, is an even more compelling opportunity to add value for shareholders.

“The Orion deal marks an inflection point for MTBC in several ways,” explained Bill Korn. **“It will nearly double the Company’s size.** We expect revenues in the second half of 2018 to be \$32 – 33 M, compared to \$17 M in the first half of 2018. This will bring MTBC to a scale where we expect to be significantly increasing our profitability in the future.”

MTBC generated positive adjusted EBITDA for the last five quarters, once the Company was able to reduce costs from the MediGain acquisition. Adjusted EBITDA for the first half of 2018 was \$2.5 million, which was more than adjusted EBITDA for the full year 2017. Typically, the Company allocates six months of time to integrate major new acquisitions, during which it has duplicate expenses which depresses adjusted EBITDA. So management has provided guidance to expect adjusted EBITDA for the whole of 2018 to be \$4 – \$5 M.



The Orion acquisition opens multiple new complementary lines of business, including the following:

- **Practice management.** MTBC now manages medical practices through multi-decade management services agreements. The Company employs nurses, medical assistants, receptionists, practice managers and other practice personnel in five locations. This is an attractive new line of business and may provide opportunities for growth in the future.

- **Group purchasing organization.** MTBC now enables thousands of physicians to purchase vaccines from leading pharmaceutical companies at discounted rates. As they purchase discounted vaccines, the Company generates referral fees from its pharmaceutical industry partners. In the coming months, MTBC expects to make this service available to all existing customers and investing marketing and sales resources to expand the user base, while also cross-selling its other solutions.

- **Niche hospital services.** MTBC now provides innovative solutions to community hospitals that are beyond the scope of its traditional revenue cycle management offerings. For example, with the Orion acquisition, the Company now has employees who work onsite at hospitals to assist clients and their patients in effectively addressing insurance eligibility and related needs. MTBC's employees also provide other unique consulting and revenue cycle management solutions to hospital clients. "We look forward to offering these unique solutions to our existing hospital revenue cycle management clients and **exploring additional opportunities for growing this line of business,**" stated Stephen Snyder, Chief Executive Officer.

Since Orion brings MTBC new services, it opens the door to **cross-selling opportunities.** For example, MTBC could offer the discounts of its new group purchasing organization to existing clients, and offer revenue cycle management and electronic health records to its GPO members. The Company can market its new hospital services to its existing hospital clients.

Another promising source of future growth will be talkEHR™, MTBC's next generation SaaS EHR solution, which utilizes natural language processing and artificial intelligence to automate key components of patient charting and reduce manual tasks and errors. talkEHR features Allison, a voice-activated virtual assistant that leverages artificial intelligence to provide "smart" navigation and contextual responses to physicians' queries to reduce administrative burdens and improve the patient experience.



Mahmud Haq, MTBC's founder and Executive Chairman stated "our vision with Allison is to **enable healthcare providers to practice more efficiently** and deliver a higher level of patient care. talkEHR is offered completely free of cost to U.S. healthcare providers. talkEHR users are also eligible to upgrade to MTBC's premium, end-to-end medical billing solution, which is offered at one of the lowest price points in the industry."

For more information about Medical Transcription Billing, Corp., please visit: [www.mtbc.com](http://www.mtbc.com)

*This article may contain forward looking statements. See MTBC's periodic filings with the Securities and Exchange Commission for more complete information.*

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