MTBC

Third Quarter 2018 Earnings

November 7, 2018 at 8:30 a.m. Eastern

CORPORATE PARTICIPANTS

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Bill Korn – *Chief Financial Officer*

Mahmud Haq – *Founder and Executive Chairman*

PRESENTATION

Operator
Good morning, and welcome to the MTBC Third Quarter 2018 Earnings conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation there will be an opportunity to ask questions. To ask a question you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Kim Grant, Associate General Counsel. Please go ahead.

Kim Grant
Good morning, everyone. Welcome to the MTBC 2018 Third Quarter conference call. On today's call are Mahmud Haq, our Founder and Executive Chairman; Stephen Snyder, our Chief Executive Officer and the Director; A. Hadi Chaudhry, our President; and Bill Korn, our Chief Financial Officer.

Before we begin, I would like to remind you that certain statements made during this conference call are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934 as amended. All statements, other than statements of historical fact, made during this conference call are forward-looking statements, including without limitation, statements regarding our expectations and guidance for future financial and operational performance, expected growth, business outlook and potential organic growth and acquisitions including any discussions regarding the details in closing of Orion and other acquisition opportunities.

Forward-looking statements may sometimes be identified with words such as will, may, expect, plan, anticipate, upcoming, believe, estimate, or similar terminology and the negative of these terms. Forward-looking statements are not promises or guarantees of future performance and are subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those contemplated in these forward-looking statements. These statements reflect our opinions only as of the date of this presentation and we undertake no obligation to revise these forward-looking statements in light of new information or future events. Please refer to our press release and our reports filed with the Securities and Exchange Commission, where you will find a more comprehensive discussion of our performance and factors that could cause actual results to differ materially from these forward-looking statements.

Finally, on today's call we may refer to certain non-GAAP financial measures. Please refer to today's press release announcing our third quarter 2018 results for a reconciliation of these non-GAAP performance measures to our GAAP financial results.

With that said, I will now turn the call over to the Chief Executive Officer of MTBC. Steve?

Stephen Snyder
Thank you, Kim. And thank you everyone for joining us on our third quarter 2018 earnings call. We are pleased to report a strong quarter of record revenue and cash from operations. Our revenue for the third quarter was $17 million, which represents nearly a doubling of our revenue as compared to the prior quarter. Likewise, during the third quarter, we generated $2.8 million in cash from operations –a record for us – while positioning us to approximately double our adjusted EBITDA for full year 2018.

In addition to reporting the strongest quarter in our history, we are pleased to now have more than $20 million in cash and available credit to support our growth initiatives. With regard to our focus on growing through acquisitions, let's discuss our most recent transaction in order to explore the broader strategy.

In July, we acquired substantially all of the assets of multiple affiliated companies, which we collectively refer to as Orion. Orion was an aggregator in our space and we purchased it's assets through a bankruptcy proceeding. Orion was an attractive opportunity for a value buyer like MTBC. We paid $12.6 million in cash to acquire Orion's customer contracts, which we expect to generate approximately $30 million on an annualized basis. We also acquired their accounts receivable, furniture, equipment, and certain other assets. In addition to helping us scale, this acquisition further rounded out our service offering, and allowed us to onboard additional talented team members who will help us grow during 2019 and beyond.

Since companies with Orion's revenue mix and size often sell for one to two times annual revenues, we were pleased to have paid less than one half times revenues. The seller indicates that 28 other potential acquirers signed non-disclosure agreements and performed due diligence on Orion. This list of 28 is a veritable "who's who" list of the most active and well-financed acquirers in our space, representing a cross-section of financial buyers with industry experience and experienced strategic buyers, some with proprietary technology and large global workforces.

Even though Orion was a great opportunity, ultimately there were very few companies like MTBC that had the capacity to unlock Orion's value. In fact, at the end of the day, 27 of the 28 suitors passed on Orion and the one other suitor, who had a preexisting relationship with Orion, faded quickly during the auction process. So it's natural to ask why the other 27 did not ultimately compete for Orion. We believe the answer lies in the challenges inherent in a deal like Orion, and we believe that our differentiated approach will continue to open opportunities like Orion for us in the future.

First, succeeding in such a transaction requires a disciplined yet quick-paced and cost-efficient approach to operational, financial, and legal due diligence and integration planning. We believe that our in-house team of accountants, lawyers, and operational leaders, strategically supported by outside experts as needed, is unmatched in their experience with regard to the type of transactions we pursue.

Second, in these acquisition scenarios, an acquirer needs both the operational experience and the scale to successfully integrate the acquired operations in a way that adds value and expands margins. We have the scale, with more than 2,000 team members worldwide, and the expertise, having, to our knowledge acquired more companies in our space over the last five years than anyone else. This experience has allowed us to hone and refine our processes in a way that gives us a unique ability to succeed in spite of the inherent challenges. Moreover, our approach allows us to segment the workflow in a way designed to ensure that each part of the process is handled by the team, technological component, or process that adds the most value at the lowest price point.

Third, to be successful, a buyer needs the technological expertise to address the unmet needs of the client base and streamline operational workflows, while at the same time reducing operating costs. We've developed one of the most comprehensive proprietary platforms in the industry. We have extensive experience working with other platforms, and we have a team of more than 300 IT and R&D professionals. This technological expertise is a critical differentiator and a key to our success. We believe that we are uniquely situated to succeed in these types of transactions, and let me share with you if I may, the latest regarding the actual integration of Orion to date.

With regard to expense reductions, we have reduced service costs associated with third-party vendors by more than 65%. We've also renegotiated facility leases, consolidated locations, and otherwise taken steps to reduce our facility expenses by more than 35%. Moreover, we've rationalized other operating costs while leveraging our core team members who bring additional expertise. When we view these initial reductions in operating costs in the context of our strong client retention, we expect to materially expand our margins during the quarters to come. In addition, we've added talented team members through the acquisition who will play key roles as we continue to grow during 2019 and beyond.

With that said, I'll turn the floor over to our President. Hadi?

A. Hadi Chaudhry
Thank you, Steve, and thank you everyone for joining us on our third quarter 2018 call.

With our most recent acquisition, we have also broadened our service offering. We believe that as the healthcare market continues to become more complex, physicians increasingly need a comprehensive turnkey solution and ours is among the most comprehensive in the industry.

For an ambulatory practice that leverages our entire scope of services, we provide the following technology-enabled services:

- cloud-based practice management with real-time insurance eligibility, online scheduling, secure patient communications and business analytics
- technology-based and live patient support,
- cloud-based electronic health records that digitize and enhance physician charting, while connecting a practice to the broader healthcare community
- mobile health apps
- insurance credentialing designed to ensure that each provider is properly contracted with insurance payers
- coding, which enables providers to receive, optimize the reimbursement, and avoid compliance risks
- insurance claims scrubbing, utilizing our proprietary rules
- claim submission and follow-up oriented towards effectuating proper payment, all of which is commonly called "revenue cycle management", and
- group purchasing discounts on leading vaccines and other supplies from top pharmaceutical manufacturers.

Most of the industry is comprised of vendors that either provide technology solutions such as an electronic health records application, or provide standalone revenue cycle management. We provide both in a fully integrated solution, and we also interface with third party applications. We believe that this is an important differentiator and will support our continued growth.

Separately as a result of our Orion acquisition, we now provide additional niche hospital solutions such as Medicaid and charity care eligibility services. Additionally, we now manage multiple physician offices under long-term physician practice management agreements.

In summary, we now have an even stronger and broader service offering. We intend to leverage this strength as we focus on continuing our high revenue and adjusted EBITDA growth into 2019 and beyond.

In addition to further enhancing voice recognition and AI functionality in our talkEHR, we had started to develop and incorporate telehealth capabilities in our talkEHR and mobile apps. By using our mobile app or a PC, patients will be able to book and have a telehealth session with a doctor using our talkEHR.

We have completed development of our first blockchain based interoperability solution with the first EHR vendor. It is currently being tested and we anticipate this to be in production this quarter. We are also actively working on exploring other opportunities in the industry where we can connect with other blockchain based solution providers in the healthcare industry, including clearinghouses.

I will now turn the floor over to our Chief Financial Officer. Bill?

Bill Korn
Thank you, Hadi. Revenues for third quarter 2018 were $17 million, an increase of 127% or $9.5 million compared to $7.5 million in the same period last year and an increase of 96% compared to the second quarter. Not only was this a new record, but it was the largest percent increase of any quarter in MTBC's history fueled by the Orion acquisition.

In addition to doubling the Company's size, the Orion acquisition added several additional service offerings to MTBC's portfolio. During the third quarter, we generated $3.3 million of revenue from practice management services. We now manage pediatric practices in Ohio and Illinois, through multi-decade management service agreements. We employ nurses, medical assistants, receptionists, practice managers and other practice personnel in five locations. We share patient revenue with the physicians in these practices, and exclude the physicians' portion from the revenue we report.

We also now manage a group purchasing organization, enabling 4,000 physicians across the country to purchase vaccines from leading pharmaceutical companies at discounted rates. During the quarter we generated $477,000 of revenue from this GPO. Physicians purchase vaccines directly from Merck and Sanofi Pasteur, and we receive rebate checks from the pharmaceutical manufacturers. Physicians can learn more about our GPO and enroll for free to start saving up to 20% on vaccine purchases at mtbc.com/gpo.

Third quarter 2018 GAAP net loss was $1.8 million, compared to a net loss of $980,000 in the same period last year. Similar to our previous acquisitions, from an accounting perspective, a large portion of the purchase price will be attributed to intangible assets, most of which we will amortize over the next few years. This means that our non-cash amortization expense has increased, which always happens with an acquisition. Amortization is excluded from non-GAAP financial measures, but because of it we expect to report a GAAP net loss for the next few quarters before returning positive as we were during the first and second quarter of this year.

The GAAP net loss for third quarter was $0.25 per share, a smaller loss than expected, calculated using the net loss attributable to common shareholders divided by the weighted average number of common shares outstanding. Net loss attributable to common shareholders takes into account the value of the preferred stock dividends declared during the quarter.

Our non-GAAP adjusted net income for the quarter was $507,000, an increase of $826,000 compared to third quarter last year, and was the Company's fourth consecutive quarter of positive adjusted net income. Non-GAAP adjusted net income was $0.04 per share, calculated using the end-of-period common shares outstanding. The Orion transaction has helped us to significantly scale our business, enabling us to grow revenues without a corresponding increase in overhead.

Adjusted EBITDA for third quarter 2018 was $865,000 or 5.1% of revenue, compared to adjusted EBITDA of $609,000 in the same period last year. This represents an important achievement for MTBC, since we were able to grow quarterly adjusted EBITDA year-over-year, notwithstanding the investments we made in integrating Orion, such as temporary operational redundancies to support a smooth transition.

Three factors made this possible. First, our core business remained profitable. Second, Orion's practice management business and group purchasing organization were both contributing to profitability. Third, our team moved quickly and effectively with Orion's revenue cycle management business, replacing subcontractors and reducing costs. Our overall adjusted EBITDA was a remarkable $865,000 for the quarter.

Cash flow from operations for the quarter was $2.8 million, in part reflecting the advantageous terms of the Orion acquisition, where we were able to retain accounts receivable, but did not assume most accounts payable. Since MTBC had sufficient cash to complete the Orion acquisition, doubling our Company's size without issuing any additional common stock or incurring any debt, and we immediately generated positive cash from operations, this transaction was accretive for our shareholders from day one. This was an exceptional transaction.

Turning to the year-to-date results, revenues for the first nine-months of 2018 were $34 million, an increase of 45% or $10.5 million compared to $23.5 million in the same period last year. Revenue for this nine-month period was larger than for any full year in the Company's history.

For the first nine months of 2018 the GAAP net loss was $1.6 million, an improvement of $3.8 million from the first nine months of 2017. We were effective at improving profitability from the business we acquired from MediGain in October of 2016. MTBC reported positive GAAP net income and positive GAAP operating income during the first two quarters of 2018, and we have started a similar effort to reduce operating expenses associated with the Orion acquisition.

Non-GAAP adjusted net income for the first nine months was $2.5 million, an increase of $3.7 million compared to the same period last year. Non-GAAP adjusted net income was $0.21 per share.

Adjusted EBITDA for the first nine months of 2018 was $3.4 million or 10% of revenue compared to adjusted EBITDA of $763,000 or 3.2% of revenue in the same period of last year.

As of September 30, 2018, the Company had $1.3 million in cash and positive working capital of approximately $5.6 million. We have an untapped revolving credit facility with Silicon Valley Bank, where borrowings are based on 200% of repeatable revenue adjusted by an annualized attrition rate. During September, this line of credit was doubled in size to $10 million. The SVB line can be used for future growth initiatives, including acquisitions with SVB's approval.

We also raised net proceeds of $13.4 million from the sale of 600,000 additional shares of our non-convertible Series A Preferred Stock via a public offering during the first two weeks of October. The preferred shares trade on the NASDAQ Capital Market under the ticker MTBCP, and pay monthly cash dividends at the rate of 11% per year. From a CFO or an investor's viewpoint, our preferred stock gives us a tremendous advantage. It does not dilute common stockholders, has no restrictive covenants (like those which have gotten lots of industry participants into trouble), and it's perpetual, with no mandatory redemption, although we have the right to redeem shares at $25.00 per share starting in November 2020 if we choose to. How many other forms of financing do you know of where you have the flexibility to redeem it whenever you want, or easily tap into it further as we have over the last two years without any convertibility or dilution?

October was our largest offering of Series A Preferred Stock, and as with previous offerings in 2017 and 2018, demand was so large that it was oversubscribed. Because we already had $5.6 million of working capital, a $10 million untapped line of credit and positive cash flows, this additional capital was solely to position us to be ready to take advantage of the opportunities we see for consolidation in the market.

With revenues of $34 million for the first nine months of 2018, we are happy to reaffirm our guidance for full year 2018 revenue of $49 million to $50 million, which represents growth of approximately 50% over

2017 revenue. We are also reaffirming that our adjusted EBITDA will be $4 million to $5 million for the full year, after achieving $3.4 million of adjusted EBITDA during the first nine months.

Now that we're confident we can achieve 50% growth in revenue and 100% growth in adjusted EBITDA in 2018, in part due to a great acquisition, we have set our sights on doing something similar in 2019. At the start of this year, we never could have predicted that we would be able to double our revenues without selling a single additional share of common stock or taking on one dollar of debt. We can't predict what the next 14 months will bring, but rest assured that since the management team owns 50% of our shares, we are just as focused on growth and profitability as we were when we found MediGain and Orion.

I'll now turn the floor over to Mahmud for his concluding comments.

Mahmud Haq
Thank you, Bill. We had a remarkable year so far and we are ready for a year of record-breaking growth and continued profitability. We thank our investors, customers, and employees for their support.

We will now open the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator
We will now begin the question and answer session. To ask a question you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. We do ask that you please limit yourself to three questions. If you have additional questions, you may reenter the question queue. We will pause at this time to assemble our roster.

The first question will come from Kevin Dede with HC Wainwright. Please go ahead.

Kevin Dede
Good morning guys. Thanks for taking the call. You guys issued press late October regarding an addition to the GPO and I'm wondering two things on that. One, if you can offer more detail; and two, can you talk about how well your entrenched physicians, the ones already on MTBC's revenue cycle management program have adopted the GPO platform?

Stephen Snyder
Thanks for the question Kevin. With regard to the GPO, as a quick recap, we have about 4,000 providers practicing in primary care who are part of that GPO. And through the GPO, we have negotiated discounts with three of the top pharmaceutical companies, that provide, then, in turn discounts to our members. We added another pharmaceutical manufacturer as you referenced, Kevin, in October to that list. And we have some of the details online. If you go to mtbc.com/gpo, you'll see the member that was most recently added.

When we look at it from a revenue perspective, the GPO generates about $1.2 million, roughly, in annualized revenue. But where we really see the opportunity is exactly where you alluded to, which is being able to cross sell between the GPO and the RCM base. We've started the first phase of that and what we've done is, we've now created a web-based online automated process for signing up members of our RCM base, which we just launched, and it's been well received within our client base over the last week. So moving from a human-based, more labor intensive process of enrolling new members to one that's automated, is a huge step that we just launched over the last week and it's been very well received.

The second phase of this will be going to our GPO customer base, those 4,000 physicians, and cross-selling our RCM and other solutions into that base. And just to illustrate the reason why we're so excited about that, for every one provider who moves from being simply a GPO customer to a GPO plus RCM customer, we believe we'll be able to increase the revenue from that provider by roughly 40 times. So there's a significant upside associated with that.

Kevin Dede
Wow. Okay, Steve, so what you're saying is that, you're talking about your revenue, right? The revenue that you're able to recognize from one of the 4,000 preexisting GPO customers in that group, that's what you're alluding to?

Stephen Snyder
That's right. Absolutely.

Kevin Dede
Thank you. Next question is, real quickly, you took pains to make it clear how MTBC's scale was able to accept all the additional Orion business without incurring huge costs. And given some of the comments also made on a call with targets on trying to continue to grow the business, I'm wondering if you can talk to how stretched your internal foundation is, your internal workings. Can you speak to the amount of pressure that you're feeling internally in order to make these huge operational changes that you've made on the incoming business, versus straining the relationships that you already had?

And then talk a little bit to how you see that integration driving margin improvement, more specifically. You sort of left it open-ended and I appreciate that, but if you look at past quarters, your gross margin was running in the high 40% to over 50% even in June. And I'm just curious and how far or how long it might take you to navigate back to that area?

Stephen Snyder
Absolutely. So I'll address the first part of that question, and then Bill can jump in, in terms of the margin expansion. With regard to the first question, in terms of the internal stress, we have the benefit of having done this many times over the last five years. In fact, I think it's accurate to say that we've closed more of these types of transactions in this space than any other player in the market during the last five years. So that has given us the ability candidly to build a team that has been able, in a very disciplined and methodical way, integrate companies like this, even companies of this size.

So we feel great about where we're at in terms of that integration. Candidly, it's exceeding our internal expectations. And our excitement now is really about the next acquisition. That's where our energies are largely focused, on identifying the best fit to acquire. So from the perspective of the internal components of this, we feel great about where we're at, both with regard to cost cutting and retention. And I'll let Bill jump in with regard to the margin expansion.

Bill Korn
Thanks, Steve, and Kevin, good question on margin expansion. I think if you look at our acquisition of MediGain, we went through six months of integrating the business before we turned it into positive EBITDA and then it really took us another three to six months before we were able to get to solid EBITDA margins. In this case, obviously we stayed positive immediately. In some respects, the practice management business and the group purchasing organization really helped us, because those pieces were already positive.

Having said that, those pieces won't show as big improvement. So, while I do think we'll get ourselves back to the 50% gross margin you observed in June, that'll probably take us a year to do. I do expect you to see significant margin improvement over the next one or two quarters. However, as we continue to pursue this very quickly and aggressively, with our experience, every time you do this, it gets a little bit easier.

Kevin Dede
Okay. Fair enough gentlemen. Thank you. I think I asked two groups of three questions, so I have to leave the floor.

Bill Korn
Thank you, Kevin.

Stephen Snyder
Thanks, Kevin.

Operator
The next question will come from Brian Marckx of Zacks Investment Research. Please go ahead.

Brian Marckx
Good morning guys and congrats on the quarter. Very nice. Can you disclose how much of the RCM revenue in Q3 was directly related to the Orion addition?

Bill Korn
Thanks, Brian. We typically don't disclose how much has come from each acquisition. But again, you could think about the fact that in the first half of the year we had $17 million of revenue. So, if you think about $17 million in the first half, round numbers $8.5 million a quarter, and then you say, we produced $17 million of revenue this quarter, roughly half of the total revenue came from Orion. And again, I think we mentioned the $3.3 million of practice management and the $470,000 of GPO, so the rest of the revenue during the quarter was Orion RCM.

Brian Marckx
Okay. And then in terms of integration and acquisition costs that would be somewhat one-time characterized and would be potentially just captured in Q3. Is there a number that you can give us of the acquisition and integration costs that would not repeat after Q3?

Bill Korn
When you look at the table that shows the adjusted EBITDA, you'll see a number for integration and transaction costs in that table. And most of that is one time cost, some of that relates to the actual acquisition transaction, some of it relates to the integration of the business. They'll probably be a small amount in there during Q4 and even into the beginning of next year. For example, if we need to pay to get out of a lease early or if we need to do some other one-time severance or other costs. But some of the one-time cost is not excluded from EBITDA. As we work on migrating off of subcontractors, when you're using the subcontractor and you're also paying your employees, that's regular cost, that doesn't get excluded. So you'll see a few hundred thousand dollars of that, which will go away because we no longer use those subcontractors.

But in addition, we structured an arrangement with a large subcontractor. We put some money in escrow so that at the end of a successful integration, they would get a pot of gold at the end of the rainbow. That kind of money goes into the integration and transaction costs and would not repeat.

Brian Marckx
Okay. And then in terms of potential additional acquisitions, is there anything specifically on your radar—

I don’t think that you’ll be able to necessarily talk about specifics—but is there anything that’s on your radar that you think is at least a reasonable probability that you would pull the trigger on here in the next, say six to nine months?

Stephen Snyder
Great question. And I think you probably alluded to our answer in the question itself. So certainly we’re focused on identifying the right next acquisition and you’re right, we will disclose that when we’ve identified that and there’s reasonable certainty around that. But I think if we step back for a minute, and we think about where we are at right now. We’ve never been better positioned to move forward on the right acquisition opportunity. And we’re committed to continuing to employ our very disciplined approach, which has served us well in terms of identifying the right target and negotiating optimal terms.

Over the last couple months, we’ve been in ongoing conversations with key investment bankers and intermediaries, industry players and executives, and it’s from this group that we’ll most likely be able to source the very best opportunities. So we’re excited about where we’re at, again, have more capital today than we’ve ever had in the past to be able to invest that in our growth initiatives. And clearly as soon as we’re at that stage where we have a target at that point we’ll announce it.

Brian Marckx
All right. Thanks guys.

Stephen Snyder
Thank you.

Operator
The next question will come from Pranav Kumar. Please go ahead.

Pranav Kumar
Congratulations, management for the incredible quarter. I would like for the management to elaborate a little bit on the Salus partnership and explain to us how it will be beneficial in the long run?

Stephen Snyder
Thanks for your question. So Salus is an example of many of the similar types of relationships we have with other industry players, other companies working with our target market. Salus provides a specific type of telemedicine that’s primarily focused on larger groups and hospital settings, and it’s a cross referral relationship. So the way in which we will benefit from our relationship with Salus or from many of the other partners we work with is by being able to share leads with each other, and then being able to support each other in closing those leads. And when those leads are then closed, there’s oftentimes in these relationships a referral fee that’s paid. So there’s an incentive that’s baked into these relationships to be able to help each other grow. And that’s the gist of the Salus relationship.

Pranav Kumar
Thank you very much.

Stephen Snyder
Thank you.

Operator
Once again, if you wish to ask a question, you can press star then one. The next question is a follow-up from Kevin Dede of HC Wainwright. Please go ahead.

Kevin Dede
Thanks. Hadi, you went back to talk about the blockchain development and I'm wondering if you can offer a little more color on that one group of physicians that you have working with you, and some of the maybe just some anecdotes to give us some flavor for how that's developing, and whether or not you think you've shown up on other players' radar?

A. Hadi Chaudhry
Thank you, Kevin. We have completed the development for the integration of that one, the first vendor with our blockchain network. In the press release we give the details of that first relationship, and it is currently being thoroughly tested and tweaks are being made as we're working through communicating between the two EHR systems. And we anticipate this to be in production within this quarter. And at the same time, we are in discussion with at least one other vendor and exploring other possible opportunities with vendors providing blockchain solutions even including the clearinghouses.

Kevin Dede
Do you have enough visibility? How do you give us an indication of when you think you might be able to talk about how it's going? I know it's very, very early days. I'm just wondering, your crystal ball is much clearer than ours and I was just hoping you could give us a little insight on how you see this going and maybe what the perception is from the outside, and given that lot of people have tried to do this unsuccessfully, I'm just kind of curious to see if you think your initial steps are more successful.

A. Hadi Chaudhry
Kevin, as you've mentioned even in your question a bit, it's an initiative that we believe could become one of the solutions for the industry for interoperability and transmitting healthcare information between the different systems in more secure way. One of our employees recently attended a blockchain healthcare conference in Tennessee over the last two days as well. And there have been many vendors talking about it and trying to find the different opportunities of the possible things that can be done in the industry, which can drive towards some possible solution in this industry.

So it will be I think premature to say what the final shape would look like. But as many vendors have started to talk about it, the industry has started to look at it as one of the possible solutions in this space. It will be one of the more meaningful solutions for interoperability.

Kevin Dede
Okay, Hadi. Thank you. Fair enough. Bill, could you give us the figure for the preferred share count, at the end of the quarter and post deal?

Bill Korn
Sure. So at this point we've got $53 million worth of a preferred outstanding. And that's as of today. And I think we mentioned that in October we had sold $15 million worth, a $15 million round of 600,000 shares. We had $38 million worth of a preferred outstanding at the end of September. And the question that you didn't ask, for the $53 million in preferred, our dividends is $490,000 a month. When you think about our Q3 cash flow, our cash flow in the quarter was $2.8 million, which was $1 million more than our Q4 level of dividends. So we're already generating enough cash flow to easily pay those dividends and have money left for reinvestment.

Kevin Dede
Okay. So you issued 600,000 shares, so what's the total count now?

Bill Korn
The total count is 2,136,000.

Kevin Dede
Okay. And all told on that 2,136,000, the monthly dividend is almost $500,000?

Bill Korn
That's correct. $490,000 a month.

Kevin Dede
Yes. Okay.

Bill Korn
We have paid our monthly dividends every month for over three years and, we are really excited about the tremendous advantage that we get being able to do financings that way without needing to dilute our shareholders.

Kevin Dede
Right. Okay. So you've doubled the SVB [Silicon Valley Bank] line and that's a $10 million line as it stands now. How long would it take them to get that cash to you? Just give us a scenario where you identify, you see from your team, identify a target. How long can you, or how long would it take you to pull the trigger on it?

Bill Korn
It's a revolver, so a few seconds, maybe half a minute if the internet is running really slow between New Jersey and California.

Kevin Dede
Okay, fair enough. Thanks a lot, gentlemen, for taking my questions. Really appreciate it.

Bill Korn
Thanks, Kevin.

CONCLUSION

Operator
And this concludes our question and answer session. I would now turn the conference back over to Kim Grant for any closing remarks.

Kim Grant
We'd just like to thank everybody who's joined us for this call. We thank you all for your questions and we wish you all a great day.

Operator
The conference is now concluded. Thank you for attending today's presentation. You may now disconnect your lines. Have a great day.