VitalHub Q2 2023 Conference Call

SPEAKERS

Dan Matlow, Gavin Fairweather, Babak Pedram, Gabriel Leung, Brian Goffenberg, Christian Sgro, Richard Baldry

Babak Pedram

Good morning, everyone and thank you for joining us this morning for VitalHub's 2023 second quarter conference call. Before we begin, I will read our cautionary note regarding forward looking information. Certain information to be discussed during this call contains forward looking statements within the meaning of applicable security laws, including among others, statements concerning the company's 2023 objectives, the company's strategy to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates and intentions and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Such forward looking statements reflect management's current beliefs, and are based on information currently available to management and is subject to a number of significant risks and uncertainties that could cause the actual results to differ materially from those anticipated. Also, our commentary today will include adjusted financial measures, which are non-GAAP measures. These should be considered as a supplement to and not as a substitute for GAAP financial measures. Reconciliations between the two can be found in our MD&A, which is available on sedar.com and our website. With that I will hand over the call to our CFO Mr. Brian Goffenberg to go over all financial highlights for the quarter. Please go ahead, Brian.

Brian Goffenberg

Good morning, everybody and thank you for taking the time to join us this morning. We maintain our upward trajectory in the second quarter steadily and consistently growing our customer portfolio by organic growth and mergers and acquisitions.

Brian Goffenberg

During this quarter, we've seen a positive trend in both revenue and gross profits fueled by our commitment to expanding healthcare product offerings, and deeper integration into health care networks. This has led to a notable increase in stable annual recurring revenue of 31.4% for the first half of 2023. We remain very bullish on the diversified portfolio of product offerings we currently have at our disposal, and we'll continue to target specific healthcare sectors to strategically scale and grow our business.

Brian Goffenberg

With that in mind, I will now proceed present the financial highlights for this quarter. Total Revenue for Q2 23 totalled 13.1 million compared to 9.5 million in Q2 22, an increase of 38% year over year. Total revenue for the six months ended June 30 2023 was 25.7 million, compared to 18.9 million for the same period in 2022. An increase of 36%.

Brian Goffenberg

Revenue from term licenses maintenance and support in Q2 23 was 10.2 million compared to 7.2 million in Q2 22. An increase of 41%. Revenue from term license maintenance support for the six months of 2023 was 20.2 million compared to 13 million for the first six months of 2022, an increase of 56%. This increase affects the impact of continued organic revenue growth in the company's suite of products, coupled with revenue derived from acquisitions completed during the previous quarters and year.

Brian Goffenberg
Revenue from perpetual licenses in Q2 23 was $255,058 Compared to $149,253. In Q2 22. An increase of 71% revenue from petrol license for the first half of 2023 was $565,456 compared to $2.9 million the same period in 2022. A decrease of 81% decrease was primarily attributed to the unusual volume high margin perpetual license sales of $2.7 million in Q1 2022.

Brian Goffenberg
Revenue from professional services and hardware in Q2 23. Total $2.6 million compared to $2.1 million in Q2 22. An increase of 25%. Revenue from professional services and hardware for the first half of 2023 was $4.9 million, compared to $3.1 million for the same period in 2020, an increase of 63%. The increase is primarily attributable to the deployment of the ongoing customer projects and digital service revenues for the new subsidiaries annual recurring revenue or ARR, which we firmly we formally refer to as annual contract value totals $41 million as of June 31, 2023, compared to $31.2 million in June 30 2020 to an increase of 31%. The continued increase in AR growth is reflective of our strategy to grow the business both organically and through acquisitions.

Brian Goffenberg
Gross margin on total revenue in Q2 23 was 81% compared to 83% percent for the same period last year. Gross margin and total revenue for the first six months of 2023 was 81% compared to 84% for the same period in 2022. The decrease in both quarterly and year to date gross margins were due to the unusual volume of high margin perpetual license revenue in Q1 22 compared to this year.

Brian Goffenberg
Operating expenses in Q2 23 total $8.2 million compared to $6.4 million in operating expenses in the first half of 2023 total $15.9 million, compared to $11.7 million in the same period last year 30% decrease. The increase is due to sales and marketing expenses for conferences and exhibitions and R&D expenses for acquisitions completed in 23 and previous years as the time takes, as it takes time for synergies and cost savings to be recognized.

Brian Goffenberg
Net income before income taxes in Q2 23 was $742,516 compared to a net loss of $9,957 in the prior period. Net income before income taxes for the first half of 2023 was $1.5 million, compared to $1.6 million in the same period last year. Net income in Q2 23 was $621,000 compared to $74,000 in Q2 22, an increase of 733% and net income for the first six months was $784,000 ompared to 1.5 million and same period 22, a decrease of 48%. EBITDA in Q2 23 was $1.98 million compared to 1 million in Q2 22, an increase of 93%.

Brian Goffenberg
For the first six months of 2023 EBITDA was $3.97 million compared to $3.39 million for the same period in 2022, an increase of 17%. Adjusted EBITDA in Q2 23 was $2.97 million or 23% of revenue, compared to 1.87 million, or 20% of revenue in Q2 22, an increase of 59%. For the first six months of 2023,

adjusted EBIDA was $5.89 million compared to $4.92 million, same period 2022, contributing to an increase of 3%. Increase was primarily attributable to the higher recurring revenues of $10.21 million in Q2 23, compared to $7.23 million to Q2 22.

Brian Goffenberg
For the first six months of 2023, cash flow from operations before changes in working capital was $4.1 million, compared to $3.9 million for the same period last year. Cash on hand at June 30 2023, was $22.9 million, compared to $17.5 million at the end of Q2 22. And with that, I like to have the call over to Dan for an update on the business.

Dan Matlow
Thanks, Brian. I don't have much to say today, I'll look for some questions from from everyone that's out there just to add some clarity, but just a few comments to make. I think as you can see over the last quarters Q2 is steady as we go, were we you know, as I mentioned, in our Q1 call, I think we've got ourselves into a stage where we are starting to be a little bit of a compounder here and things are starting to work, I still think we got work to do, I think a little more size would would help in terms of our organizations, but as you can see, we're moving the needle on most of our key indicators on a quarterly basis and we expect to continue to do that. Our ARR is growing above our expense level at this stage in the game and we still think we got room on the expense side to do some things.

Dan Matlow
So it's steady as we go. We're still seeing demand for our products. We're still I don't know how many quarters has been now but you know, we're doing between $800 and $1.5 million in the last two quarters have been closer to the higher end of that, of that set. It's really split amongst our products, in terms of number of deals and in deals that are there.

Dan Matlow
Of note on our products that our TREAT product set in the Canadian marketplace is seeing some really good momentum in the last little while and we're excited of what we're doing in the Canadian opportunity. It is turning into a Canadian standard for larger based initiatives where community and mental health agencies are combining or looking to get to the next level and we've consistently been winning some tenders in that space.

Dan Matlow
The Transform product in the UK continues to steadily produce and the Orielle product, the education platform of the Hinext acquisition continues to add users on a quarterly basis and we're also starting to see impact from the CDS company in Australia, as well. We are seeing a little bit of a slower turn on our Intouch products sets, it's still producing, but, you know, the quarter that we had in 2022 is long gone at this stage in the game, but we're still seeing impact from there.

Dan Matlow
We're making great progress on our cost side our Innovation Lab, really proud of what that group has done. You know, it's not just QA and development anymore, we got IT operations support, they're doing implementations consulting, new versions of product updates, and so forth. They're all starting to go through there, so we're there.

Dan Matlow

We still think there's room to expand on across geographies, we're starting to see some work in that in that realm, especially in the Canadian marketplace with some of the Intouch product sets and we're still seeing growth on our products, you know, across the board, so we're happy with the way that's going. You know, traditionally, Q3 is a slower quarter for us, mainly because it's hard to get services over the finish line, I think we're doing okay, so far, but it is pretty hard to get government agencies to do the work in the in the quarter, so we always worry about this quarter, but we're continuing to progress it.

Dan Matlow
On the acquisition side, we're still seeing deal flow within cautious in that regard. There were a couple scenarios that we we didn't do, because we didn't like the way they turned out, but we do have stuff in the works and we continue to work those areas, we're still sitting on a significant amount of cash, I think we saw our balance go close to $23 million in the quarter. Note, the accounts receivable amount in our balance sheet, we expect that number to continue to go up as we continue to progress through through our deals and through our business model, so we're happy with what we're doing. I think if you take cash and look at our valuation, I think we're at like a $90 million enterprise value based company right now and we expect to continue to have cash and AR and continue to grow on those line. So we're going to just keep executing the plan and keep doing what we're what we're doing. And we're open for any questions.

Babak Pedram
Perfect, thanks Dan. Should you have any question, please use the zoom raise hand function on the bottom of your screen, and we will make sure to open your line. First question is from Richard Baldry of Roth Capital. Go ahead, Richard.

Richard Baldry
I'm mobile. So hopefully, I'm not too carpelled. Can you talk about the spike in deferred revenue in the quarter? Obviously, that's a disproportionate cash generator, when it can run hard, it was up almost well over 50% sequentially. They let us know how that happened. What's sustainable about that, or one-time oriented?

Dan Matlow
It's a combination and Brian can shed some light on this as well. It's a combination of, you know, annually, we did some more acquisitions. So inherently that's going to grow. We're also pretty cyclical business in terms of our recurring timeframes, right. So we do a lot of stuff that gets renewed in Q1, which would increase the, at the end of Q1, which would increase the deferred balance in Q2 as we go through it. And then we've added some deals into into that scenario. So differed is often a question of the timing of when the contracts were signed.

Brian Goffenberg
I think to Dan's comments, really, there's a fair amount of billing that went out towards the end of the quarter of which that the revenue will only be recognized in the following quarters. Just really timing.

Richard Baldry
Okay, got it. And so you set another narrow new high for adjusted EBITDA but at the same time, you know, we're seeing you're able to invest pretty strongly in sales and marketing and R&D on a sequential uptick basis. So you talked about, you know, are those sequential upticks or opportunistic hiring or in

response to some of the demand you're seeing? Do you think that the new levels we're seeing are sort of sustainable here forward?

Dan Matlow
We have ramped up some, some new hires in terms in Australia and the Canadian marketplace to try to get some cross selling and some synergistic work out of some of our product sets so we have done a bit of that on the sales and marketing and beefed up that and there are some products that we think have better potential from a sales perspective. So you know, we are putting a little bit more development into those as well.

Richard Baldry
And Last, for me, it'd be you know, revenues were up sequentially, and the COGS line actually fell very narrowly, but you know, let's call it slack, are you seeing incremental areas of synergies there or you know, maybe was one cue a little ahead of trend and so it's easier to go sideways even as the revenues were climbing? Thanks.

Dan Matlow
COGS are usually attributed to two things that sort of fluctuate that line for us. One is we deliver more professional services, we got a higher cost of goods, and two, the hardware component on on those deals. On some of our deals, we have one product that is hardware based. So when you get a little bit of a hardware spike, you'll see the COGS increasing on there. You know, we're, we look at our costs synergistic. We're all like, we're always trying to figure out ways to be a little bit more innovative to move things into our Colombo innovation group, you know, where things like IT resources, help desk 24/7 support, things that we can do to move sequentially down, you know, move things over there. So we're always thinking of those things, Richard, and it's constant and it will always be constant that we're just trying to think out of the box in that area.

Richard Baldry
Great, congrats on a good quarter, especially on the cash generations in especially in a tough environment.

Dan Matlow
Thanks.

Babak Pedram
Thanks Richard

Babak Pedram
The next question is from Gavin Fairweather of Cormark.

Babak Pedram
Gavin, your line is open now.

Gavin Fairweather
Hey, good morning, can you hear me?

Babak Pedram

Yes, we can.

Gavin Fairweather
Okay, great. Dan, you referenced the ARR range of kind of $800,000 to $1.5 million. Nice to see you coming in kind of at the higher end of the range, but I typically think is tends to be a bit of a seasonally slower quarter. So is that still kind of the right range for you? Do you think that as you get into the busier sales period, you could actually poke above that range? How do you think about the kind of sales potential of the business on a quarterly basis?

Dan Matlow
You know, you could see spikes and valleys and this thing you never know, like, it's government healthcare, right. So funding envelopes open up. Sometimes they're not opened up, right. So you just don't know where, where that's gonna go. You know, if we hit between $800,000 and $1.5 million, and don't miss it, and we keep our search. So yeah, we'll maybe we'll be on the low end, one side of the quarter, but we're still generating cash right at that stop, and it's still coming to the bottom line in the next quarter, but this is the long game for us. Based on our current product set, I think $800,000 or $1.5 million, is probably the number which I feel comfortable with, but you know, more acquisitions will lead to different product sets and, you know, there's growth products, etc, out there, well, I think we can increase it, but you know, that's where I feel comfortable at this stage of the game still.

Gavin Fairweather
Got it. Then maybe on the Australian market, you mentioned it as seeing some increasing traction, you know, I know you added some sales resources, they're on the patient flow side, they're also planning on taking kind of TREAT into that market. So I know, it's still kind of early days from a revenue perspective, but maybe you can just discuss kind of the demand environment and the reception to some of your increasing sales investments in the region.

Dan Matlow
With CDS, we got the ability to execute, you know, by adding support people and salespeople and making sure that they're gonna get proper supervision and management. And so you know, we got the structure in there to execute. It will take some time for that to happen, we do got a base of about a dozen Intouch customers, I think we've got a large MCAP customer already in Australia, and you got your CDS customers, and we did ramp up a new sales team that, you know, has gone through and has been onboarded and is starting to progress in in those areas. We've also introduced the TREAT product into the CDS group who's got the ability and the domain experience to sell it and we're starting to see tenders and things come through there and we're starting to understand what we need to do to tweak the product a little bit to the marketplace, but if the product is being well received based on what we've shown people so far, and we're starting to feel that product can be can expand into other markets besides Australia as well based on the results that we're getting in Canada.

Dan Matlow
So we're we're beating some pretty high profile names with that product set and there's been a ton of R&D that's gone into it over the last three, four years. It's a pretty big team and we're happy with the way that product's progressed. So we're continuing to push the envelope on that product and these are slow sales processes, but they're larger type transactions and we'll just keep pushing the envelope on it.

Gavin Fairweather

What about trade in the UK?

Dan Matlow
Yeah, we're starting to see some some, some opportunities for that. Again, ideally, TREAT would ideally I'd like to answer that with an acquisition in the UK, which would be a great thing for us to do, but we are doing a little bit there, but it takes a team to support that, that really understands that domain and that grouping, it's a lot more complex of an implementation and sales process and we don't really want to make the investment in a team there. Ideally, we'd like to do that through an acquisition.

Gavin Fairweather
Make sense and if we were speaking, I guess first half of '22, you would have said that your goal was to grow the business to kind of $50 million and obviously been there for kind of a couple of quarters? Do you have any other kind of fresh targets in mind and thoughts around kind of timelines around that was like what's the dot on The wall internally, now that you've achieved that 50?

Dan Matlow
Listen, I would, it would be nice to get to $75-80 million range and with the same with the same metrics that we have producing right now, so going at it organically, it will be a little bit of a slow growth, but every quarter, we get some cash, we'll do acquisitions, we still got the acquisition line, ideally, a larger acquisition that is very synergistic would be the ideal way that we'd like to go here, but at the same time, that's a pretty big decision to to make. And we'd have to be really careful in how we make that so we're continuously progressing and looking for those avenues, and we'll see what happens.

Gavin Fairweather
Okay, all right. Cue congrats on a nice combo of organic growth and margin and cash flow here.

Dan Matlow
Thanks.

Babak Pedram
Thanks, Gavin.

Babak Pedram
The next question is from Christian Sgro of Eight Capital. Go ahead, Christian. Hey, good morning, Dan, and

Christian Sgro
Brian, and congrats on some good organic growth in the quarter and good results overall. Following on Gavin's question, Q2 isn't normally the strong seasonal one, but hit that high end of the sequential end. You know, I guess absent a flurry of new customer announcements in the UK or otherwise, would you say that a lot of the ARR was expansion, and then I might ask separately about Canada, but was some of the deployments in Canada was that a big part of the growth this quarter?

Dan Matlow
Combination of everything, we keep adding users on the orielle platform. We're not announcing every transaction at this stage in in the game, you know, to do that, some of our customers don't want them announced and just because of the government sector of where it's at and we're just not announcing

every single little deal anymore. We're just we're letting you know, things go through there. So it's been a combination of everything and there's been some add ons to the Oriel product. There's been some rollouts on the TREAT product that have brought that into, bought those deals, really allowed us to recognize licenses revenue, in there. Transform, continue to add stuff on a consistent basis. So we've seen it across all the areas of our business, CDS traditionally, always adds $100,000-150,000 per quarter. And they're all small deals, but they consistently add them. So we got growth coming from many different areas these days. Christian that's really what's going on.

Christian Sgro
That's great. And I'll still ask a separate question on Canada, but didn't mention there's TREAT momentum?

Dan Matlow
Yeah, we're seeing consolidation and we're seeing decommissioning of older legacy systems that were being run by government bodies, that they're looking for new vendors, and we're winning those RFPs. So we expect to see a flurry of TREAT deals over the next few quarters.

Christian Sgro
Great. That's all on the pipeline. It was it was a forward looking comment, which is good. I'll ask maybe just one more poke at the M&A, your appetite there and what you're looking for, would you stick to the same plan that you've had for for three plus years? high margin recurring, something adjacent? Or is there anything else you're seeing that can be attractive to you any call you want to give on a geography?

Dan Matlow
It's something we would enter a new type of, maybe not new geography, like new geography other than United States. We're still not ready to go there. But new geographies for sure. We're looking for similar type of product sets, we know the gaps that we're trying to fill in those gaps and we're targeting those those organizations that we're either working with or competing against in the field. So we're, we're consistently looking, you know, we'll do the, you know, the million dollar recurring businesses and it those things are still out there and we expect to execute on a few more of those, but we still got some larger ones that are in the works as well. So we continue just to do what we're doing. I think the last two-three quarters, we've been a little bit careful to make sure that we got ourselves into a cash generation engine, which I think we have. So we just wanted to make sure that we can self fund these things. And if we do get into our debt facility, it really needs to make sense from a synergistic perspective. So we would want to have a profitable organization out of the get go for that or, and so forth, so that we know we could carry that debt. So we're, we're the smaller ones. They're not profitable yet. We'll make them profitable very quickly, that's easily done, the bigger ones are a little bit more challenging. So we just want to be careful as we move through there and we're looking all over as we always have been.

Christian Sgro
you know, it'll sneak in a fourth for Brian, but it's quick and mechanical, on the income statement line for the operating lines. Was there some reallocation from Q1 to Q2, some of the G&A going to R&D, you know, not a huge impact to the overall profile. But to help us with modeling, it looks like there are just some shifts.

Brian Goffenberg

It was there was a little bit we've got it, we put a new system in place, which allows us to better allocate some of the people side so there was a little bit of a reallocation.

Christian Sgro
Perfect. That's all for me. Thanks so much for taking my questions.

Babak Pedram
Thanks, Christian.

Babak Pedram
Next question is from Doug Taylor of Canaccord. Doug, your line is open.

Neil Bakshi
Hi, good morning. This is Neil Bakshi. On behalf of Doug, he was done a call unfortunately. Congratulations first on the quarter, good organic growth and free cash flow. The first question I have, you'd mentioned, the Intouch product set was a little bit of a down quarter just wondering in terms of, you know, resource allocation or, you know, efforts to see growth return back to its previous levels, or what we should look at in terms of just intouch as a standalone.

Dan Matlow
It's an anomaly, there's two things with the Intouch. Number one is where we've tried to evolve, move that into a recurring revenue model from a professional model with some success, but not, not totally right. So there's still a little bit going, it's still coming through, but more into the recurring side versus the professional side, but because the professional side just sort of slants that number a little bit, but it because there's a hardware component that gets sold with that. The perpetual, seems to be the way that those customers would like to buy that because we're not gonna, we're not ready to do that recurrent models on the hardware, just because we don't make much margin on it, it just doesn't make sense to do that. We want to get paid for that stuff up front. As we support it, so of course, the license needs to roll into it. They got a pretty big penetrated base in the UK, we've had some success in Australia with it and we're trying to move into the Canadian markets and so forth, but there's still enough left in in the UK to sell, I still expect that we're going to sell that product, and we'll continue to sell it and it's still, that business units still produces really good margin for us. So we expect to we expect for it to continue. You know, in the UK, we've integrated our groups together pretty nicely, except Hicom at this stage. So we can move resources around from the Intouch group can start helping with Transforming and in the BI groups and so forth, etc. So we have the ability to move resources around, which is part of a good another good concept of our business model. So it's not that you know, if if the timing is not right, or we see an uptick in Transforming which we are and expect to continue moving resources from the projects team, the implementations teams can be done. So that's part of our plan, as well.

Neil Bakshi
Great, thank you. And then just a question with respect to S12. You've mentioned I guess, in the previous update, that we could see a bit of a an uptick later this year as new models are added. But just wondering how progress is going with that product.

Dan Matlow

Yeah, we did a little in Q2, we didn't see much impact. But those those two products are, one is totally completed and in the market and we're starting to see stuff for Q3 and the other one is coming around as well. So we do expect a little bit in Q3 and Q4. We do expect to see some more impact into next year as well.

Neil Bakshi
Okay, great. Thank you.

Babak Pedram
Thanks, Neil.

Babak Pedram
Next question is from Daniel Rosenberg of Paradigm. Daniel, your line is open.

Daniel Rosenberg
Hi, good morning, guys. My first question was this around the use of the resources you have, you know, you've reached a point where no money Clements is strong on all fronts, the cash pile is growing, but outside of M&A, has it changed yours thinking on what to invest in, whether it be, you know, a new product internally, targeting new verticals or adjacent verticals? Has your thinking changed at all about what you can allocate capital to?

Daniel Rosenberg
Clem is strong on all fronts, the cash pile is growing, but outside of m&a, I've changed your thinking. Has it changed your thinking on what to invest in? Whether it be, you know, a new product internally, targeting new verticals or adjacent verticals? Has your thinking changed at all about what you can allocate capital

Dan Matlow
Yeah, we're, we're, we're pretty careful on capital allocation. We have generated some capital into the Canadian and Australian marketplace to expand sales and marketing. So we've done that as well. There's other product sets, which we think are newer sets that need some more development group, like the ADI product we acquired last year with the MyPathway product and the Synopsis product or Intouch have two products, which we think need some more R&D done on them. So we've, you know, invested in increasing the R&D based function. We need to consistently develop our products to maintain their leadership positions in some of those markets. So the Transforming product still consistently gets development. So yeah, we we do ramp up our cost and some areas to go do that, but we tried to move that into our Colombo group as much as we can to do that. But from a sales and marketing perspective, we're not going to be this organization that's going to go into a new geography, unless it's with a partner, or with an acquisition very easily, it's an expensive process and it's very difficult to do, but acquisitions are the way to enter those markets. So we did make the investment in Australia. So that's one of the areas and Canada, of course, we got a base already. So that's another area. So healthcare is very tied to their geography and in breaking into that culture of how that healthcare system works really takes people that have been in that space for a while to really understand it. So we want those people, those people are really, you know, part of what our assets are, and we like to acquire those assets and expand those assets with expanding the products versus just risking it by going in there.

Daniel Rosenberg

And then on the success you've had in kind of community health. I mean, healthcare is just a massive market. So are there any areas that you would ever consider expanding into or community health is just, you know, obviously, there's plenty of runway for you. But, you know, it feels like you're kind of at a different point.

Dan Matlow
There's a lot of community health vendors out there, right, I, you know, all those areas need to be digitized, but they're all they are moving to, you know, this world has changed into like, "I don't have anything to I need something better" world and we're seeing we need something better and we think we have that better product with the treat solution. So we're progressing into those worlds, and those other organizations that don't have the better solutions become acquisition targets, right. So that's really in that particular area it's to is to keep expanding the TREAT product and keep growing it and keep buying inferior products, that we can upsell them to the TREAT product. That's what our business philosophy is there.

Daniel Rosenberg
Okay, appreciate that. And I'll echo the comments. Congrats on continued success.

Dan Matlow
Thank Daniel.

Babak Pedram
Next question is from Gabriel Leung of Beacon Securities. Gabe your line is open.

Gabriel Leung
Morning, thanks. Dan, just got a couple of questions on the M&A side of things. Just curious, have you found the M&A environment bit less competitive now? Just given the current cost of capital? concurrently, you know, have you seen seller expectations become, I guess, more reasonable vis-a-vis? past couple of years? And then actually one more thing as well on M&A? You mentioned during your preamble that I guess you were close to the finish line on a couple of opportunities, but I guess at the end, it didn't tick the boxes. I'm just curious to hear what those boxes might have been.

Dan Matlow
Yeah, let me answer that. I think we sort of predicted this when the markets would go down. Right. So the the sellers at first don't, you know, there's still sticker prices were still high. I think a lot of people took their things off of the market. So we are starting to see some more deal flow. But you know, sort of these companies that have tried to get out of the box and sort of have a little bit got out of the box and they've raised capital, but now that capital is dead. So we're seeing a bunch of scenarios where they got like three or four implementations, you know, they're, they're bringing in $300,000-400,000 worth of recurring. It's a really neat product, but it's not totally done yet and they got customers that like it, but they really need an investment more than they need acquisition. So we're in some of those a little bit more on the larger side too. So we're careful of those right where the product is there, we think it's there. But then we get through the due diligence is not actually totally there yet. It's still we need this work, it needs that work to be competitive and so we will take those on if it has enough scale, because we think we can add to things if we can do it, but if it doesn't have enough scale, we get a little bit worried about and those are a couple of the scenarios that you have and the other scenario, just be accounting wasn't what they thought it was, right. So, you know, some people just don't, some

accountants really just don't understand recurring revenue, the way that it should be done. So it's what you see in some of the smaller acquisitions and smaller target sets, but in general, I think we are seeing a little bit more of an uptick on the M&A side as capital. You know, people thought it dried up, but they would wait. And now they've waited, and it's still dried up. And I think there are a little bit more scenarios that are cooking, or maybe it's just opportunistic, but we do see more deal flow floating around in the summer of this year than we did towards the end of last year type of thing. So we're progressing. This opportunity has given us a long time, a little bit of time to digest these acquisitions and we needed that and we've revamped a bunch of processes, in terms of our data analytics and our operations and so forth, so we're positioned really well, to absorb acquisitions right now. And we're actively looking.

Gabriel Leung
Thanks for that and then just shifting over to the, I guess, the growth and demand side of things. Curious, if you, sort of heard anything, from your customers or prospective customers that we might give you a worry about your ability to hit sort of that, that booking a quarterly bookings range you've talked about, and sort of concurrently Is there anything internally within VitalHub, you feel you can sort of tweak to help the business consistently hit either that range or the upper end of that range?

Dan Matlow
Yeah, um, you know, you always got, you always got your pricing target your your price increases, and things like that, which we do, probably a lot more conservative, and a lot of organizations, there's probably still room for tweaking on that perspective. We sell a lot to these customers, so we don't like to play that game. Totally, in a padded fashion and so we're careful. From a perspective, the growth needs to come by expanding to other geographies or adding add ons or more acquisitions, we still think there's enough of a tam for our products. And we still got, you know, a couple of years of runway at these, you know, adding to these rates, right in 800, in the 1.5 level, and we'll make more acquisitions of personal growth products, all that was, which will allow that to grow. So we expect to be able to continue to think of ways and be innovative to go do that. You know, it's not the end of the world, if we don't do it a few quarters here. And there, as long as we got our expense level, we looked at this as a study as you go, you know, some, you know, some orders will add three, $4 million of adjusted EBITDA, and maybe we'll have a quarter where we do, because we didn't sell a lot. And we do a million and a half to two. But you know, three months later, we'll be back to doing the three or four. So we look at this as a as a bigger picture. As long as we're continuously, you know, building up and adding cash on a consistent basis and got the model to do it. We're happy as an organization and we're not going to lose sleep, or we're not going to go take risk of investing in sales and marketing to go get that other world because I don't that's not what this space is all about.

Gabriel Leung
Thanks for all the feedback. Congrats on the progress. Yeah.

Babak Pedram
Nice, good. There are no further questions I would like to now thank everyone for joining us this morning and hand over the call back to Dan for his closing remarks. Yeah, just thanks, everyone.

Dan Matlow
Yeah, it's just the same theme as anything I think we've got keep saying we think of three things here every day. We're trying to do accretive acquisitions for synergistic products. And trying to do those

acquisition at the right price, even if it's not the right price, but it'll be accreative down the road. That's okay with us as well. To do that, we we do got the ability to execute by using our Colombo Innovation Lab as effectively as possible and we try to bring as much there from a cost reduction perspective and we're always looking for organic growth of high margins and you know, we think of those two things every day. And, and, and we're always we got, we got some pretty good analytics going on in the company, we just keep tweaking our business models. Accordingly, we're gonna have some, you know, things are good right now we might have a bad quarter, but it still won't be bad, they'll still be generating cash. So we just keep going and, and that's what the business model is here. And we're looking for investors that like the idea and like the steady growth and just like the economics of it, it's relative to what other things are out there. Like, we're, I don't know, how many companies are out there with like $41 million of recurring$ 3 million of adjusted EBIT and training at a $90 million enterprise value market cap when you take the cash off. So that's where we're at right now. It's just, it's just a sign of time to the market. But, you know, our job is just to make investors aware of what this is all about. And hopefully we did that. And if you want to know more, feel free to give us a shout. We're always open to talking to any investor from an institution to an individual and trying to explain the business model in more depth to them. So if anybody has ideas, feel free to reach out to us.

Babak Pedram
Appreciate it. Thanks Dan. This concludes this call. Thanks, everyone. Okay, bye bye. Bye. Bye bye.