MTBC

Q2 2019 Earnings Conference Call

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CORPORATE PARTICIPANTS

Shruti Patel - *General Counsel*

Stephen Snyder *- Chief Executive Officer*

A. Hadi Chaudhry - *President*

Bill Korn - *Chief Financial Officer*

Mahmud Haq - *Founder and Executive Chairman*

PRESENTATION

Operator
Good day and welcome to the MTBC Second Quarter 2019 Earnings Conference Call and Webcast. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key, followed by 0. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then 1 on your touchtone telephone. To withdraw your question, please press star, then 2. Please note this event is being recorded.

I would now like to turn the conference over to Shruti Patel, General Counsel. Please go ahead.

Shruti Patel
Thank you. Good morning, everyone. Welcome to the MTBC 2019 Second Quarter Conference Call. On today's call are Mahmud Haq, our Founder and Executive Chairman; Stephen Snyder, our Chief Executive Officer and a director; A. Hadi Chaudhry, our President and a director; 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.

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. For those dialed into the call by telephone, you may download our Second Quarter 2019 Earnings Presentation. Please visit our Investor Relations site, ir.mtbc.com; click on Events, and download the Earnings Presentation.

Finally, on today's call we may refer to certain non-GAAP financial measures. Please refer to today's press release announcing our second quarter 2019 results for a reconciliation of these non-GAAP performance measures to our GAAP financial results.

With that said, I'd now turn the call over to the Chief Executive Officer of MTBC, Stephen Snyder. Steve?

Stephen Snyder
Thank you, Shruti, and thank you, everyone, for joining us on our Second Quarter 2019 Earnings Call.

We are very pleased to report a strong second quarter, with $16.7 million in revenue and $1.1 million in adjusted EBITDA. Our total revenue for the first half of 2019 was $31.8 million, a year-over-year increase of 87 percent. Our adjusted EBITDA for the first half of the year was $2.7 million, representing 7 percent year-over-year growth.

Our team has made great strides in reducing G&A and direct operating costs associated with the Orion acquisition from last year and the recent Etransmedia acquisition. We've streamlined workflows, eliminated unnecessary expenses, and increased overall efficiency. We believe that you'll see the impact of these reductions when we report during the second half of 2019. So with a strong first half of 2019, combined with the tailwinds from the integration steps already taken in our recent acquisitions, we are pleased to reaffirm our full-year revenue guidance of $63 million to $65 million and our adjusted EBITDA guidance of $8 million to $10 million.

In addition to continuing our search for new accretive acquisitions, our team is increasingly focused on cross selling. With our two most recent acquisitions, we are now offering new solutions, such as a request for information service, document storage, group purchasing, and hospital solutions, and we believe that cross-selling will allow us to add further value to our existing relationships, while growing our revenue and expanding margins.

We are also preparing for the upcoming full launch of our telemedicine platform in late 2019. We believe that our existing critical mass of healthcare customers, 15 years of experience developing leading healthcare IT solutions, health insurance reimbursement expertise, and experienced, cost-efficient R&D team provide us with a competitive advantage over many pure-play telemedicine companies. Telemedicine will round out our existing offering, while positioning us to compete in the emerging telemedicine industry, which has a significant addressable market.

During the five years since our IPO, we have grown our revenue at a compound annual growth rate of 37 percent per year, from $10 million in 2013 to over $50 million in 2018. In addition to our topline growth, we grew adjusted EBITDA to $4.8 million during 2018, more than double our adjusted EBITDA the year before. In addition to strong revenue growth during 2019, we expect to operate at an adjusted EBITDA run rate of more than 20 percent during the second half of 2019, and we are pleased to reaffirm once again our full-year revenue and adjusted EBITDA guidance.

I'll now turn the floor over to our President. Hadi?

A. Hadi Chaudhry
Thank you, Steve, and thank you, everyone, for joining us on our second quarter 2019 call. Since our last call, we have made significant progress on the last mile of Orion's integration and the full journey for Etransmedia's integration efforts. For example, during the last four months, we have reduced Etransmedia's on-shore labor costs by approximately 65 percent and also reduced facility expenses, while eliminating costly offshore vendors. At the same time, we have significantly improved the service quality as compared to our predecessor. We believe that the steps we have taken have positioned us to achieve our full-year revenue and adjusted EBITDA guidance.

We are also pleased to be making great progress toward the full launch of our telemedicine platform. We have been testing and refining our telemedicine solution since early 2019 and we're excited to now have Dr. Jonathan Bertman, a healthcare IT pioneer and founder of one of the most successful EHRs for primary care providers, heading up our telemedicine team. We look forward to providing more details as we draw nearing to the full launch of our telemedicine solution during the fourth quarter.

I'll now turn the floor over to our Chief Financial Officer, Bill Korn. Bill?

Bill Korn.
Thank you, Hadi.

As we mentioned, our revenue for the first half of 2019 was $31.8 million, which represents an increase of 87 percent compared to $17 million in the first half of 2018.

For the first half of 2019, our GAAP net loss was $1.1 million, compared to GAAP net income of $270,000 in the first half of 2018. GAAP net loss includes non-cash amortization and depreciation expense of $1.6 million, which increased by approximately $442,000 as a result of our acquisition of Orion last July and Etransmedia in April of this year. It also includes stock-based compensation expense of $1.6 million, which increased by approximately $1 million. Roughly half of that increase was due to our higher share price, and the other part is because vesting of stock used to pay bonuses is being spread equally throughout the year in 2019 and was weighted toward the second half of the year in 2018. The increase in these two GAAP expenses, which are primarily non-cash in nature, more than accounts for the difference in net income year-over-year.

Our first half of 2019 results included approximately $249,000 of transaction costs related to the acquisition of Etransmedia. We also incurred $690,000 of integration costs to achieve future efficiencies from both the Orion and Etransmedia acquisitions. This includes the cost of winding down subcontractors, severance for redundant employees, as well as exiting from facilities we no longer need as we utilize our technology and our cost-effective employees offshore. We expect to reap the benefits of these investments during the third and fourth quarters, as indicated by our full-year adjusted EBITDA outlook

The GAAP net loss per share was $0.34 per share, based on the net loss attributable to common shareholders. This takes into account the preferred stock dividends declared during the quarter.

Adjusted EBITDA for the first half of 2019 increased by 7 percent, to $2.7 million, as compared to $2.5 million in the first half of 2018. This was our ninth consecutive quarter of positive adjusted EBITDA.

The difference of $3.8 million between adjusted EBITDA and the GAAP net loss reflects $1.6 million of non-cash amortization and depreciation expense; $1.6 million of stock-based compensation; $939,000 of integration and transaction costs related to recent acquisitions; $50,000 of interest expense; and a $15,000 provision for income taxes, offset by $296,000 of foreign exchange gains; and a $64,000 change in contingent consideration.

Non-GAAP adjusted income for the first half of 2019 was $2.1 million, growth of 7 percent or $139,000, compared to the first half of 2018. Non-GAAP adjusted net income excludes non-GAAP non-cash amortization of purchased intangible assets, stock-based compensation, and integration and transaction costs.

Non-GAAP adjusted net income was $0.17 per share and is calculated using the end-of-period common shares outstanding.

During the first half of 2019, MTBC generated $3.3 million of cash from operations, which was MTBC's seventh consecutive quarter with positive cash from operations. Management utilizes non-GAAP measures of profitability, such as adjusted EBITDA, adjusted operating income, and adjusted net income, in part because they better approximate the cash impact of the company's operations.

Revenue for the second quarter of 2019 was $16.7 million, an increase of 93 percent compared to $8.7 million in the second quarter of 2018.

The GAAP net loss was $771,000 or $0.19 cents per share for the second quarter of 2019, compared to GAAP net income of $195,000 in Q2 of 2018. GAAP net loss includes non-cash amortization and depreciation expense of $836,000, stock-based compensation of $793,000, and transaction and integration costs of $733,000.

In the year since the acquisition of Orion, we were able to reduce the total operating expense of Orion's RCM business by 67 percent from their expenses during the quarter before the acquisition. In the three months since the acquisition of Etransmedia, we were able to reduce their total operating expenses by 38 percent from their expenses during the quarter before the acquisition, which is comparable to what we did in the first three months with Orion. Our disciplined approach to cost reductions after acquisition means that we expect to show a significant increase in profitability during the third and fourth quarters of this year, excluding any impact from any future material acquisitions.

Adjusted EBITDA for the second quarter of 2019 is $1.1 million as compared to $1.6 million in Q2 2018. Based on the level of revenue during second quarter of this year and the cost reductions we've already implemented, we continue to believe that we will achieve our revenue and adjusted EBITDA guidance.

Non-GAAP adjusted net income for Q2 2019 was $807,000 or $0.07 cents per share. We have reported seven consecutive quarters of positive adjusted net income.

During Q2 2019, MTBC generated $2.4 million in cash flow from operations.

We ended the second quarter of 2019 with approximately $10.6 million in cash and an untapped $10 million line of credit from Silicon Valley Bank. Our line of credit is available to help finance growth initiatives, including potential future acquisitions with the bank's approval.

Our working capital, computed as current assets less current liabilities, was approximately $11.2 million on June 30.

On January 1, 2019, MTBC adopted ASC 842, the new accounting standard for leases. This new standard requires all leased assets, including those that were previously categorized as operating leases, to be recorded on the balance sheet as "right-of-use assets," and the corresponding future lease payments to be included as liabilities. MTBC's consolidated balance sheet on June 30, 2019, includes approximately $4.9 million of such assets and the same amount of liabilities under this new accounting standard. This new standard affects our balance sheet but does not materially impact our statements of operations or cash flows, and does not change our actual payments on these leases or any contractual obligations.

I'd like to close by reaffirming our 2019 guidance. For those looking at the webcast or those who downloaded our Earnings Presentation, please look at the slides, which tell the picture much better than I can. If you are listening by phone instead of by webinar, I suggest you download our Second Quarter 2019 Earnings Presentation. Go to our Investor Relations site, ir.mtbc.com, click on Events, and download the Earnings Presentation at the top of the page.

We continue to anticipate full-year 2019 revenue of approximately $63 million to $65 million, which represents growth of 24 to 29 percent over 2018 revenue. Revenue guidance includes revenues from Etransmedia's customers for the remainder of 2019 but excludes the effect of any additional material acquisitions. With revenue of $16.7 million during the second quarter and $31.8 million for the first half, we believe that we are very well positioned to achieve our $63 million to $65 million revenue guidance. This will continue our trend of steadily increasing revenues from $10 million in 2013, the year before our IPO, to more than $50 million in 2018.

We continue to anticipate adjusted EBITDA will be $8 million to $10 million for the full year of 2019, representing growth of 67 to 108 percent over 2018 adjusted EBITDA, as we continue to scale our business. This is comparable with last year, when MTBC's adjusted EBITDA was double 2017's adjusted EBITDA. We have plenty of experience integrating acquired businesses, and the integration efforts of Orion and Etransmedia are proceeding according to plan. As always, we start by reducing dependence on expensive third-party subcontractors, whose work quality is variable, and move work to our offshore employees whenever possible. Customers appreciate getting better service, while we benefit from lower costs. We then look for opportunities to eliminate redundancies, trim excess costs, and leverage our technology to improve operational and cost efficiency.

This effort was largely completed for Orion by the end of the second quarter, since that business was acquired one year ago. It is well underway for Etransmedia, which was much smaller and therefore, a faster implementation, even though that transaction occurred on April 1, 2019. Our expense run rate at the end of June was significantly lower than it was at the beginning of April. With the cost savings we expect will result from actions taken during the first half of 2019, we are on track to achieve our adjusted EBITDA guidance for the full year of 2019.

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

Mahmud Haq
Thank you, Bill. We had a very strong first half of 2019, which promises to be another year of record-breaking growth and increased profitability. We thank our investors, customers, and employees for their support.

We will now open the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator
Thank you, sir. We will now begin the question-and-answer session. To ask a question, you may press star, then 1 on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star, then 2. As a courtesy, we please ask

that you limit your questions to no more than three at a time. If you have any further questions, you may re-enter the queue. We will pause momentarily to assemble the roster.

Okay, the first question is from Brian Marckx of Zacks Investment Research. Please go ahead, sir.

Brian Marckx
Hi, good morning, guys, and congrats on the quarter. Just wanted to talk a little bit about the guidance in terms of adjusted EBITDA and the expenses that were in Q2 that you don't expect to repeat in Q3 or Q4. The earnings release—and, Bill, I think you mentioned in your prepared remarks, that the transaction integration costs related to Etransmedia was, I think, $733,000. If we could start with that, is the expectation that that $733,000, none of that will repeat into Q3 or Q4?

Bill Korn
That's correct. The only thing—and thanks for the question, Brian—the only things that go into that transaction cost are those non-repeating costs of things like the cost of getting out of a lease, severance for an employee who is not needed. Incentive payments, often we have third-party subcontractors that we want to move away from. We'll typically structure an arrangement where we'll contract with them for a couple of months and put an incentive out there for them to do a good job and have a smooth transition with no customer loss. So all those transaction expenses are not expected to repeat.

Brian Marckx
Okay. So if I just do kind of a back-of-the-envelope, if I look at the revenue guidance, $63 to $65 million, and then I look at the adjusted EBITDA guidance of $8 to $10 million, it looks like relative to the EBITDA—adjusted EBITDA in Q2, that you're going to need to cut an additional—about $1.3 million per quarter in addition to the integration costs—transaction and integration costs that won't repeat in Q2. If that math is relatively close, where are the additional costs going to come out of?

Bill Korn
Yes, a good question. So when you're looking at costs for the second quarter, recognize there are a lot of actions we took during the second quarter. For example, an employee that was there on April 1st who was let go during the quarter, we recorded an expense during second quarter, but the person is no longer there on July 1st, at the beginning of third quarter. So we feel pretty confident that the impact of the actions that we've already taken allow us to achieve the earnings guidance that we've put forward.

Brian Marckx
Okay. So there's enough fat, I guess I'll call it, in Q2 from the—from integration, even though they're not integration- and acquisition-related costs specifically. That's all going to come out—those aren't going to repeat, I guess, in …

Bill Korn
Right.

Brian Marckx
Q2 or Q3. All right. Great. Thanks a lot.

Stephen Snyder
Thank you, Brian, and one other thing, if you think about this from a timing perspective, typically the first 60 to 90 days post-closing are focused on making sure that we're assembling the appropriate team, pressure testing the plans that we had going into the acquisition in terms of the nature and the timing of the costs, and working on laying the foundation for transitioning work over. So generally speaking, whether it's Etransmedia, whether it's another acquisition, generally speaking, you'll see the majority of those actions beginning to take place about 60, 90 days out. And then in this case, for Etransmedia, the majority of those actions are happening between day 60 and 150 post-acquisition-- that is the sweet spot timing-wise in terms of those actual action steps. The overwhelming majority of those steps have already been taken, and we've also charted out the course relative to the remaining handful of steps that have to occur.

Brian Marckx
Okay. All right. Great. Thank you.

Operator
The next question is from Gene Mannheimer of Dougherty & Company. Please go ahead, sir.

Gene Mannheimer
Good morning, and congrats on the good progress this quarter, guys.

Multiple Speakers
Good morning.

Gene Mannheimer
Oh, you're welcome. A couple questions. With respect to the Etransmedia acquisition which closed April 1, can you disclose the contribution during the quarter and what you might expect that to deliver in the back half?

Bill Korn
Yes, that's a good question, Gene. We normally don't break out contributions from a particular transaction, in part, because we have the same team providing the work, we've got the same software platform. So a lot of those costs are really combined. You know, I think you could look at the revenue growth from Q1 to Q2 and you could probably say that in large measure, that sort of approximates the contribution, at least to the top line.

Gene Mannheimer
Okay. That makes good sense, Bill. Thanks. So on that note, let me ask a little bit about the revenue guidance implied in the second half, because if we just take—if we just annualize your Q2 revenue number, I get to $67 million, while your guidance is $64 million at the midpoint. So the implication is that there's some sequential decline in the second half. Just—is that just being conservative, or is your attrition running at a higher-than-normal pace? Maybe if you could reconcile that for us. Thank you.

Bill Korn
Sure. Typically, the first quarter after we do a transaction, revenue is higher, and it's higher for a couple reasons. One is that there are clients who had previously given an indication they were going to terminate and that period is still working through, so the good news is we get the impact of their revenue for a month or two or three, but they've already signed on with somebody else.

We also spend a lot of time during those first couple of months addressing things that the predecessor may not have addressed. So there might have been claims that were outstanding, that needed to be followed up on, and we'll work hard to address those. So the good news is we get a one-time benefit from doing work that somebody else should have done a quarter or two before. The bad news is you only get to do that once.

So as we've put together our guidance, we've thought about what we really expect, and we also don't want to get too far ahead of our skis and put out a number that's too aggressive, again, just knowing that when you do transactions and you buy companies that have had a degree of trouble, the good news is a low price; the bad news is there are some clients who've been thinking about their options for months before we got into the picture.

Gene Mannheimer
Sure. No, that sounds prudent to me. Thank you, Bill. And then, if I could just switch gears a little bit to that new telemedicine platform that's going to debut later this year, that sounds very exciting. Now, there are obviously many of those telemedicine platforms commercialized and out there already. I'm just wondering why not choose one of those versus, you know, building your own, and if you could kind of just walk us through the distinction there. Thank you.

Stephen Snyder
Sure. Thanks, Gene. We'd be very happy to do that. And I'll turn the floor over to Hadi for a minute, who can talk some more about the platform. But if we step back for a moment and we look at some of the industry numbers that we see analysts talking about, where we think about potentially a $70 billion-plus addressable market, and then think about potentially $20 billion or greater addressable market in, the primary care specialties and mental and behavioral health, we think that telemedicine is a very natural fit, especially when you think about primary care, where some estimates say, over time, between 25 and 50 percent of primary care encounters over time could be handled by telemedicine. And if we think about psychiatric care, mental health, behavioral health--the estimates are greater than 50 percent over time can be handled through a virtual encounter in telemedicine.

And as we think about what is it that we believe makes MTBC potentially uniquely situated to be very competitive in this space, we think about the fact that, to your point, there are many pure play telemedicine companies that have raised a significant amount of money from private equity investors that are really putting together products, so what makes us different? What makes us believe that we can be successful in telemedicine?

I would say a few things. One is if we think about some of the challenges that they have in terms of finalizing the product, enhancing the product, and going to market, one of them would be, they don't have an existing installed base. So as we think about the fact that we have more than 5,000 healthcare providers in primary care, mental and behavioral health who are leveraging one of our solutions, when we think about the fact that we have those existing relationships, both that we can leveraging as we alpha and beta the product, and also that we can leverage those relationships when we actually go to market. So that's one part of it.

A second part of it is for 15 years we've been developing our own healthcare IT platform, have 150-plus IT R&D team members focused on nothing but enhancing our platform and, again, it's that one-tenth of the cost of developers here in the U.S. So we have a seasoned team that's done an excellent job building out our platform, and this is a very natural extension of that platform.

A third thing would be one of the big hurdles in this space, which is really the predictability and knowledge in terms of what is reimbursable. So if you think about a primary care practice, one natural obstacle that we've heard— while there's a great deal of enthusiasm in terms of the concept of telemedicine, one recurring question is, "Well, is it reimbursable, at what levels, by which payers? Which procedures are reimbursable? What do we have to document in order to ensure reimbursement?" That plays directly into our core competency of ensuring that healthcare providers achieve appropriate reimbursement.

So we think for a variety of reasons, we're well positioned to be competitive in this space. As 2019 develops and as we launch our product, it will be a full launch in the latter part of 2019. Of course we'll talk more, both about the domestic opportunities we see and potentially some unique global opportunities in the developing world where we really don't think other players in this space are focused but where we think, again, we have some unique insights, a footprint, and some potential for growth.

So while 2019 will be an exciting year from a launch perspective and beginning to get some proof of concept, I think, as we move into 2020, it's really more where we'd expect to see some impact from a revenue perspective beginning. And, again, we'll talk about that more as the year progresses.

Gene Mannheimer
Great. Thank you, Steve. Thanks for the update. Appreciate it.

Stephen Snyder
Thank you, Gene.

Operator
The next question is from Kevin Dede of H.C. Wainwright. Please go ahead, sir.

Kevin Dede
Good morning. Kevin Dede. I'm curious to—Steve, two points. One on the telemedicine rollout. You're specifically—the opportunity you see is really to market across your existing customer base, as you clearly stated. I guess what's lost on me is the actual physical implementation. Are you going to just set it up somehow so that a particular client's patients can call your client? I guess I just—I'm a little lost on the actual physical operation. Could you just kind of run through that a little bit, please?

Stephen Snyder
Yes, certainly. Good question. Thanks, Kevin. And I'll let Hadi jump in and address that, and you're 100 percent right. We see the most natural place to initially get traction in our existing base. We already have the existing relationships, so that absolutely is the right place to begin to roll out the solution. Of course, beyond that, the rollout broadens to new customers, broadens to marketing this to patients who have an interest, and it really broadens to more of the wholesale model, where ultimately we'd like—as the rollout continues, ultimately to be able to go to payers and the like who would purchase this in wholesale like some of the pure-play telemedicine companies have done. But, Hadi, maybe you can address that question that Kevin had in terms of the patient scheduling and the like.

Hadi Chaudhry
Sure. Thank you, Stephen, and thank you, Kevin, for the question. So as Steve mentioned, we're going to be working on a different rollout, so for existing MTBC practice management or

RCM or EHR, this platform is being provided as an integrated module in the existing workflow of the EHR or the practice management. The practices can continue in the same scheduler and can have the telemedicine scheduling option integrated into that.

And from the patient perspective, it will be available from the apps for existing patients of any of our clients. It will be part of the same PHR app that we have. And also a desktop version, which the patient can use to schedule and connect with the provider using a telemedicine platform.

And, in addition, for the customers, for the doctors who are ***not*** using MTBC's practice management or the EHR product, there will be a standalone module, a standalone application that will be available that they can use to connect with the patient and can do the scheduling and then perform the procedures.

Kevin Dede
Oh, great, Hadi, thanks. Thanks. So, gentlemen, you mentioned that you might expect to see this contribute to revenue, which seems a departure from typical MTBC pricing schemes, where you've offered a whole compendium of solutions on just reimbursement solutions and revenue-cycle management, so I'm curious how you're thinking about your pricing options and especially across your installed base.

Stephen Snyder
Great question, Kevin. And we'll discuss some of the additional details as the quarter progresses and certainly by the next earnings call. And, by the way, the overall effort in addition to our team that's been working on this for quite some time, is really being headed up by Dr. Jon Bertman. Dr. Bertman started one of the earliest EHRs for primary care practices and just did a phenomenal job developing his EHR and growing that EHR, so he really brings a unique perspective to this, together with another physician who has been part of our team for quite some time and is managing the overall development of this product, with a real eye towards the end user, because that will be a key to making this is successful.

So with regard to pricing, as you correctly say, our vison has been and continues to be having a very broad platform, because it makes our overall offering more attractive, and, historically, the majority of our solution has been included in our percentage-based fee, but, frankly, some of these other solutions, whether it be the GPO solution, where it is free to the provider, but we're generating incremental revenue from the pharmaceutical industry; or whether it be the request-of-information solution that is free for a provider, but we're generating revenue from the requestors of information; or credentialing or coding, where we're changing an additional fee to the providers. So we already have built into our model both a percentage-based fee, where everything is included together with additional services that are charged and that incur an incremental fee that's either paid by a third party, or it is paid by our clients.

So telemedicine will certainly help us be able to broaden our overall reach, we believe, when it comes to our RCM offering and EHR offering, but we'd also anticipate having a model that also includes additional revenue being generated from the use of telemedicine. The actual pricing we'll talk about as the year progresses, but our vision would be to provide an increasingly comprehensive platform and also to be able to generate incremental revenue from the telemedicine part.

Kevin Dede
Okay, yes. Thanks, Steve. Final question for you, my favorite one that I always fall back on. Offer as much as you can about your view of the M&A pipeline.

Stephen Snyder
Certainly, certainly, and as we kind of step back even further, we think about really what we believe to be the additional proof of concept when we think about the second year, at least our expectations in terms of the second year, with adjusted EBITDA the second year doubling, almost tripling, under our guidance compared to the first half of the year and really being able to achieve the highest EBITDA margins in our history, we think about a large part of the ability to accomplish that from a growth perspective has been not only the organic growth but the acquisitions growth. So that's a great question.

And as we think about our ability, we believe we've never been better positioned to move forward once we have the right company with the right structure, the right valuation. We're certainly committed to continuing the disciplined approach that we've taken, which has served us well over the years. We're continuing to review an average of at least one or two new acquisition opportunities each week. We've seen and pursued some potential good fits but haven't yet arrived at the type of structure and valuation that's optimal. And, as you'll recall, and we've spoken about this in prior calls, over the years, we've purchased more than a half dozen companies that were good fits on the face of the companies in terms of the commercial aspects of the opportunities for growth, but the valuation structures weren't yet ripe for the picking, and we walked away from them and then purchased them on more favorable terms, sometimes in a very short period of time and sometimes further down the road.

So that approach has really served us well, that patient, methodical approach. That's the approach we'll continue to take. Historically, we've closed a larger acquisition on average once every six to eight quarters, with the smaller tuck-ins in-between. We'd love to do it even more frequently, and it's been about four quarters since we closed Orion. We certainly would like to close another large one, but we'll continue to wait until we have the right business with the right structure and valuation, which we don't yet have. So we'll continue to look for these bigger fish while scooping up the smaller Etransmedia-type fish as we move along.

Kevin Dede
Thanks, Steve.

Stephen Snyder
Thank you.

Operator
Once again, if you have a question, please press star, then 1 on your telephone.

The next question is from Andrew D'Silva of B. Riley FBR. Please go ahead, sir.

Andrew D'Silva
Hi, good morning. Thanks for taking my questions, and sorry if you answered this. I was out in-between calls, so if you did, just let me know, and I'll read the transcript afterwards. But I just, generally speaking right now, obviously there's a lot of issues in the market related to cybersecurity. Obviously, you have an EHR platform, billing and practice management. I was wondering if any of that, having it all in a bundled package, creates some opportunities due to some of the cybersecurity risks that are going on in the market right now?

Steven Snyder

That's a great question, and I think you're right. Whether you're thinking about this from the perspective of enhancing the overall revenue by having the charting occur in the same platform where the demographic information is stored and the patient insurance information and historical claim and reimbursement details are on one unified platform, one of the key kinds of secret sauces that we have in terms of ensuring that we're optimizing revenues, is this unified platform. That also helps us from a reporting-visibility perspective, allowing practices and hospitals to have adequate visibility into what's actually happening in the practice from a clinical and practice management and revenue-cycle management perspective. So this unified platform is helpful there.

And we agree. Again, having a unified platform as opposed to a disparate group of different platforms that are used, we believe, enhances the ability to, to the greatest extent possible, safeguard that data. So that's really been—it's been our vision to provide that fully integrated end platform for a whole variety of reasons, and we agree, certainly, data security is one great reason to have a unified platform that's managed in a HIPAA secure way, using the appropriate protocols and having a team focused on it that's experienced, like ours.

Andrew D'Silva
Thank you. Great color. And just my last question is going to be related to the practice management arm. I know that it hasn't been necessarily the core focus of the Orion acquisition, but there seems to be just an increasing amount of student loan debt, particularly for physicians when they're coming out of college. I was curious if there was an opportunity due to that, as many of them are entrepreneurs but don't necessarily have the capital to establish their own practice through more conventional means?

Steven Snyder
Yes, that's actually a very interesting point. And if you think about our overall business model and our value proposition, really, the core of it is helping providers reduce their costs, reduce the operating costs while increasing revenue. And over time, what's happened is the revenue-cycle management or practice management and the clinical charting components of the overall practice have come together in such a way that all three of them on one platform lays the best foundation for accomplishing those objectives.

From a practice management perspective, certainly I think you're right. There are opportunities. Where we see the greater opportunity today, though, is in empowering independent physician offices and empowering hospital-employed physician groups and the like with the technology, with the domain knowledge that we have with the expertise, to allow them to accomplish those objectives while having their own structure, as opposed to primarily moving towards the traditional kind of managed services agreement of the variety that you're talking about.

Andrew D'Silva
Okay, great. Hey, thank you for the color, and good luck going forward.

Stephen Snyder
Thanks so much.

Operator
And there is a follow-up question from Mr. Kevin Dede of H.C. Wainwright. Please go ahead, sir.

Kevin Dede

Yes, hi, Bill, I was hoping that you could help me understand the seasonality you might see. Got you on your response to Gene's question about the second half was the top line, but I was wondering what you thought Orion's implications might be to the seasonality. Typically, if I remember correctly, you see a stronger September quarter than December. I was wondering if you might take a moment to offer a little color on that.

Bill Korn
Thanks, Kevin. And, yes, there is a little seasonality to our business, as you mentioned. Typically, many people have deductibles in their health insurance, which often means that in Q1, when we're charging a percentage of what the doctor collects, you go to the doctor's office. Insurance has a deductible which is billed to the patient, but amounts aren't necessarily paid, so that tends to reduce revenue a little bit in Q1.

I would say in Q3, one of the things that happened with Orion is through the group purchasing organization, we are getting some revenue as doctors are signed up to receive vaccines from Merck, Sanofi, and others, and then we're getting a small rebate check. Some of those vaccines happen throughout the year, such as vaccines that are given to the children when they reach a certain age or people who are traveling. But about half the dollar value is flu vaccines. Flu vaccine, typically physicians purchasing those during third quarter and then using them during third and fourth quarter. So typically, that gives a little bit of a bump to Q3—not a major bump, but it's a little bit of a bump.

Kevin Dede
Right. Okay. Thanks. Steve, one question just on the environment in general. Given political machinations as they are, would you—I mean, could you characterize the environment, I guess, in general for some of these smaller practices as being perhaps more volatile than normal? And would you—could you infer from that inherent instability, that it might be opportune for a sophisticated operator to help those practices? I mean, have you seen any dynamics related to that, or am I just sort of plucking at thin air?

Stephen Snyder
No, you're onto something, Kevin, and we have. I think that's been really the increasing trend, which is the increasing changes, even those that are positioned by lawmakers in such a way that they're designed to make life easier for the physician or to increase reimbursement or to reduce expenses and so on and so forth. Even well-intended changes continue to make the environment that much more complex and I think are a really compelling—especially in aggregate --a compelling argument to the practice administrator, to the independent physician office, to the hospital-employed group, that they're in over their heads and need someone who has the decades of experience that a company like MTBC has—has the domain knowledge and 24/7 is focused on these issues, has the platform in order to support them. So all of these changes, the uncertainty and the like, are undoubtedly a helpful thing in terms of making our case that there's a real value that's added by our solution.

Operator
I apologize, but just for lack of time, this concludes our question-and-answer session. I would like to turn the conference back over to Ms. Shruti Patel for any closing remarks.

CONCLUSION

Shruti Patel

Thank you, and thank you, everyone for joining the conference call today. We look forward to speaking with you soon. Have a great day.

Stephen Snyder
Thanks, everyone.

Multiple Speakers
Thank you.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your telephones.