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Zacks Small-Cap Research

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CareCloud, Inc. (CCLD-NASDAQ)

CCLD: Initiating Coverage of a Differentiated Technology-Led Business Solutions Provider Focused on the Healthcare Industry

Based on our seemingly conservative DCF model, we think CCLD could trade up to $7.00 representing meaningful upside potential from the stock's current levels. Key inputs include: 1) explicit EBIT forecasts through 2025; 2) steady EBIT growth of 8% through the end of the forecast period; 3) a 20% discount rate; 4) a perpetual growth rate of 3% despite sustainably higher growth rates for the foreseeable future; and 5) an exit EV/EBITDA multiple of 5x.

Current Price (01/17/25)	$2.79
Valuation	**$7.00**

INITIATION

CareCloud, Inc. (NASDAQ: CCLD) is a technology company providing key business solutions to healthcare providers including small practices, large physician groups, and hospitals across the U.S. The company's platform includes Revenue Cycle Management (RCM), Electronic Health Records (EHR), Practice Management (PM), digital health, and other healthcare business solutions. As of September 30, 2024, CCLD serviced approximately 40,000 providers across ~2,600 medical practices and hospitals.

The company was founded in 2000 and is headquartered in New Jersey. CareCloud (formerly known as Medical Transcription Billing, Corp.) listed on the NASDAQ Global Market following the company's Initial Public Offering (IPO) in 2014.

SUMMARY DATA

52-Week High	**$4.84**
52-Week Low	**$1.01**
One-Year Return (%)	**95.10**
Beta (5Y Monthly)	**1.37**
Average Daily Volume (3 mo)	**168,293**
Shares Outstanding (mil)	**16**
Market Capitalization ($mil)	**$45**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**11**
Insider Ownership (%)	**38**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**9.8**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**6.2**
P/E using 2024 Estimate	**4.6**
P/E using 2025 Estimate	**3.0**

Risk Level	**High**
Type of Stock	**Small-Value**
Industry	**Health Info. Services**

ZACKS ESTIMATES

Revenues
(in thousands of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	35,341 A	37,228 A	33,723 A	32,534 A	138,826 A
2023	30,001 A	29,362 A	29,280 A	28,416 A	117,059 A
2024	25,962 A	28,090 A	28,546 A	27,836 E	110,434 E
2025					115,444 E

Adjusted Earnings/Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	$0.22 A	$0.36 A	$0.21 A	$0.25 A	$1.03 A
2023	$0.15 A	$0.09 A	$0.01 A	$0.05 A	$0.29 A
2024	$0.01 A	$0.18 A	$0.21 A	$0.21 E	$0.61 E
2025					$0.94 E

Quarterly revenues/EPS may not equal annual revenues/EPS due to rounding.

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INVESTMENT THESIS

We are initiating coverage of **CareCloud, Inc. (NASDAQ: CCLD)** with a 12-month price target of $7.00, translating into sizeable upside from the stock's current price. CareCloud provides technology-enabled Revenue Cycle Management (RCM), Electronic Health Records (EHR), Practice Management (PM), digital heath, and other business solutions to healthcare practices across a fully integrated platform, or via discrete Software-as-a-Service (SaaS) agreements.

Our investment thesis revolves around:

1. **Unique/integrated healthcare technology/business services platform:** Healthcare organizations continue to face various operational headwinds including ongoing transitions to technology-focused/value-based care models, reimbursement challenges, as insurance plans continue to evolve, mounting data entry/management administrative burdens, and staffing turnover/shortages, amongst others. As such, we believe CareCloud remains well positioned to leverage the company's integrated suite of business/technology solutions designed to help medical practices optimize collections, drive operational efficiencies, increasingly leverage data/analytics, improve customer experiences, and ultimately accelerate growth.

   Importantly, CareCloud maintains three key differentiating factors that we believe position the company for ongoing market share gains. First, CareCloud provides healthcare practices with revenue cycle management services integrated within the company's proprietary technology platform. Second, management remains focused on increasingly leveraging the company's proprietary technology to streamline operations and improve customer experiences for healthcare providers, and ultimately accelerate growth for CareCloud. Finally, CCLD typically offers more competitive pricing versus peers primarily reflecting the company's offshore infrastructure.

2. **Setting the stage for reaccelerating growth:** Following a period of declining revenue (mostly a function of acquisition dis-synergies), we believe the stars are aligning for reaccelerating growth. At a high level, CCLD remains well positioned to increasingly tap into an estimated $155 billion Total Addressable Market (TAM) revenue opportunity, we believe. Industrywide growth drivers likely include: a) stepped-up outsourcing to bundled RCM/business solutions providers to combat rising health insurance costs and evolving plan designs; b) shifting demographics, with government-sponsored health insurance programs typically paying out lower reimbursement rates relative to private insurance plans; and c) ongoing regulatory reform.

   Focusing on organic growth, we believe CCLD's comprehensive/integrated suite of RCM, EHR, and practice management services combined with the company's proprietary technology and lower-cost offshore workforce remain key differentiated factors. In addition, management remains focused on enhancing CareCloud's brand awareness, expanding the company's client footprint, increasingly cross-selling to existing clients, broadening services capabilities, and leveraging existing relationships with third parties to further build out an ecosystem of strategic partners.

3. **Increasingly leveraging M&A:** In addition to organic initiatives, we look for stepped up acquisition activity to increasingly turbocharge growth. Indeed, CCLD maintains a long and successful track record of acquiring RCM companies. The CCLD M&A playbook typically includes buying distressed and/or sub-scale RCM companies that lack proprietary technology at less than 1x sales to acquire existing customer relationships. Post-acquisition, management leverages CareCloud's technology capabilities and offshore talent to reduce labor costs, improve efficiencies, and drive outsized Returns on Investment (ROIs) and strong revenue growth.

   Our hypothetical M&A equity financing model puts deal-related revenue accretion at ~$120 million, or in excess of the company's current run-rate. That said, our analysis assumes senior executives issue 100% of available shares (including 50 million of incremental shares subject to shareholder approval less Series A Preferred Stock conversion), with the proceeds put to work with immediate effect. More than likely, equity capital raises and related deployment will play out over time, thereby limiting upfront shareholder dilution and M&A accretion.

4. **Rising earnings power + strengthening balance sheet:** Excluding stock-based compensation expense, amortization of purchased intangible assets, other (income)/expense, and non-recurring items, as well as preferred stock dividends, we forecast Adjusted EPS of $0.61 and $0.94 for 2024 and 2025, respectively. More specifically, we expect a step up in revenue growth in the back half of this year followed by reaccelerating growth in 2026, as business development initiatives increasingly take hold and management captures more economics from existing customers via complementary services. Furthermore, we look for ongoing margin expansion primarily reflecting management's cost reduction plan centered on headcount reductions and lower selling and marketing costs that was implemented in 2023 and 2024. Looking forward, management remains focused on extracting further efficiencies, particularly as it relates to increasingly leveraging Artificial Intelligence (AI) and technology more broadly to drive higher margins. Moreover, we expect CCLD to continue to leverage the company's lower-cost offshore infrastructure – reinforcing a key financial/margin advantage for CareCloud.

   Following more recent moves to strengthen the balance sheet, management is seemingly "switching to offense" from a capital allocation perspective. Looking ahead, priorities likely remain reinvesting in the business to accelerate growth, capitalizing on M&A opportunities, and reinstating dividends on CCLD's 8.75% Series A and Series B Cumulative Redeemable Perpetual Preferred Stock.

5. **Valuation upside:** While CCLD materially outperformed peer stocks and the broader equity markets in 2024 (reflecting rising confidence in the sustainability of the business and growth prospects going forward following initiatives to right-size the company's cost structure, strengthen the balance sheet, and enhance cash flows), we see further room to run for the stock, as awareness and appreciation of the company's unique business model, durable competitive advantages, reaccelerating growth prospects, and valuation disconnect increasingly take hold. On top of that, we view the reinstatement of preferred stock dividends in March as a key near-term catalyst for the shares, with insiders owning nearly 40% of common stock outstanding, thereby reinforcing strong management/shareholder alignment.

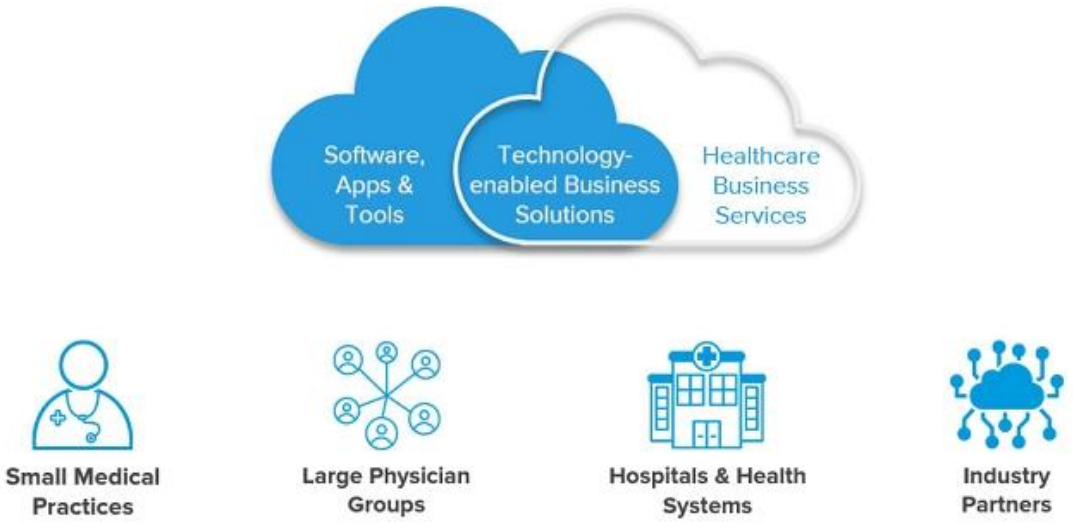
   Despite what we believe to be conservative inputs/assumptions, our DCF model suggests a wide disconnect between CCLD's fundamentals and the stock's current price. Furthermore, comparable Healthcare Information Services small cap stocks trade at meaningfully higher Price-to-Earnings multiples across the board. While we recognize most companies on the list are meaningfully larger, with considerable infrastructure, resource, and financial advantages, CCLD maintains a sizeable advantage in terms of projected growth, thereby justifying a comparable (if not higher) P/E multiple, in our minds.

INTEGRATED HEALTHCARE TECHNOLOGY/BUSINESS SOLUTIONS PROVIDER

CareCloud is a technology company providing key business solutions to healthcare providers including small practices, large physician groups, hospitals, and multi-state organizations across the U.S. (Exhibit 1). The company's platform includes Revenue Cycle Management (RCM), Electronic Health Records (EHR), Practice Management (PM), digital health, and other healthcare business solutions. As of September 30, 2024, CCLD serviced approximately 40,000 providers across ~2,600 medical practices and hospitals, with the company processing approximately $6 billion in healthcare transactions since inception.

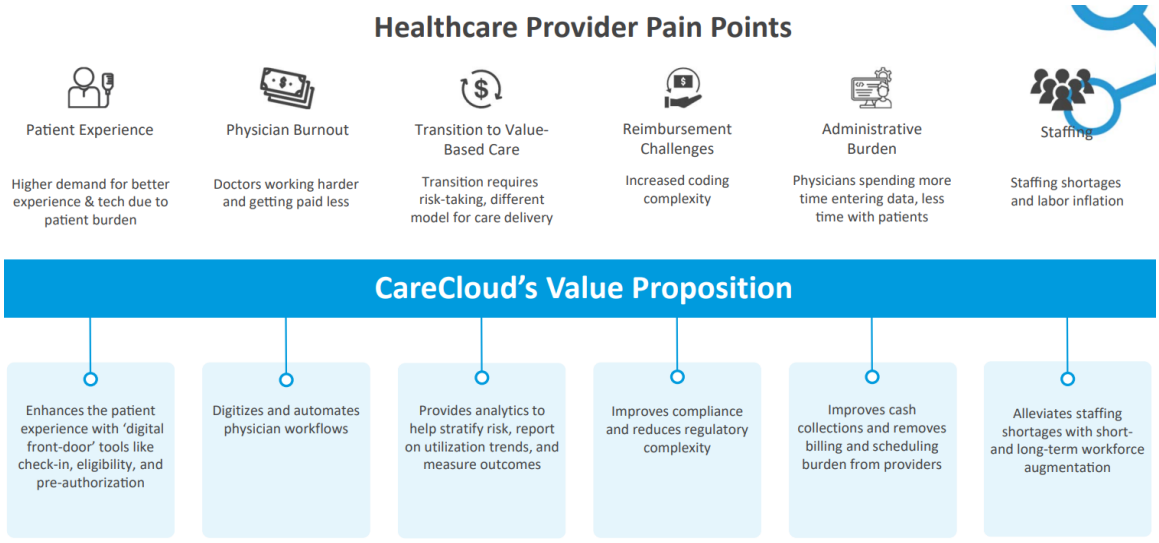
Stepping back, healthcare organizations continue to face various operational headwinds including ongoing transitions to technology-focused/value-based care models, reimbursement challenges, as insurance plans continue to evolve, mounting data entry/management administrative burdens, and staffing turnover/shortages, amongst others (Exhibit 2). As such, we believe CareCloud remains well positioned to leverage CCLD's integrated suite of technology solutions designed to help medical practices optimize collections, drive operational efficiencies, increasingly leverage data/analytics, improve customer experiences, and ultimately accelerate growth (Exhibit 3).

Exhibit 1: CCLD Provides Technology Solutions to the Healthcare Industry



Source: Company reports.

Exhibit 2: Multi-Pronged Business Model Addresses Numerous Provider Challenges…



Source: Company reports.

Exhibit 3: …Driving Powerful Operational/Economic Benefits for Medical Practices



OPTIMIZE CARE DELIVERY

Optimize practice performance – financial, clinical, and patient – through integrated cloud-based solutions that delight patients and make care delivery more efficient.



REDUCE OPERATIONAL EXPENSES

Our flexible, consultative approach, combined with our end-to-end services and specialized back-office team, meet your needs head-on. Let us help your medical group improve profitability and eliminate administrative burdens.



INCREASE COLLECTIONS

Increase collections by 7% or more and reduce staffing costs with our specialized back-office team handling critical parts of your revenue cycle – from claims submission to A/R followups.



IMPROVE THE PATIENT EXPERIENCE

Patient registration and intake solutions seamlessly integrate with your Practice Management and Electronic Health Records, making every interaction between you and your patients easier than ever.



GROW THEIR PRACTICE

We help practices run smoother and drive better financial results. The flexibility and power of CareCloud's suite of technology-enabled solutions is designed to help you take your practice further.



EXPAND PATIENT ACCESS TO CARE

CareCloud Live allows you to easily access patients across iOS, Android, or desktop. Telehealth also empowers patients who may face external hurdles to access healthcare, ultimately minimizing daily no-shows and last-minute cancellations.

Source: Company reports.

More specifically, CareCloud offers a full suite of business services (Exhibit 4) including:

- **Revenue Cycle Management:** RCM services focus on the financial operations of healthcare organizations (Exhibit 5). CCLD's technology platform automates patient registration, billing, and insurance claims submittal/coding/review processes to accelerate/optimize payments and drive operational efficiencies and minimize administrative tasks.

- **Electronic Health Records:** EHR systems digitize patients' medical data including demographics, historical notes, medications, reports, etc. CCLD's EHR solutions improve documentation accuracy and efficiency, expedite the sharing of patient records, and upgrade data security, thereby facilitating government incentives qualification.

- **Practice Management:** CareCloud's practice management software automates operational and financial processes including insurance eligibility reviews, billings, and claims submittals to maximize reimbursements.

- **Patient Experience Management:** The company's PXM business enhances client interactions with medical practices through apps incorporating check-in, messaging, and online appointment scheduling services.

- **Digital Health:** CareCloud Wellness is the company's digital health solution incorporating Chronic Care Management (CCM) and Remote Patient Monitoring (RPM) services that facilitate virtual patient consultations and EHR data collection in a timely and cost-effective manner (Exhibit 6).

- **Professional Services:** CCLD's consulting services span third-party software selection and implementation, RCM optimization, project management, data analytics, staffing, and related training/education.

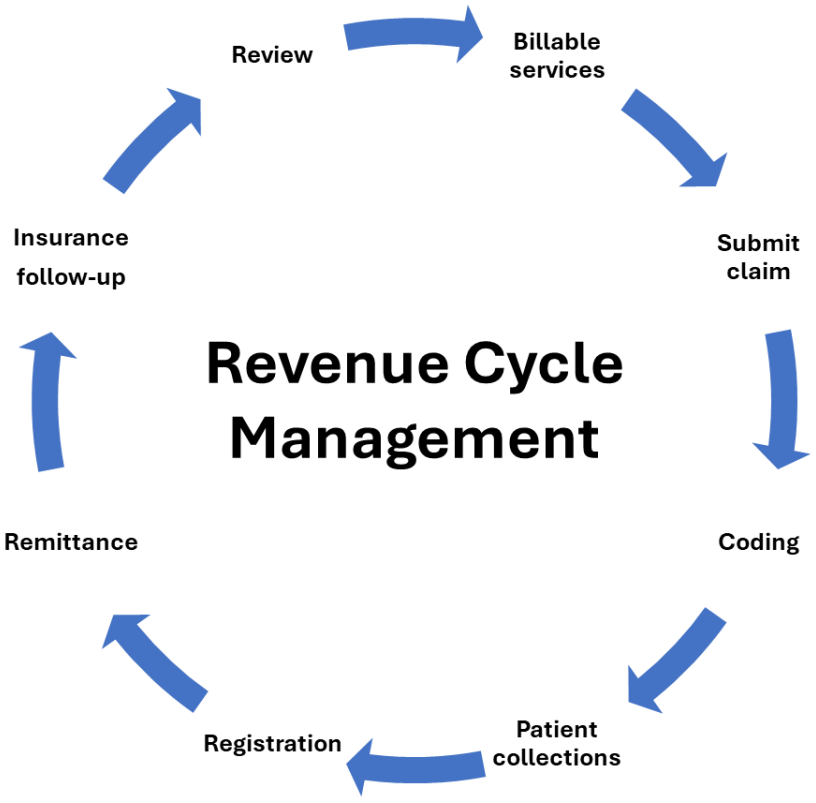
- **Medical Practice Management:** The company provides facilities, supply chain, staffing, billing/accounting, and other administrative/advisory services to three pediatric groups as a result of long-term contracts inherited from a prior acquisition.

Exhibit 4: CCLD Offers a Full Suite of Business Services…



Source: Company reports.

Exhibit 5: …Including Revenue Cycle Management…



Source: Zacks Small Cap Research.

Exhibit 6: …And Digital Health Solutions

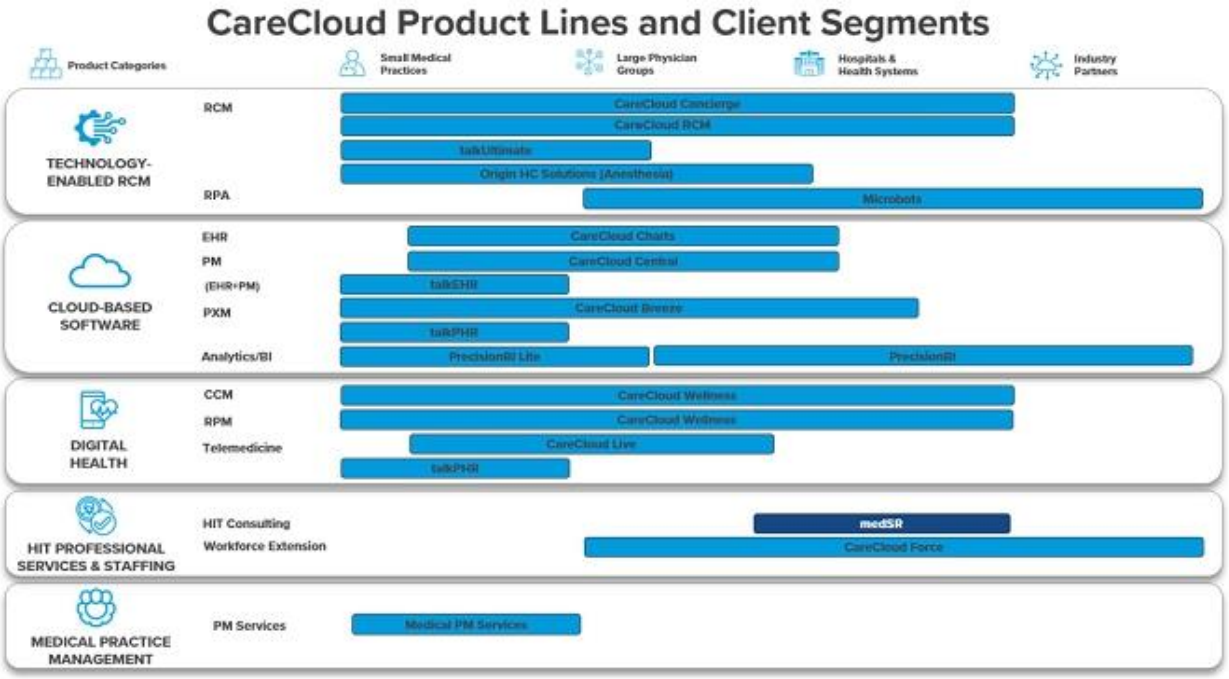


Source: Company reports.

Importantly, CareCloud maintains three key differentiating factors that we believe position the company for ongoing market share gains:

1. **CareCloud provides healthcare practices with revenue cycle management services integrated within the company's proprietary technology platform.** Integrated solutions streamline administrative workflows, standardize data collection/analytics, lower operating costs, and most importantly, enable practitioners to devote more time to patient care. Indeed, a majority of CCLD's revenues come in the form of a bundled fee (based on a percentage of payments collected) encompassing technology-enabled RCM solutions combined with cloud-based electronic health records, practice management, patient experience management, and analytics software (Exhibit 7) – though certain clients opt to engage CCLD for select services on a SaaS basis.

Exhibit 7: Broad Array of Services Across Clients



Source: Company reports.

2. **Management remains focused on increasingly leveraging the company's technology to deliver operational efficiencies and improve customer experiences for healthcare providers, and ultimately accelerate growth for CareCloud.** Beyond ongoing software development initiatives to better serve customer needs across a continually evolving marketplace, two broader healthcare trends remain front and center as it relates to the company's technology strategy:

    - To start, CCLD's cloud-based solutions bolster electronic health records management, data security, and patient access, in particular, while lowering costs and improving productivity.

    - Next, further integrating Artificial Intelligence (AI) into CCLD's solutions remains a top priority for the management team. From a product standpoint, the company recently launched cirrusAI, a powerful tool designed to improve patient care via enhanced decision-making, greater operational efficiencies, and optimized revenue capture. More specifically, cirrusAI leverages CareCloud's AI and EHR capabilities to summarize clinical documentation, automate data input, convert patient notes into structured data, suggest diagnosis codes/procedures, and streamline the claims/appeals process. While not yet material from a standalone revenue perspective, cirrusAI remains a key differentiator when marketing CCLD's bundled services.

3. **CCLD typically offers more competitive pricing versus peers primarily reflecting the company's offshore infrastructure.** With established offices in Pakistan and Sri Lanka, CareCloud maintains a specialized workforce of approximately 3,300 team members representing about 90% of the company's full-time employee base, with the residual ~10% located here in the U.S. (Exhibit 8). Importantly, compensation costs in Pakistan/Sri Lanka remain roughly 85% lower on average relative to comparable rates in the U.S., with lower offshore expenses translating into more competitive pricing for CCLD's clients. Furthermore, management typically transitions acquired company employees to CareCloud's offshore offices, thereby driving meaningful expense synergies and higher M&A earnings accretion/investment returns, all else equal.

Exhibit 8: Offshore Infrastructure Remains a Key Differentiating Factor

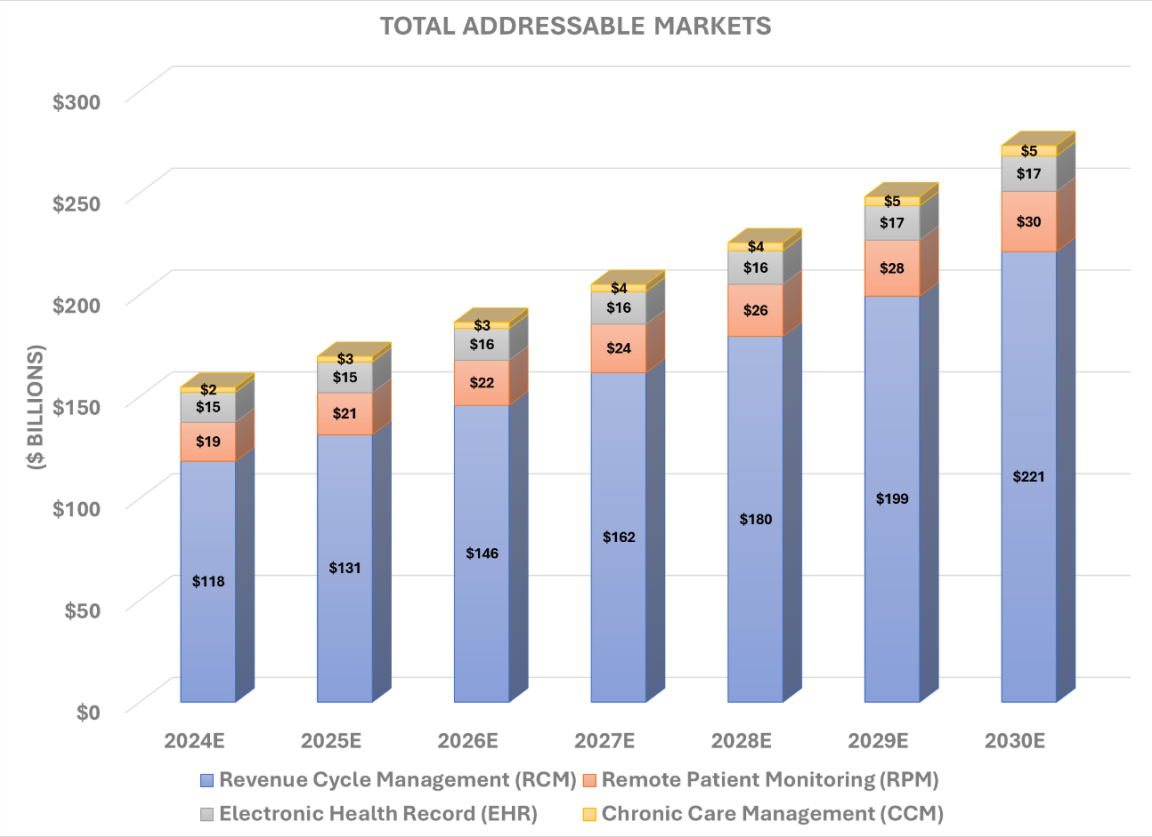


Source: Company reports.

SETTING THE STAGE FOR REACCELERATING GROWTH

Following a period of declining revenue (mostly a function of acquisition dis-synergies), we believe the stars are aligning for reaccelerating growth. At a high level, quantifying CCLD's Total Addressable Market (TAM) remains a bit challenging given the company's various services/businesses (RCM, EHR, RPM, CCM, patient portals, etc.). Having said that, compiling data from various studies suggests CCLD can increasingly tap into an estimated $155 billion revenue opportunity. As shown in Exhibit 9, Revenue Cycle Management accounted for a large majority of TAM revenue last year (nearly $120 billion), with EHR and RPM/CCM businesses generating ~$15 billion and ~$20 billion of fees in 2024, respectively.

Exhibit 9. Large/Growing TAM



Sources: Analyst work based on information from Mordor Intelligence, Data Bridge, Research & Markets, and Straits Research.

Looking ahead, industry forecasts project strong/steady growth across markets – 10% CAGR in aggregate through 2030 – with Chronic Care Management and RCM set to post the steepest trajectories (12.8% and 11.0%, respectively). Industrywide growth drivers likely include:

1. **Stepped-up outsourcing:** Outsourcing RCM services is increasingly gaining traction with healthcare providers as a means of streamlining operations and reducing escalating expenses related to progressively more complex billing/payments/reimbursement models. More specifically, differentiated solutions can minimize staffing requirements and improve collection rates, thereby driving lower costs, delivering operational efficiencies, and optimizing revenue capture.

2. **Rising costs:** Rising health insurance costs and evolving plan designs continue to impact billing/collections processes and patient experiences across smaller medical practices, large physician groups, and broader healthcare organizations. As such, providers are increasingly turning to bundled solutions to enhance related economics.

3. **Shifting demographics:** Federal health insurance programs including Medicaid and Medicare are becoming more prevalent, particularly as the U.S. population continues to age. With government-sponsored health insurance programs typically paying out lower reimbursement rates relative to private insurance plans, providers/practices are increasingly focused on optimizing Revenue Cycle Management.

4. **Regulatory reform:** Healthcare organizations need to remain in compliance with continually shifting regulatory/legislative requirements, particularly as it relates to insurance reform. Healthcare services providers often facilitate compliance with the dynamic regulatory landscape and automate license verifications.

ORGANIC GROWTH

Competition across Healthcare services industries – including RCM, EHR, and practice management businesses – remains stout. To be sure, the RCM industry, in particular, remains highly fragmented, with upwards of 1,500 providers. That said, most players are small private companies that lack proprietary technology solutions and partner with third-party software firms.

CCLD market share regulators likely include competing against larger, more established providers with greater financial resources, government initiatives/incentives, and ongoing consolidation across health systems driving internalization of billing/collections management to realize economies of scale.

That said, a large/growing TAM combined with CCLD's modest starting market share positions the company for outsized organic growth, we believe. As shown in Exhibit 10, CCLD's share of the Revenue Cycle Management (RCM), Remote Patient Monitoring (RPM), Electronic Health Record (EHR), and Chronic Care Management (CCM) markets will approach just 7 bps based on our revenue forecast for 2025. Assuming just one basis point of incremental market share over each of the next five years, our math suggests CCLD revenue to reach $320+ million in 2030 representing a CAGR of ~23%. Turning to profitability, we think CCLD's Adjusted EBITDA margin can expand by 250 bps from 23.9% in 2025 to 26.4% in 2030. As such, our back-of-the-envelope calculations put Adjusted EBITA at $85 million in 2030 translating into a 25.3% five-year CAGR.

Exhibit 10. Modest Market Share Gains Implies Outsized Revenue/EBITDA Growth

	2025E	2026E	2027E	2028E	2029E	2030E	CAGR
CCLD Market Share	0.07%	0.08%	0.09%	0.10%	0.11%	0.12%	
Revenue ($M)	$115	$146	$180	$221	$268	$322	**22.8%**
Adjusted EBITDA Margin	23.9%	24.4%	24.9%	25.4%	25.9%	26.4%	
Adjusted EBITDA ($M)	$28	$36	$45	$56	$70	$85	**25.3%**

Source: Company reports and Zacks Small Cap Research estimates and calculations.

Fleshing it out a bit further, organic growth drivers likely include:

1. **Comprehensive suite of complementary services:** As discussed earlier, CareCloud offers fully integrated RCM, EHR, and practice management services leveraging the company's innovative software – a key differentiating factor versus more limited service providers lacking proprietary technology. Furthermore, CCLD's lower-cost offshore workforce often drives more competitive pricing.

2. **Targeted marketing:** The company maintains a segmented sales force focused on promoting CCLD's customizable services across small medical practices, large groups, and broader health systems. The direct sales force and offshore staff are charged with improving CareCloud's brand awareness, expanding the company's client footprint, and increasingly cross-selling to existing clients, with the goal of gaining market share and maximizing revenue per client.

3. **Market expansion:** Management remains focused on continuing to broaden the company's services capabilities, innovative technologies, and market footprints to more fully address customer needs and further enhance growth.

4. **Strategic partnerships:** As a supplement to CCLD's sales force, the company leverages existing relationships with third parties for sales/promotional support. Furthermore, CareCloud provides access to complementary products and services via the company's building ecosystem of partners (Exhibit 11), thereby strengthening engagements with existing clients.

Exhibit 11: Multi-Faceted Organic Growth Model



Source: Company reports.

M&A = KEY GROWTH LEVER

In addition to organic initiatives, we look for stepped up acquisition activity to increasingly turbocharge growth. Indeed, CCLD maintains a long and successful track record of acquiring primarily RCM companies. Since 2007, the company has completed 25 transactions (Exhibit 12), though the last deal (medSR) closed in June 2021 (as management took a more inward-looking/capital preservation approach over the last several years).

The CCLD M&A playbook typically includes buying distressed and/or sub-scale RCM companies that lack proprietary technology at less than 1x sales to acquire existing customer relationships. Post-acquisition, management leverages CareCloud's technology capabilities and offshore talent to reduce labor costs, improve efficiencies, and drive outsized Returns on Investment (ROIs) and strong revenue growth. Indeed, CCLD posted a revenue CAGR of 35%+ from 2012 to 2022 – a period of robust/sustained M&A activity. As such, we expect acquisitions to meaningfully contribute to reaccelerating revenue growth assuming transaction volumes ramp up.

Exhibit 12. CCLD Maintains a Long & Successful M&A Track Record

	Company	Date	Description	State
1	Advanced Physicians Billing	January-2007	RCM	Florida
2	Santco	November-2008		West Virginia
3	Medical Accounting and Billing	February-2010	RCM	Montana
4	meditab	September-2010	EHR, practice management	New Jersey
5	Better Billing	June-2011	RCM	New Jersey
6	United Physicians Management	February-2012	RCM	North Carolina
7	Globalnet Solutions	March-2012	Medical practice, RCM	Ohio
8	Health Care Solutions	July-2012	RCM	New Jersey
9	Metro Medical Management Services	June-2013	RCM	New York
10	Omni Medical Billing Services	July-2014	RCM	California
11	CastleRock Solutions	July-2014	RCM/IT consulting	California
12	Practicare Medical Management	July-2014	RCM	New York
13	Valiant Management Solutions	November-2014	Healthcare IT/RCM	California
14	SoftCare Solutions	June-2015	Healthcare IT/RCM	Texas
15	MedTech Professional Billing	September-2015	RCM	New York
16	Gulf Coast Billing	February-2016	RCM	Texas
17	Renaissance Physician Services	May-2016	RCM	Tennessee
18	WFS Services	July-2016	RCM	New Jersey
19	MediGain	October-2016	RCM	Texas
20	Washington Medical Billing	July-2017	RCM	Washington
21	Orion Healthcorp	July-2018	RCM, practice management, GPO	Texas
22	Etransmedia Technology	April-2019	RCM	New York
23	CareCloud	January-2020	Healthcare IT/business solutions	Florida
24	Meridian Medial Management	June-2020	Healthcare IT	Connecticut
25	MedMatica ("medSR")	June-2021	Consulting	Tennessee

Source: Company reports.

In order to frame the M&A opportunity from a potential revenue accretion perspective, we walk through hypothetical equity financing capacity in Exhibit 13. Importantly, management seems reluctant to take on additional straight/preferred debt to fund acquisitions. To start, CCLD maintained 35 million of authorized shares of common stock, with ~17 million issued as of September 30, 2024. That implies an incremental ~18 million shares currently in "war chest."

In addition, the company recently filed a preliminary proxy to approve increasing the number of authorized shares by 50 million – to be voted on at a Special Meeting on January 27, 2025. Part of the rationale for increasing CCLD's authorized share pool is to facilitate the potential conversion of Series A Preferred Stock to common shares to finance M&A (and reduce underwriting costs related to a larger equity capital raise).

Taking it a step further, the company's Certificate of Incorporation allows for the conversion of Series A Preferred Stock to common stock based on a $25 liquidation preference plus accumulated dividends (~$28 per share) divided by CCLD's trailing 20-day Volume-Weighted Average Price (VWAP) – $3.43 as of January 17, 2025.

All in, we calculate the company would be in a position to offer ~31 million of incremental shares to finance future M&A based on the net of: a) 18 million of shares currently in the "war chest"; b) increasing the share authorization by 50 million; and c) converting 4.5 million shares of Series A Preferred Stock into 37 million of common shares. Notably, conversion of the preferred stock to common shares would eliminate the related dividend burden (~$10 million per year) and reduce underwriting costs related to a larger equity capital raise, beyond adding capacity for acquisitions.

Finally, assuming a 5% discount to the current VWAP and a 7% underwriting discount, we put incremental equity capital related to offering 31 million shares under our scenario at $94 million. Assuming a 0.8x Price/Sales ratio (prior CCLD acquisition multiples have ranged from 0.6x to 0.85x on average) implies ~$120 million of deal-related revenue, or more than the company's current run-rate.

All that said, our hypothetical M&A accretion analysis assumes senior executives issue 100% of available shares, with the proceeds put to work with immediate effect. More than likely, equity capital raises and related deployment will play out over time, thereby limiting upfront shareholder dilution and M&A accretion. Furthermore, at current stock prices, management seems less inclined to utilize shares as an M&A currency – meaning a sizeable equity offering appears unlikely in the near term. Finally, prior acquisitions have typically involved a combination of payments at closing (25% to 50% of total considerations on average), as well as earnouts over time, thereby minimizing initial issuance/capital outlays.

Exhibit 13. Thinking Through M&A Capacity/Accretion

(millions)

Current authorized shares	35.0
Incremental share authorization (1)	50.0
Common stock issued (as of 9/30/24)	(17.0)
Series A Preferred Stock conversion (2)	(36.9)
Total incremental shares	31.1
Current CCLD 20-day VWAP	$3.43
Offering price @ 5% discount	$3.26
Incremental equity capital ($M) (3)	$94
Average historical Price/Sales ratio	0.8x
Incremental revenue	$118
Current run-rate revenue (4)	$110
Accretion %	**107%**

(1) Pending Special Meeting vote scheduled for January 27, 2025.
(2) Based on $25 per share liquidation preference plus accumulated/unpaid dividends and 4.5 million shares outstanding.
(3) Assumes 7% underwriting discount.
(4) Based on our 2024 forecast.
Source: Company reports and Zacks Small Cap Research estimates and calculations.

IMPROVING FINANCIAL PERFORMANCE/CONDITION

RISING EARNINGS POWER

On a GAAP basis, our model calls for net losses attributable to common shareholders of ($0.23) and ($0.03) per share for 2024 and 2025, respectively. That said, excluding stock-based compensation expense, amortization of purchased intangible assets, other (income)/expense, integration costs, transaction costs, goodwill impairment charges, changes in contingent considerations, and related tax impacts, as well as preferred stock dividends, we forecast Adjusted EPS of $0.61 and $0.94 for 2024 and 2025, implying year-over-year growth rates of 112% and 54%, respectively.

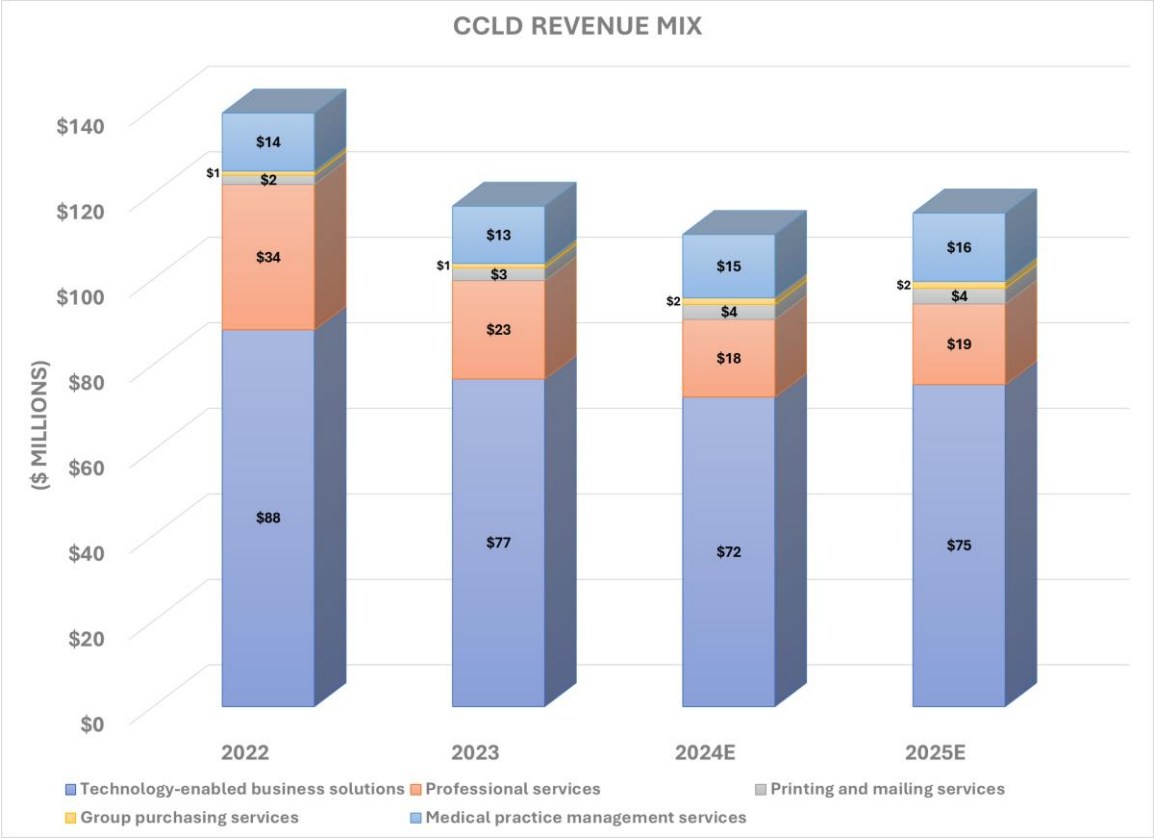
Key modeling inputs include:

1. **Reaccelerating revenue growth:** In aggregate, we forecast total revenues of $110.4 million (consistent with management's guidance range of $109 million to $111 million) in 2024 rising to $115.4 million in 2025, with a similar mix profile (Exhibit 14). CCLD generates revenue across the company's Healthcare IT and Medical Practice Management segments. Focusing on the company's core Healthcare IT business, CareCloud provides consolidated RCM, EHR, practice management, and other services. Related revenues are typically in the form of bundled fees based on a percentage of payments collected by customers (in the 3% to 6% range dependent on practice size/volume), though CCLD also offers a Software-as-a-Service (SaaS) pricing model for select solutions. Technology-enabled business solutions revenue accounted for 63% and 66% of CCLD's total revenues in 3Q24 and through the first nine months of 2024, respectively. In addition, the company generates revenues from printing and mailing, group purchasing, and professional services.

   CCLD also earns medical practice management services fees based the reimbursement of administrative, infrastructure, marketing, and RCM/accounting costs incurred plus a fixed management fee or a percentage of the practices' net operating profit (typically ~15%). From a mix perspective, medical practice management fees accounted for 15% and 13% of CCLD's total revenues in 3Q24 and through the first nine months of 2024, respectively. Despite long-term contracts and sticky fees, we forecast modest growth in related revenue looking out to 2025 and beyond.

   Stepping back, firmwide revenues have trended lower over the last couple of years. That said, most of the decline can be linked to dis-synergies with a previously-acquired company that accounted for $15+ million of foregone fees in 2024 versus 2022. Looking ahead, while we forecast modest year-over-year revenue growth in 2025, we expect a step up in the back half of this year followed by reaccelerating growth in 2026, as business development initiatives increasingly take hold and management captures incremental economics from existing customers via complementary services. Furthermore, management remains focused on monetizing the company's sizeable data reserve by partnering with life sciences, pharmaceutical, life insurance, and legal firms. Notably, CCLD generated ~$140 million in 2022 – a reasonable medium-term goal, we believe, particularly as the M&A pipeline continues to build.

Exhibit 14. Revenue Mix Across the Years

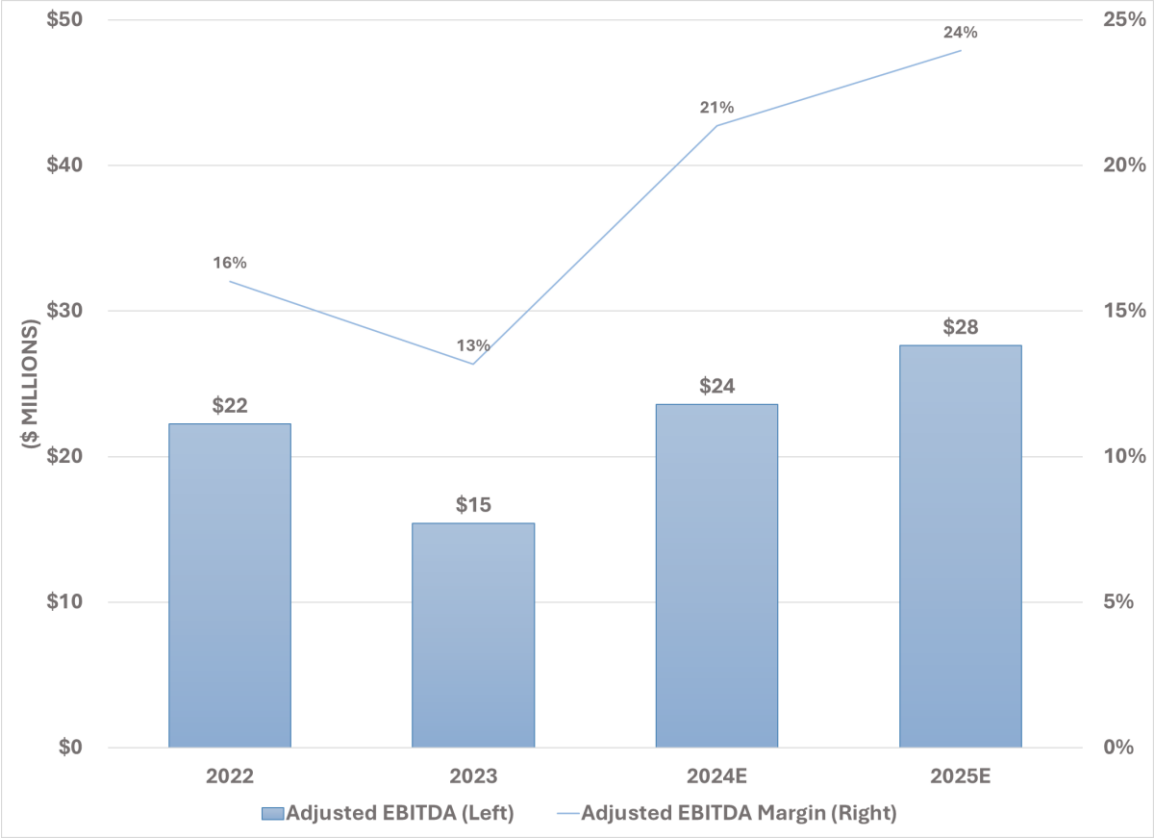


Source: Company reports and Zacks Small Cap Research estimates and calculations.

2. **Margin expansion story:** Our model assumes CCLD's Adjusted EBITDA margin continues to trend higher from 13.2% in 2023 to 21.4% in 2024 and 23.9% in 2025 (Exhibit 15). Much of our optimism can be attributed to management's cost reduction plan implemented in 2023 and 2024. More specifically, senior officials right-sized the expense base to better align with CCLD's revenue run-rate through headcount reductions and lower selling and marketing costs. Approximately 75% of the $26 million in annualized cost reductions were realized in 2024, with the residual savings to come this year. Looking forward, management remains focused on further efficiencies, particularly as it relates to increasingly leveraging Artificial Intelligence (AI) and technology more broadly to drive higher margins. From an operational perspective, teams continue to introduce AI to replace manual processes including denial management and claims follow-up activities to reduce costs and improve productivity.

   Next, we expect CCLD to continue to leverage the company's offshore infrastructure. While ~90% of the company's 3,700 total employee base is based in Pakitan and Sri Lanka (across finance/accounting, legal, sales, marketing, R&D, and medical billing teams), related operations accounted for just 15% of total expenses for the first nine months of 2024 – reinforcing a key financial/margin advantage for CareCloud. From an M&A perspective, a key driver of value creation remains CCLD's ability to drive meaningful expense savings by transitioning target company headcount to lower-cost offshore operations, thereby driving higher ROIs, all else equal.

Exhibit 15. Adjusted EBITDA Margin Expansion



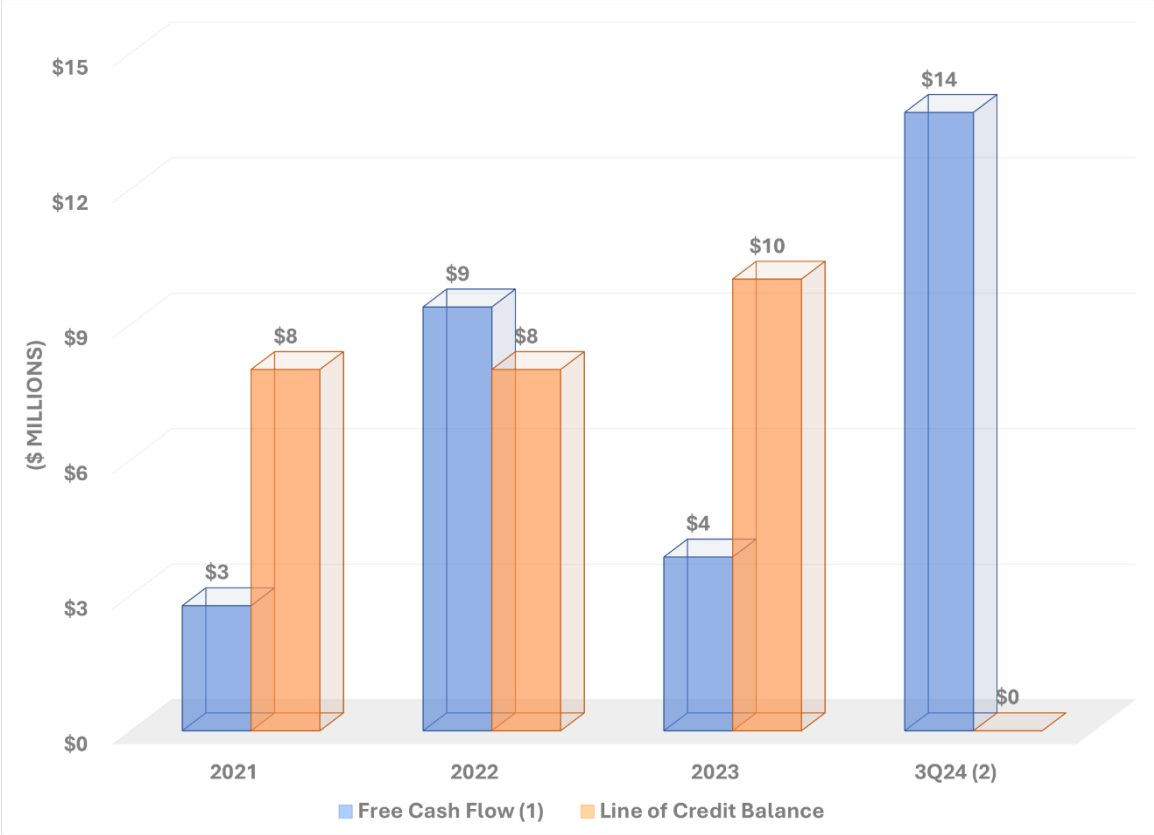
Source: Company reports and Zacks Small Cap Research estimates and calculations.

STRENGTHENING BALANCE SHEET

Following more recent moves to strengthen the balance sheet, management is seemingly "switching to offense" from a capital allocation perspective. More specifically, senior officials recently leveraged building free cash flow to fully pay down the remaining $5 million balance previously outstanding on the company's line of credit (Exhibit 16), thereby lowering related interest expense going forward.

Looking ahead, capital allocation priorities likely remain reinvesting in the business to accelerate growth, capitalizing on M&A opportunities, and reinstating dividends on CCLD's Series A and Series B Cumulative Redeemable Perpetual Preferred Stock. As background, the Board suspended dividend payments (not accruals) in December 2023 across Series A and Series B Preferred Stock. Subsequently, shareholders recently approved lowering the dividend from 11% to 8.75% for Series A Preferred Stock, consistent with the Series B payout, in exchange for similar change-of-control protections along with rights to exchange shares for common stock at $25 per share, plus accrued/unpaid dividends. Furthermore, management remains confident the Board will resume cash dividend payments across Series A and Series B Preferred Stock in March.

Exhibit 16. Accelerating FCF + Declining Leverage



(1) Management defines “free cash flow” as the sum of net cash provided by operating activities less cash used for purchases of property and equipment and cash used to develop capitalized software and other intangible assets.
(2) YTD through 9/30/24 annualized.
Source: Company reports.

3Q24 FINANCIAL RESULTS

Financials

- CCLD generated $28.5 million of revenue during 3Q24 compared to $29.3 million for the year-ago quarter. The modest year-over-year decline was mostly a function of lower project-based professional services fees.

- CCLD reported GAAP net income of $3.1 million for 3Q24 – the company's second consecutive positive net income quarter, and a reversal from a net loss of $2.7 million for the year-ago quarter. After taking into consideration preferred stock dividends, the company reported a net loss attributable to common shareholders of $0.7 million, or ($0.04) per share, for 3Q24 compared to a net loss of $6.7 million, or ($0.42) per share, for 3Q23.

- Adjusted EBITDA totaled $6.8 million for 3Q24 representing the highest quarterly level over the preceding two years, and more than double the $3.2 million in 3Q23. Following through, management raised Adjusted EBITDA guidance from $21 million to $23 million to $23 million to $25 million for 2024.

Capital & Cash Flows

- As of September 30, 2024, cash on the balance sheet totaled $2.8 million compared to $3.3 million as of December 31, 2023.

- Through the first three quarters of 2024, CCLD generated $15.4 million of operating cash flow, up from $11.7 million for the comparable period in 2023.

- Free cash flow (net cash provided by operating activities less cash used for purchases of property and equipment and cash used to develop capitalized software and other intangible assets) totaled $5.4 million in 3Q24, up more than 5x from $1.1 million in 3Q23.

- During 3Q24, management fully paid down the company's line of credit facility with cash from operations. Prior credit facility balances totaled $10 million and $5 million at December 31, 2023, and June 30, 2024, respectively.

- Management reiterated plans to resume Series A and B Preferred Stock dividend payments on March 15, 2025.

- Series A Preferred Stock shareholders approved a proposal to cut the dividend from 11% to 8.75%, or consistent with Series B Preferred Stock rate, thereby reducing related cash outlays by $2.5 million per year.

MANAGEMENT TEAM

Mahmud Haq
Founder and Executive Chairman

Mr. Haq founded CareCloud (formerly known as MTBC), and currently serves as Executive Chairman. Previously, Mr. Haq served as Chief Executive Officer and President of Compass International Services, as well as Vice President of Global Risk Management for American Express. Mr. Haq graduated from Bridgewater State College, with a B.S. in Aviation Management, and received an MBA, with a concentration in Finance, from Clark University.

A. Hadi Chaudhry
Co-Chief Executive Officer

Mr. Chaudhry has served as Co-Chief Executive Officer since January 2025, with a focus on further leveraging the company's differentiated technology and AI capabilities across products and channels. Mr. Chaudhry joined the company in October 2002, and previously served as Manager of IT, General Manager, Chief Information Officer, Vice President of Global Operations, President, and Chief Executive Officer. Mr. Chaudhry graduated from the University of the Punjab, with a B.S. in Mathematics.

Stephen Snyder
Co-Chief Executive Officer

Mr. Snyder has served as Co-Chief Executive Officer since January 2025, with a focus on driving growth via new markets and partnerships, as well as acquisitions. Mr. Snyder initially joined the company in August 2005, and previously served as Chief Operating Officer, Chief Strategy Officer, President, and Chief Executive Officer. Mr. Snyder graduated from Montclair State University, with a B.A. degree, and received a J.D. from Rutgers University.

Crystal Williams
President

Ms. Williams was appointed President in January 2025, with a focus on client experience including areas such as Client Success, Client Operations, Credentialing and Coding. Ms. Williams joined the company in May 2024, and previously served as Chief Operating Officer. Prior to joining CareCloud, Ms. Williams served as Vice President Operations at Merdian Medical Management and Operations Senior Director at GE Healthcare IT. Ms. Williams graduated from Holyoke College, with a degree in Accounting and Finance.

Norman Roth
Chief Financial Officer

Mr. Roth joined in September 2014, and leads the company's financial operations as Chief Financial Officer. Mr. Roth's prior experience includes forensic accounting roles, Director of External Reporting, Treasury and Tax at WWOR-TV, and as senior manager at Ernst & Young LLP. Mr. Roth is a Chartered Public Accountant and graduated from Rutgers College, with a B.A. degree, and received an MBA from the Fairleigh Dickinson University.

DISCOUNTED VALUATION IMPLIES MEANINGFUL UPSIDE

We are initiating coverage of CareCloud with a price target of $7.00 representing meaningful upside potential from the stock's current levels. CCLD was up 141% in 2024 – materially outperforming peer stocks and the broader equity markets – reflecting rising confidence in the sustainability of the business and growth prospects going forward following initiatives to right-size the company's cost structure, strengthen the balance sheet, and enhance cash flows.

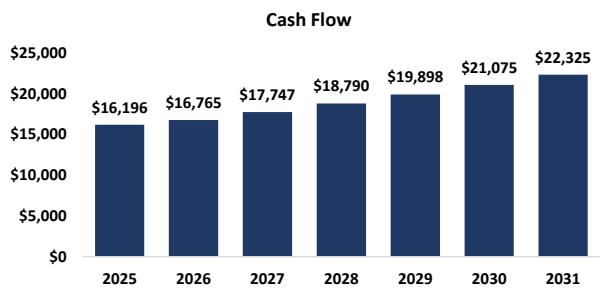
That said, we see further room to run for the stock, as awareness and appreciation of the company's unique business model, durable competitive advantages, reaccelerating growth prospects, and valuation disconnect increasingly take hold. On top of that, we view the reinstatement of preferred stock dividends in March as a key near-term catalyst for the shares, with insiders owning nearly 40% of common stock outstanding, thereby reinforcing strong management/shareholder alignment.

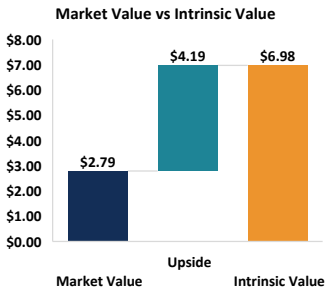
Turning to valuation, despite what we believe to be conservative inputs/assumptions, our DCF model suggests a wide disconnect between CCLD's fundamentals and the stock's current price. As shown in Exhibit 17, key inputs include: 1) explicit EBIT forecasts through 2025; 2) steady EBIT growth of 8% through the end of the forecast period; 3) a 20% discount rate – on the high end to account for CCLD's risk profile; 4) a perpetual growth rate of 3% despite sustainably higher growth rates for the foreseeable future; and 5) an exit EV/EBITDA multiple of 5x.

Exhibit 17. DCF Model Suggests Material Upside Potential

CareCloud, Inc.
DCF Model ($ 000s)

Assumptions	
Tax Rate	21%
Discount Rate	20%
Perpetural Growth Rate	3%
EV/EBITDA Mulltiple	5.0x
Fiscal Year End	12/31/24
Current Price	2.79
Shares Outstanding	16,488
Debt	535
Cash	2,782
Capex	7,435





Source: Company reports and Zacks Small Cap Research estimates and calculations.

Furthermore, we looked at peer valuation multiples to validate our DCF-based price target. As shown in Exhibit 18, comparable Healthcare Information Services small cap stocks including Definitive Healthcare (DH), Forian (FORA), Health Catalyst (HCAT), Nutex Health (NUTX), OptimizeRx (OPRX), and TruBridge (TBRG) trade at meaningfully higher Price-to-Earnings multiples across the board. While we recognize most companies on the list are meaningfully larger, with considerable infrastructure, resource, and financial advantages, CCLD maintains a sizeable lead in terms of projected growth, thereby justifying a comparable (if not higher) P/E multiple, in our minds. Notably, most peers are currently trading at around 16.5x 2025 EPS. Simply applying a similar multiple to our 2025 adjusted EPS estimate of $0.94 translates into a fair value north of $15 for the stock.

Exhibit 18. CCLD Trading Well Below Peers Based on P/E Multiples

CareCloud, Inc.
Valuation Comps
($ millions)

Company	Ticker	1/17/25 Price	Mrkt Cap	Earnings Per Share 2024E	Earnings Per Share 2025E	Growth	Price/Earnings 2024E	Price/Earnings 2025E	BV	Price/ TBV
Definitive Healthcare Corp.	DH	$3.94	$455	$0.34	$0.29	-15%	11.6x	13.6x	$4.39	0.9x
Forian Inc.	FORA	$2.03	$63	$0.08	$0.08	0%	25.3x	25.3x	$0.85	2.4x
Health Catalyst, Inc.	HCAT	$5.49	$334	$0.32	$0.42	31%	17.2x	13.1x	$5.84	0.9x
Nutex Health Inc.	NUTX	$37.81	$206	N/A	$2.13	N/A	N/A	17.8x	$11.59	3.3x
OptimizeRx Corporation	OPRX	$4.81	$89	$0.31	$0.34	10%	15.5x	14.1x	$5.70	0.8x
TruBridge, Inc.	TBRG	$22.93	$342	$0.41	$1.57	283%	55.9x	14.6x	$11.11	2.1x
Averages						**62%**	**25.1x**	**16.4x**		**1.7x**
CareCloud, Inc.	**CCLD**	**$2.79**	**$45**	**$0.61**	**$0.94**	**54%**	**4.6x**	**3.0x**	**$2.87**	**1.0x**

Source: Company reports and Zacks Small-Cap Research.

Our valuation work does not explicitly account for the company's $274 million of federal Net Operating Loss (NOL) carry forward as of December 31, 2023, with much of the total related to the company's acquisitions of CareCloud (January 2020) and Meridian Medial Management (June 2020). Furthermore, CCLD's NOL carry forward likely offsets applicable income taxes for the foreseeable future, thereby sustainably enhancing EPS.

INVESTMENT RISKS

1. **Going concern:** Declining revenue (mostly a function of dis-synergies related to a prior acquisition), stubborn expenses, and a $42 million goodwill impairment charge in 2023 raised concerns around the sustainability of CCLD's profitability. Indeed, the company reported a net loss attributable to common shareholders of $64.3 million last year, or ($4.11) per share. Moreover, from a liquidity standpoint, cash on the balance sheet declined from $12.3 million as of December 31, 2022, to $3.3 million at the end of 2023. Subsequently, management and the Board implemented several initiatives designed to enhance cash flows and strengthen the company's financial condition. Key programs included a $20+ million cost reduction plan, suspending preferred stock dividends, and reducing debt. Looking ahead, the resumption of dividend payments likely removes a meaningful overhang on the stock.

2. **M&A execution:** As detailed earlier, we expect acquisitions to play an increasingly important role in CCLD's growth trajectory. That said, all transactions carry meaningful execution and operational risks. Furthermore, shareholders likely risk dilution, assuming prospective deals are at least partially financed with equity, with CCLD carrying higher interest expense should management opt to fund incremental acquisitions by tapping the company's existing line of credit and/or issuing debt. Finally, while management has historically remained disciplined on upfront pricing, stepped-up customer attrition following a change-of-control (not uncommon for RCM M&A) can materially compromise longer-term returns on investments.

3. **Offshore operations:** Much of CCLD's pricing and margin competitive advantages can be linked to the company's offshore operations. As mentioned, CCLD employs approximately 3,300 employees in Pakistan (and to a much lesser extent, Sri Lanka) focused on website development/maintenance, customer support, and medical billing. Importantly, labor costs remain a fraction of comparable compensation rates in India and here in the U.S. Having said that, political/social unrest, deteriorating employee relations, waning infrastructure, FX volatility, legal/regulatory changes, or trade/tariff policy shifts may adversely impact operations, thereby compromising CCLD's operations, expense structure, and/or profitability.

4. **Regulatory landscape:** The healthcare industry remains highly regulated, with CCLD's various business lines subject to numerous Federal agencies, acts, regulations, and state laws. More relevant statutes include the Health Insurance Portability and Accountability Act (HIPPA), the Health Information Technology for Economic and Clinical Health (HITECH) Act, the 21st Century Cures Act, the Anti-Kickback Statute (AKS), the Federal Food, Drug, and Cosmetic Act (FDCA), and the Affordable Care Act (ACA). Failure to comply with applicable regulations may adversely impact the company's operations, increase costs, and/or expose CCLD to material legal liabilities/penalties. Moreover, the new administration in the U.S. adds incremental uncertainty around potential healthcare reform.

5. **Variable revenue structure:** As discussed earlier, a majority of CCLD's revenues are based on variable metrics, i.e., a percentage of payments collected for RCM contracts or a percentage of operating profits for turnkey medical practice management clients, thereby heightening top line volatility. Beyond traditional KPIs centered on engagement, product breadth/depth, relative pricing, and customer service, external factors that may pressure CCLD's revenue include unanticipated changes in government/regulatory programs, insurance reimbursement policies, the level/pace of contract renewals, and/or medical practice client profits, as well as broader healthcare industry trends.

PROJECTED GAAP INCOME STATEMENT

CareCloud, Inc.
($ thousands)

	Quarterly								Annual				Y/Y Growth		
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	2022	2023	2024E	2025E	2023	2024E	2025E
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-22	Dec-23	Dec-24	Dec-25	Dec-23	Dec-24	Dec-25
Revenues:															
Healthcare IT															
Technology-enabled business solutions	19,495	19,620	18,763	18,762	17,283	19,034	17,871	18,228	88,140	76,640	72,416	75,313	-13%	-6%	4%
Professional services	6,560	5,504	5,691	5,267	4,422	4,491	4,854	4,369	33,984	23,022	18,136	18,861	-32%	-21%	4%
Printing and mailing services	713	687	749	819	861	809	969	872	2,207	2,968	3,511	3,652	34%	18%	4%
Group purchasing services	186	174	389	304	155	246	608	547	945	1,053	1,556	1,618	11%	48%	4%
Medical Practice Management															
Medical practice management services	3,047	3,377	3,688	3,264	3,241	3,510	4,244	3,820	13,550	13,376	14,815	16,000	-1%	11%	8%
Total Revenues	**30,001**	**29,362**	**29,280**	**28,416**	**25,962**	**28,090**	**28,546**	**27,836**	**138,826**	**117,059**	**110,434**	**115,444**	**-16%**	**-6%**	**5%**
Operating Expenses:															
Direct operating costs	18,107	17,476	18,260	16,974	15,177	15,242	15,420	15,036	84,434	70,817	60,875	62,361	-16%	-14%	2%
Selling and marketing	2,612	2,580	2,337	2,121	1,770	1,664	1,375	1,341	9,788	9,650	6,150	5,561	-1%	-36%	-10%
General and administrative	5,120	5,916	5,482	4,946	3,721	4,028	4,378	4,269	23,820	21,464	16,396	17,705	-10%	-24%	8%
Research and development	1,078	1,185	1,260	1,213	913	1,055	800	780	4,401	4,736	3,548	3,235	8%	-25%	-9%
Change in contingent consideration	0	0	0	0	0	0	0	0	(3,090)	0	0	0	NM	NM	NM
Depreciation and amortization	3,038	3,341	3,903	4,120	3,930	3,714	3,241	3,176	11,725	14,402	14,061	11,688	23%	-2%	-17%
Goodwill impairment charges	0	0	0	42,000	0	0	0	0	0	42,000	0	0	NM	-100%	NM
Loss on lease terminations, unoccupied lea	269	153	8	675	322	116	67	0	1,138	1,105	505	0	-3%	-54%	-100%
Total Expenses	**30,224**	**30,651**	**31,250**	**72,049**	**25,833**	**25,819**	**25,281**	**24,603**	**132,216**	**164,174**	**101,536**	**100,550**	**24%**	**-38%**	**-1%**
Operating Income/(Loss)	**(223)**	**(1,289)**	**(1,970)**	**(43,633)**	**129**	**2,271**	**3,265**	**3,233**	**6,610**	**(47,115)**	**8,898**	**14,894**	**-813%**	**NM**	**67%**
Interest income	20	52	52	30	27	24	17	18	41	154	86	72	276%	-44%	-16%
Interest expense	(150)	(327)	(352)	(365)	(365)	(288)	(179)	0	(405)	(1,194)	(832)	0	NM	NM	NM
Other income/(expense), net	17	(186)	(422)	(292)	7	(294)	60	0	(637)	(883)	(227)	0	NM	NM	NM
Pre-Tax Income/(Loss)	**(336)**	**(1,750)**	**(2,692)**	**(44,260)**	**(202)**	**1,713**	**3,163**	**3,251**	**5,609**	**(49,038)**	**7,925**	**14,966**	**-974%**	**NM**	**89%**
Income tax provision	65	82	57	(568)	39	39	41	42	177	(364)	161	304	-306%	NM	89%
Net Income/(Loss)	**(401)**	**(1,832)**	**(2,749)**	**(43,692)**	**(241)**	**1,674**	**3,122**	**3,209**	**5,432**	**(48,674)**	**7,764**	**14,662**	**-996%**	**NM**	**89%**
Preferred stock dividend	3,931	3,910	3,916	3,917	5	3,923	3,789	3,789	15,517	15,674	11,506	15,156	1%	-27%	32%
Net Income/(Loss) Attributable to Common	**(4,332)**	**(5,742)**	**(6,665)**	**(47,609)**	**(246)**	**(2,249)**	**(667)**	**(580)**	**(10,085)**	**(64,348)**	**(3,742)**	**(494)**	**NM**	**NM**	**NM**
Earnings/(loss) per common share	**($0.28)**	**($0.37)**	**($0.42)**	**($3.00)**	**($0.02)**	**($0.14)**	**($0.04)**	**($0.04)**	**($0.67)**	**($4.11)**	**($0.23)**	**($0.03)**	**NM**	**NM**	**NM**
Weighted average shares outstanding	15,421	15,616	15,760	15,876	16,014	16,132	16,195	16,303	15,110	15,669	16,161	16,548	4%	3%	2%

Source: Company reports and Zacks SCR estimates and calculations.

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PROJECTED ADJUSTED INCOME STATEMENT

CareCloud, Inc.
($ thousands)

	Quarterly								Annual				Y/Y Growth		
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	2022	2023	2024E	2025E	2023	2024E	2025E
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-22	Dec-23	Dec-24	Dec-25	Dec-23	Dec-24	Dec-25
Non-GAAP Adjusted Net Income															
GAAP net income (loss)	(401)	(1,832)	(2,749)	(43,692)	(241)	1,674	3,122	3,209	5,432	(48,674)	7,764	14,662	-996%	NM	89%
Foreign exchange (gain) loss / other expense	(8)	191	426	309	(5)	306	(57)	0	712	918	244	0	29%	-73%	-100%
Stock-based compensation expense (benefit	1,072	1,502	1,209	933	(708)	265	252	252	4,914	4,716	61	1,008	-4%	-99%	1552%
Amortization of purchased intangible assets	1,323	1,251	1,201	1,200	840	586	75	75	6,277	4,975	1,576	300	-21%	-68%	-81%
Transaction and integration costs	72	107	91	16	12	11	12	12	876	286	47	48	-67%	-84%	2%
Goodwill impairment charges	0	0	0	42,000	0	0	0	0	0	42,000	0	0	NM	-100%	NM
Loss on lease terminations, unoccupied lease	269	153	8	675	322	116	67	0	1,138	1,105	505	0	-3%	-54%	-100%
Change in contingent consideration	0	0	0	0	0	0	0	0	(3,090)	0	0	0	NM	NM	NM
Income tax provision related to goodwill	26	38	17	(606)	0	0	0	0	75	(525)	0	0	-800%	NM	NM
Non-GAAP adjusted net income	**2,353**	**1,410**	**203**	**835**	**220**	**2,958**	**3,471**	**3,548**	**16,334**	**4,801**	**10,197**	**16,018**	**-71%**	**112%**	**57%**
Non-GAAP adjusted diluted earnings per sh	**$0.15**	**$0.09**	**$0.01**	**$0.05**	**$0.01**	**$0.18**	**$0.21**	**$0.21**	**$1.03**	**$0.29**	**$0.61**	**$0.94**	**-72%**	**112%**	**54%**
End-of-period shares	15,593	15,628	15,858	15,880	16,118	16,145	16,222	16,384	15,229	15,880	16,384	16,712	4%	3%	2%
Outstanding unvested RSUs	630	606	758	734	192	198	266	279	598	734	279	335	23%	-62%	20%
Total fully diluted shares	16,223	16,234	16,616	16,614	16,311	16,343	16,488	16,663	15,828	16,614	16,663	17,046	5%	0%	2%
Free Cash Flow															
Net cash provided by operating activities	1,023	6,385	4,313	3,740	4,066	4,279	7,068	6,673	21,151	15,461	22,086	27,638	-27%	43%	25%
Purchases of property and equipment	(835)	(786)	(1,066)	(376)	(298)	(127)	(334)	(337)	(2,588)	(3,063)	(1,096)	(1,403)	NM	NM	NM
Capitalized software and other intangible ass	(2,204)	(2,252)	(2,179)	(1,915)	(1,570)	(1,476)	(1,339)	(1,352)	(9,179)	(8,550)	(5,737)	(5,626)	NM	NM	NM
Free cash flow	**(2,016)**	**3,347**	**1,068**	**1,449**	**2,198**	**2,676**	**5,395**	**4,984**	**9,384**	**3,848**	**15,253**	**20,609**	**-59%**	**296%**	**35%**
Adjusted EBITDA															
GAAP net income (loss)	(401)	(1,832)	(2,749)	(43,692)	(241)	1,674	3,122	3,209	5,432	(48,674)	7,764	14,662	-996%	NM	89%
Provision for income taxes	65	82	57	(568)	39	39	41	42	177	(364)	161	304	-306%	NM	89%
Net interest expense	130	275	300	335	338	264	162	(18)	364	1,040	746	(72)	186%	-28%	-110%
Foreign exchange (gain) loss / other expense	(8)	191	426	309	(5)	306	(57)	0	712	918	244	0	29%	-73%	-100%
Stock-based compensation expense (benefit	1,072	1,502	1,209	933	(708)	265	252	252	4,914	4,716	61	1,008	-4%	-99%	1552%
Depreciation and amortization	3,038	3,341	3,903	4,120	3,930	3,714	3,241	3,176	11,725	14,402	14,061	11,688	23%	-2%	-17%
Transaction and integration costs	72	107	91	16	12	11	12	12	876	286	47	48	-67%	-84%	2%
Goodwill impairment charges	0	0	0	42,000	0	0	0	0	0	42,000	0	0	NM	-100%	NM
Loss on lease terminations, unoccupied lease	269	153	8	675	322	116	67	0	1,138	1,105	505	0	-3%	-54%	-100%
Change in contingent consideration	0	0	0	0	0	0	0	0	(3,090)	0	0	0	NM	NM	NM
Adjusted EBITDA	**4,237**	**3,819**	**3,245**	**4,128**	**3,687**	**6,389**	**6,840**	**6,673**	**22,248**	**15,429**	**23,589**	**27,638**	**-31%**	**53%**	**17%**
Adjusted Operating Income															
GAAP operating income (loss)	(223)	(1,289)	(1,970)	(43,633)	129	2,271	3,265	3,233	6,610	(47,115)	8,898	14,894	-813%	NM	67%
Stock-based compensation expense (benefit	1,072	1,502	1,209	933	(708)	265	252	252	4,914	4,716	61	1,008	-4%	-99%	1552%
Amortization of purchased intangible assets	1,323	1,251	1,201	1,200	840	586	75	75	6,277	4,975	1,576	300	-21%	-68%	-81%
Transaction and integration costs	72	107	91	16	12	11	12	12	876	286	47	48	-67%	-84%	2%
Goodwill impairment charges	0	0	0	42,000	0	0	0	0	0	42,000	0	0	NM	-100%	NM
Loss on lease terminations, unoccupied lease	269	153	8	675	322	116	67	0	1,138	1,105	505	0	-3%	-54%	-100%
Change in contingent consideration	0	0	0	0	0	0	0	0	(3,090)	0	0	0	NM	NM	NM
Adjusted Operating Income	**2,513**	**1,724**	**539**	**1,191**	**595**	**3,249**	**3,671**	**3,572**	**16,725**	**5,967**	**11,087**	**16,250**	**-64%**	**86%**	**47%**

Source: Company reports and Zacks SCR estimates and calculations.

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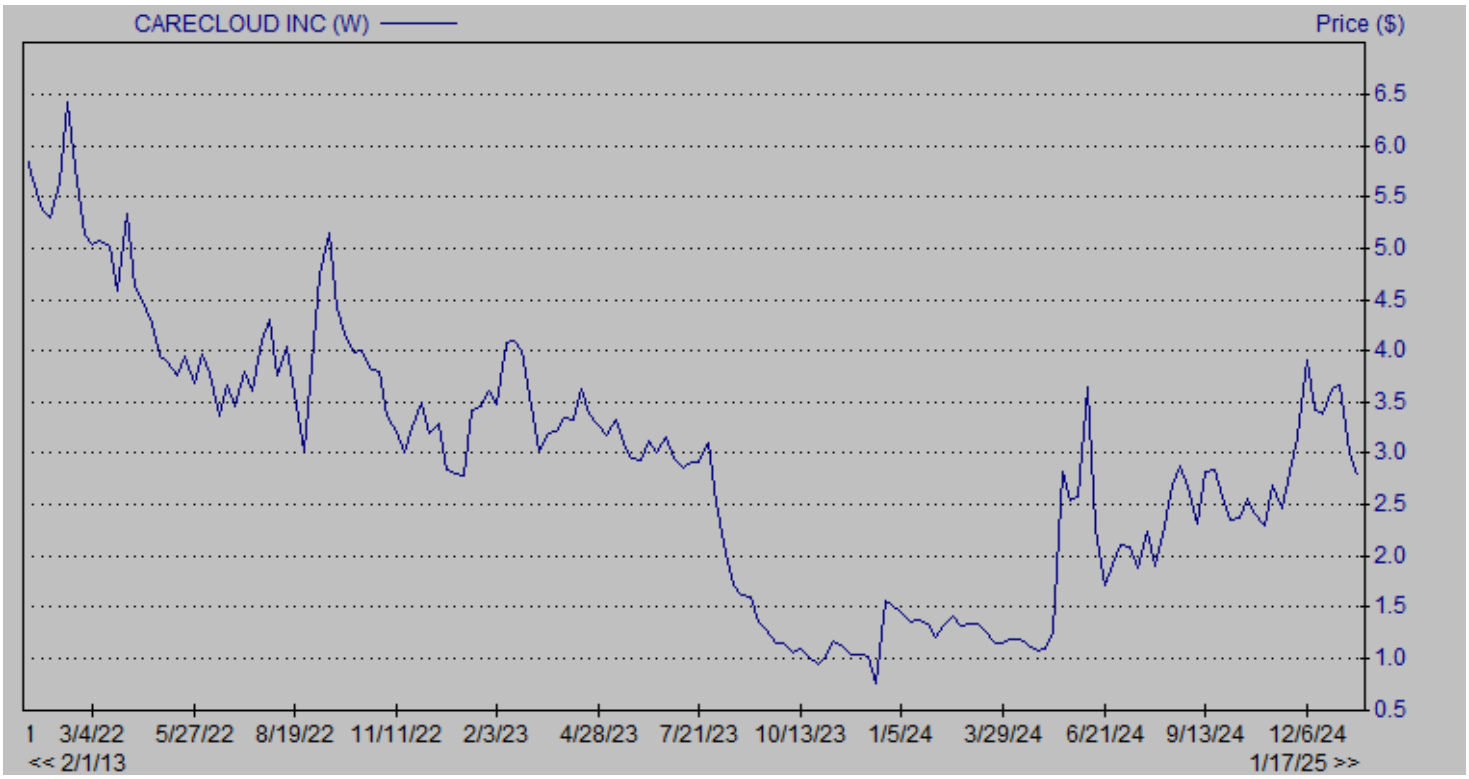
PROJECTED BALANCE SHEET

CareCloud, Inc.
($ thousands)

	Quarterly								Annual				Y/Y Growth		
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	2022	2023	2024E	2025E	2023	2024E	2025E
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Dec-22	Dec-23	Dec-24	Dec-25	Dec-23	Dec-24	Dec-25
Assets:															
Cash	8,161	7,666	6,406	3,331	4,138	2,617	2,782	2,810	12,299	3,331	2,810	2,922	-73%	-16%	4%
Accounts receivable - net	14,646	12,018	12,310	11,888	11,962	13,079	11,992	12,232	14,773	11,888	12,232	13,210	-20%	3%	8%
Contract asset	5,018	4,834	4,948	5,094	5,455	4,800	4,617	4,709	4,399	5,094	4,709	5,086	16%	-8%	8%
Inventory	265	402	478	465	480	497	514	524	381	465	524	566	22%	13%	8%
Current assets - related party	16	16	50	16	16	16	16	16	16	16	16	16	0%	0%	0%
Prepaid expenses and other current assets	3,371	2,880	3,299	2,449	2,225	2,907	2,741	2,796	2,785	2,449	2,796	3,019	-12%	14%	8%
Total current assets	31,477	27,816	27,491	23,243	24,276	23,916	22,662	23,087	34,653	23,243	23,087	24,820	-33%	-1%	8%
Property and equipment - net	4,520	4,747	5,319	5,317	5,438	5,055	4,894	4,992	5,056	5,317	4,992	5,391	5%	-6%	8%
Operating lease right-of-use assets	4,465	4,427	4,491	4,365	4,107	3,732	3,310	3,244	4,921	4,365	3,244	2,984	-11%	-26%	-8%
Intangible assets - net	28,535	27,923	26,689	25,074	23,237	21,497	20,106	19,704	29,520	25,074	19,704	18,128	-15%	-21%	-8%
Goodwill	61,186	61,186	61,186	19,186	19,186	19,186	19,186	19,186	61,186	19,186	19,186	19,186	-69%	0%	0%
Other assets	838	737	745	641	641	624	536	547	838	641	547	590	-24%	-15%	8%
Total Assets	**131,021**	**126,836**	**125,921**	**77,826**	**76,885**	**74,010**	**70,694**	**70,759**	**136,174**	**77,826**	**70,759**	**71,100**	**-43%**	**-9%**	**0%**
Liabilities:															
Accounts payable	5,191	5,179	6,243	5,798	5,921	5,448	5,567	5,567	5,681	5,798	5,567	5,567	2%	-4%	0%
Accrued compensation	2,597	3,147	3,118	3,444	2,765	2,824	2,545	2,800	4,248	3,444	2,800	2,800	-19%	-19%	0%
Accrued expenses	3,728	3,933	4,629	5,065	6,350	6,619	5,138	5,241	4,432	5,065	5,241	5,660	14%	3%	8%
Operating lease liability (current portion)	2,095	1,986	1,810	1,888	1,775	1,623	1,424	1,396	2,273	1,888	1,396	1,284	-17%	-26%	-8%
Deferred revenue (current portion)	1,394	1,242	1,527	1,380	1,386	1,224	1,312	1,312	1,386	1,380	1,312	1,312	0%	-5%	0%
Notes payable (current portion)	84	5	490	292	167	66	506	506	319	292	506	506	-8%	73%	0%
Dividend payable	4,115	4,120	4,125	5,433	5,438	5,438	5,438	5,438	4,059	5,433	5,438	5,438	34%	0%	0%
Total current liabilities	19,204	19,612	21,942	23,300	23,802	23,242	21,930	22,259	22,398	23,300	22,259	22,566	4%	-4%	1%
Notes payable	12	11	10	37	35	33	29	29	13	37	29	29	185%	-22%	0%
Borrowings under line of credit	10,000	10,000	12,000	10,000	9,000	5,000	0	0	8,000	10,000	0	0	25%	-100%	NM
Operating lease liability	2,822	2,731	2,789	2,516	2,320	2,101	1,900	1,862	3,207	2,516	1,862	1,713	-22%	-26%	-8%
Deferred revenue	350	370	422	256	308	390	327	327	342	256	327	327	-25%	28%	0%
Deferred tax liability	551	589	606	0	0	0	0	0	525	0	0	0			
Total Liabilities	**32,939**	**33,313**	**37,769**	**36,109**	**35,465**	**30,766**	**24,186**	**24,477**	**34,485**	**36,109**	**24,477**	**24,635**	**5%**	**-32%**	**1%**
Total Shareholders' Equity	**98,082**	**93,523**	**88,152**	**41,717**	**41,420**	**43,244**	**46,508**	**46,283**	**101,689**	**41,717**	**46,283**	**46,465**	**-59%**	**11%**	**0%**
Total Liabilities & Shareholders' Equity	**131,021**	**126,836**	**125,921**	**77,826**	**76,885**	**74,010**	**70,694**	**70,759**	**136,174**	**77,826**	**70,759**	**71,100**	**-43%**	**-9%**	**0%**

Source: Company reports and Zacks SCR estimates and calculations.

HISTORICAL STOCK PRICE



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