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Zacks Small-Cap Research (NOTE)

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CareCloud, Inc. (CCLD-NASDAQ)

2Q25 Earnings Preview

Reiterating Above-Consensus EPS Estimates

Ahead of 2Q25 earnings results likely to be reported during the first week of August, we are reiterating our 2025 and 2026 Adjusted EPS estimates of $0.31 and $0.40, respectively. Notably, non-GAAP Adjusted EPS figures exclude 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.

Furthermore, no change to our $5.00 DCF-derived price target. While CCLD has meaningfully outperformed more recently (discussed below), we still see considerable upside potential for the stock from current levels, as awareness and appreciation of the company's unique business model, durable competitive/technology advantages, and reaccelerating growth prospects continue to build. To be sure, comparable Healthcare Information Services small cap stocks continue to trade at significantly higher Price-to-Earnings multiples across the board, thereby reinforcing our DCF work.

Key 2Q25 highlights:

1. **Strong outperformance:** For the quarter, the stock was up 70% meaningfully outperforming the 15% gain for the Russell Microcap Index. In fact, CCLD was amongst the best performing stocks in the index during 2Q25. That said, we note the stock materially underperformed in late 1Q25, with much of the downward pressure related to the mandatory conversion of 3.5 million Series A Preferred shares in early March, and the subsequent selling of the resulting common stock.

2. **Russell index inclusion:** At the close of 2Q25, CCLD was added to the Russell Microcap Index. While difficult to accurately calculate, **we expect inclusion in the index to drive incremental buying in the near-term, as mutual funds/ETFs tracking the index take positions to minimize tracking error**.

3. **Putting Artificial Intelligence (AI) into everything:** From a business perspective, management remains focused on transforming the broader healthcare journey by increasingly leveraging Artificial Intelligence to enhance growth and drive operational efficiencies. Indeed, the company launched CareCloud's AI Center of Excellence last quarter, with the goal of enhancing CCLD's value proposition to clients (and acquisition targets) by integrating AI-enabled services across patient engagement, electronic health records, clinical documentation, revenue cycle management, practice management, analytics, and back-office functions (see our recent fireside chat with Stephen Snyder and Hadi Chaudhry, Co-Chief Executive Officers – http://scr.zacks.com/news/news-details/2025/Fireside-Chat-with-Stephen-Snyder-and-Hadi-Chaudhry-Co-Chief-Executive-Officers-of-CareCloud-Inc-).

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4. **Looking for an EPS beat:** Our Adjusted EPS estimates of $0.08 for 2Q25, $0.31 for 2025, and $0.40 for 2026 remain 15% to 30% above current consensus figures. While our revenue forecasts remain modestly ahead of general expectations, much of the upside variances seemingly center on more favorable margin assumptions. Notably, the company recently disclosed cash on the balance sheet ended 2Q25 at $10+ million, up from $6.8 million as of March 31, 2025, suggesting continued strong free cash flow generation.

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