

# Tabula Rasa HealthCare Third Quarter 2021 Earnings Call

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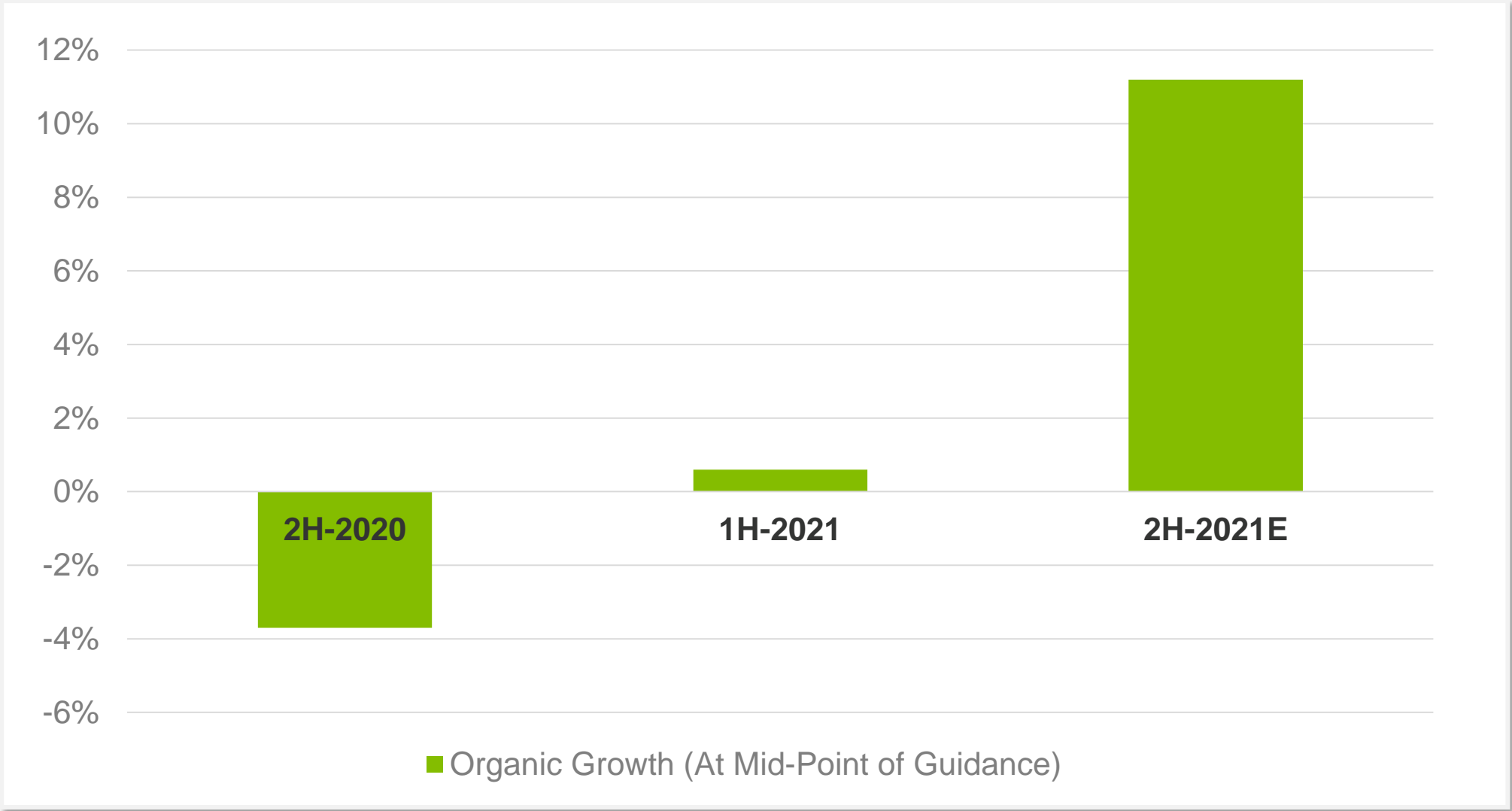


# Forward-looking Statements & Non-GAAP Information

In addition to reporting all financial information required in accordance with GAAP, TRHC is also reporting Adjusted EBITDA, Adjusted EBITDA margin, and Adjusted Diluted EPS, each of which is considered a non-GAAP financial measure. Generally, a non-GAAP financial measure is a numerical measure of a company's performance or financial position that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. Adjusted EBITDA consists of net income or loss excluding certain other expenses, which includes interest expense, provision (benefit) for income tax, depreciation and amortization, change in fair value of acquisition-related contingent consideration expense, settlement costs, severance expense incurred in 2021 related to a realignment of resources, acquisition-related expense, and stock-based compensation expense. TRHC defines Adjusted EBITDA margin as Adjusted EBITDA as a percentage of revenue. TRHC defines Adjusted Diluted EPS as net income or loss before fair value adjustments for acquisition-related contingent consideration, amortization of acquired intangibles, amortization of debt discount and issuance costs, settlement costs, severance expense incurred in 2021 related to a realignment of resources, stock-based compensation expense, and the tax impact of those items using a normalized tax rate on pre-tax income (loss) adjusted for those items expressed on a per share basis using weighted average diluted shares outstanding. TRHC considers acquisition-related expense to include non-recurring direct transaction and integration costs, severance, and the impact of purchase accounting adjustments related to the fair value of acquired deferred revenue. TRHC believes the exclusion of these items assists in providing a more complete understanding of the company's underlying operations results and trends and allows for comparability with TRHC's peer company index and industry and to be more consistent with TRHC's expected capital structure on a going forward basis. Please note that other companies may define their non-GAAP financial measures differently than TRHC. TRHC presents these non-GAAP financial measures in this release because it considers them to be important supplemental measures of performance. TRHC uses these non-GAAP financial measures for planning purposes, including analysis of the company's performance against prior periods, the preparation of operating budgets and determination of appropriate levels of operating and capital investments. TRHC believes that these non-GAAP financial measures provide additional insight for analysts and investors in evaluating the company's financial and operational performance. TRHC also intends to provide these non-GAAP financial measures as part of the company's future earnings discussions and, therefore, their inclusion should provide consistency in the company's financial reporting.

This press release includes 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, that we believe to be reasonable as of today's date. Forward-looking statements give current expectations or forecasts of future events or our future financial or operating performance, and include TRHC's expectations regarding healthcare regulations, industry trends, available opportunities to TRHC, the financial and operating performance of TRHC, the impacts of the COVID-19 pandemic and TRHC's expectations for the remainder of 2021. Such statements are identified by use of the words "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "should," and similar expressions. These forward-looking statements are based on management's good-faith expectations, judgments and assumptions as of the date of this press release. Actual results might differ materially from those explicit or implicit in the forward-looking statements. Important factors that could cause actual results to differ materially include: the impacts of the ongoing COVID-19 pandemic and other health epidemics; our continuing losses and need to achieve profitability; fluctuations in our financial results; the acceptance and use of our products and services by PACE organizations; the need to innovate and provide useful products and services; risks related to changing healthcare and other applicable governmental regulations; our ability to maintain relationships with a specified drug wholesaler; increasing consolidation in the healthcare industry; managing our growth effectively; our ability to adequately protect our intellectual property; the requirements of being a public company; our ability to recognize the expected benefits from acquisitions on a timely basis or at all; and the other risk factors set forth from time to time in our filings with the Securities and Exchange Commission ("SEC"), including those factors discussed under the caption "Risk Factors" in our most recent annual report on Form 10-K, filed with the SEC on February 26, 2021, and in subsequent reports filed with or furnished to the SEC, copies of which are available free of charge within the Investor Relations section of the Tabula Rasa HealthCare website <http://ir.trhc.com> or upon request from our Investor Relations Department. Tabula Rasa HealthCare assumes no obligation and does not intend to update these forward-looking statements, except as required by law, to reflect events or circumstances occurring after today's date.

# Organic Growth Rate



# Segment Results – Third Quarter 2021

	Q3 FY21	Q3 FY20	% Change	Commentary
<b>Revenue</b>				
CareVention HealthCare				
PACE product revenue	\$ 50,321	\$ 39,086	29%	Driven by growing number of patients served, Personica contributed \$1.9 million.
PACE solutions	\$ 14,707	\$ 11,214	31%	Personica contributed \$2.2 million, the remaining \$1.3 million increase due to new clients and growth with existing clients.
<b>Total CareVention</b>	<b>\$ 65,028</b>	<b>\$ 50,300</b>	<b>29%</b>	
MedWise HealthCare				
Product Revenue	\$ 315	\$ 279	13%	
Medication safety services	\$ 9,467	\$ 9,817	-4%	Loss of previously disclosed MTM client & lower EMTM revenue negating healthy growth among existing book of business.
Software subscriptions	\$ 11,776	\$ 10,110	16%	Growth attributable to new agreement with leading online health insurance marketplace.
<b>Total MedWise</b>	<b>\$ 21,558</b>	<b>\$ 20,206</b>	<b>7%</b>	
<b>Total Revenue</b>	<b>\$ 86,586</b>	<b>\$ 70,506</b>	<b>23%</b>	
<b>Gross Margin (1)</b>				
Product	\$ 11,866	\$ 10,727	11%	(1) Excludes depreciation and amortization.
Margin %	23.4%	27.3%		
Services/software subscriptions	\$ 13,558	\$ 10,531	29%	
Margin %	37.7%	33.8%		
<b>Total Gross Margin</b>	<b>\$ 25,424</b>	<b>\$ 21,258</b>	<b>20%</b>	
Margin %	29.4%	30.2%		
<b>Operating Expense (2)</b>				
Sales & Marketing	\$ 6,218	\$ 5,030	24%	(2) Excludes change in fair value of acquisition-related contingent consideration expense.
R&D	\$ 4,984	\$ 5,101	-2%	Increased headcount and related spend on lead generation activities.
G&A	\$ 16,870	\$ 15,620	8%	Including capitalized R&D, gross spend of \$13.5 million vs. \$9.5 million a year ago.
Change in FV	\$ -	\$ 2,005		
D&A	\$ 12,099	\$ 12,199	-1%	
<b>Total Operating Expense</b>	<b>\$ 40,171</b>	<b>\$ 39,955</b>	<b>1%</b>	
<b>Adjusted EBITDA (3)</b>				
CareVention HealthCare	\$ 14,014	\$ 12,735	10%	(3) Adjusted EBITDA calculated by adding back stock compensation and acquisition-related costs to EBITDA.
Margin %	21.6%	25.3%		
MedWise HealthCare	\$ 2,618	\$ 1,009	159%	
Margin %	12.1%	5.0%		
Corporate shared services	\$ (10,915)	\$ (8,650)	26%	
<b>Adjusted EBITDA</b>	<b>\$ 5,717</b>	<b>\$ 5,094</b>	<b>12%</b>	
Margin %	6.6%	7.2%		

# Updated 2021 Guidance

<u>2021</u>	<u>Guidance</u>		<u>2020</u>	<u>Y/Y Growth</u>	
	<u>Low</u>	<u>High</u>		<u>Low</u>	<u>High</u>
Revenue	\$ 329.6	\$ 331.6	\$ 297.2	11%	12%
EBITDA	\$ 19.3	\$ 20.3	\$ 21.8	-11%	-7%
<i>EBITDA margin</i>	5.8%	6.1%	7.3%		

## Highlights:

- Q4-2021 organic growth range of 9% to 12% vs. a year ago.
- Expect Q4 CareVention HealthCare revenue to grow (y/y) faster than overall revenue of 9% to 12%.
- Expect Q4 MedWise HealthCare revenue to grow (y/y) in the low- to mid-single digit range, driven entirely by strong software subscriptions revenue.
- Full year 2021 organic growth of 7% as compared to 3% during 2020.



# Appendix

Supplemental Information

*Slides 7-12*

# Balance Sheet and Cash Flow



<b><u>Cash and Debt:</u></b>	<b><u>9/30/2021</u></b>	
Cash	\$	11,347
Line of credit	\$	27,500
Long-term debt, net	\$	318,969
Available line of credit*	\$	31,075
<i>*Based on trailing 12-month EBITDA</i>		
<b><u>Free Cash Flow:</u></b>	<b><u>Q3-2021</u></b>	<b><u>9M-2021</u></b>
Cash flow from operations	\$ 2,117	\$ 3,017
Purchases of property and equipment	\$ (641)	\$ (1,611)
Software development costs	\$ (8,638)	\$ (22,649)
Free cash flow	\$ (7,162)	\$ (21,243)

# Unaudited Segment Results



	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Revenue</b>				
CareVention HealthCare:				
PACE product revenue	\$ 50,321	\$ 39,086	\$ 139,021	\$ 115,103
PACE solutions	14,707	11,214	42,973	34,307
<b>Total CareVention HealthCare</b>	<b>65,028</b>	<b>50,300</b>	<b>181,994</b>	<b>149,410</b>
MedWise HealthCare:				
Product revenue	315	279	475	722
Medication safety services	9,467	9,817	31,247	39,844
Software subscription and services	11,776	10,110	31,859	30,191
<b>Total MedWise HealthCare</b>	<b>21,558</b>	<b>20,206</b>	<b>63,581</b>	<b>70,757</b>
<b>Total Revenue</b>	<b>\$ 86,586</b>	<b>\$ 70,506</b>	<b>\$ 245,575</b>	<b>\$ 220,167</b>
<b>Adjusted EBITDA</b>				
CareVention HealthCare	\$ 14,014	\$ 12,735	\$ 40,983	\$ 36,560
MedWise HealthCare	2,618	1,009	7,532	8,537
Shared Services	(10,915)	(8,650)	(33,236)	(28,062)
<b>Total Adjusted EBITDA</b>	<b>\$ 5,717</b>	<b>\$ 5,094</b>	<b>\$ 15,279</b>	<b>\$ 17,035</b>
<b>Adjusted EBITDA margin</b>				
CareVention HealthCare	21.6%	25.3%	22.5%	24.5%
MedWise HealthCare	12.1%	5.0%	11.8%	12.1%
<b>Total Adjusted EBITDA margin</b>	<b>6.6%</b>	<b>7.2%</b>	<b>6.2%</b>	<b>7.7%</b>



# Unaudited Reconciliation Of GAAP To Non-GAAP Measures



	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Reconciliation of Net Loss to Adjusted EBITDA</b>				
Net loss	\$ (17,111)	\$ (21,589)	\$ (57,684)	\$ (50,336)
Add:				
Interest expense, net	2,230	4,722	6,959	14,000
Income tax expense (benefit)	134	(1,830)	466	(5,705)
Depreciation and amortization	12,099	12,199	35,343	32,323
Change in fair value of acquisition-related contingent consideration expense	—	2,005	—	2,605
Settlement	—	—	500	—
Severance expense	354	917	516	917
Acquisition-related expense	—	572	217	823
Stock-based compensation expense	8,011	8,098	28,962	22,408
Adjusted EBITDA	\$ 5,717	\$ 5,094	\$ 15,279	\$ 17,035
Total revenue	\$ 86,586	\$ 70,506	\$ 245,575	\$ 220,167
Adjusted EBITDA margin	6.6%	7.2%	6.2%	7.7%

# Unaudited Reconciliation Of GAAP To Non-GAAP Measures

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
	(In thousands except per share amounts)							
<b>Reconciliation of diluted net loss per share to Adjusted Diluted EPS</b>								
GAAP net loss, basic and diluted, and net loss per share, basic and diluted	\$ (17,111)	\$ (0.73)	\$ (21,589)	\$ (0.99)	\$ (57,684)	\$ (2.48)	\$ (50,336)	\$ (2.33)
Adjustments:								
Change in fair value of acquisition-related contingent consideration expense	—		2,005		—		2,605	
Amortization of acquired intangibles	7,060		8,291		21,468		21,936	
Amortization of debt discount and issuance costs	406		3,280		1,310		9,647	
Settlement	—		—		500		—	
Severance expense	354		917		516		917	
Acquisition-related expense	—		572		217		823	
Stock-based compensation expense	8,011		8,098		28,962		22,408	
Impact to income taxes	439		(1,762)		1,588		(6,306)	
Adjusted net (loss) income and Adjusted Diluted EPS	\$ (841)	\$ (0.04)	\$ (188)	\$ (0.01)	\$ (3,123)	\$ (0.13)	\$ 1,694	\$ 0.07

# Unaudited Reconciliation Of GAAP To Non-GAAP Measures

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<b>Reconciliation of weighted average shares of common stock outstanding, diluted, to weighted average shares of common stock outstanding, diluted for Adjusted Diluted EPS</b>				
Weighted average shares of common stock outstanding, basic and diluted for GAAP	23,407,391	21,779,808	23,230,138	21,571,214
Adjustments:				
Weighted average dilutive effect of stock options	—	—	—	1,281,367
Weighted average dilutive effect of restricted stock	—	—	—	491,245
Weighted average dilutive effect of contingent shares	—	—	—	74,102
Weighted average shares of common stock outstanding, diluted for Adjusted Diluted EPS	<u>23,407,391</u>	<u>21,779,808</u>	<u>23,230,138</u>	<u>23,417,928</u>

# Unaudited Reconciliation Of GAAP To Non-GAAP Guidance Ranges



	Three Months Ended December 31, 2021		Year Ended December 31, 2021	
	LOW	HIGH	LOW	HIGH
<b>Reconciliation from Net Loss Guidance to Adjusted EBITDA Guidance</b>				
Net loss:	\$ (19.8)	\$ (18.8)	\$ (77.5)	\$ (76.5)
Add:				
Interest expense	2.2	2.2	9.2	9.2
Income tax expense	0.1	0.1	0.6	0.6
Depreciation and amortization	12.1	12.1	47.4	47.4
Settlement	—	—	0.5	0.5
Severance expense	0.4	0.4	0.9	0.9
Stock-based compensation expense	9.0	9.0	38.0	38.0
Acquisition-related expense	—	—	0.2	0.2
Adjusted EBITDA	\$ 4.0	\$ 5.0	\$ 19.3	\$ 20.3