

Think Research Corporation

Second Quarter 2021 Financial Results

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PRESENTATION

Operator

Good day and welcome to the Think Research Second Quarter 2021 Financial Results Conference call.

Today's conference is being recorded.

At this time, I would like to turn the conference over to Sachin Aggarwal, CEO. Please go ahead, sir.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Thank you very much. Good morning everyone and thanks for joining us today. If you're having trouble finding our financials, please go to our website - they are correctly posted there. There appears to be an OSC filing error. Also, don't make the mistake of reading the alternative company financials in place of ours - they're smaller than us, so again you find the correct financials on our website.

With me on the call today is Jae Cornelssen, our CFO of Think Research. He will review our financial performance for the quarter. Before that, I just want to give you some perspective on our recent transformative strategic acquisition that we announced. I'm also going to talk

about a few key operational milestones and our KPIs for the quarter. After Jae reviews our financials, I'll give you some perspective on our revised outlook.

I'd like to make sure that—to remind everyone that some statements made on today's call are forward-looking in nature and therefore they are subject to certain risks and uncertainties which we outline in detail, in great detail in our regulatory filings which may be found on SEDAR.com, for the most part being correct.

Think Research is a global software-as-a-service company. We provide actionable, clinical knowledge in real time at the point of care for healthcare networks in eight countries. Our software is deployed in more than 2,800 healthcare facilities and more than 300,000 clinicians use our solutions to keep their practices up to date. We also operate some private clinics which act as a profitable test bed for our solutions and provide a critical feedback loop for us so we can continuously expand and improve both our knowledge base and our work flow solutions for customers all over the world.

Our solutions solve a large and expanding problem for clinicians everywhere, which is an explosion of unstructured evidence and data, from emails and faxes to Google searches and paper manuals at the point of care. Clinicians are wading through this information to determine best treatments, and it can take anywhere from 10 to 20 years for new best practices to get out to the point of care for a single treatment. Our mission is to organize the world's health knowledge so everyone gets the best care. We started trading on the TSX Venture exchange on

December 30, so this is our second quarter of 2021 and it's our second quarter reporting operations as a public company.

Subsequent to quarter end, we announced the acquisition of BioPharma Services Inc. for \$44.6 million of total consideration. This is a transformative transaction. It nearly doubles the scale of our business and it also closes the final gap in the knowledge lifecycle for our solutions while creating some new synergies in the pharmaceutical market. BioPharma, like other TRC business lines, is a knowledge business - they conduct phase one and bioequivalence studies for large, medium and small pharmaceutical companies and biotechnology companies. Since their inception, they have participated in more than 2,000 clinical studies. The bottom line is that this acquisition goes a long way towards our mission to organize the world's health knowledge so everyone gets the best care.

For Think, the acquisition of BioPharma Services also enhances our growth rate potential overall, on a combined pro forma basis gives us positive Adjusted EBITDA, diversifies revenue streams across a new market which further de-risks future market volatility in any one of our solutions, it delivers meaningful initial earnings and positive operating cash flow to start, and it increases Think's global footprint especially in the U.S. market.

The integration plan for BioPharma leverages current Think technology to digitally transform BioPharma. This digitization will involve deploying certain existing Think technology to BioPharma which is mission critical to the future success of the CRO business, including

electronic data capture and retention, digital consent and patient documentation, virtual and decentralized trial technology, a learning management system to train trial participants, and very importantly a patient recruitment marketplace grafted onto the Think digital referral network to recruit clinically relevant patients for trials. Again, these are all technologies that exist today at scale in the Think tech stack.

The impact of this digital transformation will be, first, to increase annual EBITDA margin from 10 to about 20 percent, which is in line with similar CROS that have digitized; second, to provide more operational scalability so that we can increase profitable growth over time; third, gain expected ongoing cost synergies conservatively within six months; fourth, gain operational synergies in sales, knowledge and product development; and fifth, gain market synergies through dozens of shared and overlapping customers, particularly as between BioPharma and MDBriefcase, across the pharmaceutical industry.

The total consideration of the transaction comes in four forms. These are \$20 million of cash on close, \$18 million of Think common shares upon close, and two \$3.25 million deferred payments, the first being six months after close and the second 12 months, payable in shares or cash at our discretion. To help finance the cash portion of the transaction, we've raised approximately \$14 million of equity through a non-brokered private placement, and today we have sufficient available capital to close the transaction on or before September 15, 2021. Notably, the anchor investor in this non-brokered round is the CEO of NorthWest Healthcare

Property REIT, Paul Dalla Lana, and we're excited about that investment and we believe it can offer promising strategic benefit to the Company in the future.

The Company currently has \$10 million of available debt capital combined with \$1.6 million of operating cash flow reported for this quarter and \$3 million of cost synergies gained subsequent to quarter end. We are confident that we have sufficient available working capital to complete the integration, digitally transform BioPharma and scale the entire company in line with our expectations.

With respect to our second quarter performance, I'm really happy to report that it was a solid quarter by all measures. We reported a record \$10.2 million of revenue for the quarter, an increase of 167 percent over the same quarter last year, which was ahead of our expectations. Jae will go into more detail regarding our performance in just a few minutes, but to give you some perspective on the progress that we're making in the market, I just want to highlight some operational achievements that we announced this quarter ended June 30.

First, I want to highlight two usage and demand milestones for our software. In late June, we announced that demand for our eForms electronic data capture software has increased by more than 140 percent year-over-year, and the demand for this solution continues to be strong. Next, Think provides solutions for digital referrals, as many of you know, and in early June we surpassed a milestone of 325,000 digital referrals in that quarter. The adoption of this solution continues to gain traction in key markets and we're pleased that it's become an increasingly

important feature for clinicians to use, particularly in the Province of Ontario where it has recently gone from part of the province to contracted across the entire province.

Second, channel partnerships are very important to our scaling strategy, especially as we become more global. During the quarter, we attained three partnership milestones. On May 5, 2021, the Company announced that we have partnered with the British Columbia Senior Living Association to revitalize its Senior Standards Assessment Program, called the seal of approval. On May 27, 2021 the Company announced a multi-year partnership with a leading hospital information system in the Kingdom of Saudi Arabia to deploy our clinical content software across hospitals in the country, and on June 1, 2021 the Company announced our enterprise telemedicine software platform is a listed partner on the Point of Care Marketplace, specifically aimed at long-term care and skilled nursing facilities in the U.S.

Third, we continue to innovate. This quarter we introduced a new solution innovation. On April 14, 2021 the Company announced the opening of a new digital-first clinic that modernizes and streamlines the patient experience by offering secure virtual and in-person care for an underserved region in the Greater Toronto Area.

With that, I will turn the call over to Jae to review our financial performance for Q2 in more detail.

Jae Cornelssen — Chief Financial Officer, Think Research Corporation

Thank you Sachin and good morning everyone. I will review our financials based on some key line items in the financial statements and the balance sheet. I just got word and checked - the correct version of our financial statements and MD&A are now posted on SEDAR.

For Q2 2021, we report the following. Revenue for the quarter was \$10.2 million, 157 percent increase over \$3.8 million reported for the second quarter of 2020. Sequential growth was a very solid 22 percent over Q1 2021. This is due to increase in uptake of our solutions across all business lines during the quarter. Recurring and highly recurring revenue with BioPharma combined after integration should be somewhere around 85 percent of total revenue. We will officially report on revenue broken down by line of business and type in Q4 once our financials for the year are audited and the definitions are clear.

Gross profit for the quarter was \$5.7 million, a 186 percent increase compared to \$2 million reported for Q2 2020. The gross profit increased due to revenue growth primarily as a result of the acquisitions. Gross margin for the quarter was 56 percent compared to 52 percent reported for Q2 of the prior year. The variance in margin is due to the increase in revenue impact of acquisitions partially offset by the temporary increase in expenses due to COVID-19 protocols in the clinics during the quarter. Once combined with BioPharma, total gross margins for our total operation should come in, in the high 40s range. For context, the general CRO industry operates in the mid-30s GM range.

Total operating expenses was \$10 million, 106 percent increase over \$4.8 million for Q2 2020. The increase in expenses is due primarily to the addition of opex in recent acquisitions, higher depreciation and amortization, stock-based comp, and incremental reporting and compliance costs related to being a listed public company. Subsequent to quarter end, approximately \$3 million of cost synergies were realized with respect to the acquisitions, which will lower our total opex going forward.

Adjusted EBITDA loss, a non-IFRS measure, was \$1.3 million for this quarter compared to a loss of \$1.9 million for the equivalent period in the prior year. Sequentially, Adjusted EBITDA loss declined by 29 percent reported to the losses reported in Q2 2020. Adjusted EBITDA margin should improve dramatically going forward with announced cost synergies and EBITDA from BioPharma, and new cost synergies from integration. Adjustments to EBITDA include stock-based comp, one-time transaction expenses, premium paid on redemption of Class A preferred shares, and foreign exchange adjustments.

Net loss was \$5.6 million for the three months ended June 30, 2021 compared to a loss of \$3.1 million for the equivalent period in the prior year. The difference in net loss was due to acquisitions and related acquisition costs, investments in growth, higher stock-based compensation partially offset by increases in higher revenue. The net loss per share for the quarter was \$0.13 compared to \$0.12 for Q2 2020.

We had cash on hand of \$6.7 million at June 30, 2021 and net debt of \$2.5 million at the end of the quarter.

I will now hand it back to Sachin for closing remarks ahead of Q&A.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Thank you Jae. I want to review what Think becomes once the transaction of BioPharma is completed.

On a pro forma basis, we should generate well over \$80 million of revenue with over \$3 million of annual Adjusted EBITDA on a pro forma basis, conservative organic growth rate of 16 percent, and the potential to almost triple our Adjusted EBITDA in Fiscal 2022. Additionally, we have now over 200 research customers globally to go along with the nearly 300,000 clinicians and more than 2,800 hospitals, clinics, and long-term care facilities that are clients. Once the integration and digital transformation of BioPharma Services is completed using Think technology, approximately 85 percent of our combined revenue will be derived from software and technology and our aggregate gross margin should be approaching 50 percent.

Strategically, Think will have primary data through the entire clinical knowledge lifecycle, from phase one drug trials to the bedside to real world evidence. No other entity in Canada that we are aware of has that level of insight into clinical knowledge, nor the ability to commercialize it. We're becoming proficient at acquiring and integrating companies as well. Just by way of

demonstration, just contemplate this - exiting fiscal 2020, our total revenues were about \$16 million. Since then, we've diversified our revenue streams and have been a public company for only eight months. We have increased our annual revenue run rate nearly six-fold and become operating cash flow positive with offerings spanning eight countries.

Our revenue streams have diversified in line with our mission to bring new clinical knowledge to the bedside to include everything from clinician referrals to education, to education-based workflows and knowledge-based workflows, to delivery and now to pharmaceutical research, trials and development. Notwithstanding future acquisitions, we should enter next year aiming for nearly \$100 million of revenue, free cash flow, and Adjusted EBITDA margins in the high single digits.

We're also not done with acquisitions. We continue to scan the market for more accretive M&A opportunities if they make sense for the mission and to shareholders.

Our sales pipeline is growing both directly and through partnerships in all lines of software. As a result, we will continue to invest to expand and cultivate partnerships over the coming quarters, especially internationally.

We are undertaking to clarify and simplify our branding as well. This will help all constituents that we communicate with, whether customers, users, partners, employees or shareholders, to better understand our value proposition, our offerings and our culture. The

quality of our revenue is extremely important to us as we continue to integrate and scale organically. We anticipate that growth in software revenue should outpace growth in clinical services revenues over the coming quarters, and this will result in a higher proportion of recurring and reoccurring revenue in the future compared to now - we're already high, but this will be higher.

Think is in the middle of a revolution of data for healthcare, and we believe that we are uniquely positioned right now, especially as a public company, to seize the opportunity ahead of us. Frankly, we believe that we are proving it to shareholders right now.

Our mission is to organize the world's health knowledge so everyone gets the best care, and speaking for all of us here at Think, we could not be more excited about the future.

With that Operator, if you don't mind, please open the line for analyst questions.

Q & A

Operator

Thank you.

We'll now take our first question. It comes from Rob Goff of Echelon. Please go ahead.

Rob Goff – Analyst, Echelon Wealth Partners

Good morning and thank you for taking my question, and congrats on a very sound quarter.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Thank you Rob very much.

Rob Goff – Analyst, Echelon Wealth Partners

Could you perhaps dive into the 85 percent of revenues are software in tech, or alternatively it was expressed as recurring and highly recurring. Could you talk a little bit more about that mix component?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Yes, thank you. If we're dividing our revenue as between technology-driven and non technology-driven, so those would be services revenues, direct to patients, so the 15 percent relates to our clinical services revenues, and so the 85 percent is either recurring, and that's very classic software-as-a-service, or highly reoccurring revenue, and in that category you would have long term master services agreements with highly repeatable statements of work under them, so basically long term contracts with industry partners, for example pharmaceutical clients.

Rob Goff – Analyst, Echelon Wealth Partners

Okay, thank you. You also indicated in your release that Clinic 360 was closed for the month of May. Could you discuss its impact within the quarter of the closing, its overall contribution to the quarter, and what its run rate might be given you've added space to Clinic 360?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Right, I'll go through some of the qualitative impacts. It seems like a million years ago, but there was a shutdown last quarter and the shutdown affected all non-essential healthcare services, including our clinics and Clinic 360 in particular, which was shut down as were all other similar clinics across the Province of Ontario. That resulted in a month of us being closed and did negatively impact revenue for that month for us, so notwithstanding that we've had a very positive top line for the quarter.

I will say that we took great advantage of that month. We had—when you're closed, you can move fast on certain operational efficiencies that are necessary. We undertook a renovation of the physical space in order to be able to increase throughput, so one of the barriers that we faced—we've got very high demand for our services in that particular clinic, one of the barriers that we were facing is that we couldn't turn over patients fast enough due to some of the physical workflow in the space, and so as a part of the—we took advantage of that shutdown

in order to reconfigure the clinic and have more recovery beds, so that we could significantly increase the throughput.

I will turn it over to Jae to talk about the financial metrics to the extent that we are disclosing that.

Jae Cornelissen — Chief Financial Officer, Think Research Corporation

Yes, so in our Q4, just because of all the acquisitions and activity, we will be breaking down the various segments of our revenue. When we think about recurring revenue and reoccurring revenue, we think of that as kind of software or technology-related revenue, so call it 70 percent, so that other 30 percent would approximately be just pure clinic related revenue that we think of as not being as recurring but still very high quality revenue, especially with the backlog in the healthcare system, it's performed extremely well.

With respect to the renovations, we think that just removing some bottlenecks and optimizing that business, we can increase the throughput by up to 50 percent at Clinic 360, and it has performed extremely well to date, which we expect to continue going forward just based on the large backlog in the healthcare system as a result of COVID.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

I'll just layer onto that just a tiny bit more to say that without—we will in the future, as Jae says, after our Q4 break out the revenue segments. The one thing I'll say is that clinical services like Clinic 360 will be broken out separately, but it is important to note that had it not been digitally enabled, had we not layered in software to capture that demand within the system, it wouldn't be possible, so even our clinical services, perhaps relative to some of our peers, are very highly digitally enabled.

Rob Goff – Analyst, Echelon Wealth Partners

Okay, thank you. If I may, one further question. Could you perhaps give a bit more depth into the nature of the \$3 million in synergies? Thank you.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Okay, yes, happily. They were headcount reductions and they are across all of the acquired entities, plus some efficiencies at 360 where there may have been redundant staff and there were excellent folks at some of our acquisition targets. Now, they're just being completed as we speak, but the vast majority are now done, and again it's headcount reductions.

Jae, anything to add to that?

Jae Cornelissen — Chief Financial Officer, Think Research Corporation

Yes, so it's been completed and we still have more work to do and can realize more savings and synergies in addition to the \$3 million.

Rob Goff – Analyst, Echelon Wealth Partners

Okay, thank you. I will jump back in the queue.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Thank you.

Operator

We'll now take our next question. It comes from Kris Thompson of PI Financial. Please go ahead.

Kris Thompson – Analyst, PI Financial

Great, thank you. Morning gentlemen.

Just to continue on the headcount reduction there, can you just remind us what your total headcount was with all the acquisitions and then what it is now?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Yes, we were approximately 240 all-in. Today, we're just a tad higher than 200, and once we complete the acquisition of BioPharma, we will be very close to 500.

Kris Thompson – Analyst, PI Financial

Okay, thanks Sachin. That's helpful. Let's just talk about BioPharma, I kind of missed that. Did you say the closing date would be on or before September 15? Can you give us an idea of what we should model for closing date?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Yes, that's exactly right - it will be on or before September 15. There are a couple of—as you can imagine, it's a complex organization, lost of MSAs, it's got some physical space as well, so there are some consents and so on and so forth that are being obtained. We have no concerns about closing, and again we have all the capital necessary to close, but we are doing a couple things in parallel just to get them complete before closing.

If you were to model September 15, we would only be beating that, so that might be a safe outside date.

Kris Thompson – Analyst, PI Financial

Okay, that's fair enough. Maybe Jae, you mentioned the pro forma combined GM of the Company would be around 40 percent. Can you just provide separate gross margin and opex percentages on the BioPharma acquisition independently?

Jae Cornelssen — Chief Financial Officer, Think Research Corporation

Yes, sorry - on a pro forma basis, we anticipate being in the high 40s, just to clarify with respect to gross margin, and the CRO industry in general is kind of around 30 percent gross margin range. I guess if you back into our EBITDA margin going forward, once we realize synergies in 2022 on a pro forma basis, we'll be about 10 percent but we plan on increasing that as we continue to digitalize and we continue to have incremental revenue, which becomes incremental EBITDA.

Kris Thompson – Analyst, PI Financial

Okay, I got it, and you said, I think in the prepared remarks, that EBITDA could nearly triple in 2022. Is that half from organic or half from BioPharma? Can you give a breakdown in that way?

Jae Cornelssen — Chief Financial Officer, Think Research Corporation

Yes, so right now we are going to take—we just took a bunch of cost out of the business and realizing synergies with respect to previously completed acquisitions. We're still not done yet. We still have some work to do; however, we do think that there is significant savings to be realized by digitalizing BioPharma.

As far as the split goes, in the numbers that we've published on the pro formas, we're not anticipating or we haven't forecast huge revenue synergies just to be conservative, but we definitely think that they're there, so it's largely cost synergies but the forecast does have significant upside. When you look at the CRO sector and the growth that's there, 8 percent organic growth for the sector as a whole approximately according to Global Market Insights, we are going to work with management at BioPharma, which is all being retained, who are very motivated given the large equity that they're retaining, to continue to grow the business using our resources and the strong management team that we have at the Company.

Kris Thompson – Analyst, PI Financial

Okay, and have you guys canvassed the key customers from that acquisition - you know, what's their feedback and what's the customer concentration there?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

No, there's no meaningful customer concentration. They have a couple of clients that are in the mid single digits, low to mid single digits, but there's no single dominant client there. So

far, it's been very well received by the clients, and frankly it's obvious to their clients where there is some natural overlap with the business of MDBriefcase. One of the most interesting aspects for some of these clients is that ability to now reach further into the product lifecycle to get real world evidence from a Think Research product, so we're already having early conversations in respect of things like that.

Kris Thompson – Analyst, PI Financial

Okay, thanks for taking my questions, guys. I do have some more, but I'll hop back in the queue just to give the others a chance. Thanks again.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Thanks Kris.

Operator

We'll now take our next question. It comes from Doug Taylor of Canaccord. Please go ahead.

Doug Taylor – Analyst, Canaccord Genuity

Yes, thank you. Good morning. A couple more clarifications from me. You phrased your outlook for 2021—or 2022, I should say, pro forma I think a little differently, but I just wanted to

just generally understand whether the ranges that you provided at the time of the BioPharma acquisition announcement are still unchanged one way or the other.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Correct.

Doug Taylor – Analyst, Canaccord Genuity

Okay, that makes that easy. The Clinic 360 business, from looking through the disclosures here, seems to be tracking already in terms of revenue contribution for the six months, ahead of what it was for all of 2020. First of all, can you confirm that's the order of magnitude of the increase in revenue - I know we're lapping some COVID impacted times, and whether that's a good run rate to be using in Q3 and Q4 for that business?

Then I guess just stepping back, with such strong growth from that business, could you maybe talk to either qualitatively or quantitatively what you think your organic growth rates are for the remaining businesses or, I guess I should say, legacy Think research, that'd be helpful.

Jae Cornelssen — Chief Financial Officer, Think Research Corporation

Yes, so I'll take the first half, so yes, last two there. That business has performed extremely well. I guess it's not one of the primary ones that you would think of that would benefit as a result of COVID, but just due to the backlog in the healthcare system and not being

able to do elective surgery, that business has grown significantly and performed extremely well, which is part of the reason why we invested and did the renovations in the month of May.

With respect to going forward, we do expect that at least for Q3, Q4, that revenue will remain high at that business. From the intel that we have for elective surgery, there's a backlog of approximately five years, so we expect that performance to continue to be strong going forward for that business.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Yes, that's right. In respect of the growth across the rest of the Think Research business, we have some fairly significant material—some fairly material announcements that we've made and more that are yet to come, the most notable of which being the significant expansion in the digital referrals contract here in the Province of Ontario. That single contract adds seven figures to the revenue for the traditional or for the core Think Research business, so we're—of course when you expand—you have a major announcement like that, you don't see all the revenue in one quarter. It takes time to deploy, and that's how we're able to recognize the revenue as users go live, so we've got—we have many, many, many thousands of users that will go live over the next number of years, and that will see the revenue track up and result in quite significant organic growth across the core Think Research business.

Doug Taylor – Analyst, Canaccord Genuity

So, for the \$90 million to \$100 million in pro forma revenue targeted for 2022, what level of visibility do you have into that revenue base given your recurring and highly reoccurring sources?

Jae Cornelssen — Chief Financial Officer, Think Research Corporation

Yes, so we have a significant sales funnel, and then we take that and then we probability weight that, and then we have kind of ones that are hey, we're pretty sure we're going to win these, and then we also have a significant backlog with respect to BioPharma and also MDB and other areas of our business just because of the backlog created in the healthcare system. So, taking 2021 and then looking forward to 2022, we've modeled in an organic growth rate of approximately 15 percent, but it's not a static number.

As we've said previously, we entered the year with approximately \$60 million run rate and we're going to leave the year with over \$80 million and a growth profile in the mid-teens. Next year, it's possible that we could continue to have growth that far exceeds that \$90 million to \$100 million. This is remarkable to me and just a testament to the entire Think team. We are very pleased with how our sales pipeline is going across all segments and we're confident that it's going to continue going forward into the future as we continue to scale to support the solid organic growth that we have.

Doug Taylor – Analyst, Canaccord Genuity

One last question for me. You mentioned the \$3 million in cost synergies, which you've already detailed that in a couple of earlier questions. I just want to make sure I'm clear that none of this has anything to do with BioPharma, or are you pulling some of the projected synergies forward by reducing some headcount that you know you're going to be bringing in, maybe duplicate headcount with BioPharma?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

No, they will be a separate set of synergies. So, the \$3 million announced is headcount reductions to date, prior to—these are headcount reductions that were completed subsequent to quarter end, June 30, and before the acquisition of BioPharma.

So two things - one is we have further synergies that we are—continue to work on, so we expect to see more synergies out of the core pre-BioPharma business, right, and then we have synergies that we are expecting once we acquire BioPharma, and we've modeled out what most of those look like. We have a very good sense, and conservatively we are expecting just shy of \$3 million in those new savings after the acquisition of BioPharma, and those come principally from digitizing the business, actually, so it will be headcount reduction once you digitize the business.

Doug Taylor – Analyst, Canaccord Genuity

Okay, and if I missed it, I apologize, but have you said what you expect the one-time costs related to getting those synergies is going to be in Q3 or going forward?

Jae Cornelssen — Chief Financial Officer, Think Research Corporation

No, we haven't, but that—it will be published in our Q3s. We'll see a bit of restructuring there with respect to the synergies that (inaudible).

Doug Taylor – Analyst, Canaccord Genuity

Okay, thanks. I will pass the line.

Jae Cornelssen — Chief Financial Officer, Think Research Corporation

Thank you.

Operator

We'll now take our next question. It comes from Gavin Fairweather of Cormark.

Gavin Fairweather – Analyst, Cormark Securities

Hi there, good morning. I wanted to start out just by digging into the 15 percent organic growth number that you referenced in your outlook. I think that you talked about recurring and reoccurring becoming a bigger piece of your business, so obviously faster organic growth in

that bucket; but curious if you could talk about the largest contributors that you see to that across your businesses, just based on what you've seen in your pipeline and also the opportunities that you have across your businesses.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Sure. We're actually—so just as a reminder, Jae mentioned the almost 8 percent CAGR in the clinical research industry, and we think that we can—with synergies, with crossing over clients between our existing pharmaceutical clients and BioPharma, that we can—that it's not very difficult to get up to the 15 percent range. We're actually modeling it 15 percent generally across the entire business. We've already seen a number of announcements in the core Think Research business. We will have some announcements coming in the MDB and education business, and of course you've already seen the growth in the clinic business, so we have a high degree of visibility into the expected growth across the various segments already, so we're modeling it pretty uniformly across the businesses.

The one thing I'd say is that notwithstanding the renovations that we did at 360, eventually the physical infrastructure of those spaces does cap out, so this is why we're saying over time we anticipate more of the growth will come from the digital—the technology-driven side of the business.

Gavin Fairweather – Analyst, Cormark Securities

Helpful. I wanted to circle back on the Ontario e-referral contract. Can you just discuss the expansion there, which new geos or areas of the province are now going live, and then just help us understand how the pace of user on-boarding is going to work from here?

If I remember correctly, I think there was a ceiling on the fees to some of the other members of the consortium, so do you expect a higher margin profile as the incremental revenue starts to roll in?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Yes, thanks. The digital referral contract, initially the contract, if you remember—you may or may not know, the Province of Ontario used to be divided into 14 sub-regions called LHINs, or Local Health Integration Networks, and we had—under the contract, we had 8 of those, 8 of 14 that were in the contract already, 7 of which had deployed, so 7 of 14 had deployed, one was in contract but had not. The contract is now covering all 14 of those jurisdictions, okay, and with the announcement that it's going provincial, that it means it's sort of single workflow, it's—and it allows—the contracts give staff to all those 14 regions now in order to be able to deploy, so we're seeing hundreds of users, call it more than—sort of low single digit, hundreds of users come on each month at this point, and that will be the pace at which the revenue increases. Obviously as the users come onboard, we get to recognize more revenue and that will grow—it will grow and grow and grow quarter over quarter.

In terms of the gross margin profile, you're exactly right - good memory. The fees paid or the royalties paid to our partners do cap out. This will not be the year where you see that cap come into full play. You'll see that cap have a more material impact in our Fiscal 2022, and that's when you should start to see the gross margins for that particular product and product line increase more significantly.

Gavin Fairweather – Analyst, Cormark Securities

That's very helpful. Then just lastly for me, you talked about the BioPharma digitization. I know the deal isn't yet closed, but I'm sure—you know, you've laid out a bunch of the plans on the integration side. It does sound like a pretty big change management exercise, so how should we be thinking about the timing of integration, what are the key milestones that you would talk about, and help us understand the timing of the lift in those EBITDA margins as you do digitize that business.

Jae Cornelssen — Chief Financial Officer, Think Research Corporation

Yes, so obviously we've had a lot of meetings with respect to integration. Key management at BioPharma is all on board. I'll remind everyone that they also have a 10 percent EBIT earn-out, so we are fully aligned to the goals of taking some cost out of the business, which is one of the reasons why we're also doing this transaction with them, because we have all the tools to help them digitalize their business.

With respect to timing, we try—our goal is to be at a full run rate of synergies within six months. We already have the plan put together, but conservatively for the cost take-out, you can model in being at a full run rate within six months. With that being said, there will be some day one synergies, some synergies within 90 days, and then obviously we'll be at a full run rate within 180 days is the goal.

Gavin Fairweather – Analyst, Cormark Securities

Great, thanks so much.

Operator

Our next question comes from Chi Le of Desjardins. Please go ahead.

Chi Le – Analyst, Desjardins Capital Markets

Good morning Sachin and Jae.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Morning Chi.

Chi Le – Analyst, Desjardins Capital Markets

Congratulations on the good quarter. My first question would be on the M&A pipeline. Can you please provide more colour into, say, the number of opportunities, LOIs, what are you seeing, and also the distribution of deals across your segments and geographies?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Thanks Chi, and also thanks - great to see you guys publishing last week.

In terms of the total opportunity size, it's approximately 15 companies that are in our acquisition pipeline today. We have a number of those in LOI. We don't disclose the number of LOIs that are signed or that are underway. I will say that of those 15, 100 percent of them are in one of our four—really, three out of the four pillars, so we don't have any clinical services businesses that are in that 15. The 15 are distributed across the other three segments, other three knowledge segments that are technology driven.

In terms of how advanced they are, there are a couple—there are some that are more advanced than others, but I will say of course we're very mindful of dilution to existing shareholders. We're mindful of our current multiple and what we can and can't achieve as between what is accretive and what's not accretive given our current multiple, so we will be managing the M&A pipeline and executing on those that are the most advantageous for the Company and for shareholders. We will be holding on some of the others until such time as we have some share price recovery, but we also have other tools in our tool belt, as you're probably

aware. We have debt available to us that can help to reduce the dilution for certain of the acquisitions.

Jae Cornelissen — Chief Financial Officer, Think Research Corporation

Yes, the—

Chi Le – Analyst, Desjardins Capital Markets

Great thank you for the question. Go ahead, Jae?

Chi Le – Analyst, Desjardins Capital Markets

Equity is precious, especially at these levels. We have—on a pro forma basis with BioPharma, we have plenty of working capital going forward to support the business, positive OCF - operating cash flow of \$1.7 million, so we do not have to do a raise for the foreseeable future for working capital. Of course, if there's a large acquisition that is highly accretive like BioPharma, then we will look to it, but again equity is precious and credit is widely available right now at good rates, so that would be the preferred source of capital to do these transactions.

Chi Le – Analyst, Desjardins Capital Markets

That's great, thank you.

My next question would be on your partnership with CareRx to roll out VirtualCare across the homes. What have you heard from CareRx or the residents of the homes that have these solutions, and also what are the plans that you have with CareRx to further roll out? How many homes are on solutions right now?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Thanks for that question. We have had—we have recently concluded the successful pilot in a small number of homes, and we are now in rollout mode to a larger number of homes. So, you should expect to hear more from us with more details in the coming month or two specifically on that topic.

Chi Le – Analyst, Desjardins Capital Markets

Okay, thank you. My last one would be on the research and development projects that you mentioned on your 2Q earnings, so the streamlining of the VirtualCare collaboration tool and the automation work of the e-referrals. Can you please provide more details on what these projects are about and what are the costs that you have already incurred? Also how much are you planning to incur in the coming months until they're complete?

Jae Cornelissen — Chief Financial Officer, Think Research Corporation

That's disclosed in our financial statements as addition to intangibles for the portion of labour that we're capitalizing, and largely the products are already out in the market, it's more just optimizing the back end, which is going to lead to higher margins going forward in the future. We expect to be done those in the very near term.

Chi Le – Analyst, Desjardins Capital Markets

Thank you, that's it for me.

Operator

Our next question comes from Rob Goff of Echelon.

Robb Goff – Analyst, Echelon Wealth Partners

Thank you again. I just want to go back to the 85 percent of revenues being from recurring and highly reoccurring. Would that include Clinic 360, where there's a five-year backlog?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

No, that does not. Just to clarify, just so we're not mixing our messages, prior to the acquisition of BioPharma, that percentage is roughly 70 percent. After the acquisition of

BioPharma, that percentage is 85 percent, and that does not include Clinic 360 in those numbers.

Robb Goff – Analyst, Echelon Wealth Partners

I was pretty sure that it didn't, but it just struck me as interesting that there's a five-year backlog, but yet it doesn't go in within highly reoccurring, so it credits the quality of those revenues.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

That's a good point and we appreciate that. I think it's just because our view is that the market doesn't fully under—you know, clinical services, the market puts it in a particular bucket, and so we want to be clear with the market about exactly what our clinical services are, and they really are a declining portion of the business. They're important to us, but they're a declining portion of the business and they will continue to be a declining portion of the business.

Robb Goff – Analyst, Echelon Wealth Partners

Cool, and if I could, on your R&D where it was \$1.7 million on the quarter and it was associated with your VirtualCare, where you're looking to finish up Q4 '21 and with respect to your e-referral, where it's looking to be completed over the next 12 months, how should we

look at your R&D line? Is this a run rate that will see projects come and go and be replaced, or are current levels arguably somewhat elevated?

Jae Cornelssen — Chief Financial Officer, Think Research Corporation

Yes, so that's a current run rate. We're a tech company. We're doing all the work in house, but we're a tech company. We're optimizing the back end of our existing products. We have some new stuff on the go as well, but with respect to those two projects, as mentioned earlier, we're optimizing the back end which should lead to higher margins going forward in the future.

Robb Goff – Analyst, Echelon Wealth Partners

Okay, so we should just use current rates as ongoing run rates?

Jae Cornelssen — Chief Financial Officer, Think Research Corporation

Correct, yes.

Robb Goff – Analyst, Echelon Wealth Partners

Okay, thank you.

Operator

This concludes the Q&A section. I'd now like to hand the call back to Sachin Aggarwal for any additional comments or closing remarks.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Oh, there's one more, maybe, that was just added in.

Operator

Just one moment. We will now take our next question from Kris Thompson of PI Financial. Please go ahead.

Kris Thompson – Analyst, PI Financial

Hey, thanks Sachin. Just one of two follow-ups, one on the USA performance - it looks strong in the quarter. What drove that? Is that the PointClickCare contract starting to churn some revenue?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

No, actually it's MDB. It's the education business that drove significant growth in the U.S. We continue to see organic growth also out of MDB, and it is in line with the organic growth across the rest of the business. In this case, it happened to be largely driven by them in the U.S. market.

Kris Thompson – Analyst, PI Financial

Okay, that's helpful, and is that PointClickCare something that's going to be material, or is that just going to be small in the near term?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

It will be material over time, but not in any one quarter. It will be built over time as skilled nursing facilities and long term care facilities deploy our technology, but each contract—it requires a number of contracts in aggregate to be material.

Kris Thompson – Analyst, PI Financial

Okay, and just the last one here on the partnerships overseas, Origo in Iceland and OASIS in Saudi Arabia, can you just provide us any update there on rollout, how we should think about revenue growth there?

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

Right now in both cases, we are currently doing the technical integration with them, and so having announced the partnerships, we've got to complete the technical integration and then we approach the market together, so we'll give you more information, I would say next quarter. With next quarter results, we should be able to give you more information on each of those.

Kris Thompson – Analyst, PI Financial

Okay, thanks again guys.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

No problem, thanks for that. Back to the Operator.

Operator

We have no further questions at this time.

Sachin Aggarwal — Chief Executive Officer, Think Research Corporation

All right, thank you very much to the Operator, and thank you to everyone for joining us this morning. We wish you very safe and healthy times and thank you very much.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.

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