VIQ Solutions Inc.

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Corporate Speakers:

- Laura Kiernan; VIQ Solutions Inc.; Head of Investor Relations
- Sebastien Paré; VIQ Solutions Inc.; CEO
- Susan Sumner; VIQ Solutions Inc.; President & COO
- Alexie Edwards; VIQ Solutions Inc.; CFO

Participants:

- Scott Buck; H.C. Wainwright & Co, LLC; MD & Senior Technology Analyst
- Patrick Walravens; JMP Securities LLC; MD, Director of Technology Research & Equity Research Analyst
- Unidentified Participant; Paradigm Capital; Analyst
- Marla Marin; Zacks Investment Research, Inc.; Senior Technology Analyst

PRESENTATION

Operator: Good day, ladies and gentlemen. Today, we are hosting a conference call to discuss the Second Quarter 2021 Financial Results for VIQ Solutions, Inc.

(Operator Instructions).

Your host for today is Ms. Laura Kiernan, Head of Investor Relations for VIQ. Please go ahead.

Laura Kiernan: Thank you, Stephanie. Good morning, everyone, and welcome to VIQ Solutions second quarter results call. Before we begin, I would like to point out that certain statements made on today's call contain forward-looking information subject to known and unknown risks, uncertainties and other factors.

For a complete discussion of the risks and uncertainties facing VIQ, we refer you to the company's MD&A and other continuous disclosure filings, which are available on SEDAR at sedar.com and on sec.gov. As a reminder, all dollar amounts are in U.S. dollars unless otherwise stated.

With us today, we have Sebastien Paré, the CEO; Alexie Edwards, CFO; and Susan Sumner, President and Chief Operating Officer of VIQ, all of whom will be available for questions following the conversation. Following comments from each of them, we will do a Q&A session.

I will now turn the call over to Sebastien Paré to begin.

Sebastien Paré: Thank you, Laura. Welcome, everyone, to our second quarter 2021 earnings call. Last Thursday, we reached a significant milestone and began trading on NASDAQ Stock Exchange under the ticker symbol VQS.

This milestone cements our commitment to change the way evidentiary documentation is captured, transform, analyze and distributed. While we were disappointed to cancel the capital raise in conjunction with the NASDAQ listing due to the shifting market conditions and pricing of the final offering, we met our commitment to list on NASDAQ.

This was not a small feat. It required us to do an extensive reporting and due diligence with accounting, legal, banking and other professionals to file our base shelf prospectus, our F-10, our F-8 in the United States and other compliance all to meet the NASDAQ requirements. This involved an investment of considerable time and effort all while we continue to proceed with growing our business and doing due diligence on potential acquisitions.

We believe the recent pullback in our stock price was in part due to the market conditions but also impacted by the provisions of our preliminary results and outlook, which was below expectations. We will speak more about that later, and I'm sure we'll get into it during the Q&A. Additional feedback from the market also suggests that the price action lately may also have been driven in part by the lack of announcements on M&A activity over the past year.

We heard this feedback loud and clear. And now we have the listing and the prospectus in the United States and in Canada in the rear mirror view and have completed due diligence on the robust top line of transactions. We expect to begin announcing acquisitions in the near term.

Based on financial structures we have successfully deployed in the past, we do have sufficient cash on hand to close on a number of planned acquisitions in the second half of this year. In keeping perspective on this past year's results and first half of this year, we are executing on what we said we will do so far in the areas of technology innovation, expansion of sales and marketing, M&A, and due diligence on much larger strategic acquisitions and many additional corporate milestones that we committed to.

None of the fundamental, long-term value creation milestones are driven by the fluctuations of the markets, and how our stock goes through this cycle. We've said it many times, we operate the business and execute on our growth plan by focusing on the long-term value creation for our shareholders and not short-term quarterly results.

Our core strategy has not changed. In fact, it got stronger lately. It still rests on driving revenue growth, both organically and to the right type of accretive acquisition, improving the quality of our revenue as we begin to evolve towards a SaaS and AI pricing model this year, all of which are expected to drive higher productivity gains, enabling gross margin expansion and EBITDA cash flow generation.

Susan will speak to some of these gains in her remarks. Our capital markets initiatives have placed us well in the United States and in Canada, and we're now on national exchanges. We expect this move will lead to progressively increase investment by a more diversified global high-quality investors, providing, over time, higher liquidity, which is positive for all shareholders.

You will notice a lot of expense flowing to our income statement this year as we execute on several corporate milestones related to the acceleration of our technology innovation, global expansion in sales and marketing, and public market related initiatives in the first half of 2021. The significant, unusual, one-time expenses associated with these corporate milestones are and will be included in our results.

And other than the equity compensation expenses and restructuring costs, have not been backed out of the adjusted EBITDA. When considering this, we will have generated a positive adjusted EBITDA in the quarter of $300,000 and close to $800,000 in the first half of this year despite the delays in the new contracts due to COVID lockdowns, particularly in Australia and in the U.K.

Investment include upfront expenses in cost of sale, employee retention related to staffing for backlog and expanded contract in Australia, banking, legal and advisory fees related to NASDAQ listing and due diligence for the second half of the year plan acquisitions. These significant one-time fees are estimated to be approximately $200,000 in the first quarter, $600,000 in the second quarter and will also be included in the second half of the year, depending on the timing of the closure on the acquisitions.

These expenses, while considered onetime in nature, were not eliminated as part of the company reported adjusted EBITDA calculations. We still have more of these expenses to realize in the back half of this year as M&A due diligence converts into closings, which will impact the third quarter and the end of the quarter depending on timing.

These significant investments in a variety of corporate actions during the year are aimed at executing key milestones and setting up the company for a jump out of the gate when our new contracts begin, and we emerge from the COVID lockdowns, particularly in Australia and the U.K.

Now, I will hand it over to Alexie to provide a high level on our financial results for the quarter. He will be followed by Susan, who will provide some insight into our operations. And then Susan will hand it back to me to begin the Q&A.

Alexie?

Alexie Edwards: Thank you, Sebastien. And depending on where you are, good afternoon, good evening, and good morning, everyone. Our second quarter 2021 financial highlights include the following: we generated revenue of $8.2 million in the quarter compared to $8.3 million the same quarter of 2020 and in the first quarter of '21. The decrease of approximately 1% both year-over-year and sequentially was driven by delayed revenue resulting from COVID-19 impact as courts in Australia and in the U.K. were intermittently shutdown. The estimated COVID-19 related impact on revenue in the quarter exceeded $1 million and was moved into backlog.

Gross profit of $4 million represented 49% of revenue compared to $5 million or 61% of revenue in the same quarter of 2020. The decrease in gross margin for the 3 months ended June 30, 2021 versus the prior year was primarily related to a few factors, including delayed revenue due to the COVID-19 shutdown moving into backlog; second, preparation cost for new contracts for which revenues are expected to commence during the second half of '21; thirdly, strategic operating commitments to maintain our editing capacity to meet expected demand. And fourthly, lower COVID-19 wage subsidies received in Q2 '21 versus prior year.

Our adjusted EBITDA was negative $0.3 million versus prior year adjusted EBITDA of $1.8 million. In addition to the gross profit impacts previously mentioned, the decrease in adjusted EBITDA was driven by approximately $0.6 million in onetime professional service fees associated with completion of capital market milestones, including NASDAQ listing, filing the base shelf prospectus and F-10 registration statements in the U.S. and acquisition due diligence. Net loss was $10.5 million versus a net loss of $1 million in 2020.

Approximately $6.7 million of the current quarter's loss is related to noncash stock-based compensation following the shareholder approval of the new Omnibus plan and approximately $0.2 million in restructuring-related expenses. We continue to focus on improving the quality of our revenue as we grow our SaaS strategy and AI innovation at a faster pace.

FirstDraft, powered by aiAssist, creates machine-based documentation with breakthrough accuracy and has proven to improve gross margin by approximately 80% when compared to traditional services. We're improving our productivity and scalability, which should drive significant margin expansion in the future.

Now turning to our first half of 2021 financial highlights. We generated revenue of $16.4 million, which represented an increase of 4% compared to $15.8 million in revenue in 2020. Gross profit of $8 million represented 49% of revenue versus $8.3 million or 52% in 2020. Gross profit for the 6 months of '21 was negatively impacted by the effect of COVID-19 shutdown, as I mentioned earlier, including delayed revenue and reduced COVID-19 subsidy of approximately $1.1 million, while we retained our workforce ahead of the delivery of existing customers and new contracts scheduled for the second half of '21.

Our adjusted EBITDA was nil compared to a positive $2.4 million in 2020. The adjusted EBITDA was negatively impacted by lower gross margins and higher SG&A expenses related to corporate initiatives of $0.8 million as previously described.

Net loss was $12.2 million versus a net loss of $7.7 million in 2020. Approximately $6.8 million of the current period loss related to noncash stock-based compensation following the shareholder approval of new Omnibus plan, $0.8 million related to corporate initiatives and approximately $0.4 million in restructuring-related expenses.

In the first half of the year, we generated 59% of our revenue in the United States, 30% in Australia, and 11% in EMEA and Canada. Our $12 million cash balance at the quarter end provides ample liquidity to begin acquiring more accretive companies with a tremendous amount of rich, domain-specific content to help us improve our offerings and expand our client base globally, while maintaining a substantial pipeline of potential acquisitions to consider. We reiterate our anticipated revenue in the third quarter to be in the range of $8.2 million to $8.5 million. Gross margins are expected to be in the range of 46% to 47%.

Gross margin estimates do not include any potential positive impact related to wage subsidies. We continue to execute our planned commitment to scale our technology, editing infrastructure and sales globally to meet new demands and opportunities for our products and services. We expect several costs related to one-time strategic initiatives during the quarter related to corporate milestones, including acquisition and capital market-related expenses.

Now, I would like to hand it over to Susan to speak to our operational highlights. Susan?

Susan Sumner: Thank you, Alexie, and good morning, everyone. Earlier this month, we provided a look into our operational results. At that time, we felt it was prudent to align our expectations given the slower-than-expected recovery with our core segments and lockdowns in Australia and the U.K., which delayed some revenue. Despite the impact on our revenue, we decided to protect our workforce in preparation for growth with existing accounts, as well as new contracts that are expected to begin when we emerge from these region-specific lockdowns.

These shutdowns also temporarily impacted our gross margin, as we incurred expenses without revenue. The level of subsidies to offset the impact was significantly reduced this year versus the prior year with approximately $2.8 million less in COVID wage subsidies. We remain on track to grow organically this year and next year at double-digit rates, despite the impacts of COVID-19, which continue to affect some of our company's most important verticals and regions, including Australia and the courts.

Our scalable technology utilizes sophisticated architecture and artificial intelligence designed to securely ingest a significant amount of evidentiary content to produce accurate, verbatim, highly diarized documents on mission-critical events that have a lasting impact on social and financial environments.

Our AI-powered workflow processed over 20 million minutes of recorded multi-speaker, multichannel audio and video in 2020 and transcribed more than 40 million pages of secure, industry-specific evidence-based documentation, creating actionable information for use by more than our 1,800 clients worldwide.

We said we planned to be big and bold this year. We generated consistent growth in multi-speaker, highly regulated evidentiary voice and video data in our core verticals across the globe. The U.S. total addressable market in industries we serve is estimated to be over $10 billion with an annual CAGR of 6.1%. This highlights the increased need for technology and innovative capabilities to manage that vast amount of data. Our proprietary workflow solution, powered by AI, will drive transformation in the marketplace while driving margin expansion.

We believe we are the leader in our core verticals, providing advanced technology solutions, solving compliance and workflow challenges for our global client base. And with the addition of FirstDraft, powered by aiAssist, we will expand the overall opportunity to digitize an entire library of client content versus only critical files that are professionally edited for final consumption today. Our product innovation remains central to our core strategy and our initiatives to drive revenue and increase gross margin. We expect to migrate clients to bundle SaaS hybrid pricing models during the fourth quarter of 2021 and accelerating during 2022.

These pricing models are expected to drive stronger growth, long-term client relationships and predictable recurring revenue at higher margins. And this concludes our formal updates.

Operator, if you would open the line for questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions) And your first question is from the line of Scott Buck with H.C Wainwright.

Scott Buck: Can you tell us what the revenue impact was in the quarter from some of these new and extended COVID restrictions, especially in Australia and the U.K.?

Sebastien Paré: Yes. So what we've stated is there was at least around $1.5 million in terms of delayed revenue in the second quarter. That was directly link to those delays. So it's basically that number that was directly link, and we've gone through that process to identify that. So $1.5 million of revenue in Q2, that got moved to Q3 and Q4.

Scott Buck: Okay. Perfect. And then tell me a little bit about what the pipeline looks like across the verticals and how those conversations are going. I'm curious if the variants and some of these restrictions have kind of slowed those conversations or whether or not you're still finding a lot of engagement from potential customers?

Sebastien Paré: Yes. So we -- there's really 3 components, Scott. There's the backlog, obviously, that we just talked about that is getting stronger and stronger. So despite the

COVID impact, we do have a historical backlog halfway through the year, and that came from organic growth from new orders, but also some of the largest contract in our history that we've announced in Australia earlier this year.

So between those 2, we have a record backlog, and that was part of the reason why the decision was made that despite the softness on the revenue, that the worst thing we could do is to address our workforce even without the subsidies because of the size of the backlog and the commencement on those contracts. So we wanted to make sure the Street understands the decision that was made was in the context of those backlogs and the timing of commencing those contracts.

Susan, you might have additional colors as well.

Susan Sumner: Yes. I mean, Scott, I'll just take you for kind of an overview of each of the core verticals. In our core business from a services perspective in courts is in Australia. And I think everybody knows where we're at with that right now in Sydney and Melbourne, both being completely in lockdown. But we have maintained and preserved our staff, and so that certainly had an overall effect on margins. But in terms of the courts globally, we are seeing a lot of new RFPs that are being generated, both for our capture technologies, as well as for our services.

And interesting, proving out our strategy, many of these RFPs are multiproduct. So we are now being able to include for delivery in Q4 in some of those RFPs the products also related to FirstDraft. So with that, we also look at insurance. And insurance has been an interesting one. Most of that revenue is in the United States. And that revenue has been delayed in terms of recovery.

We expected that we would see almost full recovery in -- starting to end this quarter. And we found that a lot of the revenue for insurance has actually been more delayed than expected, not in a meaningful way, but the car accidents that actually drive the statements of record, which is the predominance of our business, was actually tied to the end of the year. So we're beginning to see that build up in the second half of this year, where we kind of expected the buildup to begin in Q1.

But in terms of our pipeline, the overall pipeline, again, it's very interesting that we are now getting new bids from new insurance companies to provide responses that are multiproduct in nature, so they include both translation services as well as traditional services and the opportunity to provide FirstDraft to those customers.

And law enforcement is the same thing. So I would say the big pivot is we're starting to see more activity. But in places like the U.K., a big bid we've been waiting on, we expected to hear in January. It was then delayed until June and now it's been set back to September. So it's a little bit all over the place, but we are seeing light at the end of the tunnel relative to the build of the pipeline.

Scott Buck: Okay. Perfect. That's very helpful. Last 1 for me. I heard the term accretive M&A, you used a few times during the call. I'm curious, is accretion priority one when you're looking at transactions at this point? And how does geographic expansion impact products, et cetera, kind of fit into the list of priorities for M&A?

Sebastien Paré: Yes, Scott, we obviously built quite a brand around acquisitions. We actually have developed a very significant blueprint that we've used for acquisition, integration and then the migration towards the new technology stack and taking gross margin and double and tripling that.

So on the back of that, we have been very specific early this year on what we were looking for. And we found really outstanding acquisition targets that we've been working through. And as we said earlier, obviously, a big part of the cost in Q2, and you'll see some of that percolating in Q3 as well as we close, is directly related to all that work. Now we fully understand that the markets might have expected closure on some of those.

But one of the commitment we've made is we always play the long game. We always play the longer-term value, and we're not going to deviate from our blueprint and with COVID and a lot of those things, a few things got moved. So we've got incredible target in the United States that will be coming true in some of those targets have a footprint also in other parts of the world. We also have targets that have a perfect fit for expanding our offering into other areas as well.

And I think all of this will be coming in for full disclosure throughout the quarter and before the end of the year. So to answer your question, Scott, it's where we've done before as far as the United States but some of them come with an international footprint. But we've also made it very clear that we have increased significantly our footprint and pipeline in the EMEA, particularly in Europe and in Australia as part of the Asia-Pac growth. And you will expect to see some of those acquisition also in those areas.

Operator: Your next question is from the line of Pat Walravens of JMP.

Patrick Walravens: Okay. And congratulations on the NASDAQ listing. So I guess big picture, Sebastien, I think if you -- if you're a new investor, you look at last year, and growth was 27%. And then you look at Q1 and it was 9%; in Q2, and it was negative 1%; and the guidance for Q3 is now 3%. So I guess, what would be really helpful is if you could just sort of share your view in terms of what the path to reacceleration looks like?

Sebastien Paré: Yes. So we -- we've obviously been carefully analyzing all those moving parts over the last couple of months. But now, I mean, subject to a few things of what's going on in Asia-Pac, particularly in Australia, we're comfortable to talk about the 10% to 15% range growth organically for this year, despite all of those delays. So that's the range that we've got set up and we feel very bullish about because of the backlog, both organic from existing customer base but also the commencements in some of those new contracts that were announced.

But really, that's going to take us to be around 20%, 25% organic growth range for 2022 onwards out of the base for 2021. So those are the ones, Pat, that we kind of settled on in the last couple of weeks, obviously, subject to a lot of the moving parts, but that's what we've done as far as looking really at what we've got committed already in terms of net new orders that came in that will be initiated in the third and the fourth quarter as well as new larger contracts, which we've been spending time and money to get ready for. At one point, those contracts will be commencing in the second half of the year.

So that's 10% to 15% for this year. And then in terms of next year, we believe conservatively based on what we've got in the pipeline as well, that the 20%, 25% organic growth for 2022 is what we will deliver on.

Patrick Walravens: Okay. That's super. And then can you guys just touch on 2 other topics, and I'll just say -- I'll just throw them both out now. So one is just what the competitive environment looks like for you both in the U.S. and overseas. And then maybe just a little more detail about the migration to bundled pricing.

Sebastien Paré: Susan, do you want to take that one?

Susan Sumner: Sure. I will start competitive -- it really hasn't changed. I mean, we are much more discriminating around the markets where we choose to play. We're competitive positioning, I'll use U.S. court services as an example, where the price points aren't preserved relative to where we are defining value.

We are in a really good competitive situation relative to the Asia-Pac and the EMEA markets. We're winning a lot of contracts in Africa right now for both our technologies, and we are in trials with our services workflow platforms. Not seeing a lot of competition in Africa right now, which is the emerging market that has a lot of legacy CapturePro technologies there. In the U.S., the competitive forefront hasn't changed really. We're still competing against a lot of small players that seem to have had issues in capacity scaling over the last year.

So we believe that as the competitors are emerging from COVID, they won't be as strong as we are both from security as well as from scale. That said, the bids are out there. There are a lot of small players that have delivered very high-quality service, and we consider them not only worthy competitors, but also potential M&A targets.

Patrick Walravens: [Great].

Susan Sumner: In terms of the bundled pricing, we've invested a lot of money this year in preparing the integration of both the Netsuite and NetScribe solutions be able to create much more effective, much more innovative bundling that will lead to the ultimate SaaS delivery that we will begin marketing in the fourth quarter of this year.

What that will provide for is a way to use a cellular-like model to be able to deliver bundles of minutes related to the combination of FirstDraft of edited transcription services and translation services that will be based on the unique characteristics of the individual markets that we're serving. We're very excited about it, and it has been a major investment. Oddly enough, the technology was the easy part. The integration of billing systems, we want to make sure we do a good job with that. And we're very excited about the progress that’s been made.

Operator: Your next question is from the line of (inaudible) Paradigm Capital.

Unidentified Participant: So just a question on -- you mentioned the production efficiencies that you have been taking on with the FirstDraft. Can you unpack why the margins are falling next quarter as well? And when will be the time when you're presuming that the mid-55 -- [mid-50%] margins?

Susan Sumner: Seb, would you like me to take that one?

Sebastien Paré: Yes, particularly with what we've seen, Susan, in terms of the productivity gains in our revenue in the last few months. Go ahead.

Susan Sumner: So I will break this into a couple of answers to your question because I think that when we look at margins, the gross margin on a consolidated basis where we've got a lot packed into that number.

And I think related to the productivity improvement, I think that's a good place to start. First of all, none of our numbers will show the effect of FirstDraft. That will not be commercially available until into the fourth quarter of this year. While we are in active beta with some pretty big name customers, the requirement to be able to create the billing environments and some of the integrated technologies that wrap around that are still in beta.

And so again, you'll see the effect of that margin as we exit Q4 and really aggressively get into selling these bundles in 2022. Right now, though, the exciting news is if you look at the services organization in the United States, and you look at the progression in Q2 from May to June, it was a meaningful progression.

In May, we had a lot of negative influences over the gross margin related to hiring in Australia and testing and preparation for the large contract that we will begin commencing. You also had a lot of influence over wage accelerations that we had to provide for the independent contractors -- they’re not wages, but payments, bonuses -- to grow the productivity as they were adjusting to the new platform and also to moving from being transcriptionists to editors.

So when you go through a major migration like that, you're always going to see a downward push on gross margins as the proficiency increases and the margin increases, that recovery starts to happen. So what's happening in Q3 is that we are now so confident in the technology that we're delivering and seeing so much productivity improvement from the editors that we are now changing the contract basis for the way that we pay those editors. And it's dropping from an average of about $0.07 a line to about $0.04 to -- $0.035 to $0.04 a line. So that's where you will begin to see this acceleration from the 40s into the 50s.

The other thing that negatively impacted the margins was that we had technology sales that have been delayed because of the offset of COVID in both Africa as well as in the U.K. So, good things are happening. This is all exactly what we talked about in Q1 as -- and the predictability around the acceleration of the migration to the new platform. We knew that it would drive down and negatively impact gross margin slightly. We also knew that we would need to accelerate productivity through that process. So we feel very good about where we are towards getting to the mid-50s toward the end of the year.

Sebastien Paré: And [Sarab], if I should just add to Susan's comment. In Q2, Q2 is impacted by wage subsidies and the impact on gross margin, there was 2.7%. So if you back that out of the reported 48.6% of gross margin in Q2, it was 45.9% without wage subsidies and no wage subsidies have been forecasted for Q3.

Susan Sumner: So they are actually on a pure basis, accelerating, not decelerating. Right.

Sebastien Paré: Yes.

Unidentified Participant: Got it. And just one last question on the sensitivity of lockdown in Australia to the revenue. Last year, you had the (inaudible) [contract with the Queensland]. And how do you think the exposure is going to be? Do those contracts are also linked to the lockdowns as well?

Susan Sumner: So Brisbane has only been locked down for 2 weeks. While we certainly can't anticipate what the future of COVID is, the primary effect of COVID right now in Australia is in Sydney and Melbourne.

Unidentified Participant: Got it. Okay. So you -- so last call, you mentioned that -- those revenues risk are going to hit in the quarter third of 2021. Is it still the same?

Susan Sumner: The Queensland revenues?

Unidentified Participant: Yes.

Susan Sumner: Well, we're in testing right now. We don't anticipate any changes to that. And again, I'm very COVID nervous right now, but we know nothing about COVID that would negatively impact that.

Operator: Your next question is from the line of Marla Marin of Zacks.

Marla Marin: So you recently alluded to FirstDraft, and it's currently in beta testing stages. Without really giving us any kind of concrete details, can you talk around any things that you're seeing during the beta testing phase that might have surprised you in terms of adoption, consumer enthusiasm for it or anything else that you care to share?

Susan Sumner: Sure.

Sebastien Paré: Yes, Marla, the -- Susan, I think it's important to clarify that FirstDraft has been used within the VIQ ecosystem already for almost a year and a half. That was the entire migration to the technology stack. So what we're referring to now is based on the confidence and based on the quality of the industry-specific language models that have been built that is now pushing the accuracy of the FirstDraft to a record high in the industry. What we've said is we're now starting to commercially sell FirstDraft to some of our clients. And I think that's an important distinction. Susan?

Susan Sumner: Yes. I would say a couple of takeaways that we've learned through beta. One is that the interest in the low end of our market, meaning small law enforcement agencies that are now being forced to go from handwritten notes to digitized content is really, really much more interesting than we expected it to be to the law enforcement officers. So there are 2 elements to FirstDraft that are, to me, very different than any of the competitors. One, that we provide an adoption program or we will be, we're building it into our final product offering.

And if you think about the days of Nuance, and that's where I come from, the work that they had to go through to get Dragon adopted by physicians, we're replicating that to make sure that individual law enforcement officers know how to actually go from handwritten notes to self-edit and self documentation in a self-service way.

But we're also -- what differentiates our product is that if for some reason, the document isn't usable by the law enforcement agency, we have an opt-out built into the product that we believe doesn't exist anywhere else that will send it to our editors to allow them to create that document that can be used for evidentiary purposes.

So that's in the LE where it has been much more widely embraced in the beta environment than we expected. The learning was though that we also have to incorporate adoption programs to ensure that they know how to use the technology.

On the media side, that's really where we have seen the most interest and it's been built into 2 contracts that we've just gotten that we're in the process of finalizing with 2 major media organizations and also driving the next generation of FirstDraft, which will be launched into beta at the end of this year, which is for the snippets which takes it from FirstDraft is near real-time.

So a 6-hour file will be delivered in about 22 minutes. In Q4, we will launch snippets that will deliver real-time editing, almost like a captioning service, but not because we will not deliver it as a regulated product but as a real-time to final edited document that will be an enhancement and an overlay to FirstDraft. So those, I would say, are the core learnings that we've gotten from what we've done so far.

Marla Marin: Okay. Thank you for that comprehensive answer. And then 1 other question, which is as you shift to the bundled strategy that you talked about earlier with the potential positive impact on margins, are you expecting that you potentially might lose some of the lower margin accounts or the accounts that aren't willing to make that bundle -- shift to the bundled model? And if you are, to what extent is that already baked into the outlook that you talked about earlier?

Susan Sumner: We don't expect that the bundles will replace. I mean I've said to many people that we know that this is a migration towards these services, it is not -- we are not going to stop to deliver traditional services. It will be an alternative.

It -- we believe it will be a better offering, both for the enterprise customer as well as the medium and small customer size but we will continue to offer traditional services just because we have to. We believe that it's going to take at least a year to a year and a half to train the easier markets, and we will have to still match in the RFP cycles to be able to evolve that into the way that court systems and big insurance companies buy.

Operator: Thank you. And that does conclude our Q&A session for today. I'll turn the call back over to Sebastien Paré, CEO, for closing remarks.

Sebastien Paré: Well, thank you, everyone, for joining us today on the call. We appreciate the support of our long-term shareholders as well as many new investors that believe in our long-term global growth strategy.

Many of these shareholders and new investors are strategically taking advantage of the latest significant traction to come in into our stock ahead of the next cycle based on the fact that the fundamentals are actually getting stronger, both for the technology as well as for the migration, despite the drag in the short-term profitability for the investments we're making in the long-term growth of the company. NASDAQ was always a commitment. It was surely not an easy one, but we did it.

Now we can level up and we can begin our next capital market cycle driven by higher liquidity and new diversified global shareholders who can now enter our stock. We're excited about the future of VIQ as we continue to execute on our proven growth plan. This year is not a year -- the year is not over yet, and we have a number of updates on M&A in a not-so-distant future that will allow our shareholders and new investors to appreciate what we've been working on during the last several months.

Please follow up with Laura Kiernan with questions you might have. We look forward to speaking with you again when we report our third quarter results in the fall. Until that time, stay safe.

Operator: Thank you. This does conclude today's conference call. You may now disconnect.