August 6, 2026

5:00pm ET

Operator

Good day, ladies and gentlemen, and welcome to Consensus Q2 2026 Earnings Call. My name is Paul, and I will be the operator assisting you today. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation.

On this call from Consensus will be Scott Turicchi, CEO, Kip Killpack, Vice President of Finance, Johnny Hecker, CRO and Executive Vice President of Operations, and Adam Varon, CFO.

I will now turn the call over to Kip Killpack, Vice President of Finance at Consensus. Thank you. You may begin.

Kip Killpack

Good afternoon. Welcome to the Consensus investor call to discuss our Q2 2026 financial results, other key information, and our Q3 2026 quarterly guidance. Joining me today are Scott Turicchi, CEO, Johnny Hecker, CRO and EVP Operations, and Adam Varon, CFO. The earnings call will begin with Scott providing opening remarks.

Johnny will give an update on operational progress since our Q1 2026 investor call, then Adam will provide Q2 2026 financial results and our Q3 2026 guidance range. After we finish our prepared remarks, we will conduct a Q&A session. At that time, the operator will instruct you on the procedures for asking a question. Before we begin our prepared remarks, allow me to direct you to our forward-looking statements and risk factors on Slide 2 of our investor presentation. As you know, this call and the webcast will include forward-looking statements.

Such statements may involve risks and uncertainties that would cause actual results to differ materially from the anticipated results. Some of these risks and uncertainties include, but are not limited to, the risk factors that we have disclosed in our regulatory filings, including our Annual 10-K and quarterly 10-Q SEC filings.

Now let me turn the call over to Scott for his opening remarks.

Scott Turicchi

Thank you, Kip. We had excellent financial results in Q2, continuing our acceleration of total revenue growth with meaningful contributions from each channel of revenue. In addition, this was the third consecutive quarter that we had year-over-year growth in the following key financial metrics: consolidated revenue, adjusted EBITDA, adjusted non-GAAP EPS, and free cash flow.

Our revenue growth was driven by the continuing improvement in our corporate channel, which reinforces both the necessity and value proposition of our solutions. We exceeded our revenue objective, with corporate revenue posting a 9.3% growth over Q2 2025 ahead of our forecast. This success was driven by record strong usage, increased revenue retention, new customer acquisition, and contribution from our advanced products. In addition, eFax Protect had record signups, which is a continuing trend each quarter.

In addition at the VA, we continue to see more facilities come online, generating a record level of usage. All of these factors contributed to the stellar year-over-year growth for our corporate channel.

SoHo revenue was also ahead of our expectations and had the slowest rate of decline since we began the shift of our marketing dollars to corporate in late 2023. We continue to be judicious in adding to our cost structure, producing an adjusted EBITDA margin of 52.9% in Q2, comfortably within our range of 50% to 55%. Johnny will provide more detail in his portion of the presentation regarding the operational results for Q2.

Free cash flow was $25.5 million in the quarter, up approximately 25% from Q2 2025 due to excellent management of our receivables and lower interest expense than a year ago. We continue to expect our free cash flow in 2026 to approximate the $106 million of free cash flow in 2025.

In addition, we were able to repurchase approximately $9.6 million of our stock during the quarter, or approximately 300,000 shares. Before turning the call over to Johnny, I want to share two strategic developments during the quarter. The first is the formation of our new Healthcare Strategy and Solutions Group, headed by Steve Tolle, and the second is the tuck-in acquisition of doc.health. The Healthcare Strategy and Solutions Group will own the healthcare product portfolio, go-to-market efforts, and strategy primarily for our non-fax solutions. This group will build on the foundation we have built in healthcare through our eFax product.

By way of example, when our fax customers receive referrals, prior authorizations, orders, or record requests via fax, they are receiving data in an unstructured format, and as a result, they need someone to process the document and enter the information into the EHR. We can seamlessly fill that gap with our variety of technologies and solutions.

We have discussed our vision for Harmony before and how pieces of it are already in production. This group will be responsible for unifying our healthcare portfolio of solutions. The inbound image in the prior example will be transformed into structured data, which will be routed to the right people so they can act. These solutions will target specific segments and use cases in the healthcare ecosystem.

This will allow our existing eFax customers to expand into higher-value services and for new clients to come to us for the intelligence rather than merely the transport. The Healthcare Strategy and Solutions Group will be led by Steve Tolle, as I mentioned, and he will have the role of Chief Healthcare Solutions Officer.

He's a 35-year healthcare technology executive who delivered the industry's first AI-based radiology product at IBM Watson Health. He also founded iConnect Network Services at Merge Healthcare before its acquisition by IBM, and he's held senior roles at Allscripts, Optum Insight, and Pfizer Health Solutions. His domain is interoperability and AI applied to clinical workflow, which is precisely what this group is tasked to do.

We will continue to hire into this business unit and its related areas over the balance of the year and into 2027 as we look for meaningful contributions from this group to our non-fax revenue in 2028 and beyond, doc.health is a workflow platform developed by a practicing medical professional.

It handles the clinically adjacent work that surrounds patient care but doesn't live cleanly inside an electronic health record, such as referral management, care coordination, patient follow-up, and the administrative tasks that fall between visits. doc.health fits perfectly into our vision for the Harmony Platform.

Adam will provide more financial details regarding the transaction, but I'm excited to welcome the 14 employees of doc.health that have joined Consensus, as well as its customer base and pipeline and key technologies.

I'll now turn the call over to Johnny, who will provide more operational details.

Johnny Hecker

Thank you, Scott, and hello, everyone. As Scott mentioned, we are pleased to see continued progress across the business with consolidated revenue growing 4.1% year-over-year to $91.4 million. Over the last few quarters, I have talked extensively about the structural shift in our business toward high-value corporate revenue.

In Q2, we saw this established pattern solidify. I want to emphasize the strength of secure cloud fax in this context. It is the primary driver of total dollar growth, which we expect to continue into the future. The migration to the cloud in regulated industries, especially in healthcare and the public sector, has only just begun. We're vigorously riding that wave by replacing legacy on-premise servers across these verticals. Our volume growth is coming from three distinct, reliable pillars.

We're winning new customers, our existing customers' traffic is growing, and we're capturing larger shares of wallet within those established accounts. Fax is what is driving our top line, and the demand for it remains robust. Our Q2 results reflect the power of that core engine delivering another quarter of record performance.

The corporate channel achieved a major milestone, crossing the $60 million mark for the very first time to deliver a record $60.5 million in total revenue for the quarter. That represents a 9.3% year-over-year increase and a solid 3% sequential increase from Q1, setting a new high watermark for this channel. With Q2 coming in at 9.3% corporate growth, we're consistently operating in the high single digits, well on our path to reaching double-digits.

This record growth is supported by an expanding market presence, ending the quarter with approximately 67,000 corporate customers, which is a 9.4% increase year-over-year. Another key metric that truly demonstrates the health and durability of our corporate business is our net revenue retention rate.

I am very pleased to share that our NRR continued its upward climb this quarter by more than 1%, reaching 103.1%, up from 102% in Q1. This is the ultimate validation of our strategy. It proves that once we land these enterprise accounts, we're successfully expanding our footprint, capturing more volume, and embedding ourselves deeper into their daily operations.

To secure and grow those enterprise accounts, we're continuing to invest purposefully in our healthcare solution strategy. As Scott mentioned in his opening remarks, this investment involves building out a dedicated group of subject matter experts.

Their specific mandate is to build laser-focused solutions that could create tangible value for our healthcare customers at the intelligence and workflow layer. Last quarter, I spoke quite a bit about the importance of workflow. I am excited to report that we made great progress on that front in Q2, executing a strategic buy versus build decision through a small asset acquisition, whereby we acquired excellent caliber technology and talent.

It brings an appealing customer base and strong partnerships that will directly benefit our go-to-market motions and accelerate our roadmap for flexible healthcare provider workflows. The decision fits perfectly into our broader product strategy. The new eFax platform we continue to deploy provides excellent entry-level workflow capabilities right out of the box.

By integrating these newly acquired advanced capabilities upmarket, we're building an ecosystem where we can provide AI-powered workflow layers seamlessly along the entire customer continuum, from a small independent clinic all the way up to a major health system or payer.

This strategy is the natural evolution of our platform, supporting our deep vertical focus by making our core fax products stickier and more deeply embedded in clinical workflows. This continuous product evolution brings me to our SoHo channel and how it converges with our corporate SMB business. We countered the overlap of SoHo and corporate with a very high-performing upgrade program in the past.

We launched a new corporate e-commerce offering, eFax Protect, in mid-2023, which has been a meaningful service and a highly relevant revenue contributor. As this captures that SMB demand so efficiently, it has allowed us to scale back our legacy upgrade program and reallocate those valuable resources upmarket to focus on our enterprise accounts.

Now we're taking the next step. With the general availability launch of our new eFax platform in Q2, we're offering a dedicated business plan effectively replacing eFax Protect for new customers. It provides an even smoother upgrade path and a much better self-service experience for our customers.

I am happy to report a successful rollout resulting in a seamless transition on the new customer acquisition side. We're not stopping there. In Q3, we're releasing enhanced mobile capabilities alongside an optional frictionless migration path from the legacy platform to the new eFax.

We're already seeing strong early signs of adoption of these new features, particularly around the self-service flexibility the new platform provides. As we continue to deploy additional features, we expect the platform to grow steadily. Of course, a superior product experience is only half the equation. We also have to drive the right volume to the top of the funnel.

On that front, I am pleased to report that our adaption to the new advertising and search environment continues to yield tangible results. Our ongoing search and AI search optimization efforts are driving improved, higher quality traffic directly into our customer acquisition channels. Looking at the financial performance of the SoHo channel, revenue for Q2 was $30.9 million. The year-over-year decline narrowed to 4.7% this quarter, though we view the specific level of improvement as an exceptional result that may not recur at this rate in future periods, particularly compared to the 9.5% decline reported in Q1. I want to be extremely clear about how we are managing this channel.

As I've mentioned in the past, metrics in SoHo have been deprioritized. We're managing the strategy strictly for cash optimization and contribution margin, not for absolute subscriber volume or ARPA. Because of this disciplined yield-first approach, we fully expect to see volatility in net adds, ARPA, and total revenue in the SoHo channel in the coming months.

We will not chase low-margin volume simply to manage our subscriber count. We will accept subscriber volatility in SoHo as long as the channel continues to generate the highly efficient free cash flow required to fund our corporate growth initiatives. Before I hand it over to Adam to walk through the detailed financials, I want to touch briefly on our public sector business, because it serves as a massive proof point for our overall upmarket strategy.

The Department of Veterans Affairs remains the absolute highlight here, serving as a true lighthouse customer for us and testament to our entrenched position in the federal space. In late Q1, the VA issued a policy that mandates ECFax, powered by eFax, as the secure fax solution within the VA. It is doing exactly what we believed it would do.

It is driving a highly qualified lead pipeline across the public sector and adjacent organizations, such as government contractors and suppliers alike. This rare policy mandate solidifies our standing in the public sector and boosts our credibility alongside our FedRAMP Class D, formerly FedRAMP High certification. In Q1, we discussed the VA's contribution to our 2026 performance.

Based on our current execution and deployment pace, we are highly confident that the VA revenue contribution should be north of $9 million in 2026. This engagement demonstrates our capability to scale rapidly within complex, highly secure environments, and it serves as a powerful door opener for further public sector wins. When you look at the business in totality, the pieces are working together exactly as designed.

In summary, Q2 was a quarter of highly focused execution. We're expanding our most valuable enterprise relationships, evolving our product to solve real healthcare workflow problems, and actively optimizing our SoHo cash engine to fuel that growth. I want to thank our entire team for their hard work and discipline this quarter, as well as our customers and partners for their continued trust and collaboration.

And now I will hand the call over to Adam to walk through the financials in detail. Adam?

Adam Varon

Thank you, Johnny. Good afternoon, everyone. Today, I will discuss our Q2 2026 results as well as guidance for Q3 2026 and full-year 2026. We expect to file our 10-Q later today.

Moving to corporate results, during the second quarter of 2026, our corporate business achieved a major milestone, breaking the $60 million mark with record-breaking revenue of $60.5 million, representing a 9.3% increase of $5.2 million compared to the previous year.

This performance continues our accelerating momentum when compared to 8.2% year-over-year revenue growth last quarter. This 9.3% year-over-year expansion represents the strongest year-over-year growth rate our corporate business has realized since Q4 2022 and continues the corporate momentum to double-digit growth.

Our record Q2 2026 corporate revenue delivered a trailing 12-month net retention rate of 103.1%. This reflects a sequential and year-over-year increase of approximately 110 basis points.

Our corporate customer base of approximately 67,000 was up 9.4% over the prior comparable period, with corporate ARPA increasing year-over-year by approximately 1% to $305.

Moving to SoHo, as mentioned previously, and to be very clear, we manage our SoHo revenue channel as a strategic cash engine to fund our accelerating corporate business growth. Q2 2026 SoHo revenue of $30.9 million decreased by $1.5 million, or 4.7% over the prior year, slowing from the Q1 2026 decline of 9.5%.

We expect SoHo year-over-year revenues to decline in the range of 5% to 7% in each of the next two quarters. Moving to consolidated results, as Scott stated, this is the third consecutive quarter that we have demonstrated year-over-year growth in all four of our key financial metrics being revenue, adjusted EBITDA, adjusted non-GAAP EPS and free cash flow.

Consolidated revenue of $91.4 million represents an increase of $3.6 million, or 4.1% over Q2 2025 and a $2.9 million, or 3.3% increase sequentially. Additionally, this represents the fifth consecutive quarter of year-over-year consolidated revenue growth and the highest consolidated revenue growth since Q4 of 2022. Q2 2026 adjusted EBITDA of $48.3 million increased $0.2 million, or 0.5% year-over-year from $48.1 million in Q2 2025, delivering a solid 52.9% EBITDA margin and firmly within our target adjusted EBITDA margin range of 50% to 55%.

Adjusted net income of $28.7 million is an increase of $0.2 million, or 0.7% over the prior year. Adjusted EPS of $1.49 is favorable to the prior year by 2.1%, or $0.03, driven by the items mentioned and a lower share count from equity repurchases. The Q2 2026 non-GAAP tax rate and share count were 20.3% and 19.2 million shares, respectively.

Moving on to capital allocation. Our free cash flow of $25.5 million was driven by Q2 2026 performance, which fueled a $5.1 million, or 25% year-over-year increase. We expect full-year free cash flow to be in line with 2025 free cash flows at $106 million. We ended Q2 2026 with approximately $99 million in cash, an increase of $6.6 million when compared to Q1 of 2026. Q2 2026 CapEx of $7.8 million was in line with the prior year and expectations.

With regard to equity repurchases, I am pleased to announce that our Board of Directors has authorized an amendment in our equity repurchase plan to approve an increase in the total authorization to $200 million. In Q2 2026, we bought 300,000 shares for approximately $9.6 million.

Program to date, we have utilized approximately $82 million to repurchase 3 million shares, leaving approximately $118 million available under our amended $200 million board authorized equity repurchase plan. Our Q2 2026 total debt balance stands at approximately $558 million, with $348 million of 6.5% high yield notes, $146 million in our term loan, and $64 million on our revolver. Our net debt to EBITDA ratio for Q2 2026 was 2.45 times, and we held our total debt to EBITDA ratio steady sequentially just below 3 times at 2.97 times.

Moving to guidance. We are reaffirming our full-year 2026 outlook as follows. Revenue, we anticipate between $350 million and $364 million, representing a $357 million midpoint. Adjusted EBITDA is expected to range from $182 million to $193 million, with a midpoint of $187.5 million. Our adjusted EPS guidance remains between $5.55 and $5.95, or $5.75 at the midpoint.

We estimate our full-year income tax rate will be between 19.7% and 21.7%, with 20.7% at the midpoint, with an approximate 19.2 million share count. Albeit immaterial, we have incorporated our recent doc.health acquisition into our full-year guidance with the following impact. Revenue is approximately $1 million. EBITDA, negative $0.6 million. EPS, negative $0.02.

Based on our first half 2026 performance, Q3 2026 guidance range, and acquisition impact, we expect full-year revenues to be between the midpoint and high end of the range. Full-year adjusted EBITDA and adjusted EPS were expected to track slightly above the midpoint of guidance.

Moving to Q3 2026 guidance. Revenues between $89.2 million and $93.2 million with $91.2 million at the midpoint. Adjusted EBITDA between $45 million and $48 million, with $46.5 million at the midpoint. Adjusted EPS of $1.34 to $1.44, with $1.39 at the midpoint. We estimate our Q3 2026 income tax rate between 19.7% and 21.7%, with 20.7% at the midpoint, and an approximate share count of 19.2 million shares.

This concludes my formal remarks. I'd like to turn the call back to the operator for Q&A. Thank you very much.

Operator

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] One moment please while we begin. And the first question today is coming from David Larsen from BTIG. David, your line is live.

Q: Hi, this is Jenny Shen on for Dave. Congrats on the quarter, and thanks for taking my questions. First, I just wanted to ask about the demand environment, hospital spending. This is one of the first quarters where we've really heard some of the hospitals start to express some of their volume challenges that they're going through. Have your conversations with hospitals changed at all, and are the way that you're pitching your products changing? For example, are you emphasizing the ROI aspect of it more? And along those lines, just the quarter looked very good with the top and bottom line beats. What was your decision to reaffirm the full-year guide without raising it? Is that just added conservatism given the environment? Thanks.

Johnny Hecker

Hi, Jenny.

Scott Turicchi

John, I think let's take the first one on the market.

Johnny Hecker

Yes. Hi, thanks for the question. I think it's a very good pointed question, and you're basically almost answering it yourself in the way you asked it. So we're experiencing similar things that hospitals are a little bit they're slowing down. They're more diligent in their vendor selection. They're particularly focused on EHR integration and buying services through existing vendors. And as we can say that we're lucky to be integrated in many EHR vendors. We have very strong partners in the space. So we can basically balance that out a little bit. But the direct communication is exactly as you have described. It's a little bit slower. They're a little bit more reluctant, and we're doing exactly what you said, is we're emphasizing ROI with the solutions that we sell and that we position in these hospitals.

So, yes, very good question, and I think we're positioned really well to balance these kinds of ups and downs as we've experienced them throughout the past few years in the healthcare sector.

Scott Turicchi

Still getting the important wins for us.

Johnny Hecker

Yes, absolutely.

Scott Turicchi

And then I'll take the second one, Jenny. We've reiterated this before. Our philosophy on guidance, and I think Adam did a good job of giving you where we think we'll sit within the range. When we come out with the range at the beginning of the year, it is not our practice to, even if we have beats in a quarter or two quarters, to raise the ranges.

But as Adam noted, based on the first two quarters, we think clearly we'll be above the midpoint of the revenues, in fact, between the midpoint and the high end. And we believe we will outperform the midpoint somewhat on both EBITDA and EPS, but neither one of those are sufficient enough to cause us to actually change the range.

Q: Perfect. Thank you.

Operator

Thank you. Once again, it will be star one on your phone at this time if you wish to ask a question. The next question is coming from Ian Zaffino from Oppenheimer. Ian, your line is live.

Q: Hey, good afternoon, guys. This is Isaac Sellhausen on for Ian. Appreciate you taking the questions. My question is just on the VA ECFax. You talked about the contribution for this year. Maybe any additional color you can provide on how many sites that includes and kind of runway for growth going forward. Then, in addition to that, maybe highlight your expectations around adoption from other public sector customers and potential conversations with the customers there. Thanks.

Johnny Hecker

Yes, thanks. Really good questions. On the VA sites, that's not a number that we publicly announce or publish. I can give you roughly an estimate of where we think we are on the rollout. We're probably I would say somewhere between 65%, 75%, maybe 80% through the rollout within the VA. That mandate that I indicated or that

I spoke about on the call, I think is opening up other opportunities for us in the broader VA ecosystem. There's a lot of vendors that are providing services, government contractors that are processing data for the VA. We're in active conversations with the first contractors there to get onto ECFax and use the same platform as the VA, and as the VA is mandating internally.

The other thing about the sites, maybe to comment why we're not publishing that, on the one hand, I don't think the VA is very excited about us talking about this. Secondly, it's not really the perfect indicator for the volume. It gives a little bit of a direction, but there's no direct correlation really between sites and volume. We've learned over the past couple of years that the volume differs from site to site, depending on what they do at those sites, how well they're integrated into the community, how many veterans they can actually serve on-site or offsite, all those kind of things. They're not direct correlative to the volume. On the other question that you asked with other public sector opportunities, that is going well. We're expanding that team. We're building out that go-to-market motion.

We're seeing more engagement with government contractors as well as with government agencies. Obviously that policy mandate from the VA is giving us increased credibility and some tailwind in that respect. The VA is just such a large customer, that the other wins that we can actually put on the board in that space are not contributing at the rate that you would really see it in that revenue yet, but that's a matter of time. I think if you look at the VA timeline, it took us years to actually close that deal and implement it. While we don't think it's going to take that long with other larger agencies, the government still operates at the pace that it does. We expect the next couple of years to see more on that front. I don't know if you want to add anything.

Scott Turicchi

Well, no, we have a question by email that sort of dovetails with this. One was about the federal, state, local deal pipeline, which I think you in part addressed, and I think it's correlative because the question was, What will it take to get corporate growth over 10%? It's obviously nine and change, it's knocking on the door. Part of it, I think, is this opportunity in the public sector over the next several quarters.

I would also add that the continuation, particularly the usage trends we've seen in the core base, then outside of the public sector, as I mentioned in response to the previous question, we have some meaningful wins that may take them some time to ramp, but as we look into 2027, all of those factors together, assuming there's no major change in the economy or things like that in terms of how the base would behave, would be the elements that would push us into double-digit growth, at least as we see it right now.

Johnny Hecker

Yes.

Scott Turicchi

Any other comments?

Johnny Hecker

Well, obviously as we're growing, it gets harder and harder, right?

Scott Turicchi

No, it gets easier. Come on, Johnny.

Johnny Hecker

The absolute number gets just bigger all the time. No, I think, like I said in the call, I think we're on that path. As Scott stated, it's multiple things. Yes, the public sector plays a big role in getting us across that line.

Scott Turicchi

We had two other questions. Well, I don't know. Was the live question, any follow-ups?

Operator

There were no other questions from the lines at this time, Scott. Please go ahead.

Scott Turicchi

We have two others that come by email. One is, what is our thoughts on capital deployment in the back half of the year, given the strong free cash flow generation? Glad you asked that question. Obviously, as Adam noted, we have been more aggressive purchasers of the stock in the first half of the year than probably any six-month period, five years since we spun. We continue to view the stock as very attractive. We look at it on a free cash flow yield basis. We've given you sort of our estimate of the free cash flow for the year.

At the current stock price, the yield is like 16% to 17%. I would anticipate subject to volume limitations and just there's not a lot of activity in our stock, that continues to be very attractive for us. We have looked at buying some of the six and a halves in the open market. There's literally no volume to speak of. I don't think, as has been the case the last several quarters, we'll be able to retire any of the six and a halves at better than par.

As a note, they do become callable in October of this year at 101 and five-eighths. We don't find that attractive in terms of the call price. October 15th, 2027, though they are callable at par. I think that given that, the two uses in the near term of our cash would be equity subject to price and availability. We do have the option, particularly with our U.S. cash, which is an important distinction, to pay down some of the revolver.

While that's not extraordinarily attractive, there is a 2% to 2.5% arbitrage between what we earn on the money markets on that cash versus the cost of the debt. Which is a SOFR-based loan. Basically we can make that differential. Then the final question by email, there was a note, we didn't discuss it, that we, on a GAAP basis, booked a $5.3 million gain on an investment in the quarter. You may recall that over the last probably two and a half, three years, we've talked about investments we've made in one of our partner companies. It's an AI company that is one of the third parties we use in conjunction with Clarity.

They had a priced round during the second quarter, so that triggered a valuation. Up until that point, there were no discernible valuation points, so we kept it on the books at our invested cost. We have a $10.5 million cash investment in the business, but it's valued close to $16 million, hence the $5.3 million gain. One, that is non-cash, so that is an accounting gain.

Two, you will see some additional disclosure in our Q that just highlights primarily what we already say in our K, which is, hey, these kind of investments are inherently risky, so there could be future valuation changes up or down based on either the company's performance and what future capital it raises and what price it raises it at. Go back to live questions.

Operator

We did have another question coming in from Isaac from Oppenheimer. Isaac, your line is live.

Q: Hey, Yes, thanks. Just one quick follow-up. Just on the EBITDA margin in the quarter. I think you had previously talked about some hiring across the organization. Maybe you could just provide an update on where the company stands on that. Then, I guess, the guidance implies margins are towards the lower end of your guys' target for the back half. Just any clarification as far as for hiring there. Thanks.

Scott Turicchi

Yes, two things. You're correct. You may remember in the Q1 earnings call, I noted we had extraordinarily large margins, and I was disappointed in that because the hiring was slow relative to the way we budgeted. Through a combination of organic hiring and the doc.health acquisition, we started to catch up in Q2. We sit right now at about 550 employees versus sub 520 when we entered the year. There's been a growth of 32 employees roughly from the beginning of the year till now. Yes, you're starting to see the comp expense ramp in Q2. Obviously, that will carry through in Q3 and Q4. The other thing I would note, and something we're looking at changing for next year, but we account for our accounting fees and professional fees as incurred.

Because we're a year-end company, the bulk of those fees occur in Q3 and Q4. On a sequential basis from Q2 to Q3 of this year, we will have an additional $1.3 million of costs that will be expensed in the quarter, primarily relating to the audit. Those fees will repeat again in Q4. If you look historically at our margin profile, and you'll see Q1 and Q2 have superior margins to Q3 and Q4 in almost all instances because of that. They say we're working with our chief accounting officer to estimate those fees in 2027 and spread them ratably over the four quarters so you don't have that influencing the margins. Those are the two things that are the takeaways in terms of the hiring is catching up.

That's a good thing as it relates to the future because the people we're hiring are primarily in the go-to-market product Healthcare Solutions Group. These are all people that directly or indirectly are revenue generators in the future. They're not G&A. We do have this anomaly of the way we've accounted for our year-end audit, which is heavy in Q3 and Q4.

Q: Great. Thanks so much for the details.

Scott Turicchi

Okay.

Operator

Thank you. There were no other questions from the lines at this time. I'd now like to hand the call back to Scott Turicchi for closing remarks.

Scott Turicchi

Great. Well, we appreciate you joining us for our Q2 update. I'd like to note before we sign off that we will be virtually at the OpCo conference on August the 12th. There are still some slots available, so if you're interested in a follow-up one-on-one, you can reach out to Oppenheimer and be happy to schedule some time for a meeting. The next time that we will be talking will be in early November to report on the Q3 results and maybe have a little insight into 2027. Thank you.

Operator

Thank you. This does conclude today's conference. You may disconnect at this time, and have a wonderful day. Thank you for your participation.