

Hello everyone. Thank you for Nafeesah and Verbit for giving me the opportunity to speak to you all in this webinar. I'm going to be presenting as Nafeesah mentioned, a market research that we did cooperating with Verbit. I'm going to first of all tell you what the research is about, and then presented to you the main or the key findings that we thought would be most relevant for the audience here with us today. Our research was focused on the court reporting industry in the United States. More specifically, we focused on the smaller court reporting agencies in the market. I'll explain exactly what we mean by that and what we found for this population. We conducted this research via conducting about 70 interviews with different stakeholders in the market. The vast majority of the interviews, like you can see here, was with actual smaller court reporting agency, owners, or people working in these agencies, court reporters themselves, digital transcribers and reporters. They gave us really a lot of different angles and

material to work through in the research.

We also talks to some great people from Verbit who gave us a lot of insights and a few additional industry experts that we reached through the PricewaterhouseCoopers network.

We really found some interesting things that I'll be sharing with you today.

Of course, jump in if I'm having any technical issues and like Nafeesah said, all questions will be answered at the end of the presentation.

When we're looking at the US court reporting market as a whole, we're seeing that there are three different serotypes to watch out for.

We have on the one side, the smaller court reporting agencies who might be small individually, but are actually representing a big part of the market, about 60 percent of the total market when you're looking at the value in dollars.

Of course we also have national players, we're talking about to the very large agencies you all know, we're talking about Veritext, Esquire or US legal, etc.

Right next to them we have the regional players.

Were also very large,

operating in several states

or even at the national level,

but aren't individually quite

as big as the national ones.

You can also see that these two groups

are roughly 40 percent of the market

with smaller agencies still

representing the largest part.

Then we have another segmentation that we did it,

so not all smaller agencies are the same.

There are three different sized groups

that we were able to identify.

I know that this slide can sometimes be confusing,

so I'll walk you through it.

At the left side,

we can see the number of smaller agencies by size groups.

We divided smaller agencies,

which is a vague term to

three different size groups: smaller agencies,

medium ones and larger ones.

The small ones are really the typical,

we went to court reporters

who got together and formed an agency,

working with several freelancers.

That's the vast majority of agencies.

We know that we have roughly 50 - 60 percent of smaller agencies are actually very small ones. Then we have the medium ones which are a bit larger. We're talking about up to six direct employees and of course, a number of freelancers they're working with to create transcripts, and that is a smaller part of agencies that we're looking at 15 - 35 percent. Then we have the large court reporting agencies. We're not talking about large, like in the national ones. But when we're looking at this segment of the smaller ones who aren't regional or national players, there are quite a few larger ones to look out for. We're talking about 600 - 700 shots in the US as a whole. On the right side, we can see that this division really changes when we're looking at the same size groups, but we're not looking at the number of agencies from each size group. We're looking at the overall size of the market. We see that large, smaller court reporting agencies are generating a faraway of revenues, then the rest or than the other groups, and despite the fact that these are only 600 out of

3,000 agencies in the smaller agencies in US, they represented where 50 percent of the market in terms of US dollars.

That's the key thing to take from here.

Now, another division to watch for when we're looking at the smaller agencies is not only the size, but of course also the way in which they are creating or producing the transcripts.

Now we have three groups.

On the left side, we have the traditional ones.

These are of course based on stenographers or stenographer only and they represent a vast majority of smaller agencies so 70 - 80 percent of the small agencies who I remind you, make up over 50 percent of the total cooperating market in the United States are still traditional in 2021.

Then of course we have another group which is the hybrid ones.

These, as you can guess from the name, mixed stenography with digital transcription.

Those tend to, or a lot of the times they're predominantly stenography-based and they use digital for the overflow or for the demand that they can't provide for using stenographers alone.

In the right side we have a new group,

which is also a lot smaller than the other two,
and that is the purely digital small agencies.
These are of course are usually new players,
innovative players who don't rely on
sonography at all and are only using
a digital recorder transcribers and
voice recognition and tools to produce the transcripts.
That's the third group we looked at.
When we did the report
and that's something that I failed to mention earlier.
We looked at five states in particular,
or we did a deep dive on these five states to look
at the different circumstances that each of them has.
We equate or we compared them
on a scale of digital adoption level.
You can see here very clearly
that on the left side we have Florida,
which is the most digitally adopted of the five and also
is considered to be the most digitally adoptive state
as a whole of all states in the US.
On the right side,
at the opposite side,
the least digital state is California,
which is still predominantly
or almost exclusively stenographer-based.
We have in the middle of New York which is having
or at least that's what we

heard from the interviews that we conducted, has a very large or strong trend of digital adoption in recent years and months and is moving closer to the left side of the scale and Massachusetts in Texas were still more digital than California, but are still very much predominantly stenography-based. Obviously we don't have the time to really dive into each of the states and the whole different circumstances in each of them, I did list here the foreign key parameters that we think influence the placement of each state on this scale. We have, of course, the regulation and the certification requirements, where in California we have a CSR requirement and for all transcripts. In Florida there is no central parliament and you have the freedom to digital if you want to. We had the court level adoption of digital, where in Florida, the court system uses a lot of digital vendors for the transcripts where as in California, this is not something that's happening and of course in the other states as well.

We also looked at to the concentration of larger small agencies.

Now when we look at the smaller agencies and each of the states, we recognize that in Texas and California, and New York there is a difference in the typical sizes.

In New York, smaller agency will usually be quite large or there is a higher rate of large small agencies compared to the other states.

It's also true in Texas, by the way, of course, that alone is not enough to change the picture.

Of course, another thing that is an inhibitor to digital adoption in each of the states is the resistance of stenographers and court reporters for this digital adoption.

That's another thing that we chose to list here as well.

Now also when we're looking at the state level, another major trend that we wanted to check out how each state is doing in is of course the consolidation.

Now we know that in recent years and I'm sure all of you guys have heard about this, the market is undergoing some serious consolidation with larger and national firms and regional players, buying smaller agencies and taking over a larger portion of the market.

While this is happening in all states and is very much present in all of these different markets, we did see that in New York.

This is a bit slower than in other places with mergers and acquisitions less frequent, whereas in Florida, it is happening in Massachusetts it is happening at a very, very fast rate.

In Texas and California, you can see that they're a bit brighter and the colors are meant

to show you how big consolidation is in each of the states.

In Texas and California whereas there are quite a lot of mergers and acquisitions, there are so many agencies that we're still seeing this process happening, and we're still seeing a lot of independent agencies in each of these states.

Moving on to conclude this chapter, of course, in the original research we had a lot more insights to share.

We asked a lot of these agency owners and stake holders and the agencies what their pain points or whatever the thing is that they're feeling are bothering them in their day-to-day work.

A lot of them, one of the first things that they say, depending of course on the area and how much it's

present there is this stenographer shortage.

Now, I don't want to go too deep into this

because I know that a lot of you

already know of this topic and have

heard of this in different forums.

But this is definitely

something that we're hearing people

addressing and think that it is hard for them

to provide for the demand that they're seeing.

The second thing is

the increasing competition from larger agencies.

Now a lot of owners

and court reporters are mentioning that

there is this increased phenomenon

of competition from larger agencies,

which is a result of them lowering prices,

having a third party contracts,

and a lot of different reasons that we'll go

into in a second.

That's the second thing that we heard.

The third thing that we heard is that there's

some technological difficulty about

integration between different systems and software,

this especially came from

larger to smaller agencies who said that

they use only these different systems and it's hard to

integrate between them and transfer the files, etc.

The fourth thing is the shortage and high-quality transcribers. Now this of course came from those agencies who are either hybrid or digital and do work with recorders and transcribers. Very much like the stenographer shortage, that's something that it's hard to train and be able to reach high-quality transcribers to really provide for the demand. Now, having heard of the paying points and different segmentations in the market and the trends at each state, of course, we can't ignore COVID and how it impacts the industry as a whole. This slide is actually updated to a few months back, so maybe some of the things that are listed here as the projection may have already happened. Now on the left side, we can see of course that during the start of the pandemic in 2020, there was a decrease in demand that was sensed throughout the industry both for smaller agencies and larger ones alike. We know that different things led to this going down. Of course, courts were closed in some of the states and some of them haven't really returned to full action as of yet. A lot of proceedings were postponed

and there was less volume in
the legal industry as a whole in the US.

Now, due to all of
these different proceedings being postponed, of course,
the projection is that demand is forecasted to
rise when we go out of the pandemic,
so in the coming months,
and the industry will have
a hard time to really provide for
the demand for all the transcripts
that this is going to lead to.

Now another thing that we know that COVID brought to us,
and of course all of you know this as well,
is the transfer or the switch to remote work.

Now of course before COVID,
we're all used to depositions
taking place in-person, face-to-face.

Everybody in the industry were forced to suddenly switch
to new digital means like Zoom,
Teams, Google Hangouts, and whatnot.

The key thing that we
wanted to emphasize here is that when we were
asking people a few months back
on what they think will happen after COVID,
the vast majority of them were
saying this is going to stay this way.

No, of course not all depositions

are going to stay remote.

Some of them are going to go back to being in person.

But everybody said that the advantages of this house to

all the stakeholders in

the process, including the agencies,

the attorneys, and even the clients at the end who are

now benefiting from a lower bill and some of the cases.

Everybody is going to have an interest in keeping

it at least partially that way.

This is the first thing.

The second thing is that this switch

to remote actually also served as a driver

for the adoption of ASR and of

digital reporting in general because first of all,

out of sight, out of mind phenomenon,

the breaking of this barrier of having to have

a reporter for physically typing

in the room during a deposition.

People were used to the fact that this is not happening

anymore, meaning of course,

the attorneys and clients at the end of the day,

they are more accepting of newer different means.

The second thing is that

the technological tools we use for the conferences,

like Zoom for example,

provide us an opportunity to better integrate

with voice recognition add-ins and services.

That is another trend that we're seeing in some of the areas in the industry.

Now, earlier when we talked about the paying points for the agencies, we mentioned that they're facing increasing competition from national and regional players.

I promised you that we would dive deeper into this and this is one of the last slides that I will be presenting today.

When we asked them what they mean when they're saying the competition is rising or what is causing competition to rise, there are four main factors that they mentioned.

The first thing is the lower prices.

Top national firms have rates that are cheaper than the smaller agencies, and that serves, of course, as an incentive for customers to switch vendors and some of the cases.

Then we have the natural contracts, of course, the phenomenon where large national firms are signing third-party contracts with companies like insurance companies and are really making it clear that they will be the ones who get the reporting work for all cases related to this third party.

The third thing is the geographical presence and the fact that when you have a large attorney clients, some of the times, they're going to prefer firm that has a broad geographical presence around the US.

The last thing is, of course, customer development and generally the fact that larger agencies can sometimes put more of an effort into creating or getting new customers.

These were the four key factors that we heard from agency owners that were causing competition to rise.

Now, when we looked at all of this data and incorporated it together to find a conclusion, we realized that digital and ASR-based transcription holds multiple advantages for smaller agencies.

The top three ones, and we're going to keep it high level and not really go into the detail but of course feel free to ask, is one, lower costs; two, scalability; and three, faster turnaround.

Now lower costs, we just talked about the fact that this competition is rising from national firms who are able to lower their rates.

We all know that stenographer rates or fees have gone up for agencies due to the shortage.

In some of the cases, this is very severe

like in California and Texas.

This is a phenomenon that is really hitting the agencies hard.

We know that digital can actually provide an opportunity to lower the costs for the agency and maybe, in turn, lower the rates.

The second thing is scalability.

Of course, this is also a problem as a result of the shortage and the hard time that agencies have supplying for the demand.

Digital serves as an opportunity to really get a new method or incorporate a new additional method for agencies to provide for demand that they can't get to with the usual means that they're used to.

The third thing is the faster turnaround and the fact that a lot of digital agencies, they actually point this out as one of the advantages that they can offer their customers a faster final transcript quickly and at a lower cost.

This sometimes serves as a competitive advantage or something that they can be proud of.

Really, these are the three key opportunities that we're recognizing in the industry now when it comes to smaller agencies adopting digital.

This is also the last slide

that I chose to show you here today.

Now of course, this was far more robust study,
so feel free to ask in your questions.

Nefeesah, I'm going back to you.

Thanks for the presentation, Noa.

I'll try to speak a little bit louder because I received
the message that you guys can't hear me clearly.

Please feel free and go ahead,
put your questions in the Q&A box.

We would love to hear from you.

If you have anything else that you can add to this,
please put anything in the Q&A box.

We left about 7-8 minutes for this.

The first question that we have here is,
are most Zoom depositions being
recorded by the court reporting agencies?

Now, thank you, Jeff. I think that at least
from a few dozen interviews

that I conducted on the topic,

I can say that yes,

this also served as an opportunity for agencies to start
offering video as well as the traditional transcript.

That is, of course,

an incentive for them to also record
the depositions if the client

is authorizing them to do so.

Thanks for that answer, Noa.

Sure.

I see a question from Peter here.

Peter, I will forward this to our team

and they will be in touch with you.

I'm not really sure what the processes

are for the transcribers,

so I'll take your contact information and pass it on

to the team and someone will be in touch with you.

Any other questions? There we go.

Do we have any other data on

other states adopting digital court reporting?

Noa, I can take this one for you.

We actually deep dived

into just those states that Noa I mentioned,

so mainly Florida, Texas,

California, Massachusetts, and New York.

As of right now, we don't have any of the other states.

We might be expanding our research and hopefully,

we can share that on a future webinar with you, guys.

Thanks for your question, Sheila.

I'll give it another minute or two

to see if anyone else has a question for us.

I'd like to say we have another session starting,

our third session for the Virtual Summit.

I'd encourage you all to go back to

the lobby and then rejoin the third session.

It's another interesting one we have
on selling your brand.

With that, I'll wrap it up.

I don't have any further questions.

Noa, thank you so much for
your time in presenting some of our research.

Thanks everyone for joining our second session.

We hope to see you in the third session.

Have a nice rest of your day. Thank you.

Thank you, Nefeesah, and to everyone who listened. Bye.

Bye.