Akumin Inc.

EDITED TRANSCRIPT

2019 First Quarter Results

Analysts Conference Call

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Corporate Participants

Riadh Zine-El-Abidine, *Akumin Inc.* — President, Chief Executive Officer & Director

Mohammad Saleem, *Akumin Inc.* — Chief Financial Officer & Corporate Secretary

Conference Call Participants

Noel Atkinson, *Clarus Securities* — Analyst

Bob Gibson, *PI Financial* — Analyst

Tania Gonsalves, *Cormark Securities* — Analyst

Endri Leno, *National Bank* — Analyst

Presentation

Operator

Good morning. My name is Casey, and I will be your conference Operator today. At this time, I would like to welcome everyone to the Akumin Inc.'s 2019 First Quarter Results Research Analysts Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, you may press the # key. Thank you.

Mr. Zine, you may begin your conference.

Riadh Zine-El-Abidine — President, Chief Executive Officer & Director, Akumin Inc.

Thank you. Good morning, ladies and gentlemen, and thank you for joining us for Akumin's earning call for the quarter ended March 31, 2019.

Before we begin, let me remind you that certain matters discussed in today's conference call, or answers that may be given to questions asked, could constitute forward-looking statements that are subject to risks or uncertainties relating to Akumin's future financial and business performance. Actual results could differ materially from those anticipated in these forward-looking statements.

The risk factors that may affect results are detailed in Akumin's periodic results and public disclosure. These documents can be accessed under Akumin's profile on SEDAR at sedar.com. Akumin is under no obligation to update any forward-looking statements discussed today, and investors are cautioned not to place undue reliance on these statements.

We may also make reference to certain non-IFRS measures during this conference call such as EBITDA, adjusted EBITDA, adjusted EBITDA margin, and adjusted net income attributable to shareholders of Akumin. Our definitions for these terms are included in our public disclosure. Our use of these non-IFRS is intended to complement IFRS measures by providing additional information and further understanding of our results of operations.

On today's call, Mohammad Saleem, our Chief Financial Officer, and I plan to provide you with highlights from our operations and financial results for the quarter ended March 31, 2019. After our prepared remarks, we will open the call to questions from industry analysts.

Overall, our results for the quarter were in line with management's expectations and represent a good start to the fiscal year. Our RVU volume for the quarter increased by approximately 60 percent relative to Q1 2018. Organic growth for the quarter measured by same-centre RVU volume, was approximately 8 percent when compared to Q1 2018.

We recorded revenue of $47.6 million for the quarter. Adjusted EBITDA for the quarter was $9.3 million and adjusted earnings per share was $0.05.

While no acquisitions were completed during the quarter, we acquired a single centre in Davie, Florida on April 1, 2019. And on April 15, 2019, we announced we have entered into transaction to acquire Advanced Diagnostic Group and The Imaging Centres of West Palm and their 21 centres in Florida as well as exclusive management rights over Elite Radiology of Georgia and the six centres it operates.

The three acquisitions will be for a total purchase price of approximately $214 million, which includes $25 million of rollover equity.

In addition to their commercial imaging services, these businesses have a significant focus on personal injury services, which will complement the business we acquired in mid-Florida in 2017, which had a similar focus on personal injury diagnostic imaging services.

We also announced on April 15, 2019 that we had secured committed financing from the BBVA to fund the acquisition. The loan will be for a total of $380 million of which $330 million will be a term loan and a revolver of $50 million. The proceeds of the term loan would be used to refinance Akumin's existing debt, to finance the acquisitions of the targets mentioned above, as well as for other potential tuck-in acquisitions. The revolver would be used primarily to fund future tuck-in acquisitions as well. Both the ADG acquisition and the financing are on track to close during the second quarter.

As we've talked about in our past earning calls, we measure our ability to scale our business by revenue and adjusted EBITDA. We measure the profitable and health of our business by looking at the adjusted EBITDA margin as well as adjusted earnings per share on a diluted basis. Our financial discipline in terms of deploying capital is measured by internal capital and return on equity. As you will be able to see on Page 12 of our Management Discussion and Analysis, these measures have been meeting our threshold despite our aggressive acquisition growth strategy.

Our acquisition growth strategy remain to build density in core geographic markets. We continue to be focused on developing the size of our network in each of these markets, which we believe will provide us an attractive opportunity and alternative to hospitals for both commercial insurance and other third-party payers.

This strategy is apparent from the ADG acquisition, which, once closed, will significantly increase our density in Florida. It will also launch a new geographic market for us with our entry into Georgia, which is an under-penetrated market from an outpatient imaging perspective and has attractive growth potential.

As our EBITDA continues to grow, and we realize synergies from our acquisitions, we believe Akumin will continue to have significant access to debt markets in order to execute on our acquisition growth strategy, and we may also use our currency from time to time as an attractive form of consideration to potential operators to join the Akumin platform, as we are doing with the rollover equity to be issued at the closing of the Advanced Diagnostic Group transactions.

We also remain focused on our existing business operations. We are continuing our efforts to integrate operations from recent acquisitions. We have completed the full integration of Rose Radiology on our operating platforms. We've made significant progress toward the full implementation of the Broward acquisitions we closed late in 2018.

We expect these operational integrations for our 2018 acquisitions, along with billing integrations completed during the first quarter of 2019, to have a direct impact on the bottom line in the second half of this fiscal year.

With the closing of the ADG transaction, we will be operating our personal-injury-focused centres under the "ADG" banner, run by the existing ADG's management team. We expect to drive significant revenue synergies from converting some of our existing Akumin centres that are better suited to be personal-injury-focused centres.

In addition to our internal focus, a lot of changes are going on in the diagnostic industry and the US health care industry generally speaking. The increase in high-deductible plans has made patients more aware of out-of-pocket expenses and has made patients expect more price transparency and a more meaningful service experience. It also means we are collecting more from our patients.

We expect these trends will lead to the best practices of consumer-centred companies becoming more dominant in health care. We believe Akumin, with its clearly defined strategy, operating philosophy, record of execution, and integration is well positioned to take advantage of these changes resulting from these trends.

At this time, I would like to hand the call over to our Chief Financial Officer of Akumin to discuss the financial results.

Mohammad Saleem — Chief Financial Officer & Corporate Secretary, Akumin Inc.

Thank you, Riadh. Good morning, everyone. I will provide a summary of Akumin's results for the quarter ended March 31, 2019. As I discuss our results, I will used certain non-IFRS measures, which are defined and reconciled in Akumin's MD&A. I will define these terms now.

Adjusted EBITDA means EBITDA adjusted for noncash items such as stock-based compensation, impairment of assets, gains or losses in the period, nonoperating cash items such as settlement costs and public offering and acquisition-related costs, onetime adjustments, and the impact of IFRS 16.

Adjusted net income to shareholders of Akumin means adjusted EBITDA less depreciation and interest

expense, excluding IFRS 16 impact on depreciation and interest expense, taxed at Akumin's estimated effective tax rate, which is a blend of US federal and state statutory tax rates for Akumin for the period.

The Company implemented IFRS 16 related to leases, effective January 1, 2019. This has brought operating leases on Akumin's balance sheet. As a result, the fixed assets and lease liabilities increased by approximately $111 million on January 1, 2019.

IFRS 16 also affected the income statement by removing the operating lease payments from operating expenses and replacing it with depreciation and interest expense. This has increased the EBITDA of the Company.

In order to provide comparable information in our MD&A, we are reporting adjusted EBITDA excluding the impact of IFRS 16. However, we have also provided information to calculate adjusted EBITDA including the impact of IFRS 16. The rest of my comments about financial information will exclude the impact of IFRS 16 unless I mention otherwise.

In terms of volume performance, Akumin measures volume of procedures performed in its diagnostic imaging centres based on relative value units or RVUs instead of the number of procedures. RVUs are a standardized measure of value used in the US Medicare reimbursement formula for physician services, which provides a weighting to different procedures based on their complexity.

Akumin's volume in Q1 2019 was approximately 1.1 million RVUs compared to approximately 666,000 RVUs in Q1 2018. This increase is mainly due to the acquisitions in 2018. Excluding the 2018 acquisitions on a same-centre volume basis, RVUs were 720,000 in Q1 '19 compared to 666,000 in Q1 2018. This represents an increase of approximately 8 percent.

With respect to the income statement, the Company reported the following results as compared to the same quarter for last year. Revenue was $47.6 million up from $33.4 million in 2018. Adjusted EBITDA was $9.3 million versus $6.8 million in 2018. Adjusted EBITDA margin was 19 percent versus 20 percent for the same quarter last year.

The improvement in revenue was mainly due to the acquisitions in 2018 and organic growth as previously noted. The improvement in adjusted EBITDA was mainly due to the acquisitions in 2018. The adjusted EBITDA margin was broadly similar to the competitive period with the marginal change resulting from the recently acquired businesses in Florida having slightly lower margins.

The adjusted diluted EPS was $0.05, which was in line with the same quarter last year. The higher adjusted net income in Q1 '19 was due to the higher adjusted EBITDA and was offset by the increased share count in Q1 '19 versus Q1 '18.

With respect to our balance sheet, cash balance was $18.9 million at March 31, 2019, versus $19.3 million at December 31, 2018.

Accounts receivable were $42.3 million versus $29.8 million at December 31, 2018. This increase of $12.6 million was mainly, but not exclusively, due to the following items.

First, $6.4 million of accounts receivable were recognized in Q1 2019 due to adjustments in the purchase price allocations for Rose, Kissimmee, and Broward acquisitions, each of which closed in the second half of

2018. Akumin was conservative in recognizing the opening balance sheet accounts receivable at the time of these acquisitions.

Second, approximately $2.1 million increase in revenue in Q1 2019 versus Q4 2018 was mainly due to contribution for a complete quarter from the Kissimmee and Broward acquisitions that were made in November 2018.

Third, increased business with auto and attorney payers which has a longer collection cycle. This business represented about 14 percent of Akumin's revenue in Q1 2019 versus about 9 percent in Q1 2018.

And fourth, it is the start of the year for most insurance plans and patient out-of-pocket thresholds have not yet been met.

As at March 31, 2019, based on annualizing this quarter, the Company's days of sales outstanding were approximately 81 days. Excluding attorney and auto payers, those days of sales outstanding were approximately 65.

Moving on to fixed assets. Fixed assets, excluding the IFRS 16 impact, at March 31, 2019, were $54.8 million versus $55.6 million at December 31, 2018.

Moving on to the debt of the Company. Total debt of the Company, excluding the operating leases on the balance sheet, was $117.3 million at March 31, 2019, versus $117.5 million at December 31, 2018. The key liability of the Company is our five-year syndicated term loan of $100 million at face value. In addition, this credit facility includes a $30 million revolving credit facility, of which $11.9 million was drawn as at March 31, 2019, to partly finance the two acquisitions made in Florida during Q4 2018.

With respect to key events occurring during the quarter, on April 15, 2019, the Company announced that it entered into share purchase agreements regarding 21 imaging centres in Florida and six centres in Georgia. All of these centres are managed by ADG's management team. Closing of this acquisition is expected during Q2 of 2019.

The adjusted EBITDA related to this transaction is approximately $30.3 million on a last 12-month basis as at December 31, 2018. The purchase price is $214 million, of which $25 million would be satisfied by the issuance of Company's common shares at a price of $4 per share.

In connection with this acquisition, the Company also announced that it had entered into a binding commitment letter regarding credit facilities totalling $380 million, of which $300 million would be a term facility and $50 million would be a revolver. The proceeds of the new term loan would be used to refinance our existing syndicated loans at face value of approximately $112 million and to finance this acquisition. The balance of this term loan and the revolver will be mainly used for other potential acquisitions.

I will stop here and hand it back to Riadh for closing remarks.

Riadh Zine-El-Abidine

Thank you, Mohammad. This concludes our prepared remarks, and we would ask the Operator to start the question-and-answer period.