



Akumin Inc.

EDITED TRANSCRIPT

Q1 2021 Financial Results Analysts Conference Call

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Corporate Participants

Riadh Zine, *Akumin Inc.* — President, Chief Executive Officer

Mohammad Saleem, *Akumin Inc.* — Chief Financial Officer

Matt Cameron, *Akumin Inc.* — Senior Vice President and General Counsel

Conference Call Participants

Noel Atkinson, *Clarus Securities Inc.* — Analyst

Endri Leno, *National Bank* — Analyst

Tania Gonsalves, *Canaccord* — Analyst

Kyle McPhee, *Cormark* — Analyst

Presentation

Operator

Good morning. My name is Brandy, and I will be your conference operator today. At this time, I would like to welcome everyone to the Akumin Inc. 2021 First Quarter Results Research Analyst 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, press the # key. Thank you.

Mr. Zine, you may begin your conference.

Matt Cameron — Senior Vice President and General Counsel, Akumin Inc.

Good morning, everyone, and thank you for joining us for Akumin's results call for the first quarter of 2021. My name is Matt Cameron. I am a Senior Vice President and the General Counsel of Akumin. Joining me on the call today are Riadh Zine, our President and Chief Executive Officer, and Mohammad Saleem, our Chief Financial Officer.

A slide presentation is meant to accompany today's presentation. A copy of the presentation is available on the Investors section of our website at akumin.com.

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



materially from those anticipated in these forward-looking statements. You should not place undue reliance on these statements, particularly on future financial performance.

The risk factors that may affect results in these forward-looking statements are detailed in our periodic results and public disclosure. These documents can be accessed under our public disclosure at [sedar.com](https://www.sedar.com) and [sec.gov](https://www.sec.gov).

Akumin is under no obligation to update any forward-looking statements discussed today, and investors are cautioned not to place undue reliance on those statements.

We may also refer to certain non-GAAP measures during this conference call, such as EBITDA, adjusted EBITDA, adjusted EBITDA margin, and adjusted net income or loss attributable to shareholders of Akumin. Our definitions for these terms are included in our public disclosure.

Our use of these non-GAAP measures is intended to complement the GAAP measures by providing additional information and further understanding of the results of our operations.

With that, I'll turn things over to our CEO, Riadh Zine.

Riadh Zine — President and Chief Executive Officer, Akumin Inc.

Thank you, Matt, and good morning, everyone.

Our financial report begins on Slide 3. As you will recall, we now report our financial results in US GAAP.

Q1 was in line with our expectations and was consistent with the guidance we released with our annual fiscal 2020 results. Q1 is typically somewhat affected by seasonality, and on top of the usual seasonal impact, this year, our operations in Texas were impacted by the severe winter storm.

Still, RVU volume was similar to Q1 2020, with over 1.5 million RVUs. You will recall, Q1 2020 was only marginally impacted by COVID, with volume affected only in the month of March 2020. We believe volume has largely returned to pre-pandemic levels in the aggregate.

As you can see in our summary slide, we generated revenue of \$67 million for the quarter and adjusted EBITDA of approximately \$14 million.

Turning to Slide 4 for volume. Notwithstanding the impact of the severe winter storm and its significant impact on our operations in Texas, volumes have returned to pre-pandemic levels. Were it not for the impact of the storm, aggregate volume during the quarter would have seen a return to organic growth on a same-center basis. As a result, management believes we are on track to meet our volume guidance for fiscal 2021.

Revenue is shown on Slide 5. During the quarter, we generated service fee revenue of \$44 per RVU, consistent with what we saw in fiscal 2020, which averaged \$43 per RVU and also formed the basis for our 2021 guidance.



Moving to Slide 6. This slide shows our revenue mix, which was also broadly in line and the same as it was for the fiscal year 2020. Our attorney business continued to represent about 10% of our service fee revenue, but makes up more than 40% of our AR.

As I've talked about before, we classify attorney as a separate payer category, given its longer payment cycles, which are often contingent on core processes and victim settlements. These longer payment cycles result in attorney AR making up a disproportionate percentage of our total account receivables.

I will now pass it over to Mohammad Saleem, our Chief Financial Officer, to discuss our EBITDA and leverage profile.

Mohammad Saleem — Chief Financial Officer, Akumin Inc.

Thank you, Riyadh. Good morning, everyone.

On Slide 7, you will see our adjusted EBITDA for the quarter was approximately \$14 million, and the adjusted EBITDA margin was about 21%. This margin in Q1 of 2021 was consistent with that for the year 2020.

The quarter was in line with management expectations, despite the impact of severe winter storms in Texas. And management continues to be comfortable with the 2021 guidance we previously provided.

Moving on to Slide 8. You will see our leverage profile information here. With respect to leverage, the total debt reported in our financial statements at March 31st was approximately \$483 million including finance leases, and net debt was \$361 million.

Using the low end of the guidance range in our March 31st press release, we assume a run rate adjusted EBITDA for the business of about \$65 million, which implies pro forma net leverage ratio of about 5.5 times as at March 31st. We expect our future leverage ratios will benefit from improving volumes, savings from our new service delivery platform, and other strategic business initiatives, as well as tuck-in acquisitions.

At March 31st, our accounts receivable was \$95.9 million versus \$91.1 million at December 31st. This increase in accounts receivable is mainly due to the increase in attorney accounts receivable, given its longer collection cycle.

The cash balance at March 31st was \$122.7 million versus \$44 million at December 31st. The increase is mainly due to the cash received as part of the \$75 million senior note issuance in February 2021, partly offset by the related transaction costs, and a \$4.6 million equity investment in an artificial intelligence business in March 2021. The cash balance also reflects recent improvements in business volume and ongoing expense management by the company.

I will pass it back to Riyadh. Thank you.

Riadh Zine

Thank you, Mohammad.



On Slide 9, we've highlighted a few of the events that occurred during the quarter. In early February, as alluded to earlier, we completed an add-on offering to our bond for \$75 million. Part of the proceeds were applied for our acquisitions in Florida on May 1st, and the balance is expected to be applied to future acquisitions.

We also completed the successful equity investment in an AI technology company which we expect will supply an integral part of our ERP platform modernization. Our investment of \$4.6 million, together with the conversion of an earlier debt investment, has resulted in us owning a 34.5% interest in the business.

Moving to the final slide. We've highlighted a couple of events that we've announced since the end of the quarter. As already mentioned, we closed two tuck-in acquisitions in Florida on May 1st; one acquisition for six clinics for \$39 million, where 10% of the purchase price was paid in Akumin shares for \$4.00 per share.

With these Florida transactions, we have returned to our acquisition growth strategy, where we expect to continue to execute on a very strong pipeline of opportunities. In only 6 years, we have grown from our original 13 centers to now 134 centers, a tenfold increase. And we have evolved into a leading health care service provider.

We are also really excited about our new initiative of launching a dedicated Men's Health service offering. We expect to convert a number of locations to this new model. With prostate care at the core of Men's Health service offering, we are also thrilled to be working with Profound Medical to deploy their TULSA-PRO technology for customizable, incision-free, prostate MRI-guided therapies.

I would like to take the opportunity to thank all of our employees, radiologists, and partners, for all of their efforts in making this quarter a success.

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