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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2022

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 333-261815

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**AKUMIN INC.**

(Exact name of registrant as specified in its charter)

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**Ontario**  
(State or other jurisdiction of  
incorporation or organization)

Not Applicable  
(I.R.S. Employer  
Identification No.)

8300 W. Sunrise Boulevard  
Plantation, Florida 33322  
(844) 730-0050

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Not Applicable  
(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Shares, no par value	AKU	The Nasdaq Stock Market
Common Shares, no par value	AKU	The Toronto Stock Exchange

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of May 10, 2022, there were 89,516,513 common shares outstanding.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the information incorporated by reference in this Quarterly Report on Form 10-Q contain or incorporate by reference “forward-looking information” or “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995, that involve substantial risks and uncertainties. Forward-looking statements describe Akumin Inc.’s (together with its subsidiaries, the “Company”) future plans, strategies, expectations and objectives, and are generally identifiable by use of the words “may”, “will”, “should”, “continue”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “plan” or “project” or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements include, but are not limited to, statements about:

- expected performance and cash flows;
- changes in laws and regulations affecting the Company;
- expenses incurred by the Company as a public company;
- future growth of the outpatient diagnostic imaging and radiation oncology markets;
- changes in reimbursement rates by payors;
- remediation and effectiveness of the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting;
- the outcome of litigation and payment obligations in respect of prior settlements;
- competition;
- acquisitions and divestitures of businesses;
- potential synergies from acquisitions;
- non-wholly owned and other business arrangements;
- access to capital and the terms relating thereto;
- technological changes in our industry;
- successful execution of internal plans;
- compliance with our debt covenants;
- anticipated costs of capital investments; and
- future compensation of our directors and executive officers.

Such statements may not prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. The following are some of the risks and other important factors that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements:

- our ability to successfully grow the market and sell our services;
- general market conditions in our industry;
- our ability to service existing debt;
- our ability to acquire new centers and, upon acquisition, to successfully integrate market and sell new services that we acquire;
- our ability to achieve the financing necessary to complete our acquisitions;
- our ability to enforce any claims relating to breaches of indemnities or representations and warranties in connection with any acquisition;
- market conditions in the capital markets and our industry that make raising capital or consummating acquisitions difficult, expensive or both, or which may disrupt our annual operating budget and forecasts;
- unanticipated cash requirements to support current operations, to expand our business or for capital expenditures;
- delays or setbacks with respect to governmental approvals or manufacturing or commercial activities;
- changes in laws and regulations;
- the loss of key management or personnel;
- the risk the Company is not able to arrange sufficient cost-effective financing to repay maturing debt and to fund expenditures, future operational activities and acquisitions, and other obligations;

- the risks related to the additional costs and expenses associated with being a U.S. domestic issuer as opposed to a foreign private issuer; and
- the risks associated with legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity and general economic conditions in geographic areas where we operate (including the adverse impact of the coronavirus (“COVID-19”) pandemic on the Company).

The existence of the COVID-19 pandemic creates a unique environment in which to consider the likelihood of forward-looking statements being accurate, and given the evolving circumstances surrounding the COVID-19 pandemic, it is difficult to predict how significant the adverse impact of the pandemic will be on the global and domestic economy and the business, operations and financial position of the Company.

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to us, including information obtained from third-party industry analysts and other third-party sources. In some instances, material assumptions and factors are presented or discussed elsewhere in this Quarterly Report on Form 10-Q in connection with the statements or disclosure containing the forward-looking information. The reader is cautioned that the following list of material factors and assumptions is not exhaustive. The factors and assumptions include, but are not limited to:

- no unforeseen changes in the legislative and operating framework for our business;
- no unforeseen changes in the prices for our services in markets where prices are regulated;
- no unforeseen changes in the regulatory environment for our services;
- a stable competitive environment; and
- no significant event occurring outside the ordinary course of business such as a natural disaster, public health epidemic or other calamity.

Although we have attempted to identify important factors that could cause our actual results to differ materially from our plans, strategies, expectations and objectives, there may be other factors that could cause our results to differ from what we currently anticipate, estimate or intend. Forward-looking statements are provided to assist external stakeholders in understanding management’s expectations and plans relating to the future as of the date of the original document and may not be appropriate for other purposes. Readers are cautioned not to place undue reliance on forward-looking statements. Except as required under applicable securities laws, we undertake no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

We qualify all the forward-looking statements contained in this Quarterly Report on Form 10-Q and the information incorporated by reference in this Quarterly Report on Form 10-Q by the foregoing cautionary statements.

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**AKUMIN INC.**

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**AKUMIN INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited; in thousands, except share amounts)

	March 31, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 40,242	\$ 48,419
Accounts receivable	126,480	121,525
Prepaid expenses	8,409	8,196
Other current assets	5,012	7,025
Total current assets	180,143	185,165
Property and equipment, net	247,138	259,122
Operating lease right-of-use assets	189,263	194,565
Goodwill	840,874	840,353
Other intangible assets, net	409,157	414,146
Other assets	24,908	25,475
Total assets	<u>\$ 1,891,483</u>	<u>\$ 1,918,826</u>
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 34,118	\$ 34,326
Current portion of long-term debt	15,667	14,789
Current portion of obligations under finance leases	6,031	6,460
Current portion of obligations under operating leases	20,764	20,794
Other accrued liabilities	85,476	87,813
Total current liabilities	162,056	164,182
Long-term debt, net of current portion	1,209,700	1,197,596
Obligations under finance leases, net of current portion	13,986	15,951
Obligations under operating leases, net of current portion	179,654	184,375
Other liabilities	36,829	35,574
Total liabilities	1,602,225	1,597,678
Redeemable noncontrolling interests	37,049	37,469
Shareholders' equity:		
Common stock, no par value; unlimited number of shares authorized; 89,516,513 and 89,026,997 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	229,656	228,595
Accumulated other comprehensive income	64	18
Accumulated deficit	(154,235)	(123,424)
Total shareholders' equity	75,485	105,189
Noncontrolling interests	176,724	178,490
Total equity	252,209	283,679
Total liabilities, redeemable noncontrolling interests and equity	<u>\$ 1,891,483</u>	<u>\$ 1,918,826</u>

See accompanying notes to the condensed consolidated financial statements.

## AKUMIN INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited; in thousands, except per share amounts)

	Three Months Ended March 31,	
	2022	2021
Revenues	\$ 186,263	\$ 63,963
Operating expenses:		
Cost of operations, excluding depreciation and amortization	157,479	55,142
Depreciation and amortization	24,731	4,490
Stock-based compensation	1,061	427
Other operating losses (gains), net	(54)	90
Total operating expenses	<u>183,217</u>	<u>60,149</u>
Income from operations	3,046	3,814
Other expense (income):		
Interest expense	28,681	8,368
Acquisition-related costs	382	1,279
Settlement and related recoveries	(137)	(24)
Other non-operating gains, net	(11)	(3,366)
Total other expense, net	<u>28,915</u>	<u>6,257</u>
Loss before income taxes	(25,869)	(2,443)
Income tax expense	563	65
Net loss	(26,432)	(2,508)
Less: Net income attributable to noncontrolling interests	4,379	369
Net loss attributable to common shareholders	<u>\$ (30,811)</u>	<u>\$ (2,877)</u>
Comprehensive loss, net of taxes:		
Net loss	\$ (26,432)	\$ (2,508)
Other comprehensive income:		
Unrealized gain on hedging transactions, net of taxes	29	—
Reclassification adjustment for losses included in net loss, net of taxes	17	—
Other comprehensive income	<u>46</u>	<u>—</u>
Comprehensive loss, net of taxes	(26,386)	(2,508)
Less: Comprehensive income attributable to noncontrolling interests	4,379	369
Comprehensive loss attributable to common shareholders	<u>\$ (30,765)</u>	<u>\$ (2,877)</u>
Net loss per share attributable to common shareholders:		
Basic and diluted	<u>\$ (0.35)</u>	<u>\$ (0.04)</u>

See accompanying notes to the condensed consolidated financial statements.

AKUMIN INC.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited; in thousands, except share amounts)

	Common Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance, December 31, 2020	70,178,428	\$160,965	\$ —	\$ (80,133)	\$ 80,832	\$ 4,338	\$85,170
Net income (loss)	—	—	—	(2,877)	(2,877)	369	(2,508)
Stock-based compensation	—	427	—	—	427	—	427
Distributions paid to noncontrolling interests	—	—	—	—	—	(449)	(449)
Balance, March 31, 2021	<u>70,178,428</u>	<u>\$161,392</u>	<u>\$ —</u>	<u>\$ (83,010)</u>	<u>\$ 78,382</u>	<u>\$ 4,258</u>	<u>\$82,640</u>

	Common Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance, December 31, 2021	89,026,997	\$228,595	\$ 18	\$ (123,424)	\$ 105,189	\$ 178,490	\$283,679
Net income (loss), net of the net income attributable to redeemable noncontrolling interests	—	—	—	(30,811)	(30,811)	3,799	(27,012)
Issuance of common stock under stock-based awards	489,516	—	—	—	—	—	—
Stock-based compensation	—	1,061	—	—	1,061	—	1,061
Other comprehensive income	—	—	46	—	46	—	46
Distributions paid to noncontrolling interests	—	—	—	—	—	(5,726)	(5,726)
Other equity transactions	—	—	—	—	—	161	161
Balance, March 31, 2022	<u>89,516,513</u>	<u>\$229,656</u>	<u>\$ 64</u>	<u>\$ (154,235)</u>	<u>\$ 75,485</u>	<u>\$ 176,724</u>	<u>\$252,209</u>

See accompanying notes to the condensed consolidated financial statements.



**AKUMIN INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited; in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Operating activities:</b>		
Net loss	\$ (26,432)	\$ (2,508)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	24,731	4,490
Stock-based compensation	1,061	427
Non-cash interest expense	12,105	—
Amortization of deferred financing costs and accretion of discount on long-term debt	30	478
Deferred income taxes	307	—
Other non-cash items	607	(3,276)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(4,922)	(1,902)
Prepaid expenses and other assets	1,510	968
Accounts payable and other liabilities	(207)	8,627
Operating lease liabilities and right-of-use assets	528	445
Net cash provided by operating activities	<u>9,318</u>	<u>7,749</u>
<b>Investing activities:</b>		
Purchases of property and equipment	(9,878)	(1,173)
Other investing activities	3	(4,588)
Net cash used in investing activities	<u>(9,875)</u>	<u>(5,761)</u>
<b>Financing activities:</b>		
Proceeds from revolving loan	10,000	—
Principal payments on revolving loan	(10,000)	—
Proceeds from long-term debt	5,539	78,750
Principal payments on long-term debt	(4,039)	(99)
Principal payments on finance leases	(2,394)	(699)
Payment of debt issuance costs	—	(1,162)
Distributions paid to noncontrolling interests	(6,726)	(449)
Net cash provided by (used in) financing activities	<u>(7,620)</u>	<u>76,341</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,177)</b>	<b>78,329</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>48,419</b>	<b>44,396</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 40,242</b>	<b>\$ 122,725</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 14,606	\$ 195
Income taxes paid, net	(10)	(39)
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Interest payable-in-kind on long-term debt	12,105	—
Property and equipment purchases in accounts payable and other accrued liabilities	6,118	306

See accompanying notes to the condensed consolidated financial statements.

AKUMIN INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

(Unaudited)

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared by Akumin Inc. (the “Company” or “Akumin”) and do not include all of the information and disclosures required by accounting principles generally accepted in the U.S. (“GAAP”). In the opinion of management, all normal recurring accruals and adjustments considered necessary for a fair presentation have been included. The results for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements for the year ended December 31, 2021.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**2. New Accounting Standards**

**Recently Adopted Accounting Standards**

**ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)**

In April 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40). This guidance clarifies and reduces diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options due to a lack of explicit guidance in the FASB Codification. This ASU is effective for all entities for fiscal years beginning after December 15, 2021. The Company adopted this standard as of January 1, 2022 and it did not have a material impact on the Company’s condensed consolidated financial statements.

**ASU 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance**

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which aims to provide increased transparency by requiring business entities to disclose information about certain types of government assistance they receive in the notes to the financial statements. ASU 2021-10 also adds a new Topic—ASC 832, *Government Assistance*—to the FASB’s Codification. The disclosure requirements only apply to transactions with a government that are accounted for by analogizing to either a grant model or a contribution model. The guidance in ASU 2021-10 is effective for financial statements of all entities, including private companies, for annual periods beginning after December 15, 2021, with early adoption permitted. The Company adopted this standard as of January 1, 2022 and it did not have a material impact of the Company’s condensed consolidated financial statements.

**Recently Issued Accounting Standards Not Yet Effective**

**ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and related clarifying standards, which replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to assess credit loss estimates. This ASU is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. For all other entities, this ASU is effective for fiscal years beginning after December 15, 2022. The Company is considered an Emerging Growth Company as classified by the Securities and Exchange Commission (“SEC”), which gives the Company relief in the timing of implementation of this standard by allowing the private company timing for adoption. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

AKUMIN INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2022

(Unaudited)

**ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting**

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional expedients and exceptions for applying generally accepted accounting principles to certain contract modifications and hedging relationships that reference London Inter-bank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued. For all entities, the guidance is effective upon issuance and generally can be applied through December 31, 2022. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

**ASU 2021-01, Reference Rate Reform (Topic 848): Scope**

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. This ASU clarifies the scope of Topic 848 so that derivatives affected by the discounting transition are explicitly eligible for certain option expedients and exceptions in Topic 848. The guidance is effective upon issuance and generally can be applied through December 31, 2022. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

**ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805)**

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, creating an exception to the recognition and measurement principles in ASC 805, *Business Combinations*. The amendments require an acquirer to use the guidance in ASC 606, *Revenue from Contracts with Customers*, rather than using fair value, when recognizing and measuring contract assets and contract liabilities related to customer contracts assumed in a business combination. In addition, the amendments clarify that all contracts requiring the recognition of assets and liabilities in accordance with the guidance in ASC 606, such as contract liabilities derived from the sale of nonfinancial assets within the scope of ASC 610-20, *Gains and Losses from the Derecognition of Nonfinancial Assets*, fall within the scope of the amended guidance in ASC 805. The amendments do not affect the accounting for other assets or liabilities arising from revenue contracts with customers in a business combination, such as customer-related intangible assets and contract-based intangible assets, including off-market contract terms. This ASU is effective for public entities for fiscal years beginning after December 15, 2022, with early adoption permitted. For all other entities, this ASU is effective for fiscal years beginning after December 15, 2023. The Company is considered an Emerging Growth Company as classified by the SEC, which gives the Company relief in the timing of implementation of this standard by allowing the private company timing for adoption. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

**3. Alliance Acquisition**

On September 1, 2021, the Company acquired all of the issued and outstanding common stock of Thaihot Investment Company US Limited, which owns 100% of the common stock of Alliance, from Thaihot Investment Co., Ltd. for a total purchase price of \$785.6 million (the “Alliance Acquisition”). The acquisition included Alliance’s ownership interests in its joint ventures which had a fair value of \$212.0 million on the acquisition date.

As of the acquisition date, the Company had preliminarily estimated the fair value of the assets acquired and liabilities assumed and allocated a portion of the total purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the date of the acquisition. Noncontrolling interests have also been recorded at fair value as of the acquisition date. The fair value of the total enterprise applicable to joint ventures has been allocated to the individual joint ventures.

During the three months ended March 31, 2022, the Company updated the preliminary assessment of the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed, resulting in certain changes to the preliminary amounts previously recorded. These changes were composed primarily of (i) a decrease in property and equipment acquired of \$0.5 million due to a refinement in the valuation analysis, (ii) a decrease in other liabilities of \$0.2 million due to an adjustment in an estimated accrued liability and (iii) an increase in noncontrolling interest of \$0.2 million due to a refinement in the valuation analysis. The net effect of the changes to preliminary fair value of the assets acquired and liabilities assumed resulted in an increase in goodwill of \$0.5 million. The final determination of the fair value of certain assets acquired and liabilities assumed, including deferred tax liabilities and the assignment of goodwill to reporting units, was not complete as of March 31, 2022, but will be finalized within the allowable one-year measurement period.

**AKUMIN INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**March 31, 2022**  
**(Unaudited)**

The following table summarizes the revised preliminary assessment of fair value of the assets acquired and liabilities assumed as of the date of the acquisition:

<b>(in thousands)</b>	
Assets acquired:	
Cash and cash equivalents	\$ 26,125
Net working capital	14,221
Property and equipment	205,940
Operating lease right-of-use assets	69,919
Goodwill	456,281
Intangibles – Customer contracts	266,224
Intangibles – Trade names	69,108
Intangibles – Third party management agreements	10,200
Intangibles – Certificates of need	69,558
Other assets	8,170
	<u>1,195,746</u>
Liabilities assumed:	
Equipment debt	54,673
Obligations under finance leases	9,041
Obligations under operating leases	74,290
Deferred tax liabilities	52,760
Other liabilities	7,189
	<u>197,953</u>
Net assets acquired	997,793
Less redeemable noncontrolling interests	37,040
Less noncontrolling interests	<u>175,137</u>
Purchase price	<u>\$ 785,616</u>

#### 4. Variable Interest Entities

In accordance with consolidation guidance, a reporting entity with a variable interest in another entity is required to include the assets and liabilities and revenues and expenses of that separate entity (i.e., consolidate with the financial statements of the reporting entity) when the variable interest is determined to be a controlling financial interest. A reporting entity is considered to have a controlling financial interest in a variable interest entity (“VIE”) if (i) the reporting entity has the power to direct the activities of the VIE that most significantly impacts its economic performance and (ii) the reporting entity has the obligation to absorb losses of the VIE that could be potentially significant to the VIE.

As a result of the financial relationship established between the Company and certain entities (the “Revenue Practices”) through respective management service agreements, the Revenue Practices individually qualify as VIEs as the Company, which provides them non-medical, technical and administrative services, has the power to direct their respective activities and the obligation to absorb their gains and losses. As a result, the Company is considered the primary beneficiary of the Revenue Practices, and accordingly, the assets and liabilities and revenues and expenses of the Revenue Practices are included in the condensed consolidated financial statements. The following information excludes any intercompany transactions and costs allocated by the Company to the Revenue Practices. As of March 31, 2022 and December 31, 2021, the Revenue Practices’ assets included in the Company’s condensed consolidated balance sheets were \$22.7 million and \$20.4 million, respectively, and liabilities included in the Company’s condensed consolidated balance sheets were \$0.1 million and \$0.6 million, respectively. The assets of the Revenue Practices can only be used to settle their obligations. During the three months ended March 31, 2022 and 2021, the Revenue Practices’ revenues were \$46.0 million and \$39.0 million, respectively, and the net cash provided by operating activities was \$46.3 million and \$51.2 million, respectively.

**AKUMIN INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**March 31, 2022**  
**(Unaudited)**

**5. Property and Equipment**

Property and equipment consist of the following:

(in thousands)	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Medical equipment	\$233,510	\$ 227,796
Leasehold improvements	40,764	39,763
Equipment under finance leases	33,196	34,597
Office and computer equipment	17,794	16,701
Transportation and service equipment	8,980	8,996
Furniture and fixtures	3,336	3,130
Construction in progress	7,257	6,423
	<u>344,837</u>	<u>337,406</u>
Less accumulated depreciation	97,699	78,284
	<u>\$247,138</u>	<u>\$ 259,122</u>

Depreciation expense for the three months ended March 31, 2022 and 2021 was \$19.7 million and \$3.8 million, respectively.

As of March 31, 2022 and December 31, 2021, the equipment under finance leases had a net book value of \$19.6 million and \$22.2 million, respectively.

**6. Goodwill**

Changes in the carrying amount of goodwill are as follows:

(in thousands)	<u>Radiology</u>	<u>Oncology</u>	<u>Total</u>
Balance, December 31, 2021	\$681,993	\$158,360	\$840,353
Adjustments	360	161	521
Balance, March 31, 2022	<u>\$682,353</u>	<u>\$158,521</u>	<u>\$840,874</u>

The Company tests its goodwill and indefinite-lived intangible assets annually or more frequently depending on certain impairment indicators. As of March 31, 2022, there were no indications of impairment of the Company's goodwill balances.

**AKUMIN INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**March 31, 2022**  
**(Unaudited)**

**7. Other Intangible Assets**

Other intangible assets consist of the following:

(dollars in thousands)	Weighted Average Useful Life (in years)	March 31, 2022			December 31, 2021		
		Gross Carrying Amount	Accumulated Amortization	Other Intangible Assets, Net	Gross Carrying Amount	Accumulated Amortization	Other Intangible Assets, Net
<b>Finite-lived intangible assets:</b>							
Customer contracts	20	\$ 266,224	\$ (7,764)	\$ 258,460	\$ 266,224	\$ (4,437)	\$ 261,787
Trade names	18	77,466	(7,337)	70,129	77,466	(6,054)	71,412
Management agreements	17	10,200	(350)	9,850	10,200	(200)	10,000
Other	4	4,814	(3,654)	1,160	4,814	(3,425)	1,389
<b>Total</b>		<b>\$ 358,704</b>	<b>\$ (19,105)</b>	<b>339,599</b>	<b>\$ 358,704</b>	<b>\$ (14,116)</b>	<b>344,588</b>
Certificates of Need				69,558			69,558
<b>Total other intangible assets</b>				<b>\$ 409,157</b>			<b>\$ 414,146</b>

The Company performs an impairment test when indicators of impairment are present. As of March 31, 2022, there were no indications of impairment of the Company's other intangible assets balances.

The aggregate amortization expense for the Company's finite-lived intangible assets was \$5.0 million and \$0.7 million for the three months ended March 31, 2022 and 2021, respectively.

Estimated annual amortization expense related to finite-lived intangible assets is presented below:

(in thousands)	
<b>Year ending December 31:</b>	
2022 (remaining nine months)	\$ 14,825
2023	18,837
2024	18,132
2025	17,475
2026	17,421
Thereafter	252,909
	<b>\$ 339,599</b>

**8. Long-Term Debt**

Long-term debt consists of the following:

(in thousands)	March 31, 2022	December 31, 2021
2028 Senior Notes	\$ 375,000	\$ 375,000
2025 Senior Notes	475,000	475,000
Subordinated Notes	384,575	372,470
Equipment Debt	60,327	58,827
	1,294,902	1,281,297
Debt discount and deferred issuance costs	(69,535)	(68,912)
	1,225,367	1,212,385
Less current portion	15,667	14,789
<b>Long-term debt, net of current portion</b>	<b>\$ 1,209,700</b>	<b>\$ 1,197,596</b>

**AKUMIN INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**March 31, 2022**

**(Unaudited)**

During the three months ended March 31, 2022, the Company elected to pay interest in-kind on the Subordinated Notes pursuant to the original agreement and, accordingly, \$12.1 million of accrued interest was added to the principal balance of the Subordinated Notes.

The minimum annual principal payments with respect to long-term debt as of March 31, 2022 are as follows:

<b>(in thousands)</b>	
<b>Year ending December 31:</b>	
2022 (remaining nine months)	\$ 11,485
2023	16,900
2024	14,140
2025	485,404
2026	3,732
Thereafter	763,241
	<u>\$1,294,902</u>

Certain of the debt obligations are subject to covenants with which the Company must comply on a quarterly or annual basis. The Company was in compliance with all such covenants as of March 31, 2022.

**9. Finance Leases**

The information pertaining to obligations under finance leases is as follows:

<b>(in thousands)</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Obligations under finance leases	\$ 20,017	\$ 22,411
Less current portion	6,031	6,460
Non-current obligations under finance leases	<u>\$ 13,986</u>	<u>\$ 15,951</u>

The components of finance lease cost recognized in the condensed consolidated statements of operations and comprehensive loss are as follows.

<b>(in thousands)</b>	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Amortization expense for equipment under finance leases	\$ 1,271	\$ 916
Interest expense on finance lease liabilities	298	181
Finance lease cost	<u>\$ 1,569</u>	<u>\$ 1,097</u>

**AKUMIN INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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Undiscounted cash flows for finance leases recorded in the condensed consolidated balance sheet as of March 31, 2022 are as follows.

<b>(in thousands)</b>	
Year ending December 31:	
2022 (remaining nine months)	\$ 5,213
2023	5,666
2024	5,236
2025	3,411
2026	1,760
Thereafter	665
Total minimum lease payments	21,951
Less amount of lease payments representing interest	1,934
Present value of future minimum lease payments	20,017
Less current portion	6,031
Non-current obligations under finance leases	<u>\$13,986</u>

The lease term and discount rates are as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Weighted average remaining lease term – finance leases (years)	3.7	4.8
Weighted average discount rate – finance leases	5.0%	4.6%

Supplemental cash flow information related to finance leases is as follows:

<b>(in thousands)</b>	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating cash flows from finance leases	\$ 298	\$ 181
Equipment acquired in exchange for finance lease obligations	—	617

## 10. Operating Leases

The information pertaining to obligations under operating leases is as follows:

<b>(in thousands)</b>	<b>March 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Obligations under operating leases	\$200,418	\$ 205,169
Less current portion	20,764	20,794
Non-current obligations under operating leases	<u>\$179,654</u>	<u>\$ 184,375</u>



**AKUMIN INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**March 31, 2022**  
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The components of operating lease cost recognized in the condensed consolidated statements of operations and comprehensive loss are as follows.

(in thousands)	Three Months Ended March 31,	
	2022	2021
Operating lease cost	\$ 9,666	\$ 5,094
Variable lease cost	1,936	959
Short-term lease cost	475	43
Total operating lease cost	<u>\$ 12,077</u>	<u>\$ 6,096</u>

Undiscounted cash flows for operating leases recorded in the condensed consolidated balance sheet as of March 31, 2022 are as follows.

(in thousands)	
Year ending December 31:	
2022 (remaining nine months)	\$ 20,485
2023	34,247
2024	30,930
2025	27,895
2026	23,377
Thereafter	178,953
Total minimum lease payments	315,887
Less amount of lease payments representing interest	115,469
Present value of future minimum lease payments	200,418
Less current portion	20,764
Non-current obligations under operating leases	<u>\$ 179,654</u>

The lease term and discount rates are as follows:

	Three Months Ended March 31,	
	2022	2021
Weighted average remaining lease term – operating leases (years)	11.4	12.5
Weighted average discount rate – operating leases	7.7%	7.4%

Supplemental cash flow information related to operating leases is as follows:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Operating cash flows from operating leases	\$9,130	\$4,649
Right-of-use assets acquired in exchange for operating lease obligations	801	656

**AKUMIN INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**March 31, 2022**  
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**11. Other Accrued Liabilities**

Other accrued liabilities consist of the following:

<b>(in thousands)</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Accrued compensation and related expenses	\$ 34,283	\$ 26,486
Accrued interest expense	18,821	16,840
MAAPP funds (Note 23)	1,093	2,398
Other	31,279	42,089
<b>Total</b>	<b>\$ 85,476</b>	<b>\$ 87,813</b>

**12. Redeemable Noncontrolling Interests**

The Company has noncontrolling interests with redemption features. These redemption features could require the Company to make an offer to purchase the noncontrolling interests in the case of certain events, including (i) the expiration or termination of certain operating agreements of the joint venture, or (ii) the noncontrolling interests' tax-exempt status is jeopardized by the joint venture.

As of March 31, 2022, the Company holds redeemable noncontrolling interests of \$37.0 million which are not currently redeemable or probable of becoming redeemable. The redemption of these noncontrolling interests is not solely within the Company's control, therefore, they are presented in the temporary equity section of the Company's condensed consolidated balance sheets. The Company does not believe it is probable the redemption features related to these noncontrolling interest securities will be triggered as the triggering events are generally not probable until they occur. As such, these noncontrolling interests have not been remeasured to redemption value.

The following is a rollforward of the activity in the redeemable noncontrolling interests for the three months ended March 31, 2022:

<b>(in thousands)</b>	
Balance, December 31, 2021	\$37,469
Net income attributable to redeemable noncontrolling interests	580
Distribution paid to redeemable noncontrolling interests	(1,000)
Balance, March 31, 2022	<u>\$37,049</u>

**AKUMIN INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**March 31, 2022**  
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**13. Financial Instruments**

*Assets and Liabilities that are Measured at Fair Value on a Recurring Basis*

The following table summarizes the valuation of the Company's financial instruments that are reported at fair value on a recurring basis:

(in thousands)	Fair Value as of March 31, 2022				Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Current and long-term assets:</b>								
Interest rate contracts	\$ —	\$ 25	\$ —	\$ 25	\$ —	\$ 3	\$ —	\$ 3
<b>Current and long-term liabilities:</b>								
Derivative in subordinated notes	\$ —	\$ —	\$7,692	\$7,692	\$ —	\$ —	\$7,522	\$7,522
Interest rate contracts	\$ —	\$ 14	\$ —	\$ 14	\$ —	\$ 53	\$ —	\$ 53

The derivative in subordinated notes relates to the Change of Control Redemption Election included in the Subordinated Notes (see Note 8). The estimated fair values of the Change of Control Redemption Election as of March 31, 2022 and December 31, 2021 use unobservable inputs for probability weighted time until an exit event of 4.1 years and 4.2 years, respectively, and an exit event probability weighting of 24.3% and 24.5%, respectively.

The following is a reconciliation of the opening and closing balances for the liability related to the embedded derivative included in the Subordinated Notes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2022:

(in thousands)	
Balance, December 31, 2021	\$7,522
Change in fair value	170
Balance, March 31, 2022	<u>\$7,692</u>

The Company's interest rate contracts are primarily pay-fixed, receive-variable interest rate swaps related to certain of the Company's equipment debt. The amount that the Company expects to reclassify from accumulated other comprehensive income to interest expense over the next twelve months is immaterial.

*Assets and Liabilities for which Fair Value is only Disclosed*

The estimated fair values of other current and non-current liabilities are as follows:

(in thousands)	March 31, 2022	December 31, 2021
2028 Senior Notes	\$ 292,500	\$ 345,938
2025 Senior Notes	389,500	446,500
Subordinated Notes	310,376	323,620
Equipment Debt	59,118	56,879
<b>Total</b>	<u>\$1,051,494</u>	<u>\$1,172,937</u>

As of March 31, 2022 and December 31, 2021, the estimated fair values of the 2028 Senior Notes and 2025 Senior Notes were determined using Level 2 inputs and the estimated fair values of the Subordinated Notes and Equipment Debt were determined using Level 3 inputs.

AKUMIN INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2022

(Unaudited)

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, other accrued liabilities, and the current portion of lease liabilities approximates their fair value given their short-term nature. The carrying value of the non-current portion of lease liabilities approximates their fair value given the difference between the discount rates used to recognize the liabilities in the condensed consolidated balance sheets and the normalized expected market rates of interest is insignificant.

Financial instruments are classified into one of the following categories: amortized cost, fair value through earnings and fair value through other comprehensive income. The following table summarizes information regarding the carrying value of the Company's financial instruments:

(in thousands)	March 31, 2022	December 31, 2021
<b>Financial assets measured at amortized cost:</b>		
Cash and cash equivalents	\$ 40,242	\$ 48,419
Accounts receivable	126,480	121,525
	<u>\$ 166,722</u>	<u>\$ 169,944</u>
<b>Financial liabilities measured at amortized cost:</b>		
Accounts payable	\$ 34,118	\$ 34,326
Current portion of long-term debt	15,667	14,789
Current portion of leases	26,795	27,254
Non-current portion of long-term debt	1,209,700	1,197,596
Non-current portion of leases	193,640	200,326
Other accrued liabilities	85,476	87,813
	<u>\$ 1,565,396</u>	<u>\$ 1,562,104</u>
<b>Financial liabilities measured at fair value through earnings:</b>		
Derivative in subordinated notes	\$ 7,692	\$ 7,522
<b>Financial assets measured at fair value through other comprehensive income:</b>		
Interest rate contracts	\$ 25	\$ 3
<b>Financial liabilities measured at fair value through other comprehensive income:</b>		
Interest rate contracts	\$ 14	\$ 53

***Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis***

The Company measures certain non-financial assets at fair value on a nonrecurring basis, primarily intangible assets, goodwill and long-lived assets in connection with acquisitions and periodic evaluations for potential impairment. The Company estimates the fair value of these assets using primarily unobservable inputs; therefore, these are considered Level 3 fair value measurements.

***Interest Rate Risk***

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in lending rates can cause fluctuations in interest payments and cash flows. Certain of the Company's equipment debt arrangements have interest rate swap agreements to hedge the future variable cash interest payments in order to avoid volatility in operating results due to fluctuations in interest rates. As of March 31, 2022 and December 31, 2021, the Company had \$1.2 million and \$1.8 million, respectively, of variable interest rate equipment debt that is not hedged. In addition, the Company is exposed to variable interest rates related to the 2020 Revolving Facility, which had no outstanding balance as of March 31, 2022 or December 31, 2021. The Company's exposure to interest rate risk from a 1% increase or decrease in the variable interest rates is not material.

AKUMIN INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2022

(Unaudited)

**14. Stock-Based Awards**

The Company may grant stock-based awards to employees, directors and consultants under the Amended and Restated Restricted Share Unit Plan, adopted as of November 14, 2017 (the “RSU Plan”) and the Amended and Restated Stock Option Plan, adopted as of November 14, 2017 (the “Stock Option Plan” and together with the RSU Plan, the “2017 Stock Plans”). Under the 2017 Stock Plans, the collective maximum number of shares reserved for issuance is equal to 10% of the number of capital shares of the Company that are outstanding from time to time. As of March 31, 2022 and December 31, 2021, common shares reserved for issuance under the 2017 Stock Plans were 8,951,651 and 8,902,699, respectively. The 2017 Stock Plans are administered by the Board of Directors, which has authority to select eligible persons to receive awards and to determine the terms and conditions of the awards.

***Restricted Share Units***

Restricted stock units (“RSUs”) represent a right to receive a share of common stock at a future vesting date with no cash payment from the holder. RSUs granted generally vest over two years from the date of grant. A summary of RSU activity is as follows:

	Number of RSUs	Weighted- Average Grant Date Fair Value	Aggregate Fair Value (in thousands)
Outstanding and unvested at December 31, 2021	2,029,032	\$ 2.41	
Granted	799,085	1.10	\$ 875
Vested	(489,516)	3.19	\$ 1,561
Outstanding and unvested at March 31, 2022	<u>2,338,601</u>	<u>\$ 1.80</u>	<u>\$ 4,210</u>

***Stock Options***

Stock options are awarded as consideration in exchange for services rendered to the Company. Stock options granted generally have terms of 7 to 10 years and vest over 3 years. A summary of the stock option activity is as follows:

	Number of Options	Weighted- Average Exercise price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2021	5,680,120	\$ 2.54	4.4	\$ 2,344
Outstanding at March 31, 2022	5,680,120	\$ 2.54	4.1	\$ 1,144
Exercisable at March 31, 2022	<u>5,084,519</u>	<u>\$ 2.45</u>	<u>4.0</u>	<u>\$ 1,144</u>

Aggregate intrinsic value for outstanding and exercisable stock options in the table above represents the difference between the closing stock price on March 31, 2022 and the exercise price multiplied by the number of in-the-money options.

No stock options were granted during the three months ended March 31, 2022.

***Stock-Based Compensation Expense***

During the three months ended March 31, 2022 and 2021, the Company recorded total stock-based compensation expense related to all stock-based awards of \$1.1 million and \$0.4 million, respectively.

As of March 31, 2022, there was \$3.1 million of total unrecognized compensation costs related to outstanding stock-based awards. These costs are expected to be recognized over a weighted-average period of 1.9 years.

AKUMIN INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2022

(Unaudited)

**15. Commitments and Contingencies**

*Purchase Commitments*

The Company has certain binding purchase commitments primarily for the purchase of equipment from various suppliers. As of March 31, 2022, the obligations for these future purchase commitments totaled \$35.7 million, of which \$24.7 million is expected to be paid during the remaining nine months of 2022 and \$11.0 million is expected to be paid thereafter.

*Guarantees and Indemnities*

In the normal course of business, the Company has made certain guarantees and indemnities, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions. The Company indemnifies other parties, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed to hold the other party harmless against losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims arising from a breach of representations or covenants. In addition, the Company has entered into indemnification agreements with its executive officers and directors and the Company's bylaws contain similar indemnification obligations. Under these arrangements, the Company is obligated to indemnify, to the fullest extent permitted under applicable law, its current or former officers and directors for various amounts incurred with respect to actions, suits or proceedings in which they were made, or threatened to be made, a party as a result of acting as an officer or director.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made related to these indemnifications have been immaterial. As of March 31, 2022, the Company has determined that no liability is necessary related to these guarantees and indemnities.

*Legal Matters*

On November 22, 2021, an alleged shareholder of the Company filed a putative class action claim with the Ontario Superior Court of Justice against the Company and certain of its directors and officers alleging violations of Securities Act (Ontario), negligent misrepresentation and other related claims. The claims generally allege that certain of the Company's prior public financial statements misrepresented the Company's revenue, accounts receivable and the value of its assets based upon the Company's August 12, 2021, October 12, 2021 and November 8, 2021 disclosures relating to a review of certain procedures related to its financial statements and to the restatement of financial statements affecting accounts receivable and net book value of property and equipment. The claim does not quantify a damage request. Defendants have not yet responded to the claim. On December 20, 2021, a second statement of claim was filed by a new plaintiff making similar allegations. Because the two statements of claim involve similar subject matter and some of the same class members, the second Ontario plaintiff firm requested a motion for carriage under the Class Proceedings Act, 1992 (Ontario) so the court could determine which plaintiff firm will have carriage of the class action proceedings. That carriage motion was heard by the court on March 31, 2022 and, on April 27, 2022, the court rendered a decision in favor of the second plaintiff. As such, the second plaintiff has been awarded carriage of the class action claim and the action by the first plaintiff is stayed.

*Other Matters*

The Company is party to various legal proceedings, claims, and regulatory, tax or government inquiries and investigations that arise in the ordinary course of business. With respect to these matters, management evaluates the developments on a regular basis and accrues a liability when it believes a loss is probable and the amount can be reasonably estimated. Management believes that the amount or any estimable range of reasonably possible or probable loss will not, either individually or in the aggregate, have a material adverse effect on the Company's business and condensed consolidated financial statements. However, the outcome of these matters is inherently uncertain. Therefore, if one or more of these matters were resolved against the Company for amounts in excess of management's expectations, the Company's results of operations and financial condition could be materially and adversely affected.

**AKUMIN INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**16. Supplemental Revenue Information**

Revenues consist primarily of net patient fees received from various payors and patients based on established contractual billing rates, less allowances for contractual adjustments and implicit price concessions. Revenues are also derived directly from hospitals and healthcare providers.

Other revenue consists of miscellaneous fees under contractual arrangements, including service fee revenue under capitation arrangements with third-party payors, management fees, government grants and fees for other services provided to third parties.

The following table summarizes the components of the Company's revenues by payor category:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Patient fee payors:		
Commercial	\$ 69,101	\$ 50,799
Medicare	21,172	8,184
Medicaid	3,102	1,831
Other patient revenue	3,274	2,652
	96,649	63,466
Hospitals and healthcare providers	87,459	—
Other revenue	2,155	497
	<u>\$ 186,263</u>	<u>\$ 63,963</u>

**17. Cost of Operations, excluding Depreciation and Amortization**

The following table summarizes the components of the Company's cost of operations, excluding depreciation and amortization:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Employee compensation	\$ 77,365	\$ 23,118
Third-party services and professional fees	29,177	6,859
Rent and utilities	12,477	7,684
Reading fees	11,498	9,984
Administrative	11,624	4,356
Medical supplies and other	15,338	3,141
	<u>\$ 157,479</u>	<u>\$ 55,142</u>

**18. Other Operating and Non-Operating Losses (Gains)**

Other operating losses (gains) consist of the following:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Loss on disposal of property and equipment, net	\$ 202	\$ 90
Other, net	(256)	—
	<u>\$ (54)</u>	<u>\$ 90</u>

AKUMIN INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2022

(Unaudited)

Other non-operating losses (gains) consist of the following:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Earnings from equity method investments	\$ (240)	\$ —
Fair value adjustment on derivative	170	—
Gain on conversion of debt to equity investment (Note 19)	—	(3,360)
Other, net	59	(6)
	<u>\$ (11)</u>	<u>\$ (3,366)</u>

**19. Investments in Unconsolidated Investees**

Effective March 1, 2021, the Company completed a common equity investment in an artificial intelligence business (“AI business”) as part of a private placement offering for \$4.6 million. The AI business develops artificial intelligence aided software programs for use in medical businesses, including outpatient imaging services provided by the Company. As a result of the investment, a previous investment in a convertible note instrument issued by the AI business to the Company in May 2020 converted to common equity. The Company’s total common equity investment is estimated to be valued at \$7.9 million and represents a 34.5% interest in the AI business on a non-diluted basis. In addition, the Company holds share purchase warrants which, subject to the occurrence of certain events and certain assumptions, and the payment of \$0.4 million, would entitle the Company to acquire an additional 2.4% ownership interest in the AI business common equity. During the three months ended March 31, 2021, the Company recognized a gain of \$3.4 million on the conversion of the convertible note instrument to common equity and the share purchase warrants. This gain is included in other non-operating losses (gains) in the condensed consolidated statements of operations and comprehensive loss.

The Company has a 15% direct ownership in an unconsolidated investee and provides management services under a management agreement with the investee. The Company provides services as part of its ongoing operations for and on behalf of the unconsolidated investee, which reimburses the Company for the actual amount of the expenses incurred. The Company records the expenses in cost of operations and the reimbursement as revenue in the condensed consolidated statement of operations and comprehensive loss.

The financial position and results of operations of these unconsolidated investees are not material to the Company’s condensed consolidated financial statements.

**20. Income Taxes**

The effective tax rate for the three months ended March 31, 2022 and 2021 differs from the Canadian statutory rate of 26.5% primarily due to earnings in foreign jurisdictions that are subject to tax rates which differ from the Canadian statutory tax rate, as well as the impact of valuation allowances applied against losses in jurisdictions for which no tax benefit or expense is recognized.



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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2022

(Unaudited)

**21. Basic and Diluted Loss per Share**

The loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average common shares outstanding during the period.

(in thousands, except share and per share amounts)	Three Months Ended March 31,	
	2022	2021
Net loss attributable to common shareholders	\$ 30,811	\$ (2,877)
Weighted average common shares outstanding:		
Basic and diluted	89,074,282	70,178,428
Net loss per share attributable to common shareholders:		
Basic and diluted	\$ (0.35)	\$ (0.04)
Employee stock options, warrants and restricted stock units excluded from the computation of diluted per share amounts as their effect would be antidilutive	1,844,044	1,811,298

**22. Segment Information**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. Prior to the Alliance Acquisition, the Company had one reportable segment, which was outpatient diagnostic imaging services. As a result of the acquisition, the Company operates in two reportable segments: Radiology and Oncology. All intercompany revenues, expenses, payables and receivables are eliminated in consolidation and are not reviewed when evaluating segment performance. Each segment's performance is evaluated based on revenue and earnings before interest, income taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA.

The following table summarizes the Company's revenues by segment:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Radiology	\$ 155,340	\$ 63,963
Oncology	30,923	—
	\$ 186,263	\$ 63,963

Adjusted EBITDA is defined as net income before interest expense, income tax expense (benefit), depreciation and amortization, stock-based compensation, acquisition-related costs, losses (gains) on disposal of property and equipment, settlement and related costs (recoveries), financial instruments revaluation and related losses (gains), loss on extinguishment of debt, severance and related costs, restructuring charges, asset impairments, other losses (gains), deferred rent expense and one-time adjustments. Adjusted EBITDA should not be considered a measure of financial performance under GAAP, and the items excluded from Adjusted EBITDA should not be considered in isolation or as alternatives to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in the condensed consolidated financial statements as an indicator of financial performance or liquidity. Adjusted EBITDA is not a measurement determined in accordance with GAAP and is therefore susceptible to varying methods of calculation and may not be comparable to other similarly titled measures of other companies. Adjusted EBITDA is the most frequently used measure of each segment's performance and is commonly used in setting performance goals.

**AKUMIN INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**March 31, 2022**  
**(Unaudited)**

The following table summarizes the Company's Adjusted EBITDA by segment:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Adjusted EBITDA:		
Radiology	\$ 28,589	\$ 10,843
Oncology	10,033	—
Corporate	(6,604)	(1,640)
	<u>\$ 32,018</u>	<u>\$ 9,203</u>

A reconciliation of the net loss to total Adjusted EBITDA is shown below:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Net loss	\$ (26,432)	\$ (2,508)
Interest expense	28,681	8,368
Income tax expense	563	65
Depreciation and amortization	24,731	4,490
EBITDA	27,543	10,415
Adjustments:		
Stock-based compensation	1,061	427
Acquisition-related costs	382	1,279
Loss on disposal of property and equipment, net	202	90
Settlement and related recoveries	(137)	(24)
Gain on conversion of debt to equity investment	—	(3,360)
Severance, restructuring and other charges	2,453	—
Other losses (gains), net	182	(69)
Deferred rent expense	332	445
Adjusted EBITDA	<u>\$ 32,018</u>	<u>\$ 9,203</u>

The following table summarizes the Company's total assets by segment:

(in thousands)	March 31,	December 31,
	2022	2021
Identifiable assets:		
Radiology	\$ 1,434,449	\$ 1,451,905
Oncology	432,931	440,416
Corporate	24,103	26,505
Total	<u>\$ 1,891,483</u>	<u>\$ 1,918,826</u>

AKUMIN INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2022

(Unaudited)

The following table summarizes the Company's capital expenditures by segment:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Capital expenditures:		
Radiology	\$ 8,812	\$ 1,173
Oncology	976	—
Corporate	90	—
Total	<u>\$ 9,878</u>	<u>\$ 1,173</u>

23. CARES Act

The CARES Act provided for qualified healthcare providers to receive advanced payments under the existing Medicare Accelerated and Advance Payments Program ("MAAPP") during the COVID-19 pandemic. Under this program, healthcare providers could choose to receive advanced payments for future Medicare services provided. During 2020, the Company applied for and received approval to receive \$3.1 million of MAAPP funds from CMS. The Company recorded these payments as a liability until all performance obligations have been met, as the payments were made on behalf of patients before services were provided. MAAPP funds received are required to be applied to future Medicare billings commencing in April 2021 with all such remaining amounts required to be repaid by September 2022. In connection with the Alliance Acquisition, the Company assumed an obligation totaling \$3.3 million related to MAAPP funds received by Alliance. As of March 31, 2022 and December 31, 2021, the Company had a total remaining balance of \$1.1 million and \$2.4 million, respectively, of MAAPP funds to be applied to future Medicare claims.

The CARES Act also provided for the deferred payment of the employer portion of Social Security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. As of March 31, 2022 and December 31, 2021, \$4.3 million related to these deferred payments are included in other accrued liabilities in the condensed consolidated balance sheets.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear in Item 1 of this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2021. In addition to historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ substantially and adversely from those referred to herein due to a number of factors, including, but not limited to, those described below and in Item 1A “Risk Factors” and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2021.

### Overview

On September 1, 2021, we acquired all of the issued and outstanding common stock of Thaihot Investment Company US Limited, which owns 100% of the common stock of Alliance HealthCare Services, Inc. (“Alliance”), through our wholly owned indirect subsidiary Akumin Corp. (the “Alliance Acquisition”). Alliance is a leading national provider of radiology and oncology solutions to hospitals, health systems and physician groups. With the acquisition of Alliance, we provide fixed-site outpatient diagnostic imaging services through a network of approximately 200 owned and/or operated imaging locations; and outpatient radiology and oncology services and solutions to approximately 1,000 hospitals and health systems across 48 states. Our imaging procedures include magnetic resonance imaging (“MRI”), computerized tomography (“CT”), positron emission tomography (“PET” and “PET/CT”), ultrasound, diagnostic radiology (X-ray), mammography and other related procedures. Our cancer care services include a full suite of radiation therapy and related offerings.

We are significantly diversified across business lines, geographies, modality offerings and reimbursement sources. The diversity of our business provides a number of advantages, including having no material revenue concentration with any health system or hospital customer and no material concentration with any commercial payor.

We currently operate in two reportable business segments: radiology and oncology. The following table summarizes our revenues by segment as a percentage of total revenue:

	Three Months Ended March 31,	
	2022	2021
Radiology	83%	100%
Oncology	17%	—
	<u>100%</u>	<u>100%</u>

Revenues consist primarily of net patient fees received from various payors and patients based on established contractual billing rates, less allowances for contractual adjustments and implicit price concessions. Revenues are also derived directly from hospitals and healthcare providers.

The following table summarizes the components of our revenues by payor category:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Patient fee payors:		
Commercial	\$ 69,101	\$ 50,799
Medicare	21,172	8,184
Medicaid	3,102	1,831
Other patient revenue	3,274	2,652
	96,649	63,466
Hospitals and healthcare providers	87,459	—
Other revenue	2,155	497
	<u>\$ 186,263</u>	<u>\$ 63,963</u>

## Summary of Factors Affecting Our Performance

### Pricing

Continued expansion of health maintenance organizations, preferred provider organizations and other managed care organizations have influence over the pricing of our services because these organizations can exert great control over patients' access to our services and reimbursement rates for accessing those services.

### Competition

The market for outpatient diagnostic imaging and oncology services is highly competitive. We compete principally on the basis of our reputation, our ability to provide multiple modalities at many of our centers, the location of our centers and the quality of our outpatient diagnostic imaging and oncology services. We compete locally with groups of individual healthcare providers, established hospitals, clinics and other independent organizations that own and operate imaging and radiation therapy equipment.

We also face competition from other outpatient diagnostic imaging companies and oncology service providers in acquiring outpatient diagnostic imaging and oncology centers, which makes it more difficult to find attractive products on acceptable terms. Accordingly, we may not be able to acquire rights to additional outpatient diagnostic imaging and oncology centers on acceptable terms.

Our multi-modality imaging offering provides a one-stop-shop for patients and referring physicians and diversifies our revenue sources. Our scalable and integrated operating platform is expected to create value from future acquisitions, cost efficiencies and organic growth.

### Seasonality

We experience seasonality in the revenues and margins generated for our services. First and fourth quarter revenues are typically lower than those from the second and third quarters. First quarter revenue is affected primarily by fewer calendar days and inclement weather, typically resulting in fewer patients being scanned or treated during the period. Fourth quarter revenues are affected by holiday and client and patient vacation schedules, resulting in fewer scans or treatments during the period. The variability in margins is higher than the variability in revenues due to the fixed nature of our costs. We also experience fluctuations in our revenues and margins due to acquisition activity and general economic conditions, including recession or economic slowdown.

### Industry Trends

Our revenue is impacted by changes to U.S. healthcare laws, our partners' and contractors' healthcare costs, and/or reimbursement rates by payors.

### Acquisitions and New Facilities

The timing of acquisitions and the opening of new fixed-site facilities impacts our revenue and the comparability of our results from period to period. The following table shows the number of our radiology diagnostic imaging sites and oncology radiation therapy sites:

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Radiology sites	201	199
Oncology sites	33	34
	<u>234</u>	<u>233</u>

### **Recent Developments**

#### COVID-19

Commencing during the first quarter of 2020 and continuing through the present, a pandemic relating to the novel coronavirus known as COVID-19 occurred causing significant financial market disruption and social dislocation. The pandemic is dynamic, with various cities, counties, states and countries around the world responding or having responded in different ways to address and contain the outbreak, including the declaration of a global pandemic by the World Health Organization, a National State of Emergency in the United States, and state and local executive orders and ordinances forcing the closure of non-essential businesses and persons not employed in or using essential services to "stay at home" or "shelter in place." At this stage, while there are signs of improvement, we are uncertain as to how long the pandemic, or a more limited epidemic, will last, what regions will be most affected, to what extent containment measures will be applied, or the nature and timing of possible vaccinations. Imaging and radiation therapy centers are healthcare facilities and are generally considered an essential service with the expectation that they continue to operate during the pandemic.

We instituted several realignment and cost containment measures to respond to the drop in volume that resulted from the COVID-19 pandemic and related government orders. Our cost containment measures included the temporary closure of certain of our imaging centers to consolidate volume to nearby centers and reduced operating hours at the remainder of our imaging centers, with the highest number of centers closed in mid-April 2020. At that same time, we furloughed or laid off a portion of our workforce, reduced work hours for our hourly personnel and reduced salaries of employees, as well as negotiated deferral of certain costs due to landlords and other vendors.

In light of the improving business environment, we gradually increased our workforce during 2021. Effective January 1, 2021, all reduced salaries had been returned to normal levels. Clinical operations have resumed to normal operating hours as patient volumes allow and substantially all of the clinics that had temporarily closed due to the COVID-19 pandemic have resumed normal operations. If the future economic or legislative environment related to the COVID-19 pandemic again leads to weakened business volume, we might re-institute cost containment measures similar to those described above in order to preserve our liquidity.

## Results of Operations

The following table presents our condensed consolidated statements of operations for the three months ended March 31, 2022 and 2021.

(in thousands)	Three Months Ended March 31,	
	2022	2021
Revenues	\$ 186,263	\$ 63,963
Operating expenses:		
Cost of operations, excluding depreciation and amortization	157,479	55,142
Depreciation and amortization	24,731	4,490
Stock-based compensation	1,061	427
Other operating losses (gains), net	(54)	90
Total operating expenses	183,217	60,149
Income from operations	3,046	3,814
Other expense (income):		
Interest expense	28,681	8,368
Acquisition-related costs	382	1,279
Settlement and related recoveries	(137)	(24)
Other non-operating gains, net	(11)	(3,366)
Total other expense, net	28,915	6,257
Loss before income taxes	(25,869)	(2,443)
Income tax expense	563	65
Net loss	(26,432)	(2,508)
Less: Net income attributable to noncontrolling interests	4,379	369
Net loss attributable to common shareholders	\$ (30,811)	\$ (2,877)
Net loss per share attributable to common shareholders:		
Basic and diluted	\$ (0.35)	\$ (0.04)

## Revenues

The following table summarizes our revenues by segment:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Radiology	\$ 155,340	\$ 63,963
Oncology	30,923	—
	<u>\$ 186,263</u>	<u>\$ 63,963</u>

Revenues for the three months ended March 31, 2022 were \$186.3 million and increased by \$122.3 million, or 191%, from the three months ended March 31, 2021. This increase includes \$113.9 million of revenues contributed by Alliance during the three months ended March 31, 2022. The remaining increase in revenues during the three months ended March 31, 2022 included a \$3.5 million revenue contribution from other acquisitions completed in 2021.

The following table summarizes statistical information regarding our radiology scan volumes and oncology patient starts:

(in thousands)	Three Months Ended March 31,			
	2022	2021	Change	% Change
MRI scans	214	87	127	146%
PET/CT scans	32	2	30	1,500%
Other modalities	294	259	35	14%
Total	<u>540</u>	<u>348</u>	<u>192</u>	<u>55%</u>
Total Oncology patient starts	<u>3</u>	<u>—</u>	<u>3</u>	<u>nmf</u>

## Cost of Operations, excluding Depreciation and Amortization

Cost of operations, excluding depreciation and amortization, for the three months ended March 31, 2022 was \$157.5 million and increased by \$102.3 million, or 186%, from the three months ended March 31, 2021. This increase includes \$91.5 million of costs incurred by Alliance during the three months ended March 31, 2022. The following table summarizes the components of our cost of operations, excluding depreciation and amortization:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Employee compensation	\$ 77,365	\$ 23,118
Third-party services and professional fees	29,177	6,859
Rent and utilities	12,477	7,684
Reading fees	11,498	9,984
Administrative	11,624	4,356
Medical supplies and other	15,338	3,141
	<u>\$ 157,479</u>	<u>\$ 55,142</u>



#### Employee Compensation

Employee compensation for the three months ended March 31, 2022 was \$77.4 million and increased by \$54.2 million, or 235%, from the three months ended March 31, 2021. This increase includes \$48.9 million of costs incurred by Alliance during the three months ended March 31, 2022. The remaining increase was primarily driven by other acquisitions completed during 2021 and easing of the cost containment measures taken in 2020 in response to the COVID-19 pandemic. See “Recent Developments – COVID-19” above.

#### Third-Party Services and Professional Fees

Third-party services and professional fees for the three months ended March 31, 2022 were \$29.2 million and increased by \$22.3 million, or 325%, from the three months ended March 31, 2021. This increase includes \$19.1 million of costs incurred by Alliance during the three months ended March 31, 2022. The remaining increase in these fees was primarily due to other acquisitions completed during 2021 and higher professional fees.

#### Rent and Utilities

Rent and utilities for the three months ended March 31, 2022 were \$12.5 million and increased by \$4.8 million, or 62%, from the three months ended March 31, 2021. The increase was driven primarily by rent and utilities incurred by Alliance during the three months ended March 31, 2022. Rent and utilities are largely a fixed cost.

#### Reading Fees

Reading fees for the three months ended March 31, 2022 were \$11.5 million and increased by \$1.5 million, or 15%, from the three months ended March 31, 2021. Our reading fees are primarily based on the volume of procedures performed. The increase in reading fees was driven by other acquisitions completed during 2021 and an increase in same-store volumes.

#### Administrative Expenses

Administrative expenses for the three months ended March 31, 2022 were \$11.6 million and increased by \$7.3 million, or 167%, from the three months ended March 31, 2021. This increase includes \$6.0 million of costs incurred by Alliance during the three months ended March 31, 2022. The remaining increase was driven primarily by higher insurance costs.

#### Medical Supplies and Other Expenses

Medical supplies and other expenses for the three months ended March 31, 2022 were \$15.3 million and increased by \$12.2 million, or 388%, from the three months ended March 31, 2021. The increase was driven primarily by medical supplies and other expenses incurred by Alliance during the three months ended March 31, 2022.

#### Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2022 was \$24.7 million and increased by \$20.2 million, or 451%, from the three months ended March 31, 2021. This increase is primarily due to \$19.9 million of depreciation and amortization for Alliance during the three months ended March 31, 2022.

#### Other Expense (Income)

Interest expense for the three months ended March 31, 2022 was \$28.7 million and increased by \$20.3 million, or 243%, from the three months ended March 31, 2021. This increase is primarily due to the interest associated with the 2028 Senior Notes and Subordinated Notes that were issued during 2021 in connection with the acquisition of Alliance.

Acquisition-related costs for the three months ended March 31, 2022 were \$0.4 million compared to \$1.3 million for the three months ended March 31, 2021. This decrease is primarily due to reduced acquisition-related activities.

Other non-operating gains for the three months ended March 31, 2022 were \$0.0 million compared to \$3.4 million for the three months ended March 31, 2021. The other non-operating gains in 2021 consist primarily of a \$3.4 million gain on the conversion of a debt investment to an equity investment.

#### Income Tax Expense

Income tax expense for the three months ended March 31, 2022 and 2021 was \$0.6 million and \$0.0 million, respectively. The effective tax rate for the periods differs from the Canadian statutory rate of 26.5% primarily due to earnings in foreign jurisdictions that are subject to tax rates which differ from the Canadian statutory tax rate, as well as the impact of valuation allowances applied against losses in jurisdictions for which no tax benefit or expense is recognized.

#### Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the three months ended March 31, 2022 was \$4.4 million and increased by \$4.0 million from the three months ended March 31, 2021. This increase is due to amounts attributable to Alliance during the three months ended March 31, 2022.

#### **Non-GAAP Financial Measures**

We use various measures of financial performance based on financial statements prepared in accordance with GAAP. We believe, in addition to GAAP measures, certain non-GAAP measures are useful for investors for a variety of reasons. Such non-GAAP measures include earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA. Our management regularly communicates EBITDA and Adjusted EBITDA and their interpretation of such results to our board of directors. We also compare actual periodic Adjusted EBITDA against internal targets as a key factor in determining cash incentive compensation for executives and other employees, largely because we view Adjusted EBITDA results as indicative of how our radiology and oncology businesses are performing and being managed.

We define Adjusted EBITDA as net income before interest expense, income tax expense (benefit), depreciation and amortization, stock-based compensation, acquisition-related costs, losses (gains) on the disposal of property and equipment, settlement and related costs (recoveries), financial instruments revaluation and related losses (gains), loss on extinguishment of debt, severance and related costs, restructuring charges, asset impairments, other losses (gains), deferred rent expense and one-time adjustments. EBITDA and Adjusted EBITDA are non-GAAP financial measures used as analytical indicators by us and the healthcare industry to assess business performance and are measures of leverage capacity and ability to service debt. EBITDA and Adjusted EBITDA should not be considered in isolation or as alternatives to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in the consolidated financial statements as indicators of financial performance or liquidity. EBITDA and Adjusted EBITDA are not financial measures determined in accordance with GAAP and are therefore susceptible to varying methods of calculation and may not be comparable to other similarly titled measures of other companies.

The following table presents a reconciliation of our net loss, the most directly comparable GAAP financial measure, to total EBITDA and Adjusted EBITDA:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Net loss	\$ (26,432)	\$ (2,508)
Interest expense	28,681	8,368
Income tax expense	563	65
Depreciation and amortization	24,731	4,490
EBITDA	27,543	10,415
Adjustments:		
Stock-based compensation	1,061	427
Acquisition-related costs	382	1,279
Loss on disposal of property and equipment, net	202	90
Settlement and related recoveries	(137)	(24)
Gain on conversion of debt to equity investment	—	(3,360)
Severance, restructuring and other charges	2,453	—
Other losses (gains), net	182	(69)
Deferred rent expense	332	445
Adjusted EBITDA	<u>\$ 32,018</u>	<u>\$ 9,203</u>

The following table summarizes our Adjusted EBITDA by segment:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Adjusted EBITDA:		
Radiology	\$ 28,589	\$ 10,843
Oncology	10,033	—
Corporate	(6,604)	(1,640)
	<u>\$ 32,018</u>	<u>\$ 9,203</u>

### Liquidity and Capital Resources

To date, we have financed our operations primarily through cash generated from operations, public and private sales of debt and equity securities, and bank borrowings. The following table presents a summary of our consolidated cash flows and the ending balance of our cash and cash equivalents:

(in thousands)	Three Months Ended March 31,	
	2022	2021
Cash and cash equivalents at beginning of period	\$ 48,419	\$ 44,396
Net cash provided by operating activities	9,318	7,749
Net cash used in investing activities	(9,875)	(5,761)
Net cash provided by (used in) financing activities	(7,620)	76,341
Cash and cash equivalents at end of period	<u>\$ 40,242</u>	<u>\$ 122,725</u>

### Cash Flows from Operating Activities

Cash provided by operating activities was \$9.3 million for the three months ended March 31, 2022 and consisted of a net loss of \$26.4 million adjusted for certain non-cash items and changes in certain operating assets and liabilities. The primary non-cash charges included in the net loss are \$24.7 million of depreciation and amortization and \$12.1 million of non-cash interest expense. Changes in operating assets and liabilities, net of acquisitions, used \$3.1 million of operating cash driven by a \$4.9 million increase in accounts receivable.

### Cash Flows from Investing Activities

During the three months ended March 31, 2022, cash used in investing activities was \$9.9 million, an increase of \$4.1 million from the comparable period in 2021. Purchases of property and equipment during the three months ended March 31, 2022 were \$9.9 million, an increase of \$8.7 million from the comparable period in 2021. Cash used in investing activities during the three months ended March 31, 2021 also included a \$4.6 million equity investment in an unconsolidated company.

### Cash Flows from Financing Activities

During the three months ended March 31, 2022, cash used in financing activities was \$7.6 million compared to cash provided by financing activities of \$76.3 million during the three months ended March 31, 2021. Cash used in financing activities during the three months ended March 31, 2022 included principal payments on the revolving loan of \$10.0 million, distributions paid to noncontrolling interests of \$6.7 million, and principal payments on long-term debt and finance leases of \$6.4 million, partially offset by proceeds from the revolving loan of \$10.0 million and proceeds from long-term debt of \$5.5 million. The cash provided by financing activities during the three months ended March 31, 2021 was composed primarily of proceeds from long-term debt of \$78.8 million, partially offset by the payment of debt issuance costs of \$1.2 million and principal payments on long-term debt and finance leases of \$0.8 million.

### Liquidity Outlook

Cash and cash equivalents were \$40.2 million as of March 31, 2022. In addition, we have a revolving credit facility under which we may borrow up to \$55.0 million for working capital and other general corporate purposes. As of March 31, 2022, there were no borrowings outstanding under the revolving credit facility. We believe that our existing cash, cash equivalents and expected future cash flow from operations will provide sufficient funds to finance our operations for at least the next twelve months. However it is possible that we may need to supplement our existing sources of liquidity to finance our activities beyond the next twelve months and there can be no assurance that sources of liquidity will be available to us at that time.

We also have access to an additional \$349.6 million of debt financing through August 2024, provided certain conditions are met, to finance mutually agreed upon organic growth and future acquisition opportunities.

For additional information regarding our revolving credit facility and the additional borrowing available for future acquisitions, see Note 8 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021.

For a description of contractual obligations, such as debt, finance leases and operating leases, see Note 8, Note 9 and Note 10 to the condensed consolidated financial statements that appear in Item 1 of this Quarterly Report on Form 10-Q. Also see Note 8, Note 9 and Note 10 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021.

### **Critical Accounting Policies and Estimates**

There were no significant changes in our critical accounting policies and estimates during the three-month period ended March 31, 2022 compared to those previously disclosed in “Critical Accounting Policies and Estimates” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2021.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Under the supervision of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures under Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of March 31, 2022. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2022.

#### **Identification of Material Weaknesses for the Quarter Ended June 30, 2021**

##### *Accounts Receivable*

Historically, management used a provision matrix to determine estimated implicit price concessions based on actual experience with consideration of forward-looking information including changes to economic conditions that would have an impact on our customers. Such implicit price concessions were considered when calculating net revenue and subsequently adjusted as necessary based on the estimate. During the quarter ended June 30, 2021, in conjunction with performing our quarter-end review of accounts receivable, review of historical collection rates using our enhanced reporting and analytics tools, and inquiries from our external auditors, management identified issues in the recording of write-offs and cash collections on acquired accounts receivable balances impacting current and prior periods. In addition, during the review, management noted estimates of historical implicit price concessions and expected collection rates were not reflective of the actual cash collections experience. Using additional historical data that was available together with enhanced reporting and analytics tools, management was able to more accurately estimate its historical implicit price concessions, which impacts the net realizable value of the accounts receivable. This analysis resulted in a reduction in accounts receivable with an offset to net revenue, which was material to prior periods and required the consolidated financial statements to be restated.

Through the use of such improved analytical tools and the interpretation of the information produced from such tools, management was able to confirm its period-end process and related review control could be enhanced to provide greater accuracy in estimating the implicit price concessions for accounts receivable.

The material weakness was caused because the period-end process design, including review controls, did not effectively consider historical collection information to record write-offs and other adjustments to accounts receivable in order to accurately assess and reflect the effect of implicit price concessions in estimating net realizable value of accounts receivable. Starting in mid-2018 and continuing through 2019, 2020, and into 2021, we made investments in our revenue cycle platform and data analytics tools. Among other benefits, these investments were intended to better integrate legacy revenue cycle information of acquired businesses into our revenue cycle platform. Subsequent to December 31, 2020, these investments allowed management to perform a more comprehensive analysis of historical collection data on a consolidated basis. After applying this more comprehensive analysis to the quarter ended June 30, 2021, management adopted an enhanced estimation methodology to assess net realizable value of accounts receivable. Applying this new methodology required a material change to historical implicit price concessions recorded as of January 1, 2019, December 31, 2019, December 31, 2020 and March 31, 2021. Under ASC 250, *Accounting Changes and Error Corrections* ("ASC 250"), this change was considered an error and thus a restatement of the financial statements for the periods ended March 31, 2021, December 31, 2020 and December 31, 2019 was required.

### *Capitalization Adjustments*

The Capitalization Adjustments primarily relate to capitalization of components replaced when equipment is repaired. Management's rationale for capitalizing these components was most of our equipment is relatively old, and the components replaced were extending the useful life of the aged equipment. Management consistently applied this policy to capitalize such items. Based on a thorough review of the components replaced and considering the authoritative and non-authoritative GAAP literature, management determined certain components previously capitalized prior to March 31, 2021 did not extend the life of the assets and should have been expensed to repair and maintenance rather than capitalized.

The material weakness was caused by review control design, which did not sufficiently ensure whether the nature of capital additions adhered to our capitalization policy. Determinations were made in the judgment of management that certain expenditures extended the useful life of capital assets and therefore should be capitalized. However, considering authoritative and non-authoritative GAAP guidance available and conducting a detailed analysis of the nature of the expenditures, management determined these expenditures should have been recorded as repair and maintenance expenses as opposed to capital expenditures.

Applying revised judgment toward application of our capitalization policy required a material change to previously capitalized medical equipment components as of January 1, 2019, December 31, 2019, December 31, 2020 and March 31, 2021. Under ASC 250, this change was considered an error and thus a restatement of the financial statements for the periods ended March 31, 2021, December 31, 2020 and December 31, 2019 was required.

### **Identification of Material Weakness for the Quarter Ended September 30, 2021**

#### *Income Tax Provision*

Management concluded a material weakness in internal control over financial reporting existed relating to our quarterly income tax provision process. Specifically, we did not provide adequate review of the impact on deferred tax assets and deferred tax asset provision within the quarterly consolidated income tax provision as a result of a discrete transaction. While the control deficiency did not result in a misstatement of our previously issued consolidated financial statements, the control deficiency could have resulted in a misstatement of the income tax related accounts or disclosures that would have resulted in a material misstatement of our quarterly or annual consolidated financial statements that would not have been prevented or detected on a timely basis.

### **Identification of Material Weakness for the Quarter Ended December 31, 2021**

#### *Accounting Estimates and the Use of Specialists*

Management concluded a material weakness in internal control over financial reporting existed relating to the oversight and review of the work performed by third-party specialists, the application of certain accounting principles and the coordination between specialists. Specialists were used in the preparation of (i) our purchase price allocation pursuant to ASC 805, *Business Combinations*, (ii) the adoption of ASC 842, *Leases*, in connection with the Alliance Acquisition, and (iii) the valuation of warrants issued in connection with a debt financing arrangement. The control deficiency could have resulted in a misstatement of certain accounting estimates or disclosures that would have resulted in a material misstatement of our annual consolidated financial statements that would not have been prevented or detected on a timely basis.

### **Remediation of Material Weaknesses in Internal Control Over Financial Reporting**

Management is committed to the remediation efforts to address the material weaknesses, as well as continuously enhancing our internal controls.

Management has made financial reporting control changes to address the material weaknesses relating to the (i) estimates for implicit price concessions, (ii) process for identifying whether component parts replaced in its equipment should be classified as capital or as a repair and maintenance expense, (iii) process for reviewing the quarterly tax provision, and (iv) process for evaluating the qualifications of third-party specialists, defining the scope of work to be performed, and reviewing all estimates prepared by specialists.

Management enhanced its methodology that quantifies and considers the effects of implicit price concessions on the recognition of accounts receivable and collection history on a consolidated basis which will allow for timely recording of the impact to net revenue and accounts receivable due to changes to implicit price concessions if necessary. Management has also put in place controls to ensure its procedures to evaluate the appropriate accounting for component parts that are replaced when equipment is repaired. Management has taken steps to enhance the review of the quarterly tax provision to include a process for reviewing information underlying discrete transactions in the quarterly income tax provision. In addition, management has taken steps to enhance its evaluation of the qualifications of third-party specialists and defining the scope of work to be performed, as well as enhance the review process for all estimates prepared by specialists, including a detailed review of all work performed by specialists, by team members with the appropriate level of experience and knowledge and review the specialists work for compliance with accounting standards.

To further remediate the material weaknesses identified herein, the management team, including the Chief Executive Officer and Chief Financial Officer, have reaffirmed and re-emphasized the importance of internal control, control consciousness and a strong control environment. We also expect to continue to review, optimize, and enhance our financial reporting controls and procedures. These material weaknesses will not be considered remediated until the applicable remediated control operates for a sufficient period of time and management has concluded that this control is operating effectively.

No assurance can be provided at this time that the actions and remediation efforts we have taken or will implement will effectively remediate the material weaknesses described above or prevent the incidence of other significant deficiencies or material weaknesses in our internal controls over financial reporting in the future. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions.

If these remedial measures described above are insufficient to address the material weaknesses described above, or are not implemented timely, or additional deficiencies arise in the future, material misstatements in our interim or annual financial statements may occur in the future and could have the effects described in the “Risk Factors” section included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021.

#### **Changes in Internal Control over Financial Reporting**

There were no other changes in our internal control over financial reporting that occurred during the three-month period ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except for the remediation efforts described above.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

On November 22, 2021, an alleged shareholder of the Company filed a putative class action claim with the Ontario Superior Court of Justice against the Company and certain of its directors and officers alleging violations of Securities Act (Ontario), negligent misrepresentation and other related claims. The claims generally allege that certain of the Company's prior public financial statements misrepresented the Company's revenue, accounts receivable and the value of its assets based upon the Company's August 12, 2021, October 12, 2021 and November 8, 2021 disclosures relating to a review of certain procedures related to its financial statements and to the restatement of financial statements affecting accounts receivable and net book value of property and equipment. The claim does not quantify a damage request. Defendants have not yet responded to the claim. On December 20, 2021, a second statement of claim was filed by a new plaintiff making similar allegations. Because the two statements of claim involve similar subject matter and some of the same class members, the second Ontario plaintiff firm requested a motion for carriage under the Class Proceedings Act, 1992 (Ontario) so the court could determine which plaintiff firm will have carriage of the class action proceedings. That carriage motion was heard by the court on March 31, 2022 and, on April 27, 2022, the court rendered a decision in favor of the second plaintiff. As such, the second plaintiff has been awarded carriage of the class action claim and the action by the first plaintiff is stayed.

The Company has been, and continues to be, subject to claims and legal actions that arise in the ordinary course of business, including potential claims related to patient care and treatment, contract disputes, employment and other commercial or regulatory matters. The defense of these lawsuits may result in significant legal costs, regardless of the outcome, and can result in large settlement amounts or damage awards. We believe that the outcome of our current litigation will not have a material adverse impact on our business, financial condition and results of operations. However, we could be subsequently named as a defendant in other lawsuits that could adversely affect us.

### **Item 1A. Risk Factors**

There have been no material changes with respect to the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2021 dated March 16, 2022 and filed with the Securities and Exchange Commission ("SEC") pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.



### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

On April 13, 2022, Rhonda Longmore-Grund, the Company's former President and Co-Chief Executive Officer, entered into a Confidential Separation Agreement and General Release ("Separation Agreement") with the Company and Alliance Healthcare Services, Inc., which became effective on April 20, 2022. Pursuant to the terms of the Separation Agreement, the Company agreed to pay Ms. Longmore-Grund severance pay equal to \$1,095,0178.75, which was 18 months of her then-current annual base salary of \$730,012.50, and an enhanced bonus of \$930,765.95, which is one-and-one-half times of Ms. Longmore-Grund's target bonus for her service to the Company in 2021 payable in bi-weekly instalments over an 18 month period.

The Separation Agreement is filed herewith as Exhibit 10.1, and is incorporated by reference herein.

### Item 6. Exhibits

Exhibit Number	Description of Exhibit
10.1	<a href="#">Separation Agreement and General Release by and between Alliance HealthCare Services, Inc., Akumin Inc. and Rhonda Longmore-Grund, dated as of April 15, 2022</a>
31.1	<a href="#">Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)</a>
31.2	<a href="#">Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)</a>
32.1	<a href="#">Certification of the Chief Executive Officer and the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**AKUMIN INC.**

By: /s/ Riadh Zine

\_\_\_\_\_  
Riadh Zine

Chairman, Chief Executive Officer and Director

Date: May 10, 2022

**CONFIDENTIAL SEPARATION AGREEMENT**

**AND GENERAL RELEASE**

This Separation Agreement and Release of (“Agreement”) is made by and between Rhonda Longmore-Grund (“Executive”), Alliance HealthCare Services, Inc., a Delaware corporation (“Alliance HealthCare Services”), and Akumin Inc., an Ontario corporation (“Akumin”) (collectively referred to herein as “the Parties”), with reference to the following facts:

- A. On or about March 10, 2016, Executive became an Executive of Alliance HealthCare Services.
- B. On or about March 10, 2016, Alliance HealthCare Services and Executive executed an Executive Severance Agreement (the “Severance Agreement”), which is incorporated herein by reference.
- C. In September 2021, Akumin acquired Alliance HealthCare Services and Alliance HealthCare Services became an indirect wholly-owned subsidiary of Akumin.
- D. Following its acquisition of Alliance HealthCare Services, Akumin named Executive the President and Co-CEO of Akumin.
- E. Effective March 18, 2022 (“the Separation Date”), Executive’s employment with Alliance HealthCare Services, and all of their affiliated and related entities (collectively, “Company”) was terminated “Without Cause,” as that term is defined in the Severance Agreement.

F. As of the Separation Date, Executive no longer is an Officer of Company, such that all signing authorities held by Executive in connection with and in furtherance of Executive's Officer duties ended on the Separation Date.

G. As of the Separation Date, Executive no longer is a Director of Company, except that Executive remains a Director of Akumin Inc., the publicly traded entity (referred to herein as "Corporation"), until the Effective Date of this Agreement set forth in paragraph 16 below. All signing authorities held by Executive in connection with and in furtherance of Executive's Director duties (with the exception of Executive's duties as a Director of Corporation) ended on the Separation Date.

H. Under the terms of the Severance Agreement, Executive is entitled to certain severance pay and benefits if Executive signs (and does not revoke) a release of all claims that Executive may have against Company, and their past or current officers, directors, and/or employees, relating to or arising out of Executive's employment (or termination of employment) with Company in a form prescribed by Company. For purposes of the severance pay and benefits due under the Severance Agreement, the Parties agree that Executive's most recent annual base salary was \$730,012.50 and that Executive's 2021 Target Bonus was \$620,510.63 (85% of Executive's annual base salary of \$732,012.50).

I. It is the intention of the Parties that Executive receive the severance pay and benefits set forth in the Severance Agreement under the terms and conditions set forth therein.

J. In entering into this Agreement, none of the Parties makes any admissions whatsoever as to any allegations or claims that may have been made by the other nor does this Agreement constitute an admission that Company or any other Release (as defined herein) has violated any law, rule, regulation, contractual right, or any other legal duty or obligation or that Executive has any viable claim against Company or any other Release. Each Release denies all liability.

NOW, THEREFORE, the Parties agree as follows:

**1. General Release.** In consideration for the severance pay and benefits to be provided under the Severance Agreement, Executive, for Executive and Executive's agents, representatives, successors, heirs and assigns, does hereby unconditionally release and forever discharge Company (plus its parents, subsidiaries, affiliates, predecessors, successors, and any other entity related to it and all of its and their past and present officers, directors, shareholders, attorneys, employees, agents, representatives, assigns, and anyone else acting for any of them – all together "Releases"), of and from any and all claims, demands, claims for relief, actions or causes of action of any type or nature whatsoever that now exist, known or unknown, suspected or unsuspected, to the fullest extent allowed by law, based upon, relating to, and/or arising out of Executive's employment with Company (including, but not limited to, any claims arising out of Executive's Officer and/or Director positions with Company); and/or termination thereof. Such claims include, but are not limited to, (i) any and all claims related to discrimination, harassment, or retaliation based on age (including Age Discrimination in Employment Act or "ADEA" claims), benefit entitlement, sex, sexual orientation, gender, gender identity, gender

expression, race, color, concerted activity, religion, national origin, ethnicity, citizenship, immigration status, genetic information, disability, income source, jury duty, leave rights, military status, veteran status, parental status, protected off-duty conduct, union activity, whistleblower activity (including Sarbanes-Oxley, Dodd-Frank, and False Claims Act claims), other legally protected status or activity; or any allegation that payment under this Agreement was affected by any such discrimination, harassment or retaliation;; (ii) all claims for breach of any express or implied contracts, covenants, promises or duties, intellectual property or other proprietary rights; (iii) all claims for pay, compensation, wages or benefits, including bonuses, commissions, equity, expenses, incentives, insurance, paid/unpaid leave, profit sharing, or separation pay/benefits; (iv) all claims for compensatory, emotional or mental distress damages, punitive or liquidated damages, costs, fees or other expenses, including attorneys' fees; (v) unlawful or tortious conduct such as assault or battery; background check violations; defamation; detrimental reliance; fiduciary breach; fraud; indemnification; intentional or negligent infliction of emotional distress; interference with contractual or other legal rights; invasion of privacy; loss of consortium; misrepresentation; negligence (including negligent hiring, retention, or supervision); personal injury; promissory estoppel; public policy violation; retaliatory discharge; safety violations; posting or records-related violations; wrongful discharge; or other federal, state or local statutory or common law matters; and (vi) any participation in any class or collective action against any Release.

2. **Release Exclusions and Other Exceptions.** The release provisions of this Agreement exclude (i) claims arising after Executive signs this Agreement; (ii) claims for breach of this Agreement; and (iii) claims that cannot be waived, such as Executive's entitlement, if any, to medical insurance, workers' compensation benefits, retirement benefits, unemployment benefits or continuation coverage under COBRA. Nothing in any part of this Agreement limits Executive's rights to: (i) file a charge or complaint with any administrative agency, such as the U.S. Equal Employment Opportunity Commission, or a state fair employment practices agency or communicate directly with or provide information (including testimony) to an agency, or otherwise participate in an agency proceeding; (ii) testify accurately in administrative, legislative, or judicial proceeding relating to alleged criminal conduct or alleged sexual harassment, pursuant to a written request from an administrative agency or legislature, or in court pursuant to subpoena or court order; or (iii) communicate with law enforcement or Executive's attorney. Executive nonetheless give up all rights to any money or other individual relief based on any agency or judicial decision, including class or collective action rulings. However, Executive may receive money properly awarded by the U.S. Securities and Exchange Commission (SEC) as a reward for providing information to that agency.

3. **Release of Unknown Claims.** This Agreement is intended to encompass all claims, known and unknown, foreseen and unforeseen, that Executive may have, whether arising in tort, contract, law, equity, or whether based upon a violation of any federal, state, local or administrative statute, law, regulation or ordinance. It is further understood that all rights under Section 1542 of the California Civil Code, and any similar state or federal law, are hereby expressly waived. Section 1542 provides as follows:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

4. **Indemnification.** Executive understands and agrees that Company and its attorneys are neither providing tax or legal advice, nor making representations regarding tax obligations or consequences, if any, related to this Agreement. Executive further agrees to assume any such tax obligations or consequences that may arise from this Agreement and to not seek any indemnification from Company in this regard. Executive agrees that in the event that any taxing body determines that additional taxes are due from Executive, Executive acknowledges and assumes all responsibility for the payment of any such taxes and agree to indemnify, defend and hold Company harmless for the payment of such taxes, and any failure to withhold. Executive further agrees to pay, on Company's behalf, any interest or penalties imposed as a consequence of such tax obligations, and to pay any judgments, penalties, taxes, costs and attorneys' fees incurred by Company as a consequence of Executive's failure to pay any taxes due.

5. **Resignation from Publicly Traded Entity's Board of Directors.** On the Effective Date of this Agreement set forth in paragraph 16 below, Executive agrees to resign as a Director of Akumin Inc., the publicly traded entity (referred to herein as "Corporation"). Executive agrees to execute all required documentation to effect such resignation on a timely basis. Executive acknowledges and confirms that all signing authorities held by Executive in connection with and in furtherance of her Director duties with Corporation shall immediately cease and terminate on the Effective Date of this Agreement.



6. **Non-Disparagement.** The Parties agree that they shall not, directly or indirectly through others, identifiably or anonymously, make any statement or engage in any conduct that has the purpose or effect of disparaging or reflecting negatively upon the other or, in the case of Company, any of its representatives, officers, directors, shareholders or employees. Specifically, and without limiting the generality of the foregoing, the Parties are prohibited from posting to the Internet or any website, dispersing through any electronic or printed medium, conveying to any member of the press or public (whether with or without attribution, anonymously or otherwise), any comment, information, documents, pictures, or any other content in any form that has the intent or is reasonably construed to have the intent to discredit, defame, harm, embarrass, or harass the other. However, nothing in this Agreement prevents Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Executive believes to be unlawful. The Parties agree that the remedy at law for any breach of the covenants contained in this paragraph would be inadequate, and that therefore the non-breaching party shall be entitled to injunctive relief thereon, in addition to such party's right to monetary damages.

7. **Enhanced 2022 Target Bonus.** In consideration for Executive's additional promises set forth in Schedule A to this Agreement, which is hereby incorporated by reference herein, Company agrees to calculate the Target Bonus payment due under the Severance Agreement in an amount equal to one-and-one-half (1 1/2) times Executive's

2021 Target Bonus (85% of Executive's annual base salary of \$732,012.50 (\$620,510.63) x 1.5 = \$930,765.95, minus legally required withholdings). Executive acknowledges and agrees that this calculation results in a larger Target Bonus payment than otherwise owed to Executive under the Severance Agreement as it is calculated based on the 2021 Target Bonus. The Parties agree that the Target Bonus payment in the gross amount of \$930,765.95, minus legally required withholdings, is payable to Executive in accordance with the terms set forth in paragraphs 1 and 3(d) of the Severance Agreement.

8. **Schedule A.** In consideration for the Enhanced 2022 Target Bonus set forth in paragraph 7 of this Agreement, Executive agrees to the provisions set forth in Schedule A to this Agreement, which is incorporated by reference herein.

9. **Severance Payments:** To the fullest extent possible, the Parties intend that each payment or portion of a payment that is called for under this Agreement that could be treated as exempt from Internal Revenue Code Section 409A shall be treated as exempt from Code Section 409A and this Agreement shall be administered in a manner consistent with that intent, as reflected on Schedule B to this Agreement which is incorporated by reference herein.

10. **Prevailing Party Attorneys' Fees.** In the event that any action or any other proceeding is instituted to enforce any right or obligation arising out of this Agreement, the prevailing party shall be entitled to recover such party's attorneys' fees and other costs incurred, including those incurred in any appeal.

11. **Heirs, Successors, and Assigns.** This Agreement, and the terms and conditions herein, inure to the benefit of and are binding upon, the heirs, successors and assigns of the Parties.

12. **No Representations/Entire Agreement.** The Parties declare and represent that no promise, inducement or agreement not herein expressed or incorporated herein by reference has been made to them and they are relying on none; that this Agreement, including Schedule A to this Agreement, the Severance Agreement, and the Confidentiality and Non-Solicitation Agreement (collectively referred to herein as “the Agreements”),

which are hereby incorporated by reference, contain the entire agreement between the Parties; and that these Agreements supersede any and all alleged prior or contemporaneous written or oral agreements, representations, or promises on the subject matters covered herein and therein. This Agreement cannot be modified except in a written document signed by all Parties.

13. **Governing Law.** This Agreement shall be interpreted and enforced under federal law if that law governs, and otherwise under the laws of the State of California, without regard to its choice of law provisions.

14. **Severability.** Should any provision of this Agreement be declared or determined by any court to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected thereby and any said illegal or invalid part, term or provision shall be deemed not to be a part of this Agreement.

15. **Voluntary Agreement.** Executive understands and acknowledges that Executive has a period of twenty-one (21) days within which to review and decide whether to sign this Agreement after receiving it, although Executive may sign the Agreement at any time during the twenty-one (21)-day consideration period. Executive must sign and return this Agreement to Company within the twenty-one (21)-day consideration period if Executive wants to receive the severance pay and benefits provided in the Severance Agreement. If Executive signs this Agreement, Executive has seven (7) days from the date Executive signs this Agreement to revoke the Agreement. Any revocation must be in writing and must be delivered to Matthew Cameron (Chief Legal Officer and Corporate Secretary) at [matt.cameron@akumin.com](mailto:matt.cameron@akumin.com), on or before the seventh (7<sup>th</sup>) day after

Executive's execution of the Agreement. If Executive revokes this Agreement, then this Agreement shall not be effective or enforceable, and Executive will not be entitled to receive the severance pay and benefits set forth in the Severance Agreement.

16. **Other Representations.** Executive agrees: (i) Executive was advised in writing, by getting a copy of this Agreement, to consult with an attorney before signing below; (ii) Executive acknowledges that this Agreement is a negotiated severance agreement under California law because it is voluntary, deliberate, and informed; provides consideration of value to Executive; and provides Executive with notice and an opportunity to retain an attorney to the extent that Executive is not already represented by an attorney; (iii) Executive has relied on Executive's own informed judgment, or that of Executive's attorney (if any), in deciding whether to sign this Agreement; and (iv) Executive is signing this Agreement knowingly and voluntarily.

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**17. Effective Date.** This Agreement shall be effective upon the expiration of the seven (7)-day revocation period set forth in paragraph 14 above.

Dated: April 13, 2022

/s/ RHONDA LONGMORE-GRUND  
RHONDA LONGMORE-GRUND

Dated: April 15, 2022

ALLIANCE HEALTHCARE SERVICES, INC.

By: /s/ Riadh Zine

Name: Riadh Zine

Its: Director

Dated: April 15, 2022

AKUMIN, INC.

By: /s/ Riadh Zine

Name: Riadh Zine

Its: Chief Executive Officer

**SCHEDULE A**  
**to CONFIDENTIAL SEPARATION AGREEMENT AND GENERAL RELEASE**

**Payment of All Compensation Owed.** Executive acknowledges and agrees that Executive has been paid all compensation earned through the Separation Date (as defined in the Confidential Separation Agreement and General Release (“Release Agreement”)), including any accrued, unused vacation or PTO.

**Treatment of Stock Options and Equity Entitlements.** Executive’s stock options and equity entitlements will be treated in accordance with the applicable grant agreement and applicable plans related thereto.

**Acknowledgment of Consideration.** Executive acknowledges that the severance pay and benefits described in the Executive Severance Agreement represent amounts and benefits above and beyond those to which Executive would be entitled if Executive did not enter into the Release Agreement.

**Promise Not to Sue.** Executive promises not to sue any Release (as that term is defined in the Release Agreement) in court (“Promise Not to Sue”). This is different from the General Release in paragraph 1 of the Release Agreement. Besides releasing claims covered by the General Release, Executive agrees never to sue any Release for any reason covered by the General Release. Despite this Promise Not to Sue, however, Executive may file suit to enforce the Release Agreement or to challenge its validity under the ADEA. If Executive sues a Releasee in violation of this provision: (i) Executive shall be required to pay that Release’s reasonable attorneys’ fees and other litigation costs incurred in defending against Executive’s suit; or alternatively (ii) Company can require Executive to return all but \$100.00 of the severance pay and benefits provided to Executive under the Executive Severance Agreement and General Release. In that event, Company shall be excused from any remaining obligations that exist solely because of the Executive Severance Agreement and General Release.

**Whistleblowing.** Executive agrees that (i) no one has interfered with Executive’s ability to report within Company possible violations of any law, and (ii) it is Company’s policy to encourage such reporting.

**Future Cooperation.** Executive agrees to be reasonably available to assist Company with transitioning Executive’s duties as well as with any investigations, legal claims, or other matters concerning anything related to Executive’s employment. Executive specifically agrees to use reasonable effort to be available to Company upon reasonable notice for interviews and fact investigations; to testify; and to voluntarily provide Company with any Company-related documents Executive possesses or controls. “Cooperation” does not mean Executive must provide information favorable to Company; it means only that you will upon Company’s request provide information Executive possesses or controls. If Company requests Executive’s cooperation, Company will reimburse Executive for reasonable time at \$1,000.00 per hour plus expenses, provided Executive submits appropriate documentation.

**Confidentiality of Agreement.** Executive will not communicate the terms of the Release Agreement to any third party, whether verbally or in writing, by any means, including by social

media such as Twitter and Facebook and the like. Any disclosure by Executive will cause Company irreparable harm that money cannot undo. Accordingly, violation of this section will entitle Company to temporary and permanent injunctive relief. Except as required by law, Executive has not disclosed and will not disclose any term of the Release Agreement to anyone except Executive's immediate family members and/or legal/financial advisors. Each of them is bound by this provision, and a disclosure by any of them is a disclosure by Executive.

**Individual Agreement.** This Release Agreement has been negotiated individually and is not part of a group exit incentive or other termination program.

**Other Representations.** Executive agrees:

- Executive has been reimbursed for all reasonable and necessary business expenses that Executive incurred in the course and scope of her employment with Company;
- Executive has not suffered any on-the-job injury for which Executive has not already filed a claim, and the end of Executive's employment is not related to any such injury;
- Executive does not have any pending lawsuits against Company (as defined in the Release Agreement) or any other Releasee (as defined in the Release Agreement);

**Counterparts.** The Release Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Furthermore, signatures delivered via facsimile transmission shall have the same force and effect as the originals thereof, except that any party has the right to insist on receipt of the original signature of the other party before complying with its own obligations under the Release Agreement.



**Schedule B**

<b>Severance Payments</b>		<b>Health Benefits Continuation</b>	
Annual salary	\$ 730,012.50	Gold HAS	\$ 2,546.00
x1.5 (18 months)	\$ 1,095,018.75	Dental Gold DPPO	\$ 163.99
		Vision	\$ 26.07
Annual Target Bonus	\$ 620,510.63	Monthly Cost	\$ 2,736.06
x1.5 (18 months)	\$ 930,765.94	Total Benefits Payment 18 Months	\$ 49,249.08
<b>Total Severance Payment - 18 months</b>	<b>\$ 2,025,784.69</b>		

**409A Exemptions**

Short term deferral (payment by March 15 2023)	\$ (1,305,505.69)
Separation pay (2 x 401K exemption)	\$ (610,000.00)
Compensation Exempt from 409A	\$ (1,915,505.69)
Compensation Subject to 409A	\$ 110,279.00

<u>Severance Payment Schedule</u>	<u>Severance Payment</u>	<u>Cumulative</u>	<u>Payment Exemption Status</u>	<u>Benefits Payment Schedule</u>	<u>Cumulative</u>
5/17/2022 60 days from termination date	\$225,087.19	\$ 225,087.19	Short term deferral	\$5,472.12	\$ 5,471.12
5/28/2022 bi weekly payroll run	\$ 51,448.50	\$ 276,535.69	Short term deferral	\$1,250.77	\$ 6,722.89
6/11/2022 bi weekly payroll run	\$ 51,448.50	\$ 327,984.19	Short term deferral	\$1,250.77	\$ 7,973.66
6/25/2022 bi weekly payroll run	\$ 51,448.50	\$ 379,432.69	Short term deferral	\$1,250.77	\$ 9,224.43
7/9/2022 bi weekly payroll run	\$ 51,448.50	\$ 430,881.19	Short term deferral	\$1,250.77	\$ 10,475.20
7/23/2022 bi weekly payroll run	\$ 51,448.50	\$ 482,329.69	Short term deferral	\$1,250.77	\$ 11,725.97
8/6/2022 bi weekly payroll run	\$ 51,448.50	\$ 533,778.19	Short term deferral	\$1,250.77	\$ 12,976.74
8/20/2022 bi weekly payroll run	\$ 51,448.50	\$ 585,226.69	Short term deferral	\$1,250.77	\$ 14,227.51
9/3/2022 bi weekly payroll run	\$ 51,448.50	\$ 636,675.19	Short term deferral	\$1,250.77	\$ 15,478.28
9/17/2022 bi weekly payroll run	\$ 51,448.50	\$ 688,123.69	Short term deferral	\$1,250.77	\$ 16,729.05
10/1/2022 bi weekly payroll run	\$ 51,448.50	\$ 739,572.19	Short term deferral	\$1,250.77	\$ 17,979.82
10/15/2022 bi weekly payroll run	\$ 51,448.50	\$ 791,020.69	Short term deferral	\$1,250.77	\$ 19,230.59
10/29/2022 bi weekly payroll run	\$ 51,448.50	\$ 842,469.19	Short term deferral	\$1,250.77	\$ 20,481.36
11/12/2022 bi weekly payroll run	\$ 51,448.50	\$ 893,917.69	Short term deferral	\$1,250.77	\$ 21,732.13
11/26/2022 bi weekly payroll run	\$ 51,448.50	\$ 945,366.19	Short term deferral	\$1,250.77	\$ 22,982.90
12/10/2022 bi weekly payroll run	\$ 51,448.50	\$ 996,814.69	Short term deferral	\$1,250.77	\$ 24,233.67
12/24/2022 bi weekly payroll run	\$ 51,448.50	\$ 1,048,263.19	Short term deferral	\$1,250.77	\$ 25,484.44
1/7/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,099,711.69	Short term deferral	\$1,250.77	\$ 26,735.21
1/21/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,151,160.19	Short term deferral	\$1,250.77	\$ 27,985.99
2/4/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,202,608.69	Short term deferral	\$1,250.77	\$ 29,236.76
2/18/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,254,057.19	Short term deferral	\$1,250.77	\$ 30,487.53
3/4/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,305,505.69	Short term deferral	\$1,250.77	\$ 31,738.30
3/18/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,356,954.19	Separation pay	\$1,250.77	\$ 32,989.07
4/1/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,408,402.69	Separation pay	\$1,250.77	\$ 34,239.84
4/15/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,459,851.19	Separation pay	\$1,250.77	\$ 35,490.61
4/29/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,511,299.69	Separation pay	\$1,250.77	\$ 36,741.38
5/13/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,562,748.19	Separation pay	\$1,250.77	\$ 37,992.15
5/27/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,614,196.69	Separation pay	\$1,250.77	\$ 39,242.92
6/10/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,665,645.19	Separation pay	\$1,250.77	\$ 40,493.69
6/24/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,717,093.69	Separation pay	\$1,250.77	\$ 41,744.46
7/8/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,768,542.19	Separation pay	\$1,250.77	\$ 42,995.23
7/22/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,819,990.69	Separation pay	\$1,250.77	\$ 44,246.00
8/5/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,871,439.19	Separation pay	\$1,250.77	\$ 45,496.77
8/19/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,922,887.69	Partially Separation pay/partially subject to Section 409A	\$1,250.77	\$ 46,747.54
9/2/2023 bi weekly payroll run	\$ 51,448.50	\$ 1,974,336.19	Subject to Section 409A	\$1,250.77	\$ 47,998.31
9/16/2023 bi weekly payroll run	\$ 51,448.50	\$ 2,025,784.69	Subject to Section 409A	\$1,250.77	\$ 49,249.08

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Riadh Zine, certify that:

1. I have reviewed this report on Form 10-Q of Akumin Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**Akumin Inc.**

Date: May 10, 2022

By: /s/ Riadh Zine

Riadh Zine

Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William Edward Larkin, certify that:

1. I have reviewed this report on Form 10-Q of Akumin Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**Akumin Inc.**

Date: May 10, 2022

By: /s/ William Edward Larkin  
William Edward Larkin  
Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350 of chapter 63 of title 18 of the United States Code), the undersigned officer of Akumin Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

This quarterly report on Form 10-Q for the quarterly period ended March 31, 2022 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2022

By: /s/ Riadh Zine  
Riadh Zine  
Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350 of chapter 63 of title 18 of the United States Code), the undersigned officer of Akumin Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

This quarterly report on Form 10-Q for the quarterly period ended March 31, 2022 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2022

By: /s/ William Edward Larkin  
William Edward Larkin  
Chief Financial Officer