Akumin Inc.

EDITED TRANSCRIPT

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PRESENTATION

Operator

Good morning. My name is Sergei, and I will be your conference Operator today. At this time, I would like to welcome everyone to Akumin's 2022 first quarter results research analyst call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press *, then the number 2. Thank you.

Mr. Cameron, you may begin your conference.

Matt Cameron — Chief Legal Officer & Corporate Secretary, Akumin Inc.

Thank you. Good morning, everybody, and thank you for joining us for today's investor presentation. My name's Matt Cameron. I'm the Chief Legal Officer and Corporate Secretary of Akumin, and joining my on the call today are Riadh Zine, our Chairman and CEO, and Bill Larkin, our CFO.

There is a slide deck that's meant to accompany today's presentation. If you haven't downloaded it directly from the portal, you can also obtain a copy of it from the Investor Relations section of our website at akumin.com.

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

This transcript has been prepared based on recordings of the earnings call. Akumin does not represent or warrant that this transcript is error-free. Readers are encouraged to listen to recordings available of the earnings call.

Actual results could materially differ from those anticipated in these forward-looking statements, and you should not place undue reliance on these statements, particularly on future financial performance.

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

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

We may also refer to certain non-GAAP measures during this conference call such as EBITDA, adjusted EBITDA, and adjusted EBITDA margin. These non-GAAP measures are not recognized measures under United States generally accepted accounting principles and do not have standardized meaning prescribed by GAAP. We believe, in addition to GAAP measures, certain non-GAAP measures are useful for investors for a variety of reasons including that we regularly use such measures to communicate with our Board of Directors and that EBITDA and adjusted EBITDA are used as analytical indicators by us and the healthcare industry to assess business performance. And they're 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. You can find additional information regarding these non-GAAP measures on Slide 2 of our presentation, which is available in the Investor Relations section of our website under Events and Presentations, and a reconciliation of EBITDA and adjusted EBITDA to net loss, the most comparable GAAP measure, is included in the appendix to that presentation.

We have not provided a reconciliation for any forward-looking non-GAAP measure referred to in this presentation as we would not be able to produce such a reconciliation without unreasonable effort.

And now, I'll turn things over to Riadh Zine. Riadh?

Riadh Zine — Chairman & Co-CEO, Akumin Inc.

Thanks, Matt, and good morning, everyone. My name is Riadh Zine, and I'm the Chairman and CEO of Akumin. Very happy to speak to everyone today to discuss our first quarter 2022 results.

As you can see in Slide 3, we are now among the top companies in the entire industry delivering outpatient solutions in radiology and oncology to hospitals, physicians, and their patients.

We are the number-one or number-two player in all of our core service lines and have a national presence, operating in 48 states. We care for more than 2 million radiology patients on an annual basis and treat more than 10,000 cancer patients every year.

We also serve over 1,000 hospitals and health systems, which is an important component of our growth strategy as hospitals continue to expand their outpatient capabilities.

The new Akumin platform has the scale, with a combined last-12 months revenues of $740 million in radiology and oncology businesses. This is a very strong foundation on which we could obviously build, and we have a lot of opportunities ahead.

Slide 4 captures some of the key differentiators of the Akumin platform and the value proposition, in particular for hospitals and health systems. Akumin's suite of services, including mobile and fixed-site locations in both radiology and oncology, enables us to deliver customized solutions to virtually any customer in any geography.

We are able to evaluate the needs of any community and design a solution set that is uniquely tailored to that community's outpatient radiology and oncology needs.

As you can see from the chart, Akumin already has a sizable fixed-site presence with 234 locations, 33 of which are dedicated to oncology. Our fixed-site platform is our largest and fastest-growing segment, and it constitutes approximately two-thirds of our revenue stream, with the remaining from mobile.

Given current market dynamics, we see a significant opportunity to continue to grow our fixed-site volume and footprint in the response to hospital demands, particularly as hospitals' need for outpatient solutions continue to accelerate.

In fact, we are already in discussions with several potential health systems to leverage our existing footprint to accelerate their outpatient strategy for radiology services. This should bring incremental volume to existing facilities.

In addition, we have a strong pipeline of potential de novo as well as service expansion opportunities in cancer care with both new and existing partners.

Akumin is clearly well positioned to benefit from the ongoing shift to outpatient service delivery. As you can see on Slide 5, 95% of our revenue is already derived from outpatient procedures. We have a balanced revenue mix between hospitals and third-party payers, with no customer accounting for more than 4% of our consolidated revenues.

As a preferred outpatient solutions provider to hospitals, approximately 50% of our revenues come from hospital customers. The balance is from third-party, commercial, and government payers.

Over time, we expect our revenue share with hospitals to grow as existing and new hospital customers and partners continue to search for outpatient solutions. This is consistent with our vision. This is consistent with our strategy. With the acquisition of Alliance, we've doubled down on the vision of outpatients, and, obviously, we expect that share of the pie with hospitals and health systems to continue to grow beyond the current 50% share we have.

On Slide 6, the Akumin platform offers a diverse suite of services, and it's very focused on areas of high growth and high value-add. Clearly, we're a leader in radiology as 55% of our radiology revenues come from MRI procedures.

Akumin's also a significant player in cancer diagnosis and treatment, with 24% of our radiology revenues from PET/CT and 17% of our total revenues coming from oncology segments.

These modalities are critical to the delivery of quality patient care and utilized by a variety of physician specialists across the care continuum, from screening through diagnoses, through treatment.

The new Akumin platform is exceptionally well positioned to capitalize on the growth trends in the industry as the shift towards outpatient service delivery continues to accelerate. This was evident in our Q1 results, and we continue to see strong support from all of our partners including hospital, health systems, and physician groups.

In the first quarter, we saw positive same-store growth volume in all of our key service lines and modalities.

MRI was up 4.9%. PET/CT procedures, on a same-store basis, were up 7.1%. And oncology patient starts were up 5.3%.

The first quarter revenue was $186.3 million, up $122 million or 191% from $64 million in the first quarter of last year. That was obviously mainly due to the acquisition of Alliance HealthCare Services, which was completed on September 1, 2021.

But still, on a sequential basis, revenue increased $6.8 million or 3.8% over the fourth quarter of 2021, despite the fact that Q1 is typically the seasonally weakest quarter in our industry.

Adjusted EBITDA was $32 million, up $22.8 million, or 247%, from last year. But on a sequential basis, adjusted EBITDA was also up $4.5 million or 16% over the fourth quarter of 2021.

Building on our momentum in Q4, we generated net new hospital sales contracts in Q1, the result of which will continue to benefit the Company in 2022 and beyond.

These strong results were ahead of consensus estimates, notwithstanding the fact that we've experienced a significant disruption to our business in January and February as the omicron outbreak created many operational challenges resulting in decreased patient flow.

On a consolidated basis, accounts receivables at the end of the quarter were $126 million or 61 days of sales outstanding, a slight improvement from Q4 of last year as well.

Now I will turn the call to our CFO, Bill Larkin, to go over some of the operational and financial metrics.

Bill Larkin — Chief Financial Officer, Akumin Inc.

Thank you, Riadh, and good morning, everyone. We're on Page 8 of the presentation.

As we mentioned on our last two calls the new Akumin now includes both hospital and independent sites. Therefore, we track actual scans by modalities across the entire radiology platform.

By providing procedure volumes and mix together with radiology procedures as percentage of revenues, as illustrated in the pie chart on Slide 6, we believe you should have enough relevant information at your disposal to accurately track our operating and financial performance over time.

In Slide 8, you can see the MRI, PET/CT, and total Radiology procedure volumes, and same-store changes over the last eight quarters. And then on the bottom charts, the aggregate volumes in 2020 and ’21, as well as the trailing 12-month period, including Q1 ’22 on a pro forma basis, to provide comparability including the Alliance acquisition.

Akumin realized strong same-store volume growth in Q1 ’22, particularly in our core modalities of MRI and PET/CT. And this is despite the omicron-related disruptions we experienced early in the quarter.

Certainly, our trailing 12-month pro forma volumes are above 2021 levels and well ahead of our 2020 volumes, which were significantly impacted by COVID.

Moving on to Page 9. In the Oncology segments, we track activity level by patient start volume and revenue per patient start.

Note that radiation therapy is an essential element of cancer care, and up to 60% of cancer patients receive radiation therapy in the course of their treatments. Therefore, our Oncology segment saw a more muted decline in activity levels due to COVID-19 when compared to the Radiology segment.

In the first quarter of ’22, same-stores patient starts were up approximately 5.3%, despite the significant omicron disruption we experienced earlier in the year.

As you can see in the chart on the bottom left of the slide, not only has the Oncology business recovered from the modest COVID-related declines and return to pre-COVID levels, but this segment has also exhibited consistent same-store growth in recent quarters.

While our revenue per patient start has declined slightly from the 2020 levels, which climbed 2.7%, the change is primarily a result of procedure mix throughout the entire business.

On Page 10, you can see the Q1 ’22 and trailing-12 months financial performance by segments.

In the bottom right-hand chart, the Q1 ’22 TTM pro forma normalized results assume the Akumin and Alliance businesses were combined for the entire period, while adjusting for the divestiture of Alliance’s Interventional segments, which was completed in the first half of ’21, and Alliance Oncology of Arizona, which was divested in Q4 of ’21.

In the Q1 ’22 normalized results, in the bottom left-hand chart, reflects some residual activity related to the transition of the Arizona business to the buyers.

We report two segments, Radiology and Oncology. This slide illustrates the financial performance of each of these segments.

You’ll see in the chart on the top left that in Q1 ’22, the Radiology segment contributed $155.3 million of revenue, which is 83% of our total revenues, with an adjusted EBITDA margin of 18.4%. And this is before the allocation of corporate services.

The Oncology segment contributed $30.9 million of revenue, or 17% of our total first quarter revenue, with an adjusted EBITDA margin of 32.4% before the allocation of corporate services.

Our consolidated adjusted EBITDA margins for the first quarter ’22 were 17.2%. While these margins were ahead of the fourth quarter ’21 levels, our margins were negatively impacted by omicron volume impacts and also reflect the fact that Q1 is typically a seasonally slower period.

Assuming no further unforeseen business disruptions, we expect that adjusted EBITDA margins will trend higher for the balance of the year.

With that, I’ll now turn it back over to Riadh to discuss our ’22 guidance. Riadh?

Riadh Zine

Thank you, Bill.

Slide 11 sets out our expectations for 2022, our first full year, as previously disclosed in our investor presentation that was filed with our Q3 results.

We expect consolidated revenues to be in the range of $760 million to $780 million of revenues, which is primarily the result of same-store organic revenue growth across the entire platform, but small contribution as well from business development initiatives in our pipeline.

Adjusted EBITDA is still expected to be in the range of $155 million to $170 million.

As mentioned in the press release, for the first quarter of 2022, we now expect to achieve previously disclosed synergy estimates within the first 12 months post-closing, as originally anticipated, which means before September 1, 2022, we expect to achieve the full run rate.

Recall that we previously disclosed or identified $23 million in synergies that we are confident can be realized over time, specifically through the integration of back-office and corporate functions, consolidation of purchasing power, and equipment maintenance overall.

As you know, we had two large organizations coming together. This is not a nice-to-have; this is a must initiative to integrate the two businesses into one common platform and one new Akumin with one set of functions and back office in terms of running the business.

Longer term, there are even more opportunities. It doesn’t stop at the integration. And those opportunities will come from technological deployment initiatives, which will result in further cost saving through process, standardization, and workflow changes.

We also previously identified a number of risk factors that did impact our 2022 guidance, including slowdown in attorney collection, supply chain disruptions, and fuel costs. Although we continue to closely monitor all those risk factors and how they could impact our performance, at this moment in time, we remain very confident that we will be able to achieve our 2022 financial guidance and objectives, considering our current synergy realization expectations.

On CapEx, we have slightly reduced our planned CapEx budget for 2022 to $79 million from the previous guidance of $89 million. Of the $79 million in the revised CapEx, we now anticipate that $12 million would be

cash and the balance to be financed through our network of equipment finance providers and local lending institutions.

In addition, we have changed the CapEx composition where we've increased our maintenance CapEx budget to $37 million from $30 million and reduced our planned growth CapEx accordingly. This was primarily the result of a reclassification of CapEx related to contract renewals. We obviously don't view contract renewals as growth. They are viewed as maintenance CapEx, as we're not really generating new revenue from those renewals.

Recall that the growth CapEx is primarily geared towards new hospital customer and partner acquisition as well as capacity expansion. Our investments in new customer insights continue to be high return and, typically, with a less than four-year payback on growth capital.

As we continue to evaluate all of our markets and prioritizing those growth opportunities, our criteria is very simple. It's based on the ones that will have the highest return on investment, but also, with the nearest-term potential in terms of impact on our performance.

We anticipate that the benefits of this growth CapEx to yield results as we exit 2022, and we'll obviously see the full benefit of that in 2023. In fact, all the other trends in the industry continue to be in our favor, and we continue to see positive momentum in support for all of our procedures.

For example, the U.S. Preventive Services Task Force recently recommended annual low-dose CT screening for lung cancer for adults aged 50 to 80 with a specific history of smoking.

All this will only continue to benefit same-store sales growth going forward and, obviously, the positive impact that can have on our margins.

Moving to the capital structure on Slide 14, the secured leverage at the end of the quarter was 5.4 times. Obviously, we're very focused on continuing to reduce the leverage. The primary driver of leverage reduction will come from EBITDA growth initiatives, including synergy capture, technology-driven initiatives, and the streamlining of our service delivery.

As we have discussed in the past, we have an abundance of growth levers, which we will expect to have a meaningful impact on EBITDA and reducing leverage.

Our confidence comes from a very simple concept. The operating leverage in our business is unique. A new dollar of revenue doesn't fall to the bottom line at the same 20 or low-20s margin. It comes down to the EBITDA as 3x the current margin. And that's how you can deleverage very quickly in a business like ours, especially when you have the scale that we have.

A couple of years ago $100 million of revenue was a big change. Today $100 million of revenue improvement is only 10% of the current scale that we have. We expect, over the long term, our secured leverage to decline below 4 times as we execute on our growth—organic growth initiatives.

Also, please note that we're not just a management team, we're significant shareholders. And we're highly incentivized to reduce leverage as well.

That concludes the prepared remarks portion of the presentation. I hope it provided an informative window into the new Akumin and the potential of the combined platform.

On behalf of Bill and myself, I would like to take the opportunity to thank all of our employees, physicians, customers, and partners for all of their efforts in making this quarter a success.

And now I would like to ask the Operator to start the question-and-answer period.

Q&A

Operator

Thank you. Ladies and gentlemen, to ask a question at this time, please signal by pressing *, 1 on your telephone keypad. If you wish to cancel your request, please press *, 2. We'll now take our first question from Noel Atkinson from Clarus Securities. Please go ahead.

Noel Atkinson — Clarus Securities

Good morning, Riadh and Bill, and really well done in Q1. Thanks for taking our questions.

First off, just in terms of Q1. So, you mention the omicron overhang in January and February. You guys had a really strong result in Q1 versus typical seasonality. For example, your volumes for procedures didn't really show much change from what is typically a really strong Q4.

So was March a particularly strong month? And then what did you see for volumes as Q2 kicked in?

Riadh Zine

Sure. Thanks, Noel, for the question. You're absolutely correct. And I think you know that we highlighted that in Q4, given that we already had visibility—when we announced our year-end results, we had visibility on January and February.

January and February were much weaker than we anticipated. They were significantly below plan. And I think we even measured that impact at that time on revenues as we already saw a $6 million to $8 million impact in the first two months alone on the topline expectations.

So, you're absolutely correct. What happened is March was a much stronger month. And that momentum continued into the second quarter, from what we see right now. And let's hope that's the new norm, and we will not be faced with another surge of any kind.

We remain very—and that's actually—and that's a great point because that's really where our confidence in our guidance comes from as well. Because if we continue at the daily momentum that we're seeing, we are very comfortable with the top-line performance.

Noel Atkinson

Okay. Great. Secondly, you mentioned that you've been able to sort of handle the cost pressures that's been coming up. So you do have—I imagine you're spending a lot of money on diesel fuel for your mobile units. And there's mention in the general media about nursing cost pressures and salary increases.

So, I guess, how are you guys able to manage these issues? And what are you doing to sort of protect against significant cost inflation going forward?

Riadh Zine

You're right on the inflation costs. I think that is impacting everyone in healthcare today, but not unique to Akumin, as you pointed out, Noel. I think there's more and more press.

I think you know, as a company, we've been talking about this a year ago. And I think now its mainstream. It's in the Wallstreet Journal that some of you read this week. It's really impacting every provider—hospitals, health systems, service providers like ourselves.

The inflation has already been reflected in the numbers. We've started to see that impact even in Q4 and Q1. We're managing that long term through—that's why we've really been investing. And strategically, how could we run the business differently; how could we deploy technology to further control those costs. I mean you're not going to control those costs without technology. It's just not possible. So you have to think, rethink the clinical service delivery, if you are to manage those costs long term.

So long term—and when I say long term I'm talking 12, 18 months from now—we would be in a much better position than we are right now in being able to mitigate and manage those inflation costs.

And there's not also just technology there, but there are tools that you could use in terms of workforce management, which is not something that is widely used in the healthcare service space. I think that there's always improvement—opportunities for improvement on that front as well.

So I think better utilization, better utilization of our personnel, better density of our operations. That also helps so you're not all over the place in multiple markets.

And then the other thing is technology. That's the only way. But I think I'm not going to tell you that our cost hasn't reflected some inflation already. It did. It did. Otherwise, we would have already had better margins, if we didn't see some inflation already in the labor cost.

Noel Atkinson

Okay. Okay. And then the last one for me before I jump back in the queue here.

So the low-dose lung CT screening that you were talking about, so the changes there to coverage seem pretty substantial. I think a New York Times article talked about 14.5 million Americans now having access or reimbursement access for lung screening for cancer.

So are you folks doing this today? Is this a material amount of your volume today?

And how do you ramp that up to reach physicians and patients to drive them into your centers to do this?

Riadh Zine

Yeah. We definitely do that today. CT procedures are an important part of our mix. It does have an impact, but I'm not going to say it will have a significant impact on our revenues.

I think what I see the significance in this, this is not the first and the last one. We're going to see more and more adoption. And I think you know I've been talking about this for a number of years.

The price points of these procedures is now not just affordable, it's also now becoming mainstream in the sense that when it becomes affordable, it's a means to save in the healthcare space. Because screening is really important to save downstream in any patient journey. We can relate to that in our personal lives. Getting to something earlier saves the patient in terms of quality of life, but also saves the system a lot of cost.

So I think the significance of that is, we expect more and more of those type of (unintelligible) that all they're going to do more same-stores growth for us. But in terms of having an impact just from that, it'd be so meaningful. I mean as you know, government is small part of our payer mix. And that's only one of many procedures.

But what I want to say is, at the end of the day, all these point to the same trends, which is we're going to see more and more volumes of the types of procedures that we do. And that will have a huge impact.

Noel Atkinson

Okay. Great. All right. Thanks very much.

Riadh Zine

Thank you.

Operator

Our next question comes from Tanya Armstrong-Whitworth from CGF. Please go ahead.

Tania Armstrong-Whitworth — CGF

Good morning, gentlemen. Just a couple from me here.

Wondering if you can talk about your CapEx spend. If you can, I guess, break it down, give us a little bit more color on exactly what it's going towards. Any of that maintenance then used to refresh the Alliance fleet, is kind of what I'm interested in.

Riadh Zine

Sure.

Bill Larkin

I can—

Riadh Zine

Maybe, Bill, do you want to take that question?

Bill Larkin

Yeah. Sure. So, we've always talked about, in both pockets, maintenance and growth. Maintenance is really focused on break/fix, replacing end-of-service-life assets. And that's in both the mobile and fixed site.

Some of that maintenance CapEx is going to replace end-of-service-life assets at some of our fixed sites. That's going to vary from year to year. And we've always used this metric historically when looking at where our normal spend is. I mean, it's CapEx, and it's roughly about 5% of Radiology revenues.

Now we're trying to drive that percentage down, but that's typically how we look at our business today. It's a necessity. I think it's going to provide us new opportunities to grow our revenues. Because now, whether it's in the mobile platform, whether it's at a specific fixed site, we've made that investment, and we're incentivized to drive volumes through those sites to leverage our investment in that new asset.

And as Riadh mentioned in the prepared remarks, our typical return on, say, like an MR or a PET/CT, is less than—our payback's less than four years. So these are very attractive returns, but they're a process that we go through internally and looking at each and every individual asset that we're making a commitment to make sure that it meets our target investment hurdles.

So, and then from a growth perspective, it depends on the opportunities that are available. And so, as we look at our business today, based on our updated forecast with—things kind of shift, decisions get pushed. That's one of the reasons why we're seeing, from our previous guidance to current guidance, a $10 million reduction in our overall CapEx.

So the growth CapEx, again, we look at each and every investment opportunity. What is it going to do? How's it going to drive top-line growth? How's it going to drive bottom-line growth? Typically, the payback period, again, is going to be less than four years on investment in those assets. And I think these are some exciting opportunities that we're investing in this year.

And each and every year, we will continue to evaluate our investment, both maintenance CapEx as well as growth CapEx, because we got to be able to afford those investments within our existing cap structure.

So it's a continuous evolving process, and every single month, we go through and evaluate what's in the pipeline; what's changing in our business; are there any new opportunities that we can leverage. And I said is we look at this on a monthly basis.

Tania Armstrong-Whitworth

Okay. Excellent. Thank you. Second question.

Can you speak to whether there was any kind of reversal in those provisions that you took a few months ago? Did we see any of that come back into revenue in Q1? And apologies if you said this at the beginning of your comments, I missed that part.

Bill Larkin

Well, we had just a little bit, but it was minor. It's actually kind of nice. That's actually stabilized with the AR collection rates as we continue to refine that process each and every quarter.

So actually, Q1, I was really happy with where we were, and we just had what I just call kind of a normal recurring adjustment that we would expect within our AR provisions. So I would say it was just a normal quarter.

Tania Armstrong-Whitworth

Okay. Perfect.

Bill Larkin

What I would expect.

Tania Armstrong-Whitworth

And then, lastly here, going back to your comments on the new push to screen more patients, Riadh, I'm wondering what your capacity utilization in your centers is today. And how much of these initiatives, like the volume coming out of these initiatives, you can actually absorb.

Riadh Zine

Yeah. I think, Tania, we still have significant additional capacity even with the operating hours of today. So, we don't see an issue. We've done that capacity analysis. We could add significant revenues, and we don't have to expand the capacity because all that we have to do is really change the operating hours where we're seeing the volume change.

And that's really our focus, to drive the higher margins. So when I've talked about organic growth earlier, adding $100 million of revenues is not really adding significant context associated with that to actually get to

that number. It's really utilizing the same assets and expanding the hours. When you expand the hours, you just expand the labor cost.

But again, we have a lot of operating leverage. I think we've explained it many, many times. If your margin is $20 same stores, it is not $20, it's at least 50, 60 percent. That's the beauty of a fixed-cost structure when we go the other way. So that's where we get a lot of comfort because we see the impact from same stores on our numbers.

And just like to your question on provisions, and this is the first clean quarter, and the only thing not clean about it is having the slow start in January and February from the COVID surge. But other than that, it would've been the cleanest quarter we could have.

Tania Armstrong-Whitworth

Yup. Okay. Perfect. Thank you so much. That's all for me.

Riadh Zine

Thanks, Tania.

Operator

Endri Leno, National Bank. Please go ahead.

Endri Leno — National Bank

Hey. Good morning. Thanks for taking my questions. A couple for me.

I'll start with labor first in that what we've been reading out there, it's more availability of labor that's been a concern for healthcare rather than wage inflation, which is also a concern. But I was wondering if you can talk a little bit about availability of labor across your network and whether you have used any contracted labor in Q1 as some other healthcare organizations have.

And how do you see contracted labor use going forward? Thanks.

Riadh Zine

Yeah. Thanks, Endri, for the question.

I think across the healthcare service, it's really both. It's not just availability; it's also cost. Because when you don't have availability, the larger systems like ourselves that could afford to pay more, which would retain talent. And for the smaller players, the bigger issue becomes availability.

But it's both. It's both. I'm not going to tell you we haven't seen inflation. It's not true. We've seen inflation. So it's not just availability.

And for a company of our scale, we haven't changed our practices. Most of our clinical staff is full time and has remained that way through what we're witnessing. And the pool of contractors we use, they're always there for surge in volume or for, really, kind of situations where you have to replace someone that, for some reason, they're not available for many reasons, including being on vacation.

So the structure of how we deploy our clinical staff hasn't changed, but what's changing is, if you are replacing someone, the availability is not what it used to be, and the cost is not what used to be.

Endri Leno

Okay. Well, that's great color. Thank you, Riadh.

And the second question for me is if you can talk a little bit about seasonality. I know you've mentioned that Q4 and Q1 are usually the weakest. But in terms of perhaps something a bit more concrete in terms of what percentage of your business is in Q1, Q2, and Q3 and I mean throughout the year. Just trying to kind of get a sense of what a normal Q1 would look like without any impact and especially what the cadence in volumes or business is between Q1 and Q2. Thank you.

Bill Larkin

Yeah. I can take this.

Riadh Zine

Bill, you want to take that?

Bill Larkin

Yeah. I don't think we can get into percentages because it does vary every single year. And outside the normal course of business, there's other factors that could impact the business, for example, with omicron in January and February.

But typically, when we look at the seasonality of our business, Q1 is typically the lowest quarter of the year. And then we would typically see an increase in Q2, increase in Q3. And then in Q4, we'll see a drop off from Q3, and that's principally because you're starting to getting into the winter months; you have a lot of holidays in there during that time period. So, we expect we're going to see that drop off in December. So that's typically the quarter-by-quarter cadence we would see each year.

Endri Leno

Okay. Are you able to provide just any kind of general color, like the difference—

Bill Larkin

Yeah. It's—

Endri Leno

—10%, 15% difference? Or more or less?

Bill Larkin

It's going to vary from year to year. There's just so many different factors that go into our business that impact that it's hard to put a specific percentage on what the quarter-over-quarter change would be.

Endri Leno

Okay. Okay. Well, thank you. That's it for me. Thank you.

Riadh Zine

Thank you, Endri.

Operator

Rishi Parekh from Barclays. Please go ahead.

Rishi Parekh — Barclays

Thanks for taking my question.

One, I just want to go back on the reserve question. It seems like you didn't take much of a reserve in the quarter. I think the last quarter you took a $5 million reserve. So let's just call it a couple of million, which probably implies that you're seeing some visibility in terms of collections.

Can you just remind us as to what percentage of your receivables are tied to some of those collections in Georgia? And what you're seeing in terms of those collections? And then, more importantly, what is the amount that you're hoping to collect?

And then I do have a follow-up on that specific question.

Bill Larkin

Yeah, Rishi.

Riadh Zine

Yeah. Going back to the question—yeah. Sorry, Bill, let me just put it into context.

Bill Larkin

Go ahead.

Riadh Zine

So, one, we don't disclose what's the make between the—we haven't disclosed in the past the make between—to your point, Rishi, between attorney collections and the rest. But that's obviously a significant part of—given the longer cycle, it's a significant part of the AR. That's number one.

Number two, yes, you're correct, Rishi, on we took more than $5 million provision in Q4. We didn't take any in this quarter. So that is, obviously, stability. But that also doesn't mean that all the prior provisions that we took is because you actually—you're not going to collect it. It's just basically the way the visibility or the information that you have available at that time.

Because what—we had two things. One was the fact that it was a business that didn't have enough history on our platform, which has impacted the level of provision. But then also, what has recently impacted the level of provisions was the court shutdown of 18 months. But that's not—as Q1 business is back to normal, and we don't see the need for any additional level of provisions.

Rishi Parekh

Okay. And then—go ahead.

Bill Larkin

Yeah. I just want to add, this is not a static process. And so, it's nice we've got stability in the collection rates in Q1. However, we're continuing to look throughout the entire billing and collection process and looking for opportunities how to improve collections across the entire business. It doesn't matter if it's commercial, auto, attorney, it's a continuous process that we're trying to look to improve our collections in each of the businesses.

So, hopefully, through some of those initiatives, we potentially could have some pickup in the future if we start to see some improvements in those collection rates being driven by our initiatives. And we'll be able to talk about—

Rishi Parekh

And is there any thought about maybe factoring or selling those receivables in advance, just maybe capture those advanced rates today rather than waiting a year to see what those collections could look like?

And then just a last question on the inflationary aspect of it. Is there any way you could maybe just quantify what the inflationary impact was in the quarter to your cost or to your expenses? Just we want to better understand how that might roll down through the year. Thank you.

Bill Larkin

Riadh, you want to take that?

Riadh Zine

Yeah. I think I'll take the first one, Bill, and you could talk about the second one.

On the first one, yeah. We continue to evaluate the attorney. And that's more of a—I think we got to a point now where it's not really—even if we're going to do something like that, it's not going to be—to actually, Rishi, to your point—it's not really to have an advance on cash. If we're going to do something like that because we obviously, we think the level of provision was so conservative that it doesn't reflect the value anymore.

So that would be a driver because, obviously, at that point, you have to make an economic decision that makes sense. But we will not do it to advance cash. That's the least of our problems right now on the attorney collections that we don't have a—that's not an issue for us.

The business is growing. We have more opportunities to grow that business. We're actually in a much better position than other players, despite the fact that the courts have shut down for 18 months. So if we're going to do that, it would be more of a strategic decision, and it's going to be done in partnership where we could grow the business and also will make economic sense to all parties involved.

And, Bill, on the second question?

Bill Larkin

Sure. Yeah. So, Rishi, the inflationary pressures, I think we spend a lot of time talking—labor is really one of our biggest costs or inputs into our business. And we're keeping a close eye on that and the impact of wage inflation throughout the entire healthcare industry. And we're all dealing with that issue and trying to manage that as well as staffing across the entire organization, employee retention, and attracting talent to the organization because, at the end of the day, we do—us, like many other healthcare providers, we have a high fixed cost.

And so the best solution to tackling that is driving the top line because a larger portion of those revenues drop to the bottom line, which will ultimately drive bottom-line growth. So we're really looking at labor with the leadership team, HR. We're looking at that across the entire organization.

And other areas, you've got insurance. There's some other inputs to a lesser extent. We've talked about fuel. But at the end of the day, it's really labor. And we'll continue to stay on top of that and look for opportunities to manage that, manage our cost structure.

But again, at the end of the day, this is about growing the top line and leveraging our fixed-cost footprint so we can drive bottom-line growth throughout the organization.

Operator

Thank you. With this, we'll conclude today's question-and-answer session.

And now I would like to hand the call back over to Riadh for any closing or additional remarks. Over to you.

Riadh Zine

Thank you, everyone, for your participation on today's call.

Akumin's visions continue to be centered around patient-focused innovation, service delivery standardization, and providing exceptional healthcare value, all in an outpatient care setting.

We are today a leading outpatient healthcare service provider with significant scale, with long-standing hospital and health system relationships. On a pro forma basis, we've generated in excess of $740 million of revenues. We serve patients in more than 234 fixed-site radiology/oncology centers, and with more than 4,000 team members across the US.

As I've said earlier, our integration and transformative initiatives are well underway, and we continue to expect 2022 to be a milestone year as we build on this solid foundation. Our company has never been better positioned to capitalize on all the trends we've discussed today and all the growth opportunities ahead in our industry.

Again, I would like to take the opportunity to thank our staff, radiologists, all of our stakeholders for their efforts and ongoing support as we continue to go through this transformation at new Akumin.

This concludes our call. Thanks again to all participants for your interest.

Operator

Thank you. Ladies and gentlemen, you may now disconnect. Thank you for your participation.

This transcript has been prepared based on recordings of the earnings call. Akumin does not represent or warrant that this transcript is error-free. Readers are encouraged to listen to recordings available of the earnings call.