



**AKUMIN**

**Q1 2020 EARNINGS CALL**

# Disclaimer

## Forward-looking Information

This report contains or incorporates by reference "forward-looking information" or "forward-looking statements" within the meaning of applicable Canadian securities laws. Forward-looking statements describe our 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. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions are material factors made in preparing forward-looking information and management's expectations, including, among others, expected performance and cash flows, changes in laws and regulations, expenses incurred, future growth of the diagnostic imaging market, changes in reimbursement rates by insurance payors, the outcome of litigation and payment obligations in respect of prior settlements, the availability of radiologists at our contracted radiology practices, 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, future compensation of named executive officers, our ability to build our market share, our ability to retain key personnel, our ability to maintain and expand geographic scope and the changes and trends in our industry or the global economy.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. Potential investors are encouraged to review the detailed description of those risk factors found in the "Risk Factors" section of our annual information form dated March 31, 2020 is available on SEDAR at [www.sedar.com](http://www.sedar.com). There can be no assurance that the forward-looking information in this presentation will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made.

## Non-IFRS Measures

This report makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these non-IFRS measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these non-IFRS measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS financial measures, including "EBITDA", "run rate", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "Adjusted EPS-Diluted". These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

## Certain Other Matters

Any graphs, tables or other information demonstrating our historical performance or any other entity contained in this presentation are intended only to illustrate past performance of such entities and are not necessarily indicative of our future performance or such entities.

All references to "\$" are to United States dollars unless stated otherwise.

# Agenda

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## Q1 2020 Financial Results

- Financial Summary
- Volume
- Revenue
- Adjusted EBITDA
- Balance Sheet

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## Credit Agreement Amendment

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## COVID-19 Status and Cost Containment

# Financial Summary

*Q1 2020 results  
affected by COVID-19  
in March 2020*

## Summary Consolidated Financial Results

*(in thousands, except for EPS)*

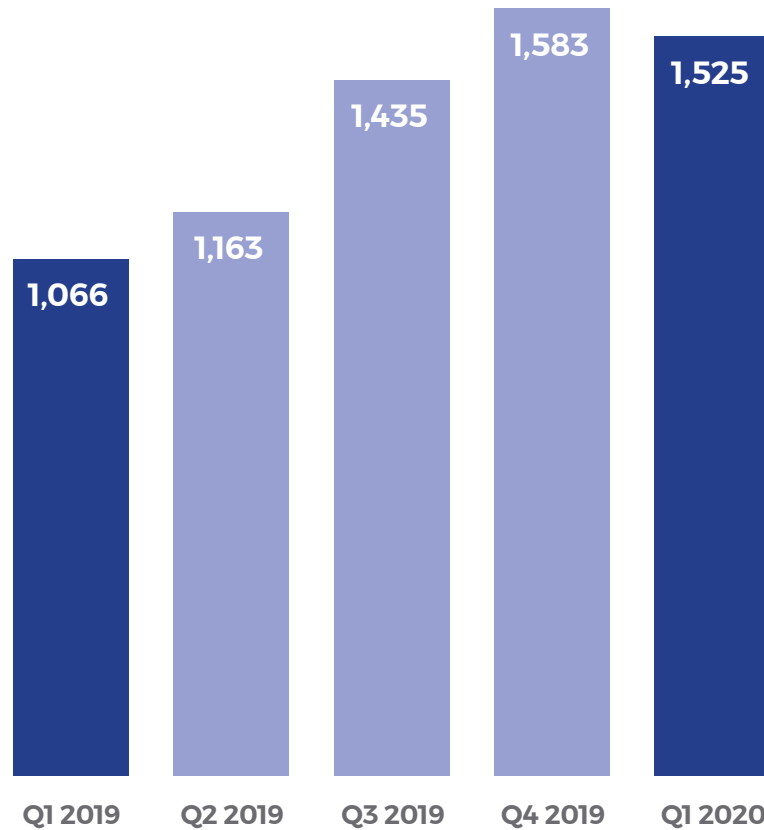
	Q1 2020	Q1 2019
<b>RVUs</b>	1,525	1,066
<b>Revenue</b>	71,262	47,551
<b>EBITDA</b>	20,311	12,044
<b>Adjusted EBITDA</b>	14,968	9,251
<b>EPS - Diluted</b>	0.02	0.03
<b>Adjusted EPS - Diluted</b>	0.03	0.05

# Volume

Volumes impacted  
by COVID-19 during  
March 2020

## Relative Value Units (RVUs)

(Values in thousands)

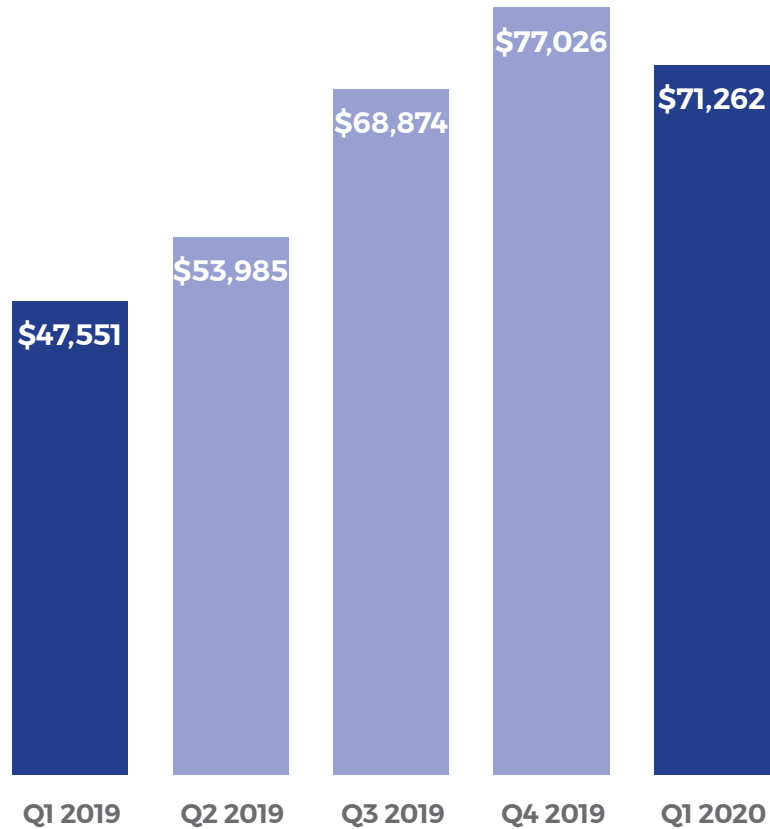


- 1% same-center decline in volume (7% same-center growth excluding March 2020, which was impacted by COVID-19)
- 43% year-over-year volume growth due to acquisitions

# Revenue

*Sequential decline in revenue due to seasonality, COVID-related volume impact and an incremental bad debt provision to account for potential COVID impacts*

## Revenue (Values in USD thousands)



- 50% year-over-year revenue growth
- Relatively stable pricing environment

### Revenue / RVU

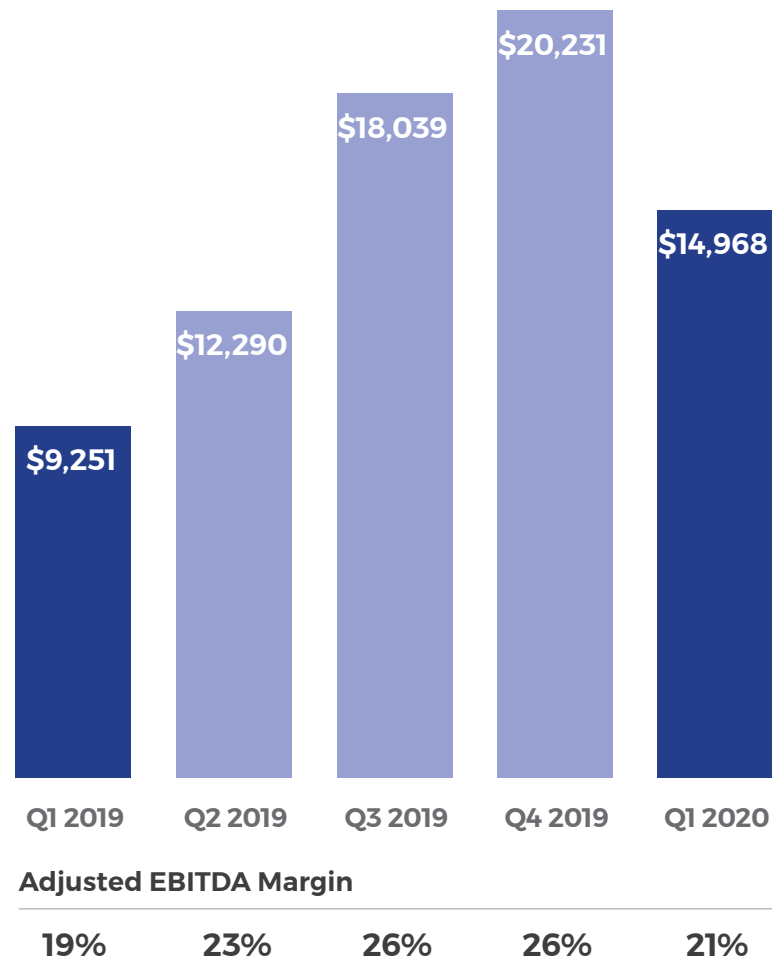
\$45	\$46	\$48	\$49	\$47
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# Adjusted EBITDA

*Reduced EBITDA margin due to lower revenue*

## Adjusted EBITDA

*(Values in USD thousands)*



COVID-19 cost containment strategies together with integration of acquired businesses expected to improve future margin profile

# Balance Sheet

As at March 31, 2020

*Ongoing focus on cost efficiencies and recent amendment to Credit Agreement provides Akumin with greater flexibility*

## Day Sales Outstanding (DSO) <sup>(1)</sup>

- DSO is 108 days (Q4 2019 – 98 days)
- DSO is 74 days excluding auto/attorney payors (Q4 2019 – 66 days)
- Increase in DSO is mainly due to seasonally low collections in Q1 2020, impact of billing integration of acquisitions, 2020 acquisitions and COVID-19

## Net Debt

- Cash as at March 31, 2020, was \$16.6 mm
- Net debt of ~\$344.1 mm (total debt excluding operating lease liabilities, less cash)
- Recent amendment to Credit Agreement provides Akumin greater flexibility in its financial ratio covenants

## Capital Expenditures

- Q1 2020 capital expenditures were approximately \$2.6 mm
- Represents ~4% of Q1 2020 revenue
- Long-term capital expenditure to revenue ratio is expected to be ~5%-6%

(1) Based on run-rate revenues at the end of Q4/2019



# Credit Agreement Amendment

*Adjusted covenant ratios provide greater flexibility and increased revolver capacity provides increased liquidity*

## Increased Revolver Capacity

- Revolver capacity has been increased from \$50 million to \$69 million
- Draws beyond \$50 million require lender consents
- Currently \$28.4 million drawn

## Covenant Flexibility

- Four quarters of relief granted with adjusted total leverage ratio and fixed charge ratio

## Call Premium

- The Term Loan B facility has a call premium of 2% until June 1, 2021 and 1% until June 1, 2022

# COVID-19 Status and Cost Containment

*Expected Q2 revenue reduction from COVID-19 impact should be partly offset by cost containment initiatives*

## **Current Status**

- Government “stay-at-home” and other measures have largely been relaxed in our major markets
- Daily average volume declined to a low point of approximately 55% in mid-April 2020 but rebounded to an estimated decline of 25% by late-May 2020<sup>(1)</sup>

## **Clinical Operations**

- 17 clinics temporarily closed with volume consolidated to nearby clinics
- Reduction of clinic operating hours

## **Cost Structure**

### **Payroll Costs:**

- Approximately 29% of staff was furloughed or laid off
- All other staff had hours reduced or pay decreased

### **Variable Costs:**

- Many vendor and supplier costs are tied to volume and their cost reduced as volume declines

## **Liquidity Management**

- Arrangements are being negotiated with landlords, equipment lessors and other vendors to defer payments

<sup>(1)</sup> All as compared to week ended March 6, 2020



**AKUMIN**

QUESTION & ANSWER