LSEG STREETEVENTS

EDITED TRANSCRIPT

DR.TO - Q2 2026 Medical Facilities Corp Earnings Call

EVENT DATE/TIME: AUGUST 06, 2026 / 12:30PM GMT

CORPORATE PARTICIPANTS

Jason Redman *Medical Facilities Corp - Interim President and Chief Executive Officer, Executive Director*

David N. T. Watson *Medical Facilities Corp - Chief Financial Officer*

PRESENTATION

Operator

Good morning, everyone.

Welcome to the Medical Facilities Corporation's 2026 quarter earnings call after management's remarks, this call will include a question-and-answer session when qualified equity analysts may ask questions for turning the call over to management, listeners are reminded that today's call may contain forward statements within the meaning of the Safe Harbor provisions of Cannesian provincial securities laws.

For booking statements involve risks and uncertainties, and undue reliance should not be placed on such statements, certain material factors or assumptions are applied in making forward-looking statements, actual results may differ materially from those expressed or implied in such statements for additional information, please consult the MDMA for this quarter.

The risk factor section of the annual information form and medical facilities, other filings with Canadian securities regulators, medical facilities does not undertake to update any forward-looking statements except as required by law. Such statements misspeak only as of the date made.

I would now like to turn the meeting over to Mr. Jason Redman, President and CEO of Medical facilities, please go ahead, Mr. Redmond.

Jason Redman - *Medical Facilities Corp - Interim President and Chief Executive Officer, Executive Director*

Good morning, everyone, and thank you for joining us.

On the call with me is our Chief Financial Officer David Watson.

Earlier this morning we reported our second quarter results, on news release, financial statements, and MD&A are available on our website and been filed on Cedar Plus.

Before we begin, I will highlight the income statement variances Dave and I will be discussing are for continuing operations, and the amounts of food non-controllable, non-cash, corporate level charges related to share-based compensation plans, as usual, all dollar amounts in US dollars unless otherwise specified.

Starting with our operating performance for the quarter, the facility service revenue grew by 7.8%, driven by a favorable case mix that was weighted more towards higher value orthopedic and spine procedures.

The higher revenue translated to a 9.4% increase in income from operations and a 7.1% increase in EBITDA compared to Q2 of last year.

The capital allocation front, we demonstrated a strong and sustained commitment to returning capital to shareholders.

During the quarter we repurchased approximately 1.34 million common shares for $17.1 million under a normal course issuer bid, bringing total purchases in the first half of the year to approximately 1.66 million shares for $21 million.

Subsequent to the quarter end, we are pleased to report we have now fully utilized the purchase limit of approximately 1.81 million shares under the current NCIB.

Commencing with the change in corporate strategy back in Q3 of 2022, the corporation has cumulatively returned approximately $218 million Canadian to shareholders through a combination of NCIBs, substantial for bids, and dividends.

Lastly, we ended the quarter with a consolidated cash balance of $64.1 million including $58 million at the corporate level.

This liquidity position provides flexibility for us to continue supporting our hospitals by evaluating opportunities to return capitalist shareholders in the most efficient manner.

With that, I will now turn the caller with David to review your financial results for the quarter, David.

David N. T. Watson - *Medical Facilities Corp - Chief Financial Officer*

Thanks, Jason, and good morning, everyone.

Our revenue for the quarter totaled 63.1 million, which was up 7.8% year over year.

Most of the increase was attributable to the combined impact of payer and case mix, the case mix included more higher value orthopedic and spine procedures.

We also benefited to a smaller degree rate increases.

Our surgical case volume is 0.3% lower in the quarter, however, if to exclude low margin dental cases, surgical volumes were essentially flat.

Although outpatient cases edged up 0.9% in the quarter, inpatient cases fell 12.5% in observation cases were down 9.1%. Pain management cases were down 19.9%, with the decline again stemming from Arkansas Surgical Hospital, as we've noted.

On prior calls on both hospitals have active recruitment campaigns to attract additional pain physicians to add volume. I'm pleased to mention that Arkansas Surgical Hospital has a new pain physician as well as a new orthopedic surgeon joining at the start of September.

Looking at our expenses for the quarter, overall operating expenses increased 3.8 billion or 7.6%.

Of drugs in size, which were up 12.5% and largely a reflection of our case mix.

In addition, consolidated salaries and benefits increased 6.4% due to annual merit increases, elevated market-driven compensation for anesthesia, nurse practitioners and higher health plan benefits utilization.

G&A expenses were also up 3.8%, with the increase primarily due to higher cost for contracted anesthesia services, repairs and maintenance, billing fees, and marketing costs.

In terms of our profitability for the quarter.

Income from operations increased 9.4% to $9.6 million and EBITDA was up 7.1% to 12.5 million.

Turning to our balance sheet, consolidated networking capital was 65.2 million at the end of June, including 64.1 million in cash and cash equivalents.

This compares to 54 million in working capital and 43.4 million in cash in cash equivalent back at the end of December.

The change in consolidated networking capital was driven largely by the sale of Oklahoma Spine Hospital in Q1, which increased cash but was partly offset by a reduction in current assets and liabilities for the removal of Oklahoma's fines held for sale balances.

Finally, we continue to operate with no corporate level bank debt, having paid off our corporate credit facility back in 2024.

This concludes our prepared remarks.

We would now like to open up the call for questions, operator.

QUESTIONS AND ANSWERS

Operator

Thank you, ladies and gentlemen, we will now begin the question-and-answer session.

Should you have a question, please press the star, followed by the number 1 on your touchstone phone, you will hear a prompt that your hand has been raised.

Should you wish to decline from the polling process, please press the star followed by the number 2, if you are using a speakerphone, please lift the handset before pressing any keys.

One moment please.

For your first question.

Again, if anyone would like to ask a question, you may please press the one on the telephone keypad.

We don't have any question on the queue; I would now like to turn the call over to Mr.

Jason Redman, please go ahead.

Jason Redman - *Medical Facilities Corp - Interim President and Chief Executive Officer, Executive Director*

Thank you, operator, and thank you to everyone joining us this morning.

We appreciate your continued support and look forward to keeping you updated on our progress, have a great day.

Thank you, ladies and gentlemen, this concludes today's conference call, thank you for your participation, you may now disconnect.
