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EDITED TRANSCRIPT

DR.TO - Q3 2026 Medical Facilities Corp Earnings Call

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CORPORATE PARTICIPANTS

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

David Watson *Medical Facilities Corp - Chief Financial Officer*

PRESENTATION

Operator

Good morning, everyone. Welcome to the Medical Facilities Corporation's 2026 third-quarter earnings call. (Operator Instructions) Before turning the call over to management, listeners are reminded that today's call may contain forward-looking statements within the meaning of the Safe Harbor provisions of Canadian provincial securities laws. Forward-looking 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, and actual results may differ materially from those expressed or implied in such statements. For additional information, please consult the MD&A 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 speak 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. Redman.

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. This morning, we report our third-quarter results. Our news release, financial statements, and MD&A are available on our website and SEDAR+.

Before we begin, note that the income statement variances Dave and I will be discussing are for continuing operations, and the amounts exclude non-controllable and non-cash corporate-level adjustments related to share-based compensation plans. As usual, all figures are in USD unless otherwise specified. Looking at our performance, MFC delivered a strong third quarter with increases in spine procedures, higher acuity orthopedic cases, and pain management cases. Our case mix, combined with a favorable payer mix, drove a 9.8% increase in facility service revenue and improved profitability in the quarter.

Income from operations grew 17.3% to $11.2 million, while EBITDA increased 13.5% to $14.1 million. In addition to delivering strong operating performance, we fully utilized our normal course issuer bid purchase limit of approximately 1.8 million common shares by mid-July. Through the first nine months of the year, we repurchased just under 1.7 million shares for $21.5 million, highlighting our continued commitment to returning capital to shareholders. In fact, since the change in corporate strategy in Q3 of 2022, MFC has cumulatively returned approximately CAD 219.6 million to shareholders through a combination of NCIBs, substantial issuer bids, and dividends. Finally, we ended the quarter with a consolidated cash position of $70.8 million, including $60.7 million at the corporate level, and we remain free of corporate debt. Our strong balance sheet provides significant financial flexibility and supports our capital return strategy.

With that, I will turn the call over to David to review our financial results in more detail. David?

David Watson - *Medical Facilities Corp - Chief Financial Officer*

Thanks, Jason, and good morning, everyone. Starting with our top line, we had revenue of $65.9 million for the quarter, which is up 9.8% year-over-year. As Jason mentioned, most of the increase was due to the combined impact of case and payer mix. In addition to volume growth in spine procedures, higher acuity orthopedic cases, and pain management, we also benefited from payer rate increases. Total surgical case volume was down 1.6%, with inpatient, observation, and outpatient cases declining 3.4%, 2%, and 1.3% respectively. However, when excluding low-margin dental cases, surgical volumes were relatively stable, decreasing only 0.6%. Looking at our expenses for the

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quarter, total operating expenses increased $4.2 million, or 8.4%. The largest increase was in drugs and supplies, which rose 12.2% in the quarter, primarily reflecting changes in case mix.

Consolidated salaries and benefits increased 7.7%, driven by annual merit increases, as well as higher market-driven compensation for anesthesia nurse practitioners. Meanwhile, G&A expenses were up 5.5% due to increases in repairs and maintenance and contracted services related to anesthesia, professional fees, and billing fees. Importantly, our profitability strengthened in the quarter, with income from operations increasing 17.3% to $11.2 million and EBITDA being up 13.5% to $14.1 million. Turning to our balance sheet, consolidated net working capital was $67.4 million at quarter end, including $70.8 million in cash and cash equivalents. This compares to $54 million in net working capital and $43.4 million in cash and cash equivalents at the end of December.

The increase in net working capital was driven primarily by the sale of Oklahoma Spine Hospital in Q1, which boosted cash but was partially offset by the removal of OSH's held-for-sale balances and current assets and liabilities. Lastly, we remain free of corporate-level bank debt, having fully repaid our corporate credit facility in 2024. This concludes our prepared remarks. We would now like to open up the call for questions. Operator?

Operator

(Operator Instructions) There are no questions at this time.

I'd now like to turn the call back over to Mr. Redman for final closing comments.

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.

Operator

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your --

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