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DR.TO - Q3 2024 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 Medical Facilities Corporation's 2024 3rd quarter earnings call after management's remarks, this call will include a question and answer session whereby qualified equity analysts will be permitted to ask questions 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 risk 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.

The risk factors 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. 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.

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

Thank you operator and good morning, everyone with me on the call is our Chief Financial Officer David Watson.

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

Please note that the income statement variance is discussed by David and I this morning will include the results in the divested MS CNAs CS and non-controllable non-cash corporate level charges related to share-based compensation plans.

We had a solid third quarter characterized by an increased number of surgical cases, a net decrease in operating expenses and the return of additional capital to shareholders.

But the big story for the quarter was that the US Small Business Administration completed his post-payment loan reviews and confirmed full forgiveness and all outstanding PPP loans.

As a result, we recognize government stimulus income of \$11.4 million during the quarter.

The corresponding liability on the government's seamless funds repayable was also reversed in the balance sheet.

Thanks largely to the recognition of the government stimulus income, total revenue and other income for the quarter increased by \$11.6 million or 11.2% to \$115 million.

Facility service revenue was essentially flat at approximately \$103.6 million in the quarter.

Importantly, even when excluding the government's seamless income, our income from operations increased 11.7% to \$14.2 million. And EBITA was up 8.3% to \$19.1 million. On the NCIB front, we repurchase 554,900 shares in the quarter and 1,230,600 shares over the first nine months of the year. Thereby returning \$5.7 million and \$11.3 million to the shareholders in those respective periods.

Additionally, we continue to reduce our corporate debt, lowering the balance on our credit facility by a further \$2 million for the quarter, making it a \$12 million decrease over the first nine months and resulted in an outstanding balance of only \$4 million at quarter end.

Before turning things over to David, I wanted to give a big shout out to the team at Arkansas Surgical Hospital during the quarter. Ash was ranked one of the TOP10 hospitals in the US for low readmission rates as measured by the hospital readmission reduction program by CMS was the only hospital in Arkansas to make that list.

I would now like to turn the call over to David to review, to review our financial results for the quarter. David.

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

Thank you, Jason and good morning everyone. As usual, please note that all dollar amounts that follow are in US dollars.

Third quarter facility service revenue increased \$215,000 to 103.6 million as higher surgical and pain management case volumes were partly offset by the combined impact of case and payer mix, total surgical cases rose by 3.1%. With observation cases up 13% and outpatient cases increasing by 6.5%. While inpatient cases declined by 22.1%.

Pain management cases grew by 13.4%.

Total Operating expenses declined 1.1% to \$90 million. With reductions in drugs and supplies largely offset by increases in salaries and benefits. And G&A expenses consolidated salaries and benefits rose by 4.5% as a result of higher clinical and nonclinical salaries due to annual merit increases full time equivalent increases market wage pressures and higher physician salaries. This is partly offset by the impact of the sale of Black Hills surgical hospitals and Gillette Urgent Care Center. Back in April, we saw a 7.2% decrease in consolidated drugs and supplies largely due to the impact of lower acuity cases. In addition to improved cost savings at certain facilities, consolidated G&A expenses were essentially flat year over year.

And as Jason mentioned earlier, income from operations was up 11.7% to \$14.2 million in the quarter. And EBITDA increased by 8.3% to 19.1 billion.

Looking at our balance sheet at the end of the quarter, we had consolidated working capital of \$11.4 million in cash and cash equivalent of 18.7 million compared to working capital of 19.8 million in cash and cash equivalent of 24.1 million. At year end.

The decreases in net working capital and cash and cash equivalents are the result of the continuing return of capital to shareholders through dividends and NCIB share purchases. Along with further reductions in corporate debt.

In the first nine months of the year, we paid \$4.5 million in dividends, reduced our corporate credit facility outstanding balance by 12 million and returned \$11.3 million to shareholders by repurchasing a little over 1.2 million common shares under the NCIB.

This concludes our prepared remarks. We now like to open up the call for questions, operator.

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## 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 star followed by number one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process? Please press star followed by number two. If you're using a speaker phone, please lift the handset before pressing any keys. One moment please for your first question.

Once again, ladies and gentlemen, we will now begin the question and answer session. Should you have a question? Please press star followed by number one on your touchtone phone.

We do not have any questions at this time. Presenters, please continue.

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

Thank you operator and thank you all for joining us this morning. Look forward to sharing more updates with you next quarter.

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**Operator**

This concludes today's conference call. Thank you for your participation. You may now disconnect.

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