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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 2025 3rd Quarter Earnings Call. After management's remarks, this call will include a Question-and-Answer session when qualified equity analysts may 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 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 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 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. Redmond.

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

Good morning everyone, and thank you for joining us today. On the call with me is our Chief Financial Officer, David Watson.

This morning we reported our 3rd quarter results. Our news release, financial statements, and MD&A are available on our website and being filed on CA.

Please note that the income statement variances discussed by Dave and I this morning are for continuing operations and exclude government stimulus amounts from last year.

As usual, all dollar amounts are in US dollars unless otherwise specified.

We had a strong quarter with growth in income from operations and EBITDA driven by increased facility service revenue at each of our highly rated surgical facilities. A big contributor in the quarter was Sioux Falls Specialty Hospital, where, as expected, surgical case volumes had a solid rebound following the planned relocation of a key referral group's clinic earlier in the year.

While the clinic move had a temporary negative impact on volumes in the second quarter, the transition is now behind them. We were pleased to see that the clinic was back to business as usual by the 3rd quarter.

On a consolidated basis, Facility Service Revenue was up 7.5% in the quarter, benefiting from the favorable impacts of case and payor mix, higher payer rates, and increased surgical case volumes.

Income from operations was up 28.4% and EBITDA increased 17.7% in the quarter.

On the topic of our hospitals, I want to give a quick shout out to the folks at Sioux Falls in Arkansas, both of which received 5 star ratings in September for nurse communications based on CMS's hospital consumer assessment of healthcare providers and systems data.

Finally, on the capital allocation front, it returned \$5.6 Million to shareholders in the quarter to the repurchase of 514,200 common shares under a normal course issuer bid.

For the first nine months of the year, share repurchases under both our normal course and substantial issuer bids totaled about 4.7 million shares, representing \$56.8 million being returned to shareholders and a 20% reduction in our outstanding share count.

Even after these significant returns, our corporate cash position at quarter end remains strong at \$34.5 million.

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

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

Thank you, Jason. Good morning, everyone.

Starting with the top-line, we have Facility service revenue of \$82.6 million for the quarter, which is an increase of 7.5%. As Jason mentioned, the increase is mainly due to the combined impact of case impairments.

In addition, payor rate increases resulted in higher reimbursements per surgical case, and our surgical case volumes were up by 1.1% for the quarter. Outpatient cases were up 3.3%, but inpatient cases decreased by 5.3%, and observation cases were down 3.1%. Pain management cases were down 15.4% in a quarter, mainly due to decreases at Arkansas Surgical Hospital and Sioux Falls Specialty Hospital.

Pain cases were down at Ashe following the departure of a pain doctor in Q4 of last year. As we said in our call last quarter, a new pain doctor started at Ashe this August, and a new spine surgeon joined a referral group's practice in September.

Pain cases at Sioux Falls were impacted by the departure of a pain physician in the second quarter. The hospital is actively recruiting for both a pain doctor and a spine surgeon.

Our operating expenses for the quarter were about \$3.1 million higher than the prior year as increases to consolidated salaries and benefits and to drugs and supplies more than offset our lower G&A expenses.

Consolidated salaries and benefits increased 6.2%, primarily reflecting annual merit adjustments, market wage pressures, and higher benefit costs related to increased health plan utilization.

This is partially offset by a reduction in salaried physicians and clinical staff, including one physician who transitioned from being an employee to joining a referring practice and becoming an owner in the hospital at the end of last year.

Drugs and supplies rose by 10.5%, mainly reflecting a shift in case mix toward higher acuity procedures. This increase was partially offset by improved implant cost savings achieved at certain facilities. Higher surgical case volumes also contributed to the increase, while higher vendor rebates provided a modest offset.

Meanwhile, G&A expenses were down 4.9%, largely due to lower corporate level costs for share-based compensation plans, in addition to savings realized in professional fees and contracted services. These reductions were partly offset by higher repairs and maintenance expenses, along with increased recruiting costs and physician guarantees.

Looking at our profitability for the quarter and again excluding the government's stimulus income last year, income from operations increased 28.4% to \$12.2 million, and EBITDA increased 17.7% to \$16.1 million.

Turning to our balance sheet, at the end of September we had consolidated Net Working Capital of \$43 million with cash and cash equivalent of \$46.8 million.

This compares the Net Working Capital of \$76.4 million and cash in cash equivalent of \$108.5 million at the end of 2024.

The decrease in consolidated Net Working Capital was primarily driven by the completion of the substantial issuer bid in March, which reduced cash and cash equivalents by \$43.7 million. Other significant drivers were the \$14.4 million tax payment in April related to the gain on sale of Black Hill Surgical Hospital and \$14.8 million used to repurchase shares under our Normal Course Issuer Bid(NCIB).

We remained free of corporate level bank debt, having fully repaid our corporate credit facility near the end of last year. As we announced last quarter on August 6th, we executed a new credit agreement with Canadian Imperial Bank of Commerce. The agreement is for a \$40 million revolving credit facility with an option to increase the facility by up to \$25 million contingent upon meeting specified conditions. This concludes our prepared remarks. We would now like to open a call up for questions, operator.

QUESTIONS AND ANSWERS

Operator

Yes, thank you very much. We will now begin the question-and-answer session.

Should you have a question, please press the star followed by the one on your touchdown phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the calling process, please press the star followed by the 2. If you are using a speakerphone, please lift the handset before pressing any keys.

We will wait for one minute then for everyone to queue up for questions.

Just please press one if you have a question.

Okay. It seems we have no questions at this time.

As a quick reminder, You just need to press one.

To ask a question.

Okay.

I believe we have no questions at this time.

Okay, I will now turn the call back to Mr. Redman for closing remarks.

Please go ahead.

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

Thanks to everyone for joining us this morning. We appreciate your continued support and look forward to keeping you updated on our progress. Have a great day.

Operator

Ladies and gentlemen, this concludes today's conference call.

Thank you for your participation. You may now disconnect.

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