

# 3rd Quarter 2018

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## **Management's Discussion and Analysis**

For the Three and Nine Months Ended  
September 30, 2018 and 2017 (Unaudited)

**Viemed Healthcare, Inc.**

**VIEMED HEALTHCARE, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

*(Tabular amounts expressed in thousands of US Dollars, except per share amounts)*

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The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Viemed Healthcare, Inc. ("Viemed" or the "Company"), prepared as of November 1, 2018 and should be read in conjunction with the condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017, including the notes therein. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise specified, all financial data is presented in US dollars. The words "we", "our", "us", "Company", and "Viemed" refer to the Company and/or the management and employees of the Company. The Company's quarterly and annual financial information, its Annual Information Form and other financial documents are available through SEDAR at [www.sedar.com](http://www.sedar.com). SEDAR is the electronic system for the official filing of documents by public companies with the Canadian securities regulatory authorities. None of the information contained on, or connected to Viemed's website is incorporated by reference or otherwise part of this MD&A.

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### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking information" as such term is defined in applicable Canadian securities legislation. The words "may", "would", "could", "should", "potential", "will", "seek", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions as they relate to the Company, including, the disclosure regarding future outlook, are intended to identify forward-looking information. All statements other than statements of historical fact may be forward-looking information. Such statements reflect the Company's current views and intentions with respect to future events, and current information available to the Company, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements that may be expressed or implied by such forward-looking information to vary from those described herein should one or more of these risks or uncertainties materialize. These factors include, without limitation: the general business and economic conditions in the regions in which the Company operates; the ability of the Company to execute on key priorities, including the successful completion of acquisitions, business retention, and strategic plans and to attract, develop and retain key executives; difficulty integrating newly acquired businesses; the ability to implement business strategies and pursue business opportunities; low profit market segments; disruptions in or attacks (including cyber-attacks) on the Company's information technology, internet, network access or other voice or data communications systems or services; the evolution of various types of fraud or other criminal behavior to which the Company is exposed; the failure of third parties to comply with their obligations to the Company or its affiliates; the impact of new and changes to, or application of, current laws and regulations; decline of reimbursement rates; dependence on few payors; possible new drug discoveries; a novel business model; dependence on key suppliers; granting of permits and licenses in a highly regulated business; the overall difficult litigation environment, including in the U.S.; increased competition; changes in foreign currency rates; increased funding costs and market volatility due to market illiquidity and competition for funding; the availability of funds and resources to pursue operations; critical accounting estimates and changes to accounting standards, policies, and methods used by the Company; and the occurrence of natural and unnatural catastrophic events and claims resulting from such events; as well as those risk factors discussed or referred to in Viemed's disclosure documents filed with the securities regulatory authorities in certain provinces of Canada and available at [www.sedar.com](http://www.sedar.com). Should any factor affect the Company in an unexpected manner, or should assumptions underlying the forward-looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Any such forward-looking information is expressly qualified in its entirety by this cautionary statement. Moreover, the Company does not assume responsibility for the accuracy or completeness of such forward-looking information. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the section titled "Risks Factors" in the Company's Annual Information Form for the year ended December 31, 2017, as updated in the Company's subsequently filed MD&A, filed with the securities regulatory authorities in Canada, available on SEDAR at [www.sedar.com](http://www.sedar.com). The forward-looking statements herein reflect the Company's expectations as at the date hereof, and are subject to change after this date. The Company does not undertake to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

**VIEMED HEALTHCARE, INC.**  
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**3rd QUARTER 2018 HIGHLIGHTS**

- Generated revenues of \$17,163,000 during the quarter,
  - As compared to \$15,508,000 from the prior quarter, an increase of 11%, and \$12,451,000 from the prior year third quarter, an increase of 38%.
- Gross Margin of 76% during the quarter,
  - As compared to 73% from the prior quarter and 72% from the prior year third quarter.
- Adjusted EBITDA of \$4,360,000 during the quarter,
  - As compared to \$4,114,000 during the prior quarter, an increase of 6%, and \$4,689,000 from the prior year third quarter, a decrease of 7%.
- Cash on hand of \$10,174,000 as of September 30, 2018 ,
  - As compared to \$8,551,000 as of June 30, 2018 and \$5,098,000 as of December 31, 2017.
- Capital expenditures of \$3,116,000 during the quarter,
  - As compared to \$3,713,000 from the prior quarter and \$2,271,000 from the prior year third quarter.
- Active vent patients of 5,444 as of September 30, 2018,
  - As compared to 5,078 from the prior quarter, an increase of 7%, and 4,044 from the prior year third quarter, an increase of 35%.

**SELECTED FINANCIAL INFORMATION**

For the quarter ended	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
<b>Financial Information:</b>								
Revenue	\$ 17,163	\$ 15,508	\$ 14,111	\$ 13,548	\$ 12,451	\$ 10,901	\$ 10,028	\$ 9,190
Gross Margin	\$ 13,062	\$ 11,323	\$ 10,552	\$ 10,186	\$ 9,311	\$ 7,859	\$ 7,258	\$ 6,558
Gross Margin %	76%	73%	75%	75%	75%	72%	72%	71%
Adjusted EBITDA <sup>(1)</sup>	\$ 4,360	\$ 4,114	\$ 3,762	\$ 1,877 <sup>(3)</sup>	\$ 4,690	\$ 2,408	\$ 3,016	\$ 2,390
Cash (As at)	\$ 10,174	\$ 8,551	\$ 4,634	\$ 5,098	\$ 7,273	\$ 6,917	\$ 6,189	\$ 4,339
Total Assets (As at)	\$ 49,147	\$ 44,168	\$ 40,566	\$ 37,691	\$ 32,740	\$ 30,199	\$ 28,305	\$ 24,679
<b>Operational Information:</b>								
Total CapEx	\$ 3,116	\$ 3,713	\$ 2,930	\$ 3,059	\$ 2,271	\$ 2,691	\$ 2,506	\$ 3,023
Vent Patients <sup>(2)</sup>	5,444	5,078	4,685	4,385	4,044	3,754	3,404	3,073

<sup>(1)</sup> Refer to page five (5) for definition of Adjusted EBITDA

<sup>(2)</sup> Vent Patients represents the number of active ventilator patients on recurring billing service at the end of each calendar quarter.

<sup>(3)</sup> Fourth quarter 2017 Adjusted EBITDA is burdened by the Company's annual performance incentive compensation program which was recorded in full during the quarter due to the effective date of the corporate spinout. The Company plans to accrue these types of costs during each quarter in the future. Normalized Adjusted EBITDA for the fourth quarter 2017 would have been \$4,308,000 had this compensation been accrued throughout the year.

**VIEMED HEALTHCARE, INC.  
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## **ABOUT OUR BUSINESS**

### **Viemed Healthcare, Inc. business objective**

The explosive growth in the number of elderly patients in the US healthcare market is creating pressure to provide more efficient and cost effective delivery systems. Healthcare providers, such as hospitals, physicians and pharmacies, are seeking partners that can offer a range of products and services that improve outcomes, reduce hospital readmissions, and help control costs. Viemed fills this need through a highly effective home treatment model that integrates easily into the processes of referral partners. Viemed is a positive cash flow and profitable company that serves patients with respiratory health diseases and other chronic health conditions. Viemed's organic growth strategy is to increase active patients by increasing patient quality of life while reducing cost for health care providers, mainly through a reduction in hospital readmission rates. The expected result is sustainable organic growth in revenue and earnings.

### **Future outlook**

Viemed is expecting to generate net profit and positive EBITDA, excluding IFRS treatment of non-cash items. Our top priority continues to be the generation of operational net profit, positive cash flow, and positive EBITDA in 2018 and beyond. As we continue to expand in our existing patient base, we plan to enter into new markets through organic sales growth. As we continue to grow and achieve scale, the increasing cash generated from operations will be used to gain market share and further expand our geographical footprint.

Going forward, we seek to find ways to continue to provide our high quality, patient-centric philosophy while generating positive cash flow and operational profits. We will continue to improve on operational efficiencies and sales of our more profitable products so as to maintain a healthy gross margin while increasing revenues.

## **DISCUSSION OF OPERATIONS**

### **Accounting policies and estimates**

The condensed consolidated interim financial statements are prepared under International Financial Reporting Standards ("IFRS") issued by the governing body of the International Accounting Standards Board ("IASB"). The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of condensed consolidated interim financial statements.

### **IFRS accounting treatment**

Management does not rely upon non-cash IFRS accounting treatment of certain items when planning, monitoring, and evaluating the company's performance or in making financial decisions.

### **Non-IFRS measures**

Throughout this MD&A, references are made to a number of measures which are believed to be meaningful in the assessment of the Company's performance. All of these metrics are non-standard measures under IFRS, and may not be identical to similarly titled measures reported by other companies. Also, in the future, we may disclose different non-IFRS financial measures in order to help our investors more meaningfully evaluate and compare our future results of operations to our previously reported results of operations. Readers are cautioned that the disclosure of these items is meant to add to, and not replace the discussion of financial results as determined in accordance with IFRS. The primary purpose of these non-IFRS measures is to provide supplemental information that may prove useful to investors who wish to consider the impact of certain non-cash or uncontrollable items on the Company's operating performance.

### **EBITDA and Adjusted EBITDA**

In calculating EBITDA and Adjusted EBITDA, certain items (mostly non-cash) are excluded from net income or loss including interest, taxes and depreciation. Set forth below are descriptions of the financial items that have been excluded from net income to calculate EBITDA and Adjusted EBITDA and the material limitations associated with using these non-IFRS financial measures as compared to net income.

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- Depreciation may be useful for investors to consider because it generally represents the wear and tear on our property and equipment used in our operations. However, we do not believe these charges necessarily reflect the current and ongoing cash charges related to our operating costs.
- The amount of interest expense we incur or interest income we generate may be useful for investors to consider and may result in current cash inflows or outflows. However, we do not consider the amount of interest expense or interest income to be a representative component of the day-to-day operating performance of our business.
- Gain/loss on derivative financial liability may be useful for investors to consider as it represents changes in the fair value of warrants and exchangeable shares of subsidiaries, driven predominantly by changes in the Company's stock price and exchange rates. These changes are non-cash, as is the settlement of the underlying derivative liability, which occurs upon the conversion of the derivative instrument into Viemed stock.
- Stock-based compensation may be useful for investors to consider because it is an estimate of the non-cash component of compensation received by the Company's directors, officers, employees and consultants. However, stock-based compensation is being excluded from the Company's operating expenses because the decisions which gave rise to these expenses were not made to increase revenue in a particular period, but were made for the Company's long-term benefit over multiple periods. While strategic decisions, such as those to issue stock-based awards are made to further the Company's long-term strategic objectives and do impact the Company's earnings under IFRS, these items affect multiple periods and management is not able to change or affect these items within any period.
- Income tax expense may be useful for investors to consider because it generally represents the taxes which may be payable for the period and the change in deferred income taxes and may reduce or increase the amount of funds otherwise available for use. However, we do not consider the amount of income tax expense to be a representative component of the day-to-day operating performance of our business.

Management uses both IFRS and non-IFRS measures when planning, monitoring, and evaluating the Company's performance.

The following table shows our Non-IFRS measures reconciled to our net income for the indicated periods:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Net Income</b>	\$ 2,424	\$ 4,018	\$ 7,131	\$ 8,202
Add back:				
Depreciation	972	661	2,606	1,804
Interest expense	37	67	151	223
Loss on financial derivative	220	—	414	—
Stock-based compensation	672	—	1,898	—
Income tax expense (recovery)	35	(57)	35	(115)
<b>Adjusted EBITDA</b>	<b>\$ 4,360</b>	<b>\$ 4,689</b>	<b>\$ 12,235</b>	<b>\$ 10,114</b>

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*(Tabular amounts expressed in thousands of US Dollars, except per share amounts)*

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Revenue</b>	\$ 17,163	\$ 12,451	\$ 46,782	\$ 33,380
Cost of Revenue	4,101	3,140	11,845	8,951
<b>Gross Margin</b>	13,062	9,311	34,937	24,429
Selling, general and administrative	9,490	5,187	24,698	15,661
Stock-based compensation	672	—	1,898	—
Depreciation	128	102	458	296
Loss (gain) on disposal of property and equipment	23	(6)	111	162
Loss on warrant conversion liability	220	—	414	—
Other expense	33	—	41	—
<b>Net income before financing expenses</b>	2,496	4,028	7,317	8,310
<b>Financing expenses</b>				
Interest expense	37	67	151	223
<b>Net income before taxes</b>	2,459	3,961	7,166	8,087
Provision for income taxes	35	(57)	35	(115)
<b>Net Income and comprehensive income</b>	<u>\$ 2,424</u>	<u>\$ 4,018</u>	<u>\$ 7,131</u>	<u>\$ 8,202</u>
<b>Income per share</b>				
Basic	\$ 0.06	\$ 0.11	\$ 0.19	\$ 0.22
Diluted	\$ 0.06	\$ 0.11	\$ 0.18	\$ 0.22

### Revenue

For the three months ended September 30, 2018, revenue totaled \$17.2 million, an increase of \$4.7 million (or 38%) from the comparable period in 2017. For the nine months ended September 30, 2018, revenue totaled \$46.8 million, an increase of \$13.4 million (or 40%) from the comparable period in 2017. The increase in revenues for these periods was driven by organic increases in our total patient base, primarily vent patients. Vent patients as of September 30, 2018 totaled 5,444 as compared to 4,044 as of September 30, 2017, an increase of 35%. We expect a continued increase in our patient base throughout the upcoming quarter and thus expect our revenue to be higher for the remainder of 2018.

### Cost of revenue and gross margin

For the three months ended September 30, 2018, cost of revenue totaled \$4.1 million, an increase of \$1.0 million (or 31%) from the comparable period in 2017. For the nine months ended September 30, 2018, cost of revenue totaled \$11.8 million, an increase of \$2.9 million (or 32%) from the comparable period in 2017. Gross margin percentage grew to 76% compared to 75% for the three months ended September 30, 2017. For the nine month period ended September 30, 2018, gross margin percentage grew to 75% compared to 73% in 2017. Gross margin percentage has remained relatively consistent between the 2017 and 2018 comparable periods. The slight increase in gross margin was driven primarily by economies of scale as a result of our increased patient base along with lower medical equipment rental expenses, as we continue to decrease our medical equipment operating leases in favor of purchasing. For the remainder of 2018, we expect our gross margin percentage to remain materially consistent with the current quarter.

### Selling, general & administrative expense

For the three months ended September 30, 2018, selling, general and administrative expenses totaled \$9.5 million, an increase of \$4.3 million, (or 83%) from the comparable period in 2017. For the nine months ended September 30, 2018, selling, general and administrative expenses totaled \$24.7 million, an increase of \$9.0 million, (or 58%) from the comparable period in 2017. The increase during the three and nine month periods ended September 30, 2018 resulted primarily from the recording of annual performance incentive compensation accruals. As previously disclosed, the comparable three and nine month periods in 2017 do not reflect these accruals due to the effective date of the corporate spinout, which caused prior year compensation accruals to be recognized in full during the fourth quarter 2017. We expect that as the Company continues to grow, selling, general and administrative expenses will increase accordingly during the remainder of 2018.

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**Interest expense**

For the three months ended September 30, 2018, interest expense totaled \$0.04 million, a decrease of \$0.03 million (or 45%) from the comparable period in 2017. For the nine months ended September 30, 2018, interest expense totaled \$0.15 million, a decrease of \$0.07 million (or 32%) from the comparable period in 2017. The decrease for these periods was due to a decrease in interest rates on new twelve month leases signed in the current period. Interest expense will continue to be relatively inconsequential as a result of the Company's favorable lease terms and ability to purchase equipment through cash generated from operations.

**Provision for income taxes**

For the three and nine month periods ended September 30, 2018, provision for income taxes totaled \$0.03 million, an increase of \$0.09 million and \$0.15 million, respectively, from the comparable periods in 2017. These increases were primarily the result of state income tax liabilities incurred.

Consistent with the comparable periods in 2017, the three and nine month periods ended September 30, 2018 incurred no federal income taxes. This is the result of prior year net operating loss carry forwards, unrecognized deferred tax assets, as well as a more favorable federal tax environment in the United States. Recent tax changes allow for accelerated deductions for capital expenditures and lower corporate tax rates. Additionally, as disclosed in our prior year annual consolidated financial statements, we had an unrecognized tax shield of over \$58 million. As a result, we expect the Company will incur very minimal income taxes in the future, and most near-term tax payments will result from immaterial state tax liabilities.

**Net income**

For the three months ended September 30, 2018, net income was \$2.4 million, a decrease of \$1.6 million from the comparable period in 2017. For the nine months ended September 30, 2018, net income was \$7.1 million, a decrease of \$1.0 million from the comparable period in 2017. The decrease in net income for these periods was mainly driven by accruals for the annual incentive compensation program, as previously mentioned, and increases in stock based compensation.

**FINANCIAL CONDITION**

	As at September 30, 2018	As at December 31, 2017
Cash	\$ 10,174	\$ 5,098
Accounts receivable and other current assets	11,725	11,903
Property and equipment	27,248	20,690
<b>Total assets</b>	<b>\$ 49,147</b>	<b>\$ 37,691</b>
Trade payables and other current liabilities	\$ 14,716	\$ 13,149
Long term liabilities	1,655	798
<b>Total liabilities</b>	<b>16,371</b>	<b>13,947</b>
Share Capital	70	67
Contributed Surplus	4,586	2,688
Retained earnings	28,120	20,989
<b>Total Liabilities and Shareholders' equity</b>	<b>\$ 49,147</b>	<b>\$ 37,691</b>

**VIEMED HEALTHCARE, INC.  
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### **Liquidity**

As of September 30, 2018, the Company had cash on hand of \$10.2 million. Management considers liquid assets to consist of cash and cash equivalents, accounts receivable and inventory. According to this definition, the Company's liquid assets equal \$20.9 million. While working capital is traditionally used as a measure of a company's liquidity, management believes that a more accurate view of the Company's liquidity is liquid assets less current liabilities. The Company's liquid assets less current liabilities equals \$6.2 million. Additionally, the Company secured a commercial business loan agreement for term loans and lines of credit for up to \$5 million. The unused borrowing base was \$4.9 million and there were no amounts drawn on the line of credit as of September 30, 2018. The line of credit is secured by the assets of the Company. As at September 30, 2018 the Company is required to maintain the following quarterly financial covenants in respect to the line of credit:

<b>Financial Covenant</b>	<b>Require Ratio</b>
Current Ratio	greater than 1.00:1.00
Senior Debt to EBITDA	less than 2.00:1.00

The Company is in compliance with all covenants at September 30, 2018.

The Company's near term cash requirements relate primarily to working capital and general corporate purposes, capital expenditures for medical equipment, finance lease payments and potential acquisitions. Based on the current business plan, the Company believes cash and cash equivalents and the availability of its line of credit will be sufficient to fund the Company's cash requirements for at least the next 12 months

### **Capital Resources**

The Company considers its capital to be shareholders' equity, which is comprised of share capital, contributed surplus, and retained earnings, which is \$32.8 million at September 30, 2018 (December 31, 2017 - \$23.7 million) along with the debt incurred on finance leases, which totaled \$5.4 million at September 30, 2018 (\$5.2 million at December 31, 2017). The Company's objective when managing its capital is to seek continuous improvement in the return to its shareholders while maintaining a low to moderate tolerance level for risk. The Company meets its capital needs through a variety of finance leasing and bank debt. Funds are primarily secured through internally generated cash from operations. There have been no changes to management's approach to managing its capital during the periods ended September 30, 2018 and December 31, 2017.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

### **Share Capital**

At September 30, 2018, there are 37,911,248 common shares of Viemed issued and outstanding, incentive stock options outstanding exercisable for up to 1,546,000 common shares of Viemed, restricted stock units outstanding exercisable for up to 1,715,000 common shares of Viemed and common share purchase warrants outstanding exercisable for up to 177,000 common shares of Viemed.

### **Financing**

The company has financed its operations primarily through funds generated from operations. Cash flow from operations for the nine months ended September 30, 2018 was \$14.2 million as compared to \$10.8 million for the nine months ended September 30, 2017. Additionally, the Company has historically financed a portion of its capital investments through finance leases, and expects to use this financing in the future. The Company's outstanding finance leases at September 30, 2018 totaled \$5.4 million.

The Company has a two year commercial business loan agreement for term loans and lines of credit for up to \$5.0 million. This agreement will carry an interest rate that is based on one month ICE libor plus 3.00% per annum from the date of advance until paid. Any amounts advanced will be secured by substantially all our assets. While we currently have no immediate plans to draw on this facility, the line of credit allows flexibility in funding our future operations. The unused borrowing base was \$4.9 million and there were no amounts drawn on the line of credit as of September 30, 2018.



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**Commitments**

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lesser of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. The associated lease liability is drawn down over the life of the lease by allocating a portion of each lease payment to the liability with the remainder being recognized as finance charges. Leases that do not transfer the risks and rewards of ownership to the Company are treated as operating leases and are expensed as incurred.

**(a) Contractual obligations**

Future payments pursuant to these operating lease and finance lease obligations are as follows:

	As at September 30, 2018		
	Operating Leases	Finance Lease Obligations	Total
Less than 1 year	\$ 341	\$ 4,646	\$ 4,987
Between 1 and 4 years	947	719	1,666
Five years or more	468	—	468
<b>Total Contractual Obligations</b>	<b>\$ 1,756</b>	<b>\$ 5,365</b>	<b>\$ 7,121</b>

**Related party transactions**

On August 1, 2015, the Company entered a ten-year triple net lease agreement for office space with a rental company that is affiliated with the Company's CEO and President, Casey Hoyt and Mike Moore. Rental payments under this lease agreement are US \$18,000 per month, plus taxes, utilities and maintenance.

In addition to the above agreements, the Company paid key management personnel the following:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries and Benefits	\$ 1,533	\$ 511	\$ 2,993	\$ 968
Share-based Compensation	371	—	1,105	—
Rent	60	60	174	181
<b>Total</b>	<b>\$ 1,964</b>	<b>\$ 571</b>	<b>\$ 4,272</b>	<b>\$ 1,149</b>

**Off balance sheet arrangements**

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its results of operations or financial condition.

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**ACCOUNTING AND DISCLOSURE MATTERS**

**Controls and Procedures**

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework that has been used is the Internal Control - Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. There has been no material change in the Company's internal controls over financial reporting during 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures as of September 30, 2018, that the Company's disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company are appropriately designed. Since the December 31, 2017 evaluation, there have been no material changes to the Company's disclosure controls and procedures. The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

**Critical accounting estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the condensed consolidated interim financial statements. We constantly evaluate these estimates and assumptions.

We base our estimates and assumptions on past experiences and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty, thus the amounts currently reported in the condensed consolidated interim financial statements could prove to be inaccurate in the future.

We consider the estimates and assumptions described in this section to be an important part in understanding the condensed consolidated interim financial statements. These estimates and assumptions are subject to change, as they rely heavily on management's judgment and are based on factors that are inherently uncertain.

**Revenue recognition**

Revenue from a customer consists of any combination of the sale and rental of medical equipment and / or patient monitoring services. Revenues are billed to and collections received from Medicare, third-party insurers, co-insurance and patient-pay. Revenue is recognized at the time services are provided net of contractual adjustments based on an evaluation of expected collections resulting from the analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. Contractual adjustments result from the differences between the rates charged for services and reimbursements by government-sponsored healthcare programs and insurance companies for such services. Interest revenue is recognized as earned.

**Accounts receivable**

Accounts receivable are recorded at the time revenue is recognized. The amount billed is the amount the Company believes is the allowable charge as determined by the payer (i.e. MediCare, insurance companies, etc.). These billings can be challenged by the payer. These modified amounts will be the total payment for the services, unless the Company decides to appeal the determination. The historical rate of modifications and appeals results has been used to determine the allowance for bad debts.

Accounts receivable are regularly reviewed for collectability and an allowance is credited to cover the estimated bad debts and billing modifications. The accounts receivable are presented on the Condensed Consolidated Interim Statement of Financial Position net of the allowance for doubtful accounts. It is possible that the estimates of the allowance for doubtful accounts could change, which could have a material impact on our operations and cash flows.

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The Company writes off receivables when the likelihood for collection is remote, and when the Company believes collection efforts have been fully exhausted and it does not intend to devote additional resources in attempting to collect. The write-offs are charged against the allowance for doubtful accounts.

**Income taxes**

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. The Company's income tax provisions reflect management's interpretation of country and state tax laws. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and may remain uncertain for several years after their occurrence. The Company recognizes assets and liabilities for taxation when it is probable that the Company will receive refunds or pay taxes to the relevant tax authority. Where the final determination of tax assets and liabilities is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxes provision in the period in which such a determination is made. Changes in tax law or changes in the way tax law is interpreted may also impact the Company's effective tax rate as well as its business and operations.

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying value of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment concerning the carrying value of assets and liabilities. The current and deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by regulatory agencies. Changes or differences in these estimates or assumptions may result in changes to the current and deferred tax assets and liabilities on the consolidated statements of financial position and a charge to or recovery of income tax expense.

**Significant accounting judgments**

The following are the critical judgments, apart from those involving estimations, that have been made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

**Functional currency**

Management has exercised judgment in selecting the functional currency of each of the entities that it combines based on the primary economic environment in which the entity operates and in reference to the various indicators including the currency that primarily influences or determines the selling prices of goods and services and the cost of production, including labor, material and other costs and the currency whose competitive forces and regulations mainly determine selling prices. The Company's functional currency was determined to be the US dollar, which was determined using management's assumption that the primary economic environment from which it will derive its revenue and expenses incurred to generate those revenues is the United States.

**Segmented reporting**

IFRS 8 requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Company's Chief Executive Officer as he is primarily responsible for the allocation of resources and the assessment of performance.

The CODM uses operating profit, as reviewed at monthly business review meetings, as the key measure of the Company's results as it reflects the Company's underlying performance for the period under evaluation. Operating profit is defined as profit on operations before interest, taxes, stock-based compensation, amortization of intangibles and impairment expenses.

**VIEMED HEALTHCARE, INC.  
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*(Tabular amounts expressed in thousands of US Dollars, except per share amounts)*

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The CODM's primary focus for review and resource allocation is the Company as a whole and not any component part of the business. All revenue streams for the business are managed centrally by functional teams (Demand, Supply, Procurement and Finance) that have responsibility for the whole of the Company's product portfolio. Although some discrete financial information is available to provide insight to the management team of the key performance drivers, the product group profit is not part of the CODM's review. Having considered these factors, management has judged that the Company comprises one operating segment under IFRS 8. As such, the disclosures required under IFRS 8 for the consolidated financial statements are shown on the face of the consolidated statement of income and comprehensive income and consolidated statement of financial position.

**Asset impairment and cash generating units**

**a. Financial assets**

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had such a negative effect on the estimated future cash flows of the asset that the carrying value of the asset can no longer be recovered.

If a financial asset carried at amortized cost is impaired, the impairment is measured as the difference between the carrying amount, or amortized cost of the asset, and the present value of the future cash flows discounted at the instrument's original effective interest rate. The impairment is recognized in earnings or loss. An impairment loss may be reversed if the reversal can be objectively related to an event occurring after the impairment loss recognition. For financial assets measured at amortized cost, the reversal is recognized in earnings or loss.

Individually significant financial assets are tested for impairment on an individual basis. Remaining financial assets are assessed collectively in groups that share similar credit risk characteristics

**b. Impairment of non-financial assets**

Property and equipment is also tested for impairment at each reporting period if impairment indicators exist. Property and equipment impairment is assessed at the Cash Generating Unit ("CGU") level.

When the carrying amount of CGU or group of CGUs exceeds their recoverable amount, the CGU or group of CGUs is considered impaired and written down to its recoverable amount. Recoverable amount is the higher of (i) the fair value less costs to sell and (ii) the value in use.

Fair value less costs to sell is determined as the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from the asset or CGU discounted using a pre-tax discount rate reflecting market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized within earnings or loss. A previously recognized impairment loss may be reversed if the assumptions used to determine the recoverable amount have changed since the impairment loss recognition. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and depletion, if no impairment loss had been recognized.

**Recognition of leases**

Management has exercised judgment in the determination of whether or not a contract to rent equipment represents a financing lease. Using historical returns and other operational data, management has determined that in cases where the Company is the lessor, no rental agreements represent financing leases.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Financial instrument risk exposure

#### **Risk management**

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

#### **Fair values**

The Company has designated its cash as FVTPL which are measured at fair value. Fair value of cash and cash equivalents is determined based on transaction value and is categorized as a Level One measurement.

- Level One - includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two - includes inputs that are observable other than quoted prices included in Level One.
- Level Three - includes inputs that are not based on observable market data.

As at September 30, 2018 and December 31, 2017 both the carrying and fair value amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable, accounts payable - related parties, accrued liabilities, and the current and long term portion of finance lease and long term debt are approximately equivalent due to their short term nature.

#### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk are primarily cash and accounts receivable. Each subsidiary places its cash with one major financial institution. At times, the cash in the financial institution is temporarily in excess of the amount insured by the Federal Deposit Insurance Corporation. Substantially all accounts receivable are due under fee-for-service contracts from third party payors, such as insurance companies and government-sponsored healthcare programs, directly from patients or for rebates due from manufacturers. Receivables generally are collected within industry norms for third-party payors and from manufacturers. The Company continuously monitors collections from its clients and maintains an allowance for bad debts based upon any specific payor collection issues that are identified and historical experience.

As of September 30, 2018, no one customer represented more than 10% of outstanding accounts receivable. The Company does have receivables from Medicare and Medicaid, 57% and 24% respectively. There is very little credit risk associated with these balances as these receivables are from government programs. At September 30, 2018, the Company had approximately \$1.8 million in outstanding accounts receivable related to payments held under a CMS audit that was concluded during the period. The Company expects to receive payment for substantially all of these claims.

Accounts receivable aging for each reporting period is as follows:

	Current	30 - 60	60 - 90	Over 90	Total accounts receivable	Allowance for doubtful accounts
September 30, 2018	\$ 5,333	\$ 1,170	\$ 807	\$ 4,618	\$ 11,928	\$ 3,536
December 31, 2017	\$ 4,531	\$ 2,761	\$ 2,750	\$ 2,799	\$ 12,841	\$ 3,060

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due by continuously monitoring actual and budgeted cash flows, and monitoring financial market conditions for signs of weakness.

As of September 30, 2018, the Company faces no material liquidity risk and is able to meet all of its current financial obligations as they become due and payable. The Company has \$14.7 million of current liabilities (December 31, 2017 - \$13.1 million) that are due within one year but has \$21.9 million of current assets (December 31, 2017 - \$17.0 million), in addition to cash flow generated during 2018 to meet those obligations.

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***Interest rate risk***

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with registered US financial institutions. The Company considers this risk to be immaterial. The interest on the long term debt and finance leases are not subject to cash flow interest rate risk as these instruments bear interest at fixed rates.

**RISK FACTORS**

Except as described herein, the risks and uncertainties of the Company described in the Company's 2018 first quarter Management's Discussion and Analysis, have not materially changed in the second or third quarters of 2018.